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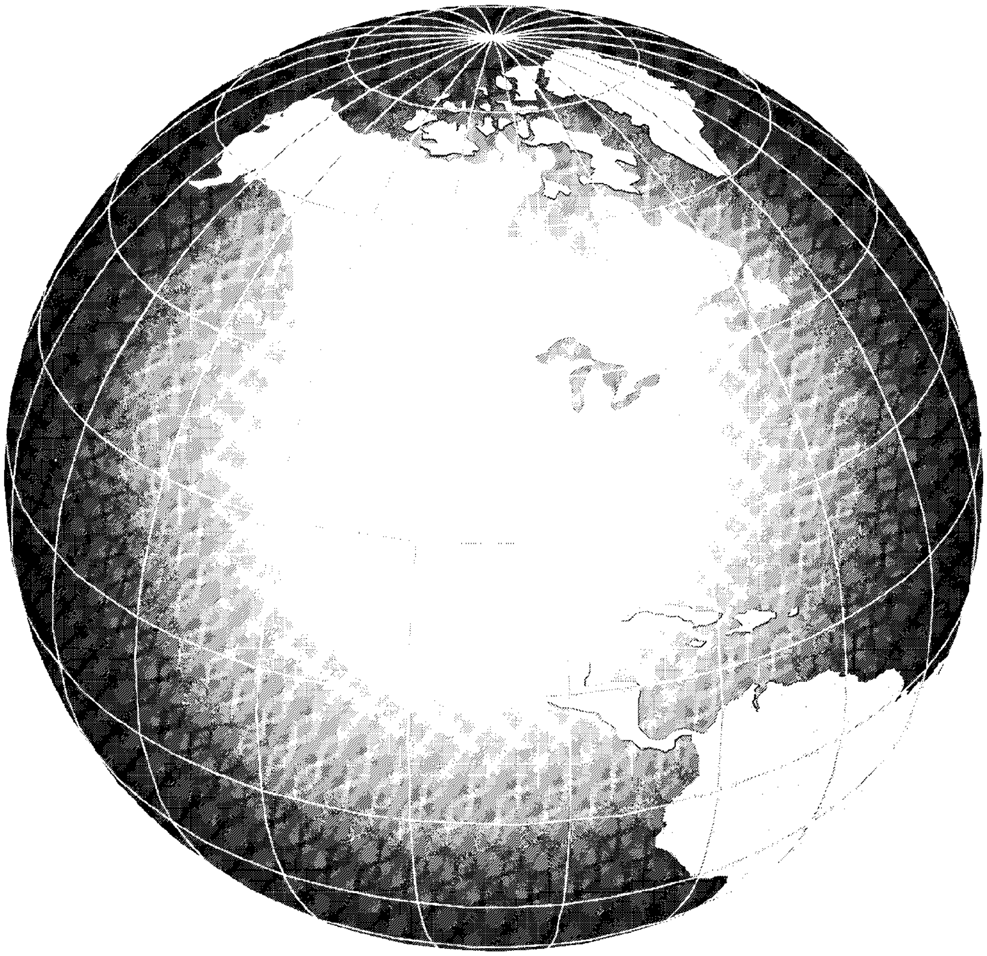
U.S. Department of the TREASURY

PRESS RELEASES

NB-352 Cancelled

THE NAFTA

Expanding U.S. Exports, Jobs and Growth



Clinton Administration Statement
on the North American Free Trade Agreement

“In the face of all the pressures to do the reverse, we must compete, not retreat.’

President Clinton, February 26, 1993

For sale by the U.S. Government Printing Office
Superintendent of Documents, Mail Stop: SSOP, Washington, DC 20402-9328
ISBN 0-16-041871-2

Administration Statement on the North American Free Trade Agreement (NAFTA)

What Does NAFTA Mean?

It Means:

- Harnessing a changing global economy for the benefit of American workers.
- 200,000 new higher-paying, export-related jobs for Americans.
- A level playing field for U.S. exporters.
- Enhanced access to Mexico, a growing market of 90 million consumers.
- Creation of the biggest market in the world.
- Better environmental protection.
- A plan to expand U.S. trade supported by both President Clinton and President Bush.
- Effective U.S. leadership to meet the requirements of the post-Cold War world.

NAFTA—The North American Free Trade Agreement
It's Good For America

July, 1993

The North American Free Trade Agreement (NAFTA): Expanding Exports, Jobs and Growth

"The truth of our age is this—and must be this: Open and competitive commerce will enrich us as a nation... And so I say to you in the face of all the pressures to do the reverse, we must compete, not retreat."

–President Clinton, February 26, 1993

"By building together the largest free trading region in the world, Mexico, the United States and Canada are working to ensure that the future will bring increased prosperity, trade, and new jobs for the citizens of each of our countries."

– President Bush, July 15, 1992

Every generation of Americans has embraced the challenge of its times. None has shrunk from the task. Our biggest challenge today is economic—to channel a changing international economy to our benefit.

The Clinton Administration is committed to rebuilding the U.S. economy from the ground up. We must prepare our entire work force to compete in the global economy and make sure that nobody gets left behind in the process. We look at trade—and every other issue—from the viewpoint of what is best for ordinary Americans who work hard, play by the rules, and want a chance to get ahead. The key building blocks are economic growth and jobs.

The North American Free Trade Agreement (NAFTA) is a part of this forward-looking strategy. This Administration supports the NAFTA with supplemental agreements because it will create high-wage U.S. jobs, boost U.S. growth, and expand the base from which U.S. firms and workers can compete in a dynamic global economy.

Critics of NAFTA use scare tactics to assert that NAFTA will put Americans out of work. The truth is quite the opposite:

- NAFTA will spur further job gains and push jobs related to exports to Mexico toward the 1 million mark.
- Defeating NAFTA could cost hundreds of thousands of such jobs.

The facts about NAFTA:

- NAFTA will create the biggest market in the world —right at our doorstep: a $6.5 trillion market with 370 million people.
- NAFTA will level a playing field that remains—despite recent Mexican market openings—substantially tilted in Mexico's favor. Mexico's tariff barriers to U.S. goods are still 2.5 times greater than our own. All tariffs will be phased out under NAFTA.
- NAFTA will expand benefits the United States has enjoyed since Mexico began to open its markets in 1986. U.S. merchandise exports to Mexico have risen by 228% since 1986, reaching $40.6 billion in 1992.
- U.S. jobs supported by these merchandise exports rose from 274,000 in 1986 to an estimated 700,000 in 1992—and these jobs are in all 50 states. (Merchandise exports to Canada support another 1.5 million U.S. jobs.)
- NAFTA will create an estimated 200,000 additional high-wage jobs related to exports to Mexico by 1995.
- NAFTA will increase opportunities for American firms to sell to Mexico. Those opportunities are especially important for small and medium-size businesses that cannot readily overcome high Mexican border barriers.

- Mexico is already our second largest market for manufactured exports — beating even the more affluent Japan. NAFTA will further increase opportunities for U.S. manufactured exports in Mexico.
- NAFTA will help us promote sustainable development in North America—economic growth with enhanced environmental protection.
- NAFTA will gradually ease many of the pressures in Mexico that currently contribute to illegal immigration across our border.

I. Creating the Biggest Market in the World

With NAFTA, the United States, Canada and Mexico will create the biggest market in the world—a combined economy of $6.5 trillion and 370 million people:

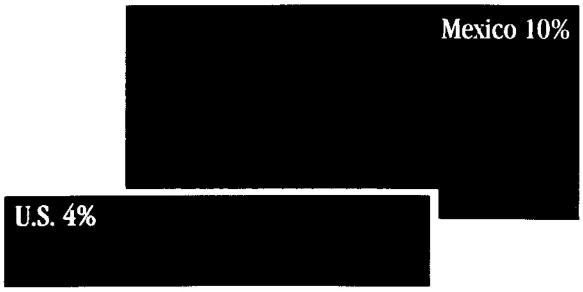
- Our competitors are expanding their markets in Europe and Asia. NAFTA is our opportunity to respond and compete.
- By increasing our export opportunities, NAFTA will enable us to take advantage of U.S. economic strengths and remain the world's biggest and best exporter.

II. Levelling the Playing Field

Mexico's trade barriers are now much higher than ours. NAFTA will level a playing field now tilted heavily in Mexico's favor:

CHART 1

Mexico's Average Tariff Barriers Against U.S. Exports are 2.5 Times Higher than Equivalent U.S. Tariff Barriers Against Imports from Mexico



- Mexico's average tariff against U.S. exports is currently 2.5 times higher than the equivalent U.S. tariff against imports from Mexico. (See Chart 1.)
- By contrast, over 50% of our imports from Mexico already enter duty-free. Our average tariff on imports from Mexico is only 1%.
- Complex Mexican domestic licensing requirements further impede imports into Mexico from the United States.
- Mexico currently has no obligation to continue recent market-opening moves on which thousands of U.S. jobs already depend. NAFTA will not only lock in current access but expand that access.
- NAFTA will eliminate especially burdensome tariffs and non-tariff barriers in a number of key sectors where the United States is competitive vis-a-vis Mexico—such as autos and agriculture.

NAFTA will require relatively little change on our part—while requiring Mexico to sweep away decades of protectionism and overregulation:

- Half of all U.S. exports to Mexico will be eligible for zero Mexican tariffs when NAFTA takes effect on January 1, 1994.
- U.S. exports eligible for tariff-free entry into Mexico include some of our most competitive products:
  - Semiconductors and computers
  - Machine tools
  - Aerospace equipment
  - Telecommunications equipment
  - Electronic equipment
  - Medical devices
- Within the first five years after NAFTA is implemented, two-thirds of U.S. industrial exports will enter Mexico duty-free.
- Under the NAFTA, Mexico will open its market significantly to U.S. manufactured exports. For example, for automotive parts, Mexico will eliminate 75% of its duties over five years and phase out the rest over ten years.
- NAFTA also will require Mexico to open its market to U.S. service exports (U.S. service exports to

Mexico were $8.9 billion in 1992). This will benefit such industries as enhanced telecommunications services, insurance, banking, accounting, and advertising.

- Under NAFTA, our access to Canada's service market also will be more open than it is under the existing U.S.-Canada Free Trade Agreement.

Removing Mexican restrictions against U.S. exports means that U.S. companies no longer will have to invest in Mexico or manufacture in Mexico to supply the Mexican market.

NAFTA will eliminate Mexican requirements that force our companies in Mexico to:

- Purchase Mexican goods instead of U.S.-made equipment and components;

- Export their production, usually to the United States, instead of selling directly into the Mexican market; and

- Produce in Mexico to sell in Mexico. For example, the current Auto Decree has the effect of barring automotive imports from the United States through a complex series of investment requirements that will be phased out under NAFTA.

III. Creating Higher–Wage U.S. Jobs

A strong consensus of the economic studies that have looked at the labor effects of NAFTA have found it will result in increased jobs or increased real wages—or both.

Our ***experience*** confirms the findings of these studies. Since Mexico began to open up its economy and prepare for NAFTA, the number of American workers producing merchandise exports to Mexico has risen from 274,000 in 1986 to an estimated 700,000 last year. (See Chart 2.)

- With NAFTA we anticipate 200,000 MORE export-related jobs by 1995.

- Wages of U.S. workers in jobs related to exports to Mexico are 12% HIGHER than the national average. (See Chart 3.)

NAFTA will further open the Mexican economy so that we can push employment related to exports to Mexico toward the 1 million mark.

CHART 2

U.S. Employment Supported by Merchandise Exports to Mexico

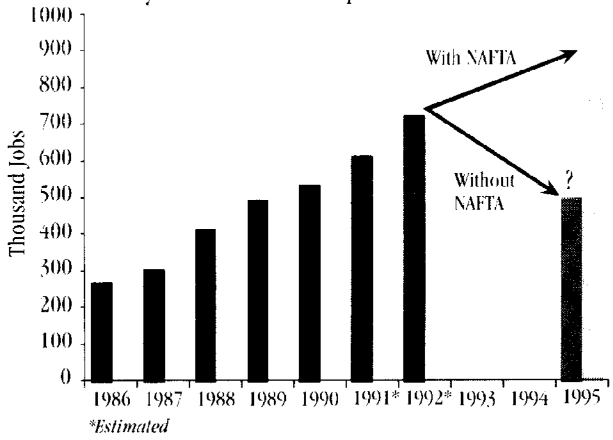
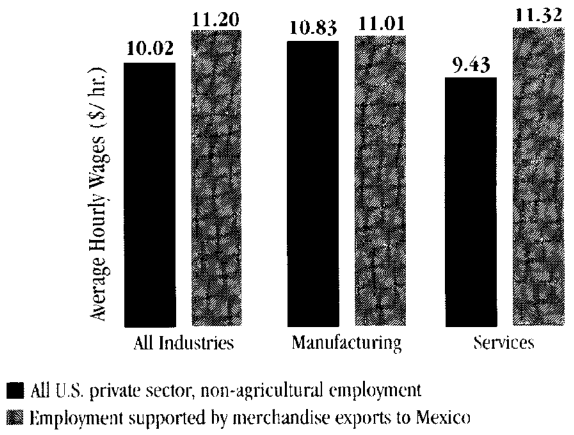


CHART 3

U.S. Jobs Supported by Exports to Mexico Pay More Than Other U.S. Jobs



Defeating NAFTA could cause a sharp drop in exports to Mexico and thus the loss of hundreds of thousands of U.S. jobs:

- Without NAFTA, we anticipate a reduction in U.S. exports and related jobs. Mexico could suffer capital flight, disinvestment, and a loss of confidence in its economy. A less healthy Mexico would be less able to afford imports produced in the United States.

- The precise impact is difficult to measure. However, in the first two years of the Mexico debt crisis (1981-1983), U.S. exports to Mexico dropped by almost half.

- If even a quarter of U.S. exports to Mexico were lost by 1995, U.S. export related jobs would fall from the current level of 700,000 to 500,000 - a loss of 200,000 high wage jobs (and a sharp contrast with the 900,000 projected jobs with NAFTA).

Protecting and Assisting U.S. Workers

NAFTA not only will create a large number of new jobs in export industries, but also will ensure that our import-sensitive industries have substantial room for adjustment

- NAFTA provides for transition periods of up to 15 years in eliminating tariffs and other barriers on the most sensitive U.S. product sectors, such as household glassware, footwear, and some fruits and vegetables.
- For other products, U.S. tariffs will be phased out over 10 years or less. Only tariffs that are already very low will be eliminated immediately after the agreement enters into force.
- This gradual removal of barriers will provide companies and workers time to respond to changing competitive conditions.
- NAFTA contains special rules allowing a temporary reinstatement of U.S. tariffs or other measures to protect U.S. workers and farmers in the case of injury from a sudden surge in imports from Mexico or Canada. President Clinton has directed U.S. trade negotiators to seek a supplemental agreement to be sure this provision is used effectively.
- The United States will maintain domestic laws providing for penalties on dumped or subsidized imports that injure U.S. industry.
- Finally, NAFTA includes strict rules of origin that will prevent products of non-NAFTA countries from receiving preferential treatment under NAFTA.

Although NAFTA's net effect on U.S. jobs will be positive, it is likely also to lead to some job displacement. For those workers who may face job loss, the Clinton Administration is committed to having a **strong, fully funded worker adjustment program** to assist the transition to new market realities.

In addition, the United States, Canada, and Mexico will establish a **North American Commission on Labor.** (See section VI.)

The Wage Issue

The idea that U.S. workers can't compete with low-wage Mexican workers is a myth. If companies decided where to locate based solely on wages, investment would flock to countries much poorer than Mexico. Haiti and Bangladesh would be job and manufacturing powerhouses. That hasn't happened.

U.S. workers earn high wages because we are the most productive workers in the world. Americans can meet the challenge of international competition. NAFTA will enhance U.S. productivity and increase U.S. wages.

Mexico currently imposes no barriers on foreign investors who wish to set up production in Mexico for export. Mexico goes even further in encouraging foreign investment to service the domestic market by restricting access through imports. NAFTA will eliminate such incentives to foreign investors.

Despite the openness of the U.S. market and ability of U.S. and other foreign investors to set up shop in Mexico now, the United States is not being swamped with imports made by low-paid Mexican workers:

- If the United States were going to be flooded with such imports, it already would have happened.
- In fact the reverse is true: U.S. exports to Mexico have increased far more than U.S. imports from Mexico.
- The United States' largest bilateral surplus in manufactured products is with Mexico.

Immigration

To the extent that our workers compete with low-paid Mexicans, it is as much through undocumented immigration as trade. This pattern threatens low-paid, low-skill U.S. workers.

- The combination of domestic reforms and NAFTA-related growth in Mexico will keep more Mexicans at home.
- It is likely that a reduction in immigration will increase the real wages of low-skilled urban and rural workers in the United States.

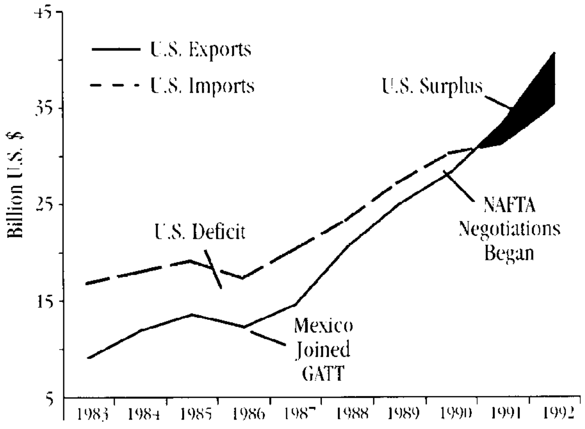
IV. Increasing Opportunities to Export to Mexico

NAFTA will "lock in" and expand trade gains achieved to date. Since Mexico began to open up its economy in 1986:

- U.S. exports to Mexico have expanded enormously, rising from $12.4 billion in 1986 to $28 billion in 1990 and a whopping $40.6 billion in 1992.
- The U.S. trade balance with Mexico has shifted from a $5.7 billion deficit in 1987 to a $5.6 billion SURPLUS in 1992. (See Chart 4.)

CHART 4

U.S. Merchandise Trade with Mexico: From Deficit to Surplus



Mexico is important to the U.S. economy because it is our:

- Third largest export market and the fastest growing major export market:

  Since 1986, U.S. merchandise exports to Mexico have increased by 228% (to $40.6 billion)—2.3 times faster than U.S. exports to the world.

- Second largest market after Canada for manufactured exports (amounting to $34.5 billion in 1992).
- Third largest market for agricultural products (after Japan and Canada), reaching $3.7 billion in 1992 (a 242% increase since 1986).

Mexican consumers prefer U.S. goods:

- 70 cents of every dollar that Mexico spends on foreign products is spent on U.S. goods. Given its location, this preference is likely to continue.
- Mexico purchases more imports per person from the United States than does the more affluent European Community countries and Japan. For example, last year, each Mexican, on the average, purchased more than $450 worth of U.S.-made products. By contrast, the average Japanese spent $385 on U.S. products, despite the fact that average Japanese incomes are five times as high as average Mexican incomes.

Key sectors benefitting from NAFTA include automotive, agriculture, financial services, textiles, and communications:

- U.S. telecommunications exports jumped 50% in 1991. Mexico is the industry's second largest export market after Canada.
- Detroit's Big 3 predict that their combined exports could rise from 1,000-plus to over 60,000 vehicles in NAFTA's first year alone.
- Mexico was primarily a bulk commodity market for U.S. agricultural exports prior to 1987. Now it is one of the United States' largest and fastest growing high-value markets. High-value products now account for almost 70% of all U.S. agricultural sales versus 40% in 1987.

Small and Medium-Size Businesses

The significant expansion of the Mexican market will benefit small and medium-size businesses in particular. These companies usually lack the resources to penetrate the thicket of Mexican trade barriers and regulatory restrictions. By lowering costs and dissolving barriers, NAFTA will help smaller businesses to penetrate the Mexican market without having to invest in Mexico.

V. Enhancing Environmental Protection

NAFTA and its supplemental agreements will help ensure that economic development takes place in a way that protects and improves the environment.

The NAFTA text itself takes a first step in recognizing the relationship between trade and the environment:

- It contains explicit endorsement by the three countries of the principle of sustainable development and calls for the "upward harmonization" of standards.
- No existing Federal or state regulation to protect health and safety will be jeopardized by NAFTA. In fact, NAFTA rules allow the participating countries (and their states and provinces) to enact tougher environmental standards.
- If a dispute arises that has environmental implications, NAFTA provides for scientific boards to guide panelists considering the dispute.
- NAFTA gives precedence to the trade provisions of certain international environmental agreements (including those on endangered species and the use of CFCs) in the event they conflict with NAFTA's rules.
- NAFTA allows countries to impose strict environmental standards on investment and NAFTA countries agree not to weaken environmental protection to attract investment.

VI. Beyond NAFTA: Supplemental Agreements on the Environment, Labor and Import Surges

President Clinton supports NAFTA as part of a growth strategy for the United States but believes that NAFTA can be enhanced. That is why the Administration is seeking supplemental agreements on import surges, the environment, and labor. These separate agreements will provide additional assurance that NAFTA-enhanced growth will be sensitive to environmental and labor concerns.

The agreement on **import surges** would establish a tri-national committee to help ensure the effective use of NAFTA's provisions allowing temporary relief in the event of injurious import surges.

The President envisages agreements that will create commissions on the **environment** and **labor**. The powers and functions of these commissions will help improve conditions for workers and the environment and will improve enforcement of national laws.

The supplemental agreement on the environment will provide for effective **enforcement**, **public access** to judicial forums to enforce environmental laws, **transparency** in the development of environmental laws, and other improvements.

Moreover, the United States, Canada, and Mexico will establish a **North American Commission on the Environment** to:

- Foster public discussion of environmental concerns;
- Strengthen domestic enforcement of national environmental laws;
- Promote an integrated North American approach to the environment;
- Provide a focal point to expand and strengthen existing environmental initiatives; and
- Formally give environmental advice to trade representatives from the three NAFTA countries.

In addition, the United States, Canada and Mexico will establish a **North American Commission on Labor** that will:

- Foster discussion and better appreciation of worker rights and labor standards in each NAFTA country.
- Encourage domestic enforcement of national labor laws; and
- Promote the raising and strengthening of labor standards in North America.

The supplemental agreements cannot resolve overnight all environmental and labor problems. But defeating NAFTA and the supplemental agreements would only aggravate these problems. Never has the United States had a comparable opportunity to promote improved environmental and labor conditions. If NAFTA and the supplemental agreements are successfully concluded and enacted, we will have an unparalleled opportunity with our neighbors to advance a broad agenda for economic growth and environmental improvement for our countries and all our people.

VII. NAFTA and American Leadership

In the post-Cold War world, American leadership will be measured in part by the creativity and aggressiveness of our trade policy. Bold, original, and forward-looking, NAFTA is worthy of a world leader.

- In North America, division between foreign and domestic matters narrows every day. American communities are inevitably affected by what happens in Canada and Mexico. Their problems spill over the border to harm us—just as their success adds to our welfare.
- By increasing the flows of commerce and culture and by forging new cross-border friendships among labor and environmental organizations, the NAFTA will promote prosperity and democracy in neighboring Mexico. Americans who favor freedom and good government in Mexico should favor NAFTA.

NAFTA has been negotiated by two Administrations. It stands as a testament to the ability of the United States to design a bipartisan foreign policy crafted to the requirements of the post-Cold War world.

- NAFTA's defeat would shock the Mexican economy, depress wages and living standards, reduce the Mexican capacity to purchase U.S. products, and stimulate immigration. It could also create tensions on a host of critical issues from illegal drugs to oil.
- The NAFTA's defeat would seriously damage America's ability to cooperate on a diverse range of issues with Mexico and other democratic nations throughout Latin America.
- NAFTA's defeat would also throw sand in the eyes of our allies throughout Central and South America, who are striving to open their markets and democratize their societies. Anti-Americanism, protectionism, and authoritarianism may well increase.

The NAFTA's approval will demonstrate America's strong commitment to global leadership.

Conclusion

NAFTA will create jobs and improve our competitiveness. It will create the largest, richest market in the world. Mexico's strong and growing demand for U.S. products has created a $5.6 billion U.S. trade surplus. With a stronger Mexican economy and higher Mexican wages, demand for U.S. goods will continue to expand. Increased access to the rapidly growing Mexican market will create extraordinary new opportunities for U.S. companies and workers. Taking advantage of these opportunities will lead to increased prosperity in the United States. It will demonstrate American leadership in advancing open markets and promoting democracy here in our hemisphere.

NAFTA Is Good For America

Questions and Answers about NAFTA

Q. *How can Mexico, a low-income country, be such a large market for U.S. exports?*

A. Mexico now is our third-largest trading partner. Although Mexican per capita incomes are low relative to incomes in the United States, Mexico is a country of 90 million people (who prefer U.S. to other foreign products) and a developing country with an improving economic outlook. On a per capita basis, Mexico purchases more U.S. products than our trade partners in the European Community and Japan. NAFTA will help the United States take further advantage of the growing Mexican market for U.S. exports.

Q. *Will NAFTA result in massive U.S. job losses to low-wage Mexican workers?*

A. No. NAFTA will increase jobs, productivity and wages in the United States as well as in Mexico and Canada. If lower wages were the only reason that companies moved to other countries, Haiti and Bangladesh would be economic powerhouses by now. Other factors such as high worker productivity in the United States and high non-wage costs in Mexico (including transportation, infrastructure, and support service costs) make U.S. workers more competitive than their Mexican counterparts.

Moreover, under NAFTA's rules of origin, only products that have substantial North American materials will receive preferential treatment. With the free and fair trade and investment environment created by NAFTA, workers in all three North American countries will be better able to succeed together with non-North American producers.

Q. *How many workers would need assistance because of NAFTA?*

A. NAFTA will create many more jobs in the U.S. than are lost. The number of positions that will be lost due to NAFTA is likely to be very small. American workers are strongly competitive in world markets; U.S. barriers to imports from Mexico are already very low; and Mexico's productive capacity is very small relative to that of the United States and will —even with healthy growth—remain so for decades to come.

Since NAFTA will be phased in over a fifteen year period, a substantial part of the position losses is likely to be absorbed by attrition through voluntary retirement or resignation. Certainly any job displacement of working Americans by NAFTA will be barely perceptible relative to other changes in the U.S. economy, such as defense conversion, technological advance and changes in consumer tastes.

While the net benefits are clear, the Administration recognizes that some U.S. workers may suffer dislocation. For any U.S. worker who is in fact displaced by NAFTA, the Administration is committed to provide the assistance needed for him or her to adjust to changing market conditions.

Q. *Will wages in the United States fall in order to compete with lower-wage Mexican labor?*

A. High wages in the U.S. reflect the productivity of American workers, which is the highest in the world. Since U.S. jobs supported by exports are, on average, higher-paying, require higher skills than other jobs, and NAFTA's promotion of exports will lead to net job creation, NAFTA will strengthen rather than depress U.S. average real wages.

Without NAFTA, hundreds of thousands of Americans will lose opportunities to find good-paying jobs producing exports for the Mexican market

Q. *Are the benefits of recent U.S. export expansion overstated? Is most of this growth due to exports of parts that are assembled in Mexico and then shipped back to the United States?*

A. The bulk of U.S. exports to Mexico is for consumption in the Mexican market and not for return to the U.S. Indeed, in 1992, U.S. exports of component inputs for production sharing arrangements in Mexico (i.e., Maquildoras) comprised an estimated 22% of all U.S. exports to Mexico, compared with 32% in 1987. While incorporated into products eventually exported back to the United States, these components still support U.S. jobs related to their production. An estimated 83% of the growth in U.S. exports to Mexico in the last five years was for Mexican consumption, not re-export.

Q. *Is the United States primarily exporting machinery and equipment that Mexico will use to create industries that could then lead an export assault on our markets?*

A. In percentage terms, capital goods have been the slowest growing major export category to Mexico in the last five years. Although still the largest component of U.S. exports to Mexico, capital goods have decreased from 40% of total U.S. exports to Mexico in 1987 to 33% in 1992. In contrast, capital goods comprise 40% of U.S. exports to all developing countries and 39% of U.S. exports to the world. The United States enjoys a significant competitive trade advantage in many areas of capital goods.

In any event, U.S. exports of capital goods to Mexico should not be viewed as a liability for the U.S. economy. Such exports support production and high-paying jobs in the United States and will do so for many years to come. Mexico's need for imported capital goods is likely to continue as long as the Mexico maintains a healthy, expanding economy. Even the United States, the world's most productive economy, must expand and replace a part of its capital equipment each year.

Finally, U.S. capital goods are on the cutting edge of technology. Exports of capital goods support good, high-paying jobs.

Q. *What has been the effect of the 1989 United States-Canada Free Trade Agreement on U.S. exports?*

A. Before the agreement, Canada had tariffs on imports that were two or three times higher than those of the United States (similar to Mexico today). After the agreement to eliminate tariffs and other barriers on all United States-Canada trade flows and many restrictions on investment and services, U.S. merchandise exports grew 27% between 1988 and 1992 (from $71.6 billion to $90 billion). U.S. service exports to Canada increased by 78% to $17.2 billion during the same time period. Also, since the agreement, there have been numerous calls from both sides of the border to accelerate the scheduled phase out of tariffs.

Q. *What long-term impact will NAFTA have on illegal immigration from Mexico?*

A. NAFTA will promote economic growth and increase wages in all three countries. This will create more economic opportunities for workers in Mexico—the single most important, long-term remedy to illegal migration from that country. According to some scholars, significant real wage increases could also occur for U.S. rural and lower skilled urban workers as a result of reduced emigration from Mexico to the United States.

Some economic studies of NAFTA considering the immigration issue have been misconstrued to suggest that hundreds of thousands of Americans would lose their jobs because of NAFTA. In fact, these studies do not show such results. The "U.S." job losses turn out to be hundreds of thousands of Mexican workers who decide to remain in Mexico because of the enhanced job opportunities created by NAFTA; without NAFTA, they would have crossed the border to compete for jobs in the United States. These are not jobs "lost" by American workers, but rather U.S. jobs foregone by Mexican workers for whom NAFTA will provide an acceptable economic alternative at home.

Without NAFTA and a stronger Mexican economy, pressures for illegal Mexican emigration to the United States would only continue to increase.

Q. *In the short term, would eliminating Mexico's barriers to U.S. agricultural imports lead to more rural Mexican unemployment and increase pressures to migrate to the United States?*

A. The NAFTA agreement contains the longest phase-in period (up to 15 years) for Mexico to liberalize agricultural trade policies with the United States and Canada. This gives Mexican farm laborers time to adjust and will help minimize short-term immigration effects. With or without NAFTA, agricultural reforms will continue to reduce Mexican agricultural employment. NAFTA will enhance the opportunities for displaced Mexican agricultural workers to find other jobs in the Mexican economy.

Q. *Won't increase trade flows from NAFTA worsen the flow of illegal drugs into the United States?*

A. While NAFTA will reduce tariffs, it will not relax customs controls on the border. As trade between the United States and Mexico has increased in recent years, cooperation in counternarcotics and law enforcement has improved. By promoting U.S.-Mexican cooperation, the NAFTA can foster a positive atmosphere for further bilateral efforts to fight drugs.

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
July 30, 1993

CONTACT: Scott Dykema
(202) 622-2960

U.S., COLUMBIA SIGN TAX INFORMATION ACCORD

The Treasury Department today announced that the United States and Colombia have signed an agreement to exchange tax information.

The agreement, signed July 21 in Bogota, authorizes both governments to exchange information for purposes of administering their tax laws. The tax accord enters into force when both governments exchange diplomatic notes.

The new agreement includes a variety of restrictions designed to protect taxpayers' rights. For example, information obtained under the agreement is confidential. Requested information will be furnished by the Internal Revenue Service only when there is sufficient evidence that there is noncompliance with Colombian tax laws and that the information will be used only for tax purposes. Copies of the agreement with Colombia will be available in several weeks.

Copies of a separate tax information accord with Peru may be obtained by writing the Treasury Public Affairs Office, Room 2315, Washington, D.C. 20220. The United States and Peru have exchanged diplomatic notes, bringing the accord into force as of March 31, 1993. The agreement qualifies Peru as a country in which foreign sales corporations can incorporate and maintain offices, as provided in the Internal Revenue Code.

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TREASURY NEWS

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

FOR RELEASE AT 3:00 P.M.
August 2, 1993

Contact: Michelle Smith
(202) 622-2960

TREASURY ANNOUNCES MARKET BORROWING ESTIMATES

The Treasury Department on Monday announced that its net market borrowing for the July-September 1993 quarter is estimated to be $58.3 billion, with a $40 billion cash balance on September 30. The Treasury also announced that its net market borrowing for the October-December 1993 quarter is estimated to be in a range of $95 billion to $100 billion, with a $35 billion cash balance at the end of December.

In the quarterly announcement of its borrowing needs on May 3, 1993, the Treasury estimated net market borrowing during the July-September 1993 quarter to be in a range of $90 billion to $95 billion, assuming a $40 billion cash balance on September 30. The current lower borrowing estimate largely reflects the carry-over of a higher-than-expected cash balance at the end of June and lower outlays in the July-September period, particularly for the Resolution Trust Corporation.

Actual market borrowing in the quarter ended June 30, 1993, was $53.5 billion, while the end-of-quarter cash balance was $60.6 billion. On May 3, the Treasury had estimated market borrowing for the April-June quarter to be $37.0 billion, with a $35 billion cash balance on June 30. The increase in market borrowing and a lower cash deficit accounted for the increase in the cash balance.

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AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
August 2, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $12,214 million of 13-week bills to be issued August 5, 1993 and to mature November 4, 1993 were accepted today (CUSIP: 912794G40).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.08%	3.15%	99.221
High	3.10%	3.17%	99.216
Average	3.10%	3.17%	99.216

Tenders at the high discount rate were allotted 72%. The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	42,617	42,617
New York	44,162,331	10,850,144
Philadelphia	3,464	3,464
Cleveland	30,252	30,252
Richmond	98,159	41,759
Atlanta	16,796	15,956
Chicago	1,584,990	267,870
St. Louis	8,922	8,922
Minneapolis	15,285	12,485
Kansas City	18,767	18,767
Dallas	16,335	16,335
San Francisco	699,065	85,065
Treasury	820,102	820,102
TOTALS	$47,517,085	$12,213,738
Type		
Competitive	$42,541,773	$7,238,426
Noncompetitive	1,302,929	1,302,929
Subtotal, Public	$43,844,702	$8,541,355
Federal Reserve	2,910,915	2,910,915
Foreign Official Institutions	761,468	761,468
TOTALS	$47,517,085	$12,213,738

An additional $78,532 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
August 2, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $12,313 million of 26-week bills to be issued August 5, 1993 and to mature February 3, 1994 were accepted today (CUSIP: 912794H72).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.24%	3.34%	98.362
High	3.25%	3.35%	98.357
Average	3.25%	3.35%	98.357

$10,000 was accepted at lower yields.
Tenders at the high discount rate were allotted 45%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	35,548	35,548
New York	42,221,363	11,406,812
Philadelphia	2,725	2,725
Cleveland	24,589	24,589
Richmond	90,830	37,080
Atlanta	22,952	21,852
Chicago	1,474,251	23,701
St. Louis	7,228	7,228
Minneapolis	11,327	8,577
Kansas City	18,567	18,567
Dallas	12,785	12,785
San Francisco	695,504	68,004
Treasury	645,095	645,095
TOTALS	$45,262,764	$12,312,563
Type		
Competitive	$40,427,386	$7,477,185
Noncompetitive	1,011,446	1,011,446
Subtotal, Public	$41,438,832	$8,488,631
Federal Reserve	3,000,000	3,000,000
Foreign Official Institutions	823,932	823,932
TOTALS	$45,262,764	$12,312,563

An additional $84,868 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

EMBARGOED FOR RELEASE
UPON DELIVERY
(APPROXIMATELY 1:00 p.m.)
TEXT AS PREPARED
FOR DELIVERY

STATEMENT BY SUSAN LEVINE
DEPUTY ASSISTANT SECRETARY FOR
INTERNATIONAL DEVELOPMENT, DEBT AND ENVIRONMENT POLICY
TREASURY DEPARTMENT
BEFORE THE
INTERNATIONAL DEVELOPMENT SUBCOMMITTEE
OF THE HOUSE COMMITTEE ON BANKING AND URBAN AFFAIRS

August 3, 1993

Introduction

Mr. Chairman. I appreciate the opportunity to testify before this Committee on the Global Environment Facility (GEF). The purpose of the GEF is to help combat four major threats to the global environment: climate change, the loss of biodiversity, ozone depletion, and the pollution of international waters. Addressing these four environmental threats is vital to the long-term interest of the United States. It is an investment in the future environmental security of our nation and the world.

This Administration has a strong commitment to the global environment. We have followed up on the Rio Earth Summit with concrete action and international leadership by signing the Biodiversity Convention and committing to reduce U.S. emissions of greenhouse gases to 1990 levels by the year 2000. Becoming a major player in the GEF is an essential element in the new approach this Administration is taking on international environmental issues.

I would like to note that the question is not whether there will be a GEF -- that decision has already been made. The question is whether or not the U.S. should be a part of the GEF.

The GEF is Important to America: Threats to the Global Environment

The GEF is in our national interest for the following reasons: It will help reduce the risk of global warming, a force that would severely impact global weather and our agricultural and other productive capacities. It will help combat the depletion of the ozone layer, protecting Americans and citizens of every nation from the harmful radiation that can cause skin cancer and reduce resistance to disease. It will help preserve biological diversity, our library of life, which provides our basic food needs, leads to cures to disease, and underpins the job-creating field of bio-technology. And it will safeguard the ecological integrity of our international waters, helping to put a stop to the degradation of coastal zones and the over-exploitation of marine resources.

By acting now, the GEF will help reduce the magnitude of these environmental impacts and help avoid more costly defensive expenditures and domestic controls that the U.S. might need to undertake in the future. Given the positive impact on U.S. national interests, it is in fact questionable whether a contribution to the GEF should be labeled "foreign assistance" as opposed to a domestic priority.

The GEF is a Cost-Effective Method for Addressing U.S. Interests

The GEF provides funding only for the "agreed incremental costs for achieving agreed global environmental benefits." This means that financing will be devoted only to those activities that benefit the global, as opposed to local, environment, and will only fund the costs of actions which, because benefits accrue globally and not locally, recipient countries would not undertake in their own interest.

Although the U.S. is committed to reducing the stress on the global environment, we cannot do it alone. Addressing global environmental issues requires the cooperation of both developed and developing countries. Unfortunately, the crush of poverty that exists in developing countries restricts their public expenditure to projects with national benefits. The benefits to a poor country from protecting the ozone layer, the climate system, biodiversity, and international waters are real, but difficult to quantify. These benefits are essential in the long-term, but pale in urgency in comparison with such critical needs as providing primary education and basic health care.

Here is where the GEF comes in. The GEF provides additional grant and concessional financing to allow developing countries to implement alternative projects that address the protection of the global environment. For a climate change example: Many developing countries will require new sources of electricity during the next decade, and fossil-fuel plants will often be the first choice for meeting this demand, even though the burning of fossil fuels emits carbon dioxide, contributing to the greenhouse effect. At some cost above a hypothetical first choice fossil-fuel plant, a developing country could purchase the latest energy-efficient technology, or perhaps install renewable energy sources. It is to provide the financing for that extra, or "incremental," cost between the first choice project and the lower carbon-emitting alternative that the GEF has been created.

Developing countries and conventional development banks will still be responsible for providing the financing for the cost of their first choice options towards the purchase of lower carbon-emitting alternatives. The GEF only pays the amount that is needed to avert the degradation of the global environment. In so doing, the GEF will facilitate further economic expansion in developing countries while addressing, in a pragmatic way, the global environmental hazards associated with unfettered growth.

The GEF is Important to U.S. Foreign Policy

The GEF is a linchpin of U.S. policy towards the climate change and biodiversity conventions. It has been designated on a probationary basis as the mechanism for fulfilling key financial obligations of developed country Parties to those agreements. There is no other viable mechanism that could satisfy the requirements of the conventions, and we are working hard so that the GEF becomes the conventions' permanent choice. If the GEF is not selected as a permanent mechanism, it will require several years, at substantial expense and on less favorable terms, to negotiate separate new financial institutions dedicated to the different conventions. The failure of the United States to support the GEF would be interpreted as a lack of support for U.S. obligations under the conventions. It could also unravel the international momentum for action engendered through the signing of these agreements. The failure to support the GEF would also leave the objectives of combatting ozone depletion and the pollution of international waters unmet.

The GEF Supports the American Economy: Opportunities for U.S. Business

We are working to structure a GEF that the United States can support, not only because of our environmental objectives, but because the GEF has important commercial potential for the United States. The GEF will introduce important new technologies and approaches in which the U.S. has a strong competitive advantage. These include renewable energy technologies, electricity demand management, pollution control techniques, and commercial applications from genetic resources, just to name a few. A successful GEF will provide a catalyst for much larger follow-on opportunities, in the form of direct investment, exports, and contracting services. Influencing the policies of the MDBs and the priorities of developing countries towards the integration of environment and development will create enormous new markets for environmental technologies. In fact, many U.S. companies are extremely interested in participating in the GEF projects. A number of U.S. firms, including ENRON, Ogden Energy and Environmental Services, Texaco, Bechtel, Brooklyn Union Gas, and Westvaco participated in a recent GEF seminar on business opportunities in the GEF.

Quite frankly, we must recognize that a restructured GEF will be a reality with or without the United States. All of the other major donors have contributed to the pilot phase of the GEF, giving it around $800 million dollars in resources. The U.S. is the only major country that has not contributed to the Core Fund. The same countries that have contributed to the Core Fund are prepared to establish a permanent Facility. We must move to ensure that in the longer term American firms will be well placed to export their technology and know-how as countries recognize the benefits of new approaches in sectors such as energy and transport.

The Administration's Objectives for GEF Restructuring

Earlier this year, the Treasury Department chaired a full inter-agency review of U.S. policy towards the GEF. In May, I led a U.S. delegation to international negotiations in Beijing. Our policy is currently focused on a few salient issues, including the GEF Secretariat, project approval, and information disclosure. We are convinced that the GEF must fund only the highest quality projects and that GEF policies must reflect the state of the art for implementing sustainable development. Its operations must be cost-effective and streamlined. It must have the flexibility to work effectively with a variety of executing agencies, including NGOs. We feel strongly that the GEF Participants should retain the ultimate authority over the GEF's policies and projects, and it is likely that others will accommodate us on this issue if we contribute to the GEF. The GEF must also be transparent and accountable to contributors and beneficiaries alike, and therefore must establish clear procedures ensuring that the Participants, NGOs, and the general public have access to information on GEF and associated projects throughout all phases of the project cycle. It must also establish clear procedures ensuring NGO participation and consultation with affected peoples throughout the project cycle.

While we all agree that more needs to be done to ensure participation by NGOs and affected peoples in the project cycle, NGOs are already involved in GEF projects. For example, the following NGOs are a sampling of those involved in the GEF: the International Union for the Conservation of Nature is involved in the appraisal of several projects including Wildlands Management in the Congo; World Wildlife Fund is also involved in several projects including Transfrontier Conservation Management in Mozambique; CARE is working on a Tropical Forest project in Cameroon; and the Nature Conservancy is involved with Mexican Biodiversity Conservation efforts. There are many more examples, including local NGOs and university teams.

The Importance of Strong U.S. Support for the GEF

The U.S. is playing an important role in the GEF restructuring negotiations. Treasury organized an informal meeting of several OECD countries in New York coinciding with the United Nations

Commission on Sustainable Development. The next steps include more informal consultations with the OECD and key developing countries, immediately followed by a Participants' meeting here in Washington in September. There will be a meeting in Paris in November, and the final negotiating session is scheduled for Cartagena, Colombia, in December.

The objectives I've outlined above for the GEF will not be achieved without effective U.S. policy leadership, backed by a significant U.S. contribution to the GEF. The existence of the GEF is a given; the question is whether the United States will be able to shape the organization to achieve our policy goals. The Administration's request for the GEF in FY 1994 is absolutely critical to our credibility and effective voice in this important environmental endeavor. We cannot continue to negotiate successfully if we remain the only major donor that has not contributed to the GEF Core Fund. We must contribute our fair share to be taken seriously.

I am very pleased that this Committee has not included conditions on GEF associated projects in its FY 1994 authorization bill. The objectives of this Committee are the bedrock of our policy, but our inability to contribute will continue to hamper our ability to achieve those goals. Our attempt to steer the policy debate without commensurate contribution is increasingly resented by donors and recipients alike. This Administration has engendered considerable international approval through its increased commitment to the global environment, but the lack of a U.S. financial commitment to the GEF is endangering this good will. An immediate U.S. contribution will greatly improve our ability to negotiate the transparent and participatory GEF we all seek.

I would now be happy to answer any questions that you might have regarding our views on the GEF, and this Administration's policy for achieving our mutually held objectives. Thank you, Mr. Chairman.

TREASURY NEWS

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

FOR RELEASE AT 2:30 P.M.
August 3, 1993

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $24,400 million, to be issued August 12, 1993. This offering will provide about $1,075 million of new cash for the Treasury, as the maturing bills are outstanding in the amount of $23,318 million.

Federal Reserve Banks hold $5,850 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 $1,720 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 TO BE ISSUED AUGUST 12, 1993

August 3, 1993

Offering Amount	$12,200 million	$12,200 million
Description of Offering:		
Term and type of security	92-day bill	182-day bill
CUSIP number	912794 G5 7	912794 H8 0
Auction date	August 9, 1993	August 9, 1993
Issue date	August 12, 1993	August 12, 1993
Maturity date	November 12, 1993	February 10, 1994
Original issue date	May 13, 1993	February 11, 1993
Currently outstanding	$11,621 million	$14,906 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

Text as Prepared for Delivery
FOR IMMEDIATE RELEASE
August 3, 1993

STATEMENT OF TREASURY SECRETARY LLOYD BENTSEN
WHITE HOUSE PRESS BRIEFING

For those of you who think I'm always camped out on Capitol Hill, today I also did what I do everyday as Treasury Secretary. I wrote $800 million in hot checks.

Do you know how long it took me before I had written more hot checks than all taxpayers in Alabama, Arizona, Georgia, Louisiana, Nevada, Oklahoma, and New Jersey pay in personal income taxes in one year? 74 days. Didn't even take me 100 days. Just 74 days in office.

That's why we need deficit reduction. There is no other alternative. And the only message that I want to leave you with today is that this plan does it by restoring fairness.

Those in the upper incomes who saw their taxes go down in the '80s will be asked to pay a bigger share toward deficit reduction.

And the middle-income wage earners in this country should not be fooled by rhetoric. There is no income tax increase for them. None. Working families making less than $180,000 a year will not pay one extra penny in income tax. Not one. The only new tax that the average working family will pay is a 4.3-cent-a-gallon gasoline tax. That comes to a dime a day for an American family. We're asking the American family to take a hit of a dime a day to reduce our deficit.

I think they'll be willing because Americans are fair people. As long as Washington is fair with them -- as long as we really reduce deficit spending -- I think they'll be with us on this one.

And we will be fair. Because this bill is not so much about taxes, as it is about spending cuts. I've been telling you we'd get $1 of spending cuts for $1 of revenues. We did. In fact, we exceeded that goal. And that's why I'm so confident this will pass both chambers of the Congress.

On Friday, I'm going to wish I was still a Senator. You see, I would have enjoyed casting a vote that finally puts budget cutting and low interest rates first.

-30-

Average and Marginal Federal Income Tax, Social Security, and Medicare Tax Rates for Four-Person Families at the Same Relative Positions in the Income Distribution, 1955-1992

Office of Tax Analysis
Department of the Treasury
November 4, 1992

This report was prepared by Allen H. Lerman of the Individual Taxation Division of the Office of Tax Analysis.

Average and Marginal Federal Income Tax, Social Security, Medicare Tax Rates for Four-Person Families at the Same Relative Positions in the Income Distribution, 1955-1992

These historical tables show average and marginal Federal income tax, social security, and medicare tax rates from 1955 through 1992 for hypothetical four-person families at the median income for a four-person family and at one-half and twice that median income level. The income of these hypothetical families is assumed to come from wages and salaries earned by one spouse. If the income were from other sources, the amount of Federal income tax might differ in certain years, as would the FICA (social security and medicare) tax in all years.

The median income levels through 1991 were obtained from various issues of the U.S. Census Bureau's "Current Population Reports, Series P-60." Median income for 1992 was estimated on the assumption that the "real" level of median income will not change from its 1991 level and that nominal median income will reflect changes in the price level. The actual value of the CPI-U, 136.2, has been used for 1991. The estimated CPI-U level for 1992, 140.4, is based on actual data through September and the assumption that thereafter the CPI-U will increase by 0.3 percent per month.

Through 1986, each family is assumed to have itemized deductions equal to 23 percent of its income. Since the average level of itemized deductions decreased as the result of changes included in the Tax Reform Act of 1986, beginning for 1987 itemized deductions are assumed to be equal to 18 percent of income. For purposes of calculating its Federal income tax, each family itemizes its deductions only if doing so reduces its income taxes. For tax purposes, each family claims four personal exemptions and claims any other deductions, tax credits, or rebates that were generally available to similarly situated taxpayers in the given year except that the families do not claim the Earned Income Credit (EIC).[1]

The average and marginal tax rates shown are based on nominal wage income which excludes employers' shares of social security and medicare taxes and any other statutory or voluntary fringe benefits paid by employers.

Table 1 shows average and marginal Federal income tax rates. Table 2 shows average and marginal employee social security and medicare tax rates (employee FICA tax rates). Table 3 shows combined Federal income tax and employee FICA tax rates. (Entries in Table 3 are the sum of the similar entries in Tables 1 and 2.) Table 4 shows Federal income tax rates and the combined employee and employer shares of FICA taxes. (Entries in Table 4 are the sum of the similar entry in Table 1 plus twice the similar entry in Table 2.)

[1] The family at one-half median income would generally have been eligible for the EIC in 1975 and 1992 (at the estimated income level). If the 1975 family had claimed the EIC, its average income tax rate would have been 4.12 percent and its marginal income tax rate would have been 27 percent (from the phaseout of the EIC). In 1992, if the family were eligible for the EIC, its average and marginal tax rates would depend on whether one or both of its dependent children were EIC eligibles and whether the family was eligible for the Young Child Supplement and/or the Health Insurance Supplement. Assuming that the family were not eligible for either supplement, its average income tax rate including the impact of the EIC would have been 4.67 percent and its marginal income tax rate would have been 28.14 percent (from the phaseout of the EIC) if both children were EIC eligibles. If only one child were an EIC eligible, the average income tax rate including the effect of the EIC would have been 4.68 percent and the marginal rate would have been 27.57 percent. (The average and marginal tax rates mentioned above for the EIC eligible family are the income tax rates similar to those shown in Table 1. Since the rates shown in Tables 3 and 4 include Federal income tax rates, they would be affected also.)

Table 1

Average and Marginal Federal Income Tax Rates for Four-Person Families at the Same Relative Positions in the Income Distribution: 1955-1992

Year	One-Half Median Income			Median Income			Twice Median Income		
	Income	Average Income Tax Rate	Marginal Income Tax Rate	Income	Average Income Tax Rate	Marginal Income Tax Rate	Income	Average Income Tax Rate	Marginal Income Tax Rate
1955	2,460	0.00	0.00	4,919	5.64	20.00	9,838	10.76	22.00
1956	2,660	0.00	0.00	5,319	6.38	20.00	10,638	11.22	22.00
1957	2,744	0.00	0.00	5,488	6.65	20.00	10,976	11.40	22.00
1958	2,843	0.00	0.00	5,685	6.96	20.00	11,370	11.59	22.00
1959	3,035	0.00	0.00	6,070	7.49	20.00	12,140	11.93	22.00
1960	3,148	0.15	20.00	6,295	7.77	20.00	12,590	12.11	22.00
1961	3,219	0.49	20.00	6,437	7.94	20.00	12,874	12.22	22.00
1962	3,378	1.19	20.00	6,756	8.30	20.00	13,512	12.44	26.00
1963	3,569	1.95	20.00	7,138	8.68	20.00	14,276	12.85	26.00
1964	3,744	2.06	16.00	7,488	7.56	18.00	14,976	11.66	23.50
1965	3,900	2.16	14.00	7,800	7.09	17.00	15,600	11.12	22.00
1966	4,171	2.72	14.00	8,341	7.48	19.00	16,682	11.50	22.00
1967	4,497	3.32	15.00	8,994	8.00	19.00	17,988	11.89	22.00
1968	4,917	4.03	15.00	9,834	9.21	20.42	19,668	13.37	26.88
1969	5,312	4.58	15.00	10,623	9.92	20.90	21,246	14.24	27.50
1970	5,583	4.65	15.00	11,165	9.35	19.48	22,330	13.47	25.62
1971	6,088	4.73	15.00	12,176	9.27	19.00	24,352	13.45	28.00
1972	6,404	4.37	15.00	12,808	9.09	19.00	25,616	13.52	28.00
1973	6,855	4.88	16.00	13,710	9.45	19.00	27,420	14.05	28.00
1974	7,485	4.17 1/	16.00	14,969	8.99 1/	22.00	29,938	14.35 1/	31.00 1/
1975	7,924	4.22 2/	17.00 2/	15,848	9.62	22.00	31,696	14.86	32.00
1976	8,658	4.68	17.00	17,315	9.89	22.00	34,630	15.51	32.00
1977	9,362	3.61	17.00	18,723	10.42	22.00	37,446	16.40	36.00
1978	10,214	4.73	19.00	20,428	11.07	25.00	40,856	17.38	39.00
1979	11,256	5.11	16.00	22,512	10.84	24.00	45,024	17.20	37.00
1980	12,166	6.02	18.00	24,332	11.42	24.00	48,664	18.25	43.00
1981	13,137	6.82	17.78	26,274	11.79	23.70	52,548	19.11	42.46
1982	13,810	6.51	16.00	27,619	11.06	25.00	55,238	18.01	39.00
1983	14,591	6.53	15.00	29,181	10.38	23.00	58,362	16.83	35.00
1984	15,549	6.50	14.00	31,097	10.25	22.00	62,194	16.62	38.00
1985	16,389	6.56	14.00	32,777	10.34	22.00	65,554	16.78	38.00
1986	17,358	6.64	14.00	34,716	10.48	22.00	69,432	17.04	38.00
1987	18,543	5.16	15.00	37,086	8.90	15.00	74,172	15.80	35.00
1988	19,526	5.17	15.00	39,051	9.30	15.00	78,102	15.21	28.00
1989	20,382	5.29	15.00	40,763	9.36	15.00	81,526	15.28	28.00
1990	20,726	5.12	15.00	41,451	9.33	15.00	82,902	15.10	28.00
1991	21,528	5.04	15.00	43,056	9.30	15.00	86,112	15.03	28.00
1992	22,240 E	4.75 2/	15.00 2/	44,480 E	9.20	15.00	88,960 E	14.83	28.00

Department of the Treasury
Office of Tax Analysis

November 4, 1992

1/ Adjusted to reflect rebates of 1974 tax liabilities provided by P.L. 94-12.

2/ Excludes effect of Earned Income Credit. See footnote on text page for explanation.

E Estimated from 1991 income as adjusted for price level (CPI-U) changes: 1991 CPI-U, 136.2; estimated 1992 CPI-U, 140.4.

Note: Median income is for a four-person family. All income is assume to be earned by one spouse. Itemized deductions are assumed to equal 23 percent of income through 1986 and 18 percent thereafter.

Source: Median incomes from U.S. Census Bureau, "Current Population Reports, Series P-60", various issues.

Table 2

Average and Marginal Employee Social Security and Medicare (FICA) Tax Rates for Four-Person Families at the Same Relative Positions in the Income Distribution: 1955-1992

	One-Half Median Income			Median Income			Twice Median Income		
Year	Income	Average FICA Tax Rate	Marginal FICA Tax Rate	Income	Average FICA Tax Rate	Marginal FICA Tax Rate	Income	Average FICA Tax Rate	Marginal FICA Tax Rate
1955	2,460	2.00	2.00	4,919	1.71	0.00	9,838	0.85	0.00
1956	2,660	2.00	2.00	5,319	1.58	0.00	10,638	0.79	0.00
1957	2,744	2.25	2.25	5,488	1.72	0.00	10,976	0.86	0.00
1958	2,843	2.25	2.25	5,685	1.66	0.00	11,370		0.00
1959	3,035	2.50	2.50	6,070	1.98	0.00	12,140	0.99	0.00
1960	3,148	3.00	3.00	6,295	2.29	0.00	12,590	1.14	0.00
1961	3,219	3.00	3.00	6,437	2.24	0.00	12,874	1.12	0.00
1962	3,378	3.13	3.13	6,756	2.22	0.00	13,512	1.11	0.00
1963	3,569	3.63	3.63	7,138	2.44	0.00	14,276	1.22	0.00
1964	3,744	3.63	3.63	7,488	2.32	0.00	14,976	1.16	0.00
1965	3,900	3.63	3.63	7,800	2.23	0.00	15,600	1.12	0.00
1966	4,171	4.20	4.20	8,341	3.32	0.00	16,682	1.66	0.00
1967	4,497	4.40	4.40	8,994	3.23	0.00	17,988	1.61	0.00
1968	4,917	4.40	4.40	9,834	3.49	0.00	19,668	1.74	0.00
1969	5,312	4.80	4.80	10,623	3.52	0.00	21,246	1.76	0.00
1970	5,583	4.80	4.80	11,165	3.35	0.00	22,330	1.68	0.00
1971	6,088	5.20	5.20	12,176	3.33	0.00	24,352	1.67	0.00
1972	6,404	5.20	5.20	12,808	3.65	0.00	25,616	1.83	0.00
1973	6,855	5.85	5.85	13,710	4.61	0.00	27,420	2.30	0.00
1974	7,485	5.85	5.85	14,969	5.16	0.00	29,938	2.58	0.00
1975	7,924	5.85	5.85	15,848	5.20	0.00	31,696	2.60	0.00
1976	8,658	5.85	5.85	17,315	5.17	0.00	34,630	2.58	0.00
1977	9,362	5.85	5.85	18,723	5.16	0.00	37,446	2.58	0.00
1978	10,214	6.05	6.05	20,428	5.24	0.00	40,856	2.62	0.00
1979	11,256	6.13	6.13	22,512	6.13	6.13	45,024	3.12	0.00
1980	12,166	6.13	6.13	24,332	6.13	6.13	48,664	3.26	0.00
1981	13,137	6.65	6.65	26,274	6.65	6.65	52,548	3.76	0.00
1982	13,810	6.70	6.70	27,619	6.70	6.70	55,238	3.93	0.00
1983	14,591	6.70	6.70	29,181	6.70	6.70	58,362	4.10	0.00
1984	15,549	6.70	6.70	31,097	6.70	6.70	62,194	4.07	0.00
1985	16,389	7.05	7.05	32,777	7.05	7.05	65,554	4.26	0.00
1986	17,358	7.15	7.15	34,716	7.15	7.15	69,432	4.33	0.00
1987	18,543	7.15	7.15	37,086	7.15	7.15	74,172	4.22	0.00
1988	19,526	7.51	7.51	39,051	7.51	7.51	78,102	4.33	0.00
1989	20,382	7.51	7.51	40,763	7.51	7.51	81,526	4.42	0.00
1990	20,726	7.65	7.65	41,451	7.65	7.65	82,902	4.73	0.00
1991	21,528	7.65	7.65	43,056	7.65	7.65	86,112	5.29	1.45
1992	22,240 E	7.65	7.65	44,480 E	7.65	7.65	88,960 E	5.32	1.45

Department of the Treasury
Office of Tax Analysis

November 4, 1992

E Estimated from 1991 income as adjusted for price level (CPI-U) changes: 1991 CPI-U, 136.2; estimated 1992 CPI-U, 140.4.

Note: Median income is for a four-person family. All income is assume to be earned by one spouse. Itemized deductions are assumed to equal 23 percent of income through 1986 and 18 percent thereafter.

Source: Median incomes from U.S. Census Bureau, "Current Population Reports, Series P-60", various issues.

Table 3

Average and Marginal Federal Income Tax Plus Employee Social Security and Medicare (FICA) Tax Rates for Four-Person Families at the Same Relative Positions in the Income Distribution: 1955-1992

	One-Half Median Income			Median Income			Twice Median Income		
Year	Income	Average Combined Tax Rate	Marginal Combined Tax Rate	Income	Average Combined Tax Rate	Marginal Combined Tax Rate	Income	Average Combined Tax Rate	Marginal Combined Tax Rate
1955	2,460	2.00	2.00	4,919	7.35	20.00	9,838	11.61	22.00
1956	2,660	2.00	2.00	5,319	7.96	20.00	10,638	12.01	22.00
1957	2,744	2.25	2.25	5,488	8.37	20.00	10,976	12.26	22.00
1958	2,843	2.25	2.25	5,685	8.62	20.00	11,370	11.59	22.00
1959	3,035	2.50	2.50	6,070	9.47	20.00	12,140	12.92	22.00
1960	3,148	3.15	23.00	6,295	10.06	20.00	12,590	13.25	22.00
1961	3,219	3.49	23.00	6,437	10.18	20.00	12,874	13.34	22.00
1962	3,378	4.32	23.13	6,756	10.52	20.00	13,512	13.55	26.00
1963	3,569	5.58	23.63	7,138	11.12	20.00	14,276	14.07	26.00
1964	3,744	5.69	19.63	7,488	9.88	18.00	14,976	12.82	23.50
1965	3,900	5.79	17.63	7,800	9.32	17.00	15,600	12.24	22.00
1966	4,171	6.92	18.20	8,341	10.80	19.00	16,682	13.16	22.00
1967	4,497	7.72	19.40	8,994	11.23	19.00	17,988	13.50	22.00
1968	4,917	8.43	19.40	9,834	12.70	20.42	19,668	15.11	26.88
1969	5,312	9.38	19.80	10,623	13.44	20.90	21,246	16.00	27.50
1970	5,583	9.45	19.80	11,165	12.70	19.48	22,330	15.15	25.62
1971	6,088	9.93	20.20	12,176	12.60	19.00	24,352	15.12	28.00
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1981	13,137	13.47	24.43	26,274	18.44	30.35	52,548	22.87	42.46
1982	13,810	13.21	22.70	27,619	17.76	31.70	55,238	21.94	39.00
1983	14,591	13.23	21.70	29,181	17.08	29.70	58,362	20.93	35.00
1984	15,549	13.20	20.70	31,097	16.95	28.70	62,194	20.69	38.00
1985	16,389	13.61	21.05	32,777	17.39	29.05	65,554	21.04	38.00
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1990	20,726	12.77	22.65	41,451	16.98	22.65	82,902	19.83	28.00
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Department of the Treasury
Office of Tax Analysis

November 4, 1992

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1991	21,528	20.34	30.30	43,056	24.60	30.30	86,112	25.62	30.90
1992	22,240 E	20.05 2/	30.30 2/	44,480 E	24.50	30.30	88,960 E	25.47	30.90

Department of the Treasury
Office of Tax Analysis

November 4, 1992

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Source: Median incomes from U.S. Census Bureau, 'Current Population Reports, Series P-60', various issues.

TREASURY NEWS

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

FOR RELEASE WHEN AUTHORIZED AT PRESS CONFERENCE
August 4, 1993

CONTACT: Office of Financing
202/219-3350

TREASURY AUGUST QUARTERLY FINANCING

The Treasury will auction $16,500 million of 3-year notes, $11,000 million of 10-year notes, and $11,000 million of 30-year bonds to refund $26,706 million of publicly-held securities maturing August 15, 1993, and to raise about $11,800 million new cash.

In addition to the public holdings, Federal Reserve Banks hold $4,524 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 $3,856 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.

The 10-year note and the 30-year bond being offered today are eligible for the STRIPS program.

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 notes and bond are given in the attached offering highlights.

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Attachment

HIGHLIGHTS OF TREASURY OFFERINGS TO THE PUBLIC

AUGUST 1993 QUARTERLY FINANCING

August 4, 1993

Offering Amount	$16,500 million	$11,000 million	$11,000 million
Description of Offering:			
Term and type of security	3-year notes	10-year notes	30-year bonds
Series	Series Z-1996	Series B-2003	Bonds of August 2023
CUSIP number	912827 L7 5	912827 L8 3	912810 EQ 7
Auction date	August 10, 1993	August 11, 1993	August 12, 1993
Issue date	August 16, 1993	August 16, 1993	August 16, 1993
Dated date	August 16, 1993	August 15, 1993	August 15, 1993
Maturity date	August 15, 1996	August 15, 2003	August 15, 2023
Interest rate	Determined based on the average of accepted competitive bids	Determined based on the average of accepted competitive bids	Determined based on the average of accepted competitive bids
Yield	Determined at auction	Determined at auction	Determined at auction
Interest payment dates	February 15 and August 15	February 15 and August 15	February 15 and August 15
Minimum bid amount	$5,000	$1,000	$1,000
Multiples	$1,000	$1,000	$1,000
Accrued interest payable by investor	None	Determined at auction	Determined at auction
Premium or discount	Determined at auction	Determined at auction	Determined at auction
STRIPS Information:			
Minimum amount required	Not applicable	Determined at auction	Determined at auction
Corpus CUSIP number	Not applicable	912820 BG 1	912803 BC 6
New TINT CUSIP number	Not applicable	Not applicable	912833 LM 0
New TINT due date	Not applicable	Not applicable	August 15, 2023

The following rules apply to all securities mentioned above:

Submission of Bids:

Noncompetitive bids	Accepted in full up to $5,000,000 at the average yield of accepted competitive bids.
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.
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 RELEASE WHEN AUTHORIZED AT PRESS CONFERENCE
August 4, 1993

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202/219-3350

TREASURY AUGUST QUARTERLY FINANCING

The Treasury will auction $16,500 million of 3-year notes, $11,000 million of 10-year notes, and $11,000 million of 30-year bonds to refund $26,706 million of publicly-held securities maturing August 15, 1993, and to raise about $11,800 million new cash.

In addition to the public holdings, Federal Reserve Banks hold $4,524 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 $3,856 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.

The 10-year note and the 30-year bond being offered today are eligible for the STRIPS program.

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 notes and bond are given in the attached offering highlights.

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HIGHLIGHTS OF TREASURY OFFERINGS TO THE PUBLIC

AUGUST 1993 QUARTERLY FINANCING

August 4, 1993

Offering Amount	$16,500 million	$11,000 million	$11,000 million
Description of Offering:			
Term and type of security	3-year notes	10-year notes	30-year bonds
Series	Series Z-1996	Series B-2003	Bonds of August 2023
CUSIP number	912827 L7 5	912827 L8 3	912810 EQ 7
Auction date	August 10, 1993	August 11, 1993	August 12, 1993
Issue date	August 16, 1993	August 16, 1993	August 16, 1993
Dated date	August 16, 1993	August 15, 1993	August 15, 1993
Maturity date	August 15, 1996	August 15, 2003	August 15, 2023
Interest rate	Determined based on the average of accepted competitive bids	Determined based on the average of accepted competitive bids	Determined based on the average of accepted competitive bids
Yield	Determined at auction	Determined at auction	Determined at auction
Interest payment dates	February 15 and August 15	February 15 and August 15	February 15 and August 15
Minimum bid amount	$5,000	$1,000	$1,000
Multiples	$1,000	$1,000	$1,000
Accrued interest payable by investor	None	Determined at auction	Determined at auction
Premium or discount	Determined at auction	Determined at auction	Determined at auction
STRIPS Information:			
Minimum amount required	Not applicable	Determined at auction	Determined at auction
Corpus CUSIP number	Not applicable	912820 BG 1	912803 BC 6
New TINT CUSIP number	Not applicable	Not applicable	912833 LM 0
New TINT due date	Not applicable	Not applicable	August 15, 2023

The following rules apply to all securities mentioned above:

Submission of Bids:

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

TALKING POINTS
FOR THE
FINANCING PRESS CONFERENCE

August 4, 1993

Today, we are announcing the terms of the regular Treasury August midquarter refunding. I will also discuss Treasury financing requirements for the balance of the current calendar quarter and our estimated cash needs for the October-December quarter.

1. We are offering $38.5 billion of notes and bonds to refund $26.7 billion of privately held notes and bonds maturing on August 15 and to raise approximately $11.8 billion of cash. The three securities are:

-- First, a 3-year note in the amount $16.5 billion, maturing on August 15, 1996. This note is scheduled to be auctioned on a yield basis on Tuesday, August 10. The minimum purchase amount will be $5,000 and purchases above $5,000 may be made in multiples of $1,000.

-- Second, a 10-year note in the amount of $11.0 billion, maturing on August 15, 2003. This note is scheduled to be auctioned on a yield basis on Wednesday, August 11. The minimum purchase amount will be $1,000.

-- Third, a 30-year bond in the amount of $11.0 billion, maturing on August 15, 2023. This bond is scheduled to be auctioned on a yield basis on Thursday, August 12. The minimum purchase amount will be $1,000.

In our May 5, 1993 press conference, we announced that beginning with this August refunding, the Treasury will offer 30-year bonds semiannually. Therefore, the next 30-year bond is scheduled to be offered in the February 1994 refunding.

2. As announced on Monday, August 2, we estimate a net market borrowing need of $58.3 billion for the July-September quarter. The estimate assumes a $40 billion cash balance at the end of September. Including this refunding, we will have raised a net $35.5 billion of the $58.3 billion in market borrowing needed this quarter. This net borrowing was accomplished as follows:

-- $3.8 billion of cash from the 2-year note that settled August 2;

-- $11.4 billion of cash from the 5-year note that settled August 2;

-- $14.4 billion of net cash from the regular weekly bills including those announced yesterday;

-- $0.9 billion of cash in the 52-week bills;

-- a paydown of $6.8 billion in the 7-year note that matured July 15; and

-- $11.8 billion of cash from the refunding issues announced today.

The Treasury will need to issue $38.8 billion of marketable securities during the rest of the July-September quarter to paydown $16.0 billion of cash management bills that mature on September 23 and raise net cash of $22.8 billion. This financing could be accomplished through sales of regular 13-, 26-, and 52-week bills and 2-year and 5-year notes at the end of August and September.

3. We estimate Treasury net market borrowing needs to be in the range of $95 billion to $100 billion for the October-December quarter, assuming a $35 billion cash balance on December 31.

4. The borrowing estimates for the two quarters assume that legislation providing funds for resolutions of problem thrift institutions will be enacted shortly.

5. For the foreseeable future, we believe that the current regular issue cycles for bills, notes, and bonds will be sufficient to refund maturing securities and raise needed cash. In order to maintain a regular, predictable pattern of debt issuance, we would provide ample advance notice to the public if there were to be any change in the regular offerings.

6. We are also announcing that the Treasury is extending the single-price auction experiment for regular monthly offerings of 2- and 5-year notes for another year. Thus, we are extending the experiment, which began with the 2- and 5-year note auctions in September 1992, through the 2- and 5-year auctions to be held in August 1994.

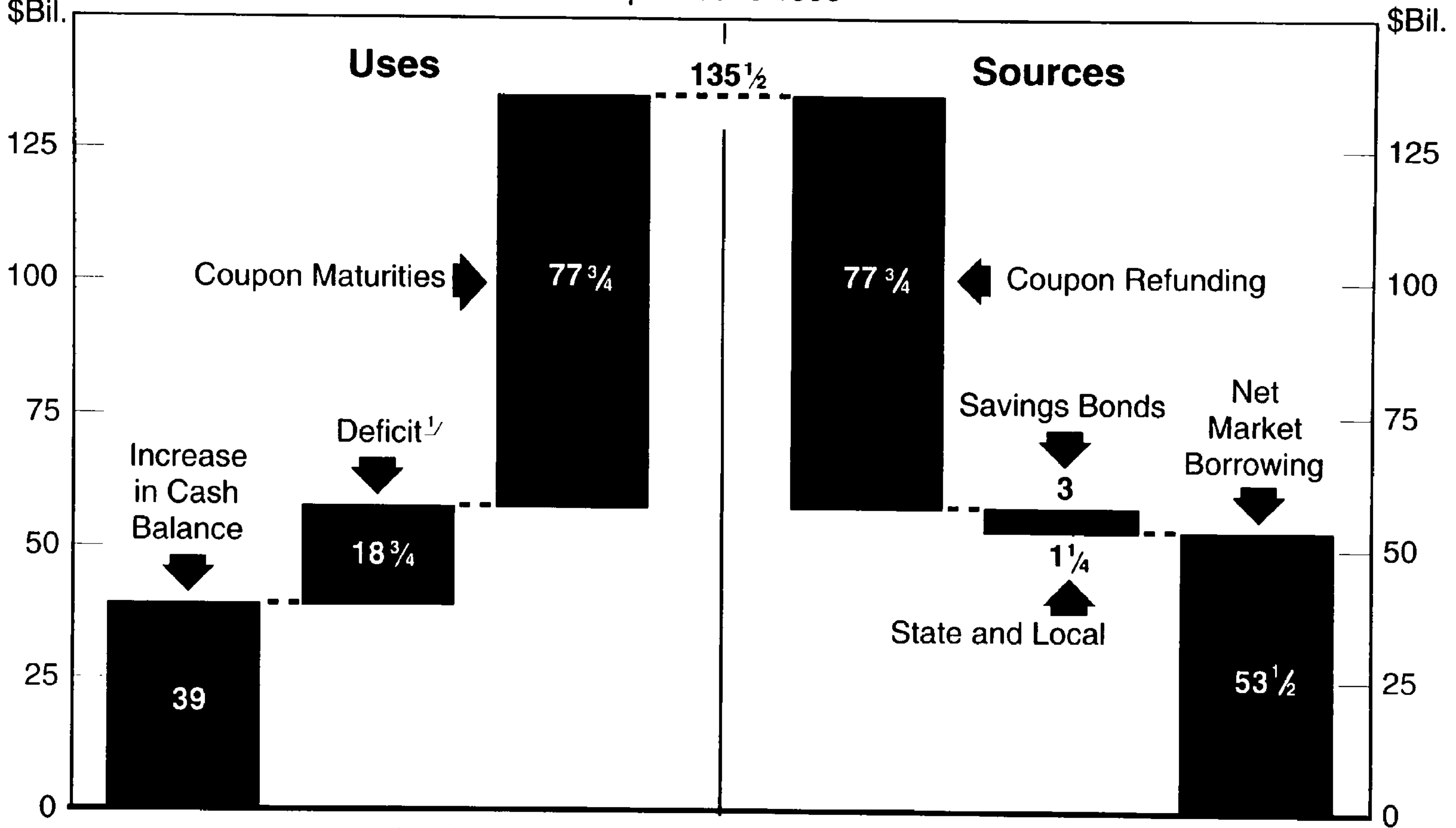
We believe that more observations are necessary to evaluate the single-price auction technique thoroughly. The results of the experiment to date have not revealed evidence that the single-price auctions have added to the cost of financing the debt. As we announced last September, the Treasury will evaluate the results according to indicators such as cost, breadth of participation in auctions, concentration of auction awards, yields at auction relative to when-issued and secondary market trading, and dispersion of bids.

7. We will accept noncompetitive tenders up to $5 million for each of the notes and bonds. The 10-year notes and 30-year bonds being announced today are eligible for conversion to STRIPS (Separate Trading of Registered Interest and Principal of Securities) and, accordingly, may be divided into separate interest and principal components.

8. The November midquarter refunding press conference will be held on Wednesday, November 3, 1993.

TREASURY FINANCING REQUIREMENTS

April - June 1993



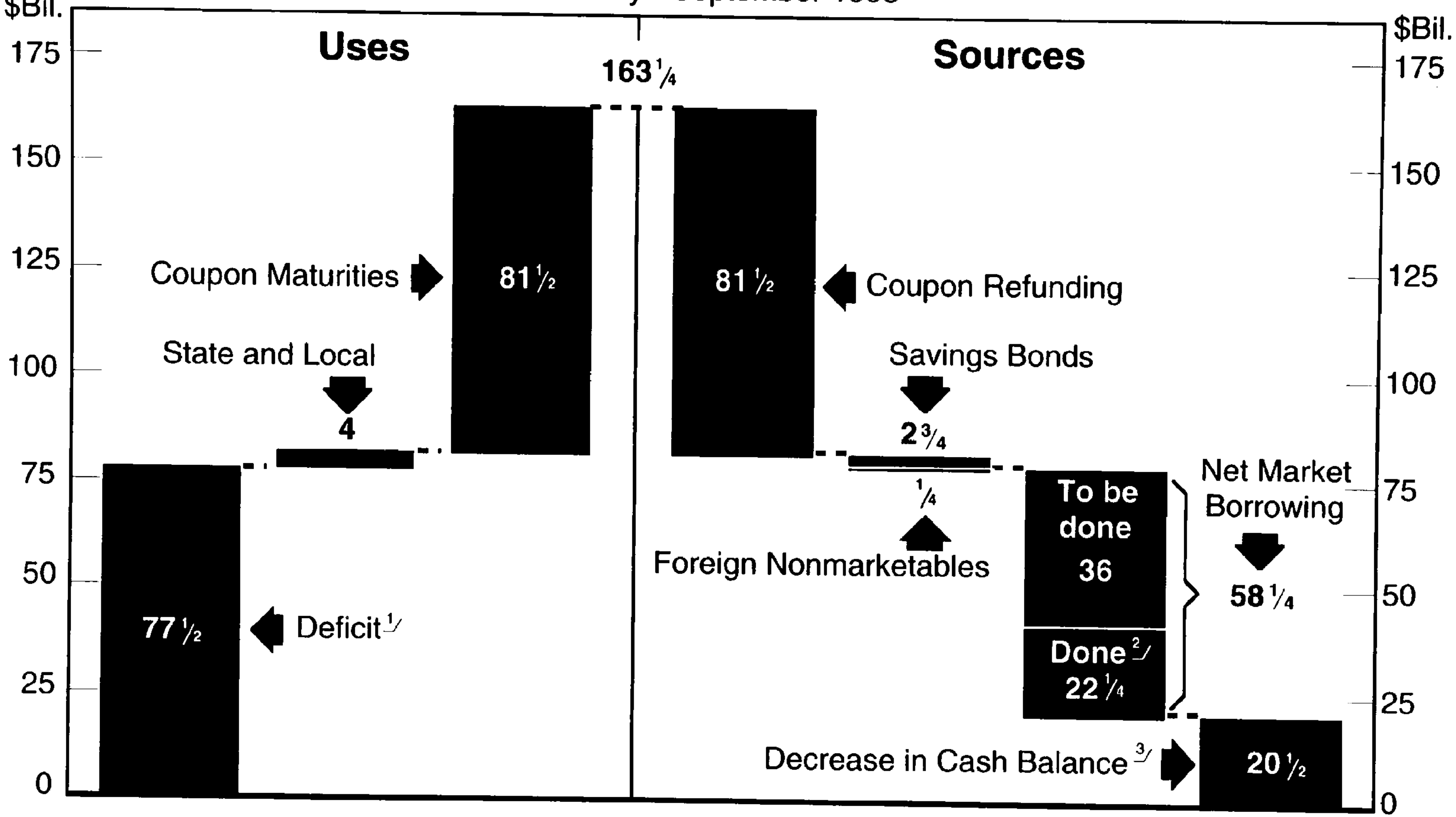
1/ Includes budget deficit, changes in accrued interest and checks outstanding and minor miscellaneous debt transactions.

Department of The Treasury
Office of Market Finance

August 2, 1993-27

TREASURY FINANCING REQUIREMENTS

July - September 1993



[1] Includes budget deficit, changes in accrued interest and checks outstanding and minor miscellaneous debt transactions.

[2] Issued or announced through July 30, 1993.

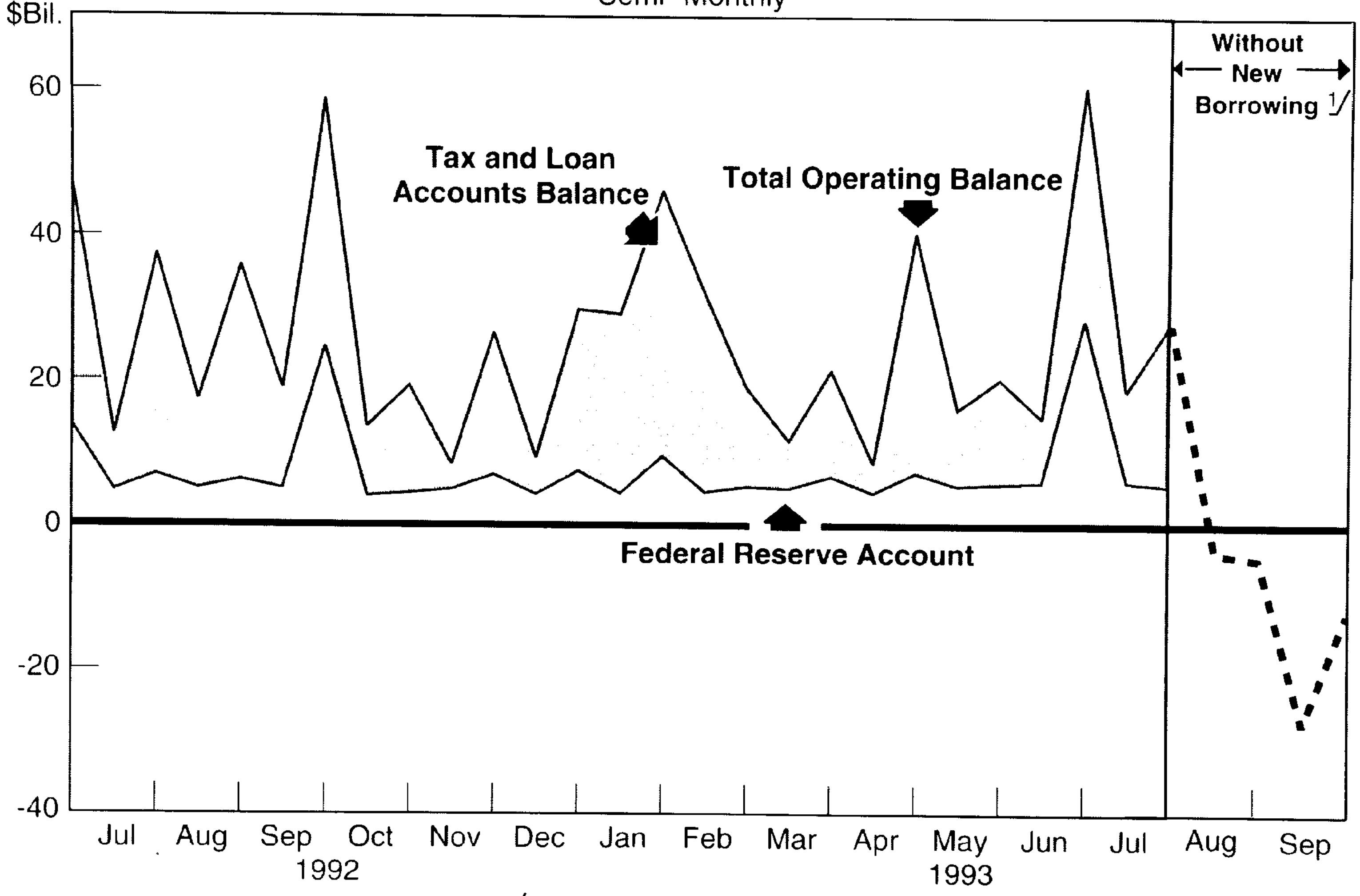
[3] Assumes a $40 billlion cash balance September 30, 1993.

Department of the Treasury
Office of Market Finance

August 2, 1993-28

TREASURY OPERATING CASH BALANCE

Semi- Monthly

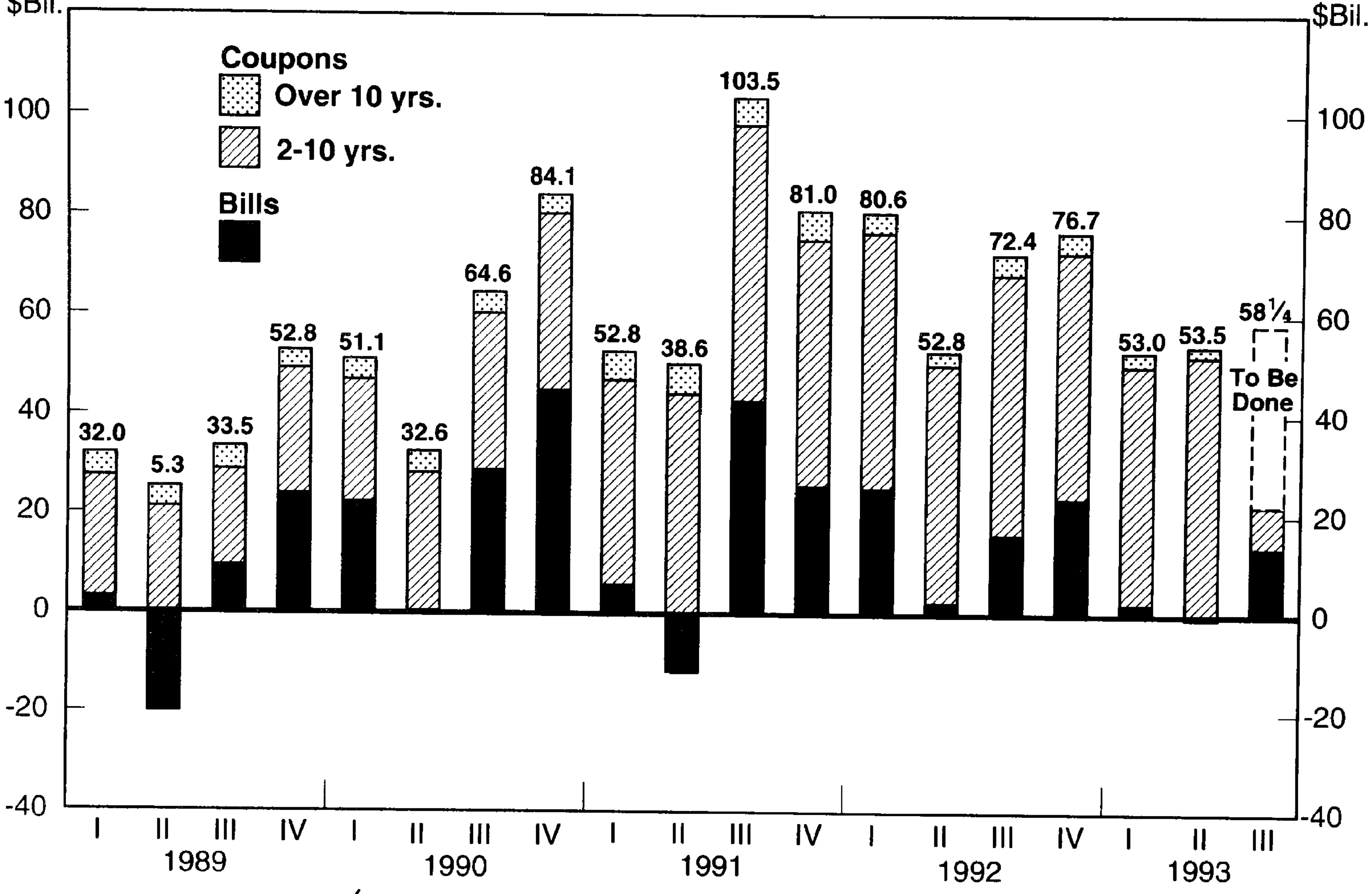


1/ Assumes refunding of maturing issues.

Department of the Treasury
Office of Market Finance

August 2, 1993-29

TREASURY NET MARKET BORROWING [1]



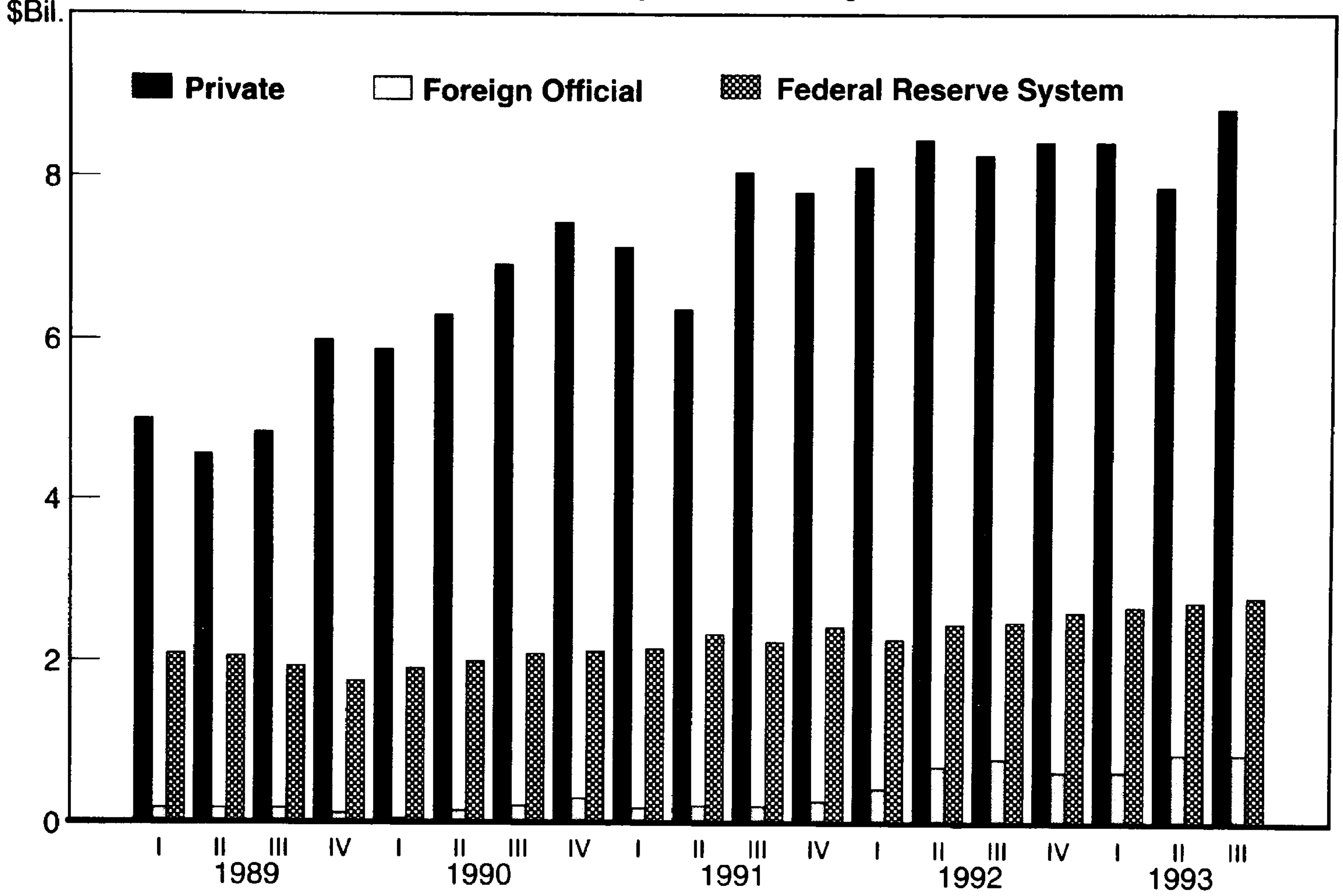
[1] Excludes Federal Reserve and Government Account Transactions.

Department of the Treasury
Office of Market Finance

August 2,1993-4

13-WEEK BILL AWARDS TO PRIVATE INVESTORS, FEDERAL RESERVE SYSTEM, AND OFFICIAL FOREIGN CUSTODY ACCOUNTS

Quarterly Averages, 1989 through III-1993*



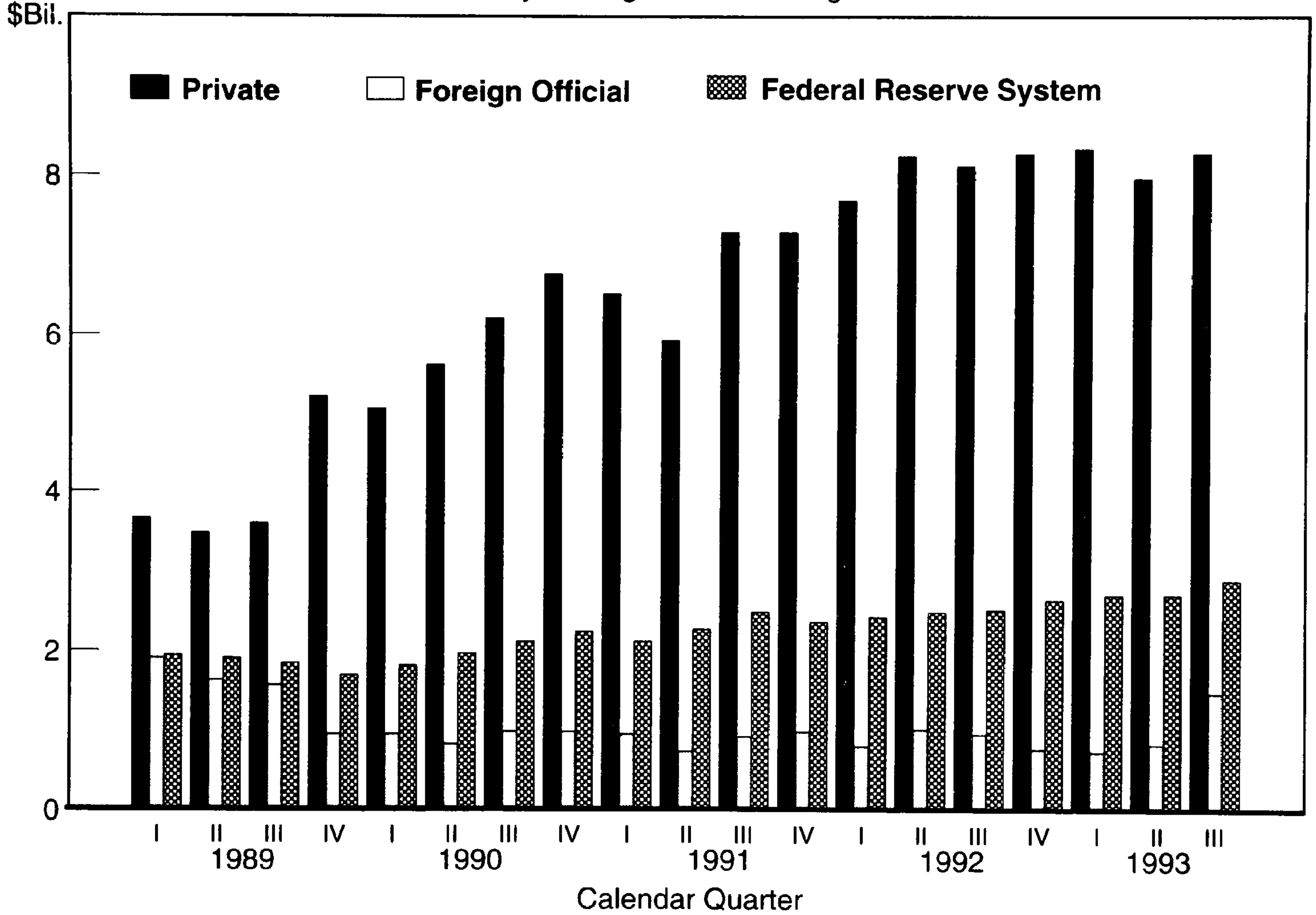
* Latest bill settled July 29, 1993

Department of the Treasury
Office of Market Finance

August 2, 1993-5

26-WEEK BILL AWARDS TO PRIVATE INVESTORS, FEDERAL RESERVE SYSTEM, AND OFFICIAL FOREIGN CUSTODY ACCOUNTS

Quarterly Averages, 1989 through III-1993*



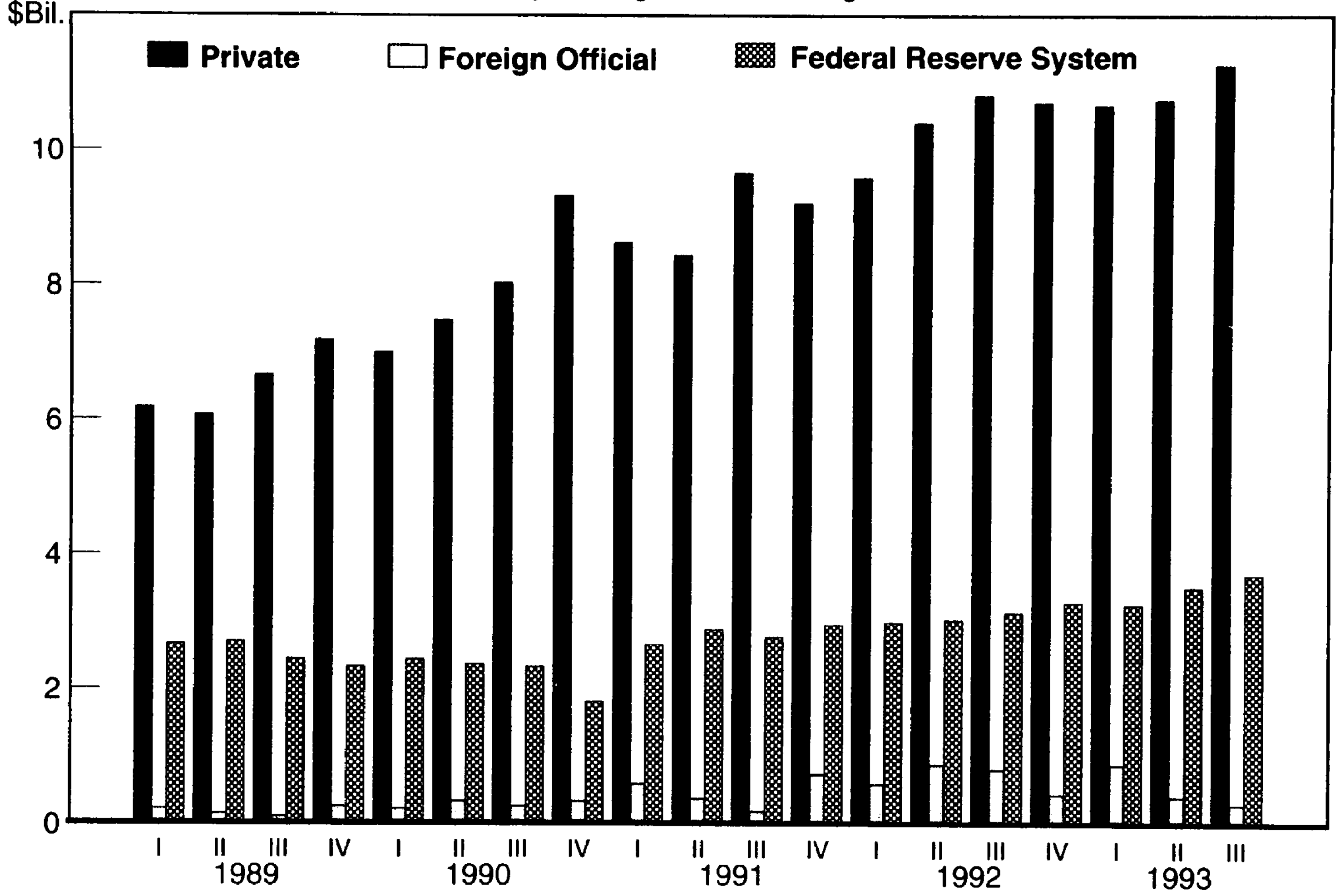
* Latest bill settled July 29, 1993

Department of the Treasury
Office of Market Finance

August 2, 1993-6

52-WEEK BILL AWARDS TO PRIVATE INVESTORS, FEDERAL RESERVE SYSTEM, AND OFFICIAL FOREIGN CUSTODY ACCOUNTS

Quarterly Averages, 1989 through III-1993*

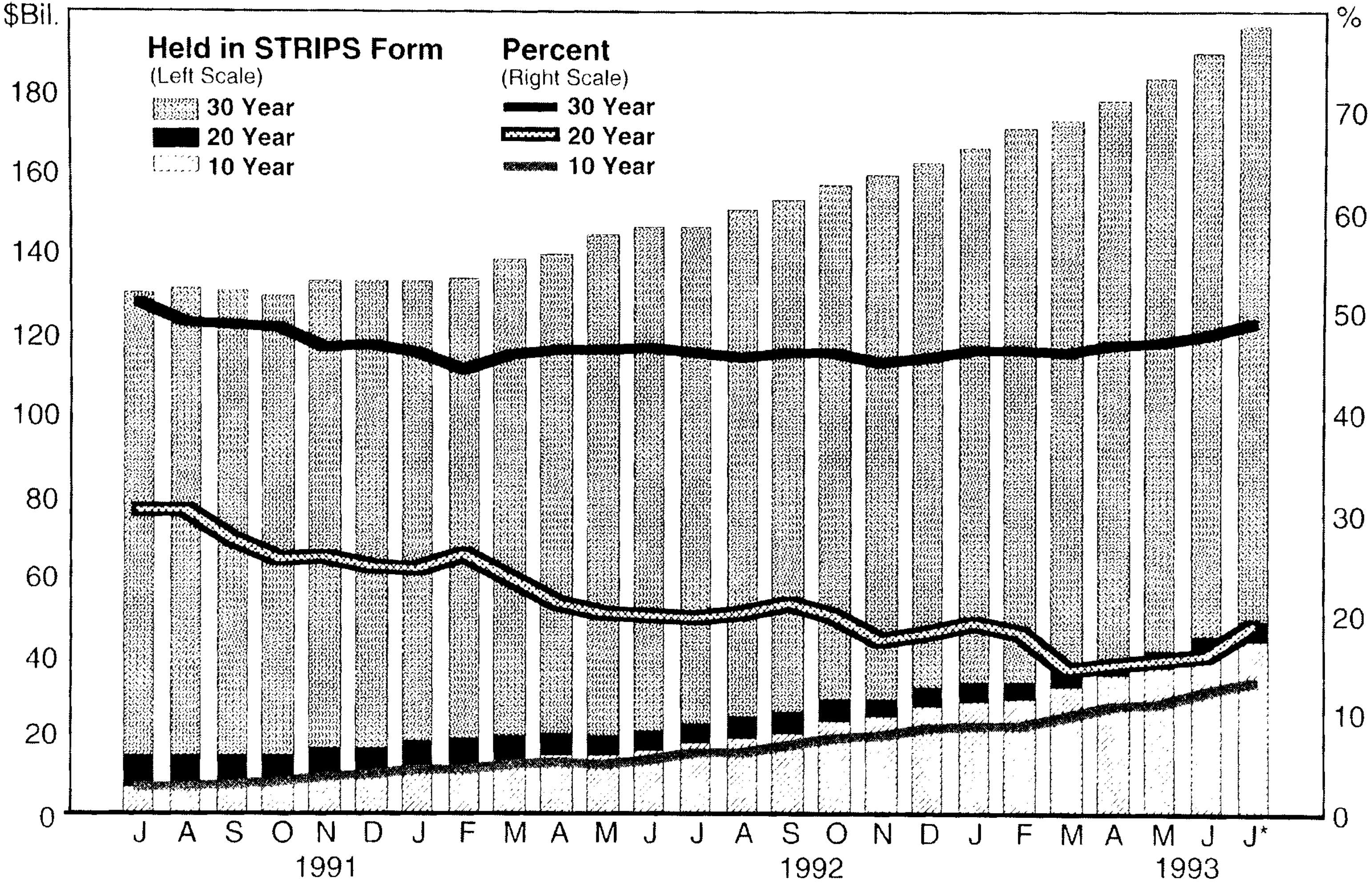


* Latest bill settled July 29, 1993

Department of the Treasury
Office of Market Finance

August 2, 1993-7

NET STRIPS AS A PERCENT OF PRIVATELY HELD STRIPPABLE SECURITIES

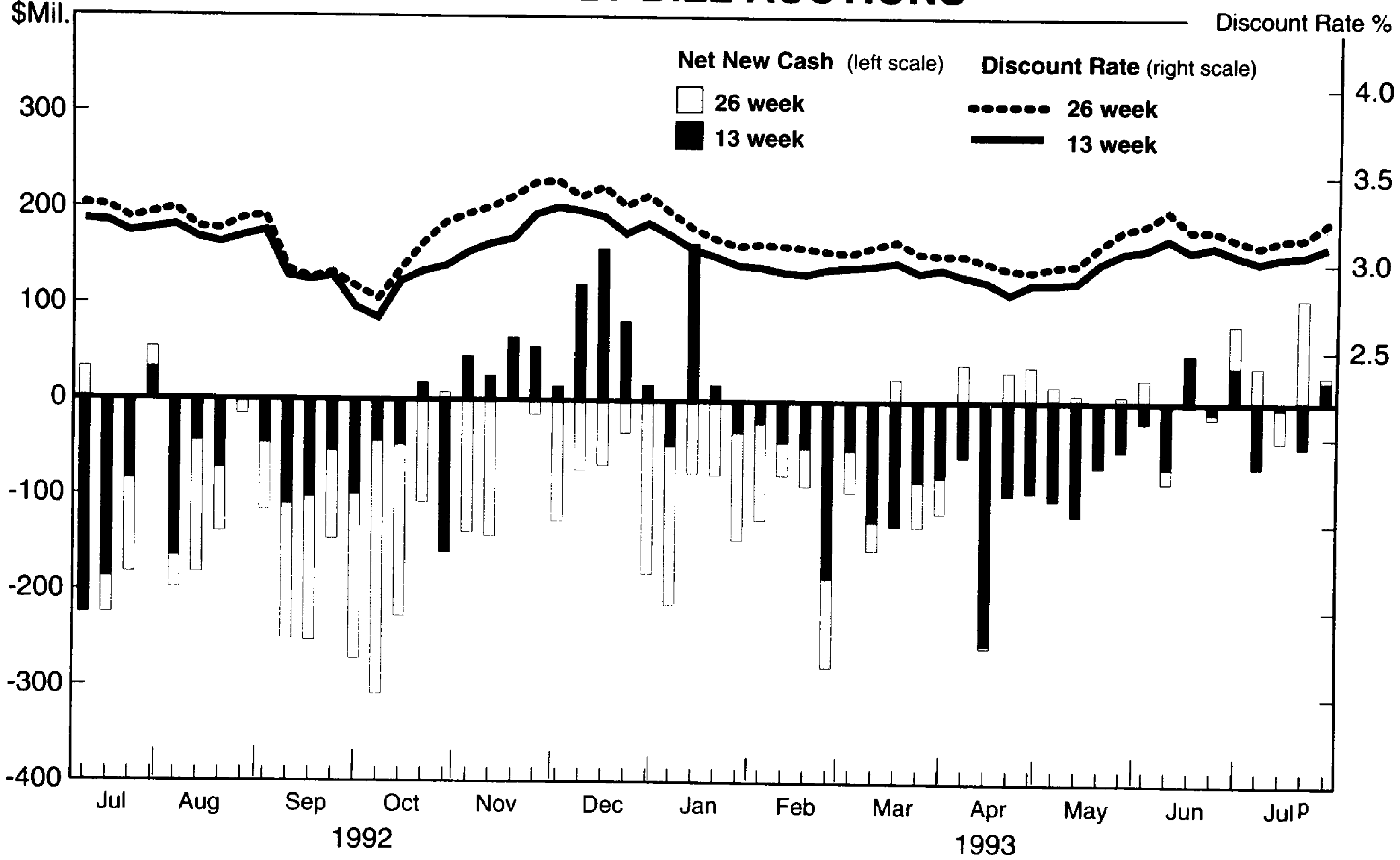


*Through July 23, 1993

Department of the Treasury
Office of Market Finance

August 2, 1993-13

NET NEW CASH FROM NONCOMPETITIVE TENDERS IN WEEKLY BILL AUCTIONS [1]



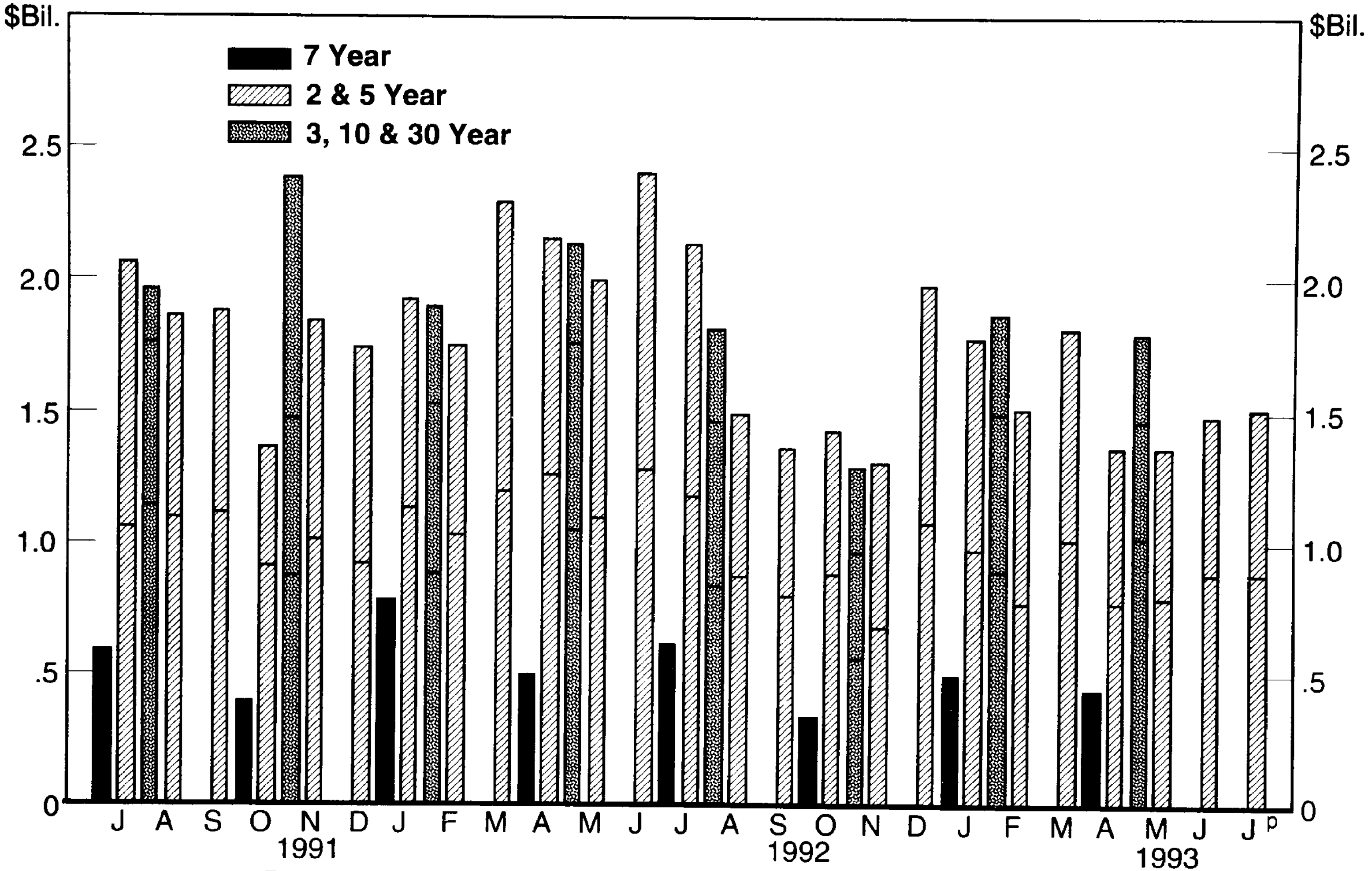
[1] Excludes noncompetitive tenders from foreign official accounts and the Federal Reserve account.

p Preliminary

Department of the Treasury
Office of Market Finance

Auguust 2, 1993-14

NONCOMPETITIVE TENDERS IN TREASURY NOTES AND BONDS[1]



[1] Excludes foreign add-ons from noncompetitive tenders.

p Preliminary

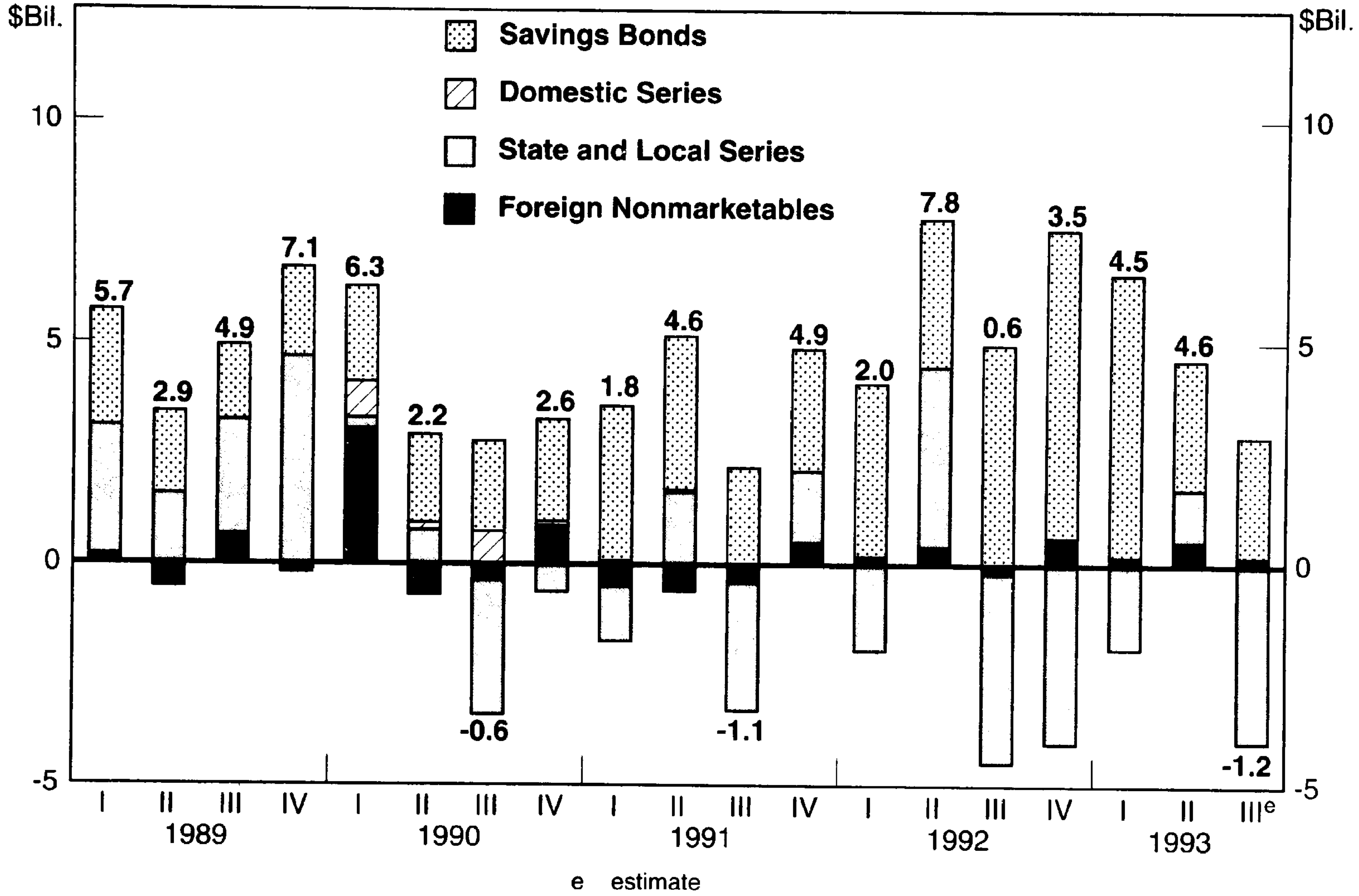
Treasury increased the maximum noncompetitive award to any noncompetitive bidder to $5 million effective November 5, 1991.

Effective February 11, 1992 a noncompetitive bidder may not hold a position in WI trading, futures, or forward contracts, nor submit both competitive and noncompetitive bids for its own account.

Department of the Treasury
Office of Market Finance

August 2, 1993-15

TREASURY NET BORROWING FROM NONMARKETABLE ISSUES

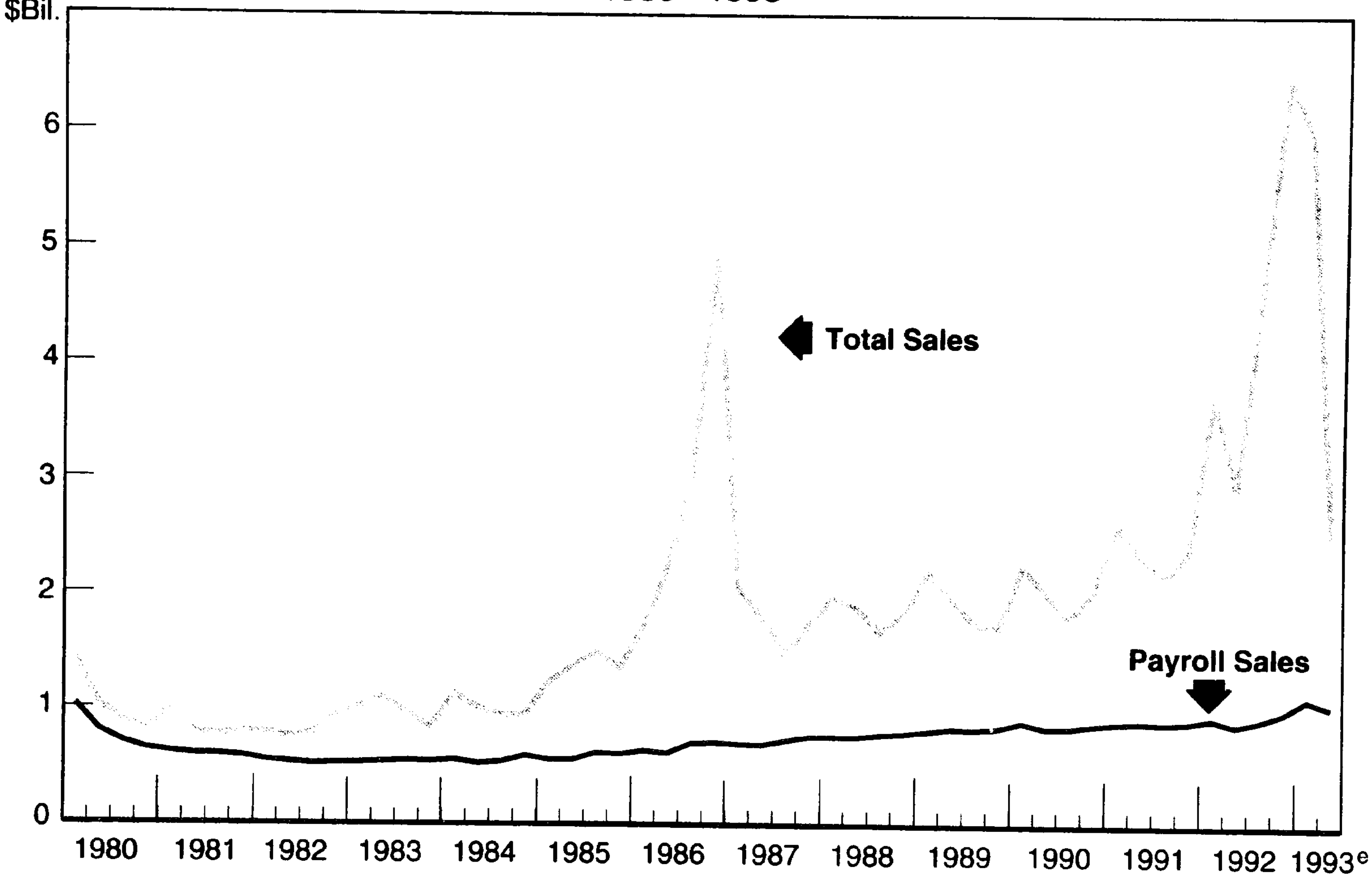


Department of the Treasury
Office of Market Finance

August 2, 1993-33

SALES OF UNITED STATES SAVINGS BONDS

1980 - 1993



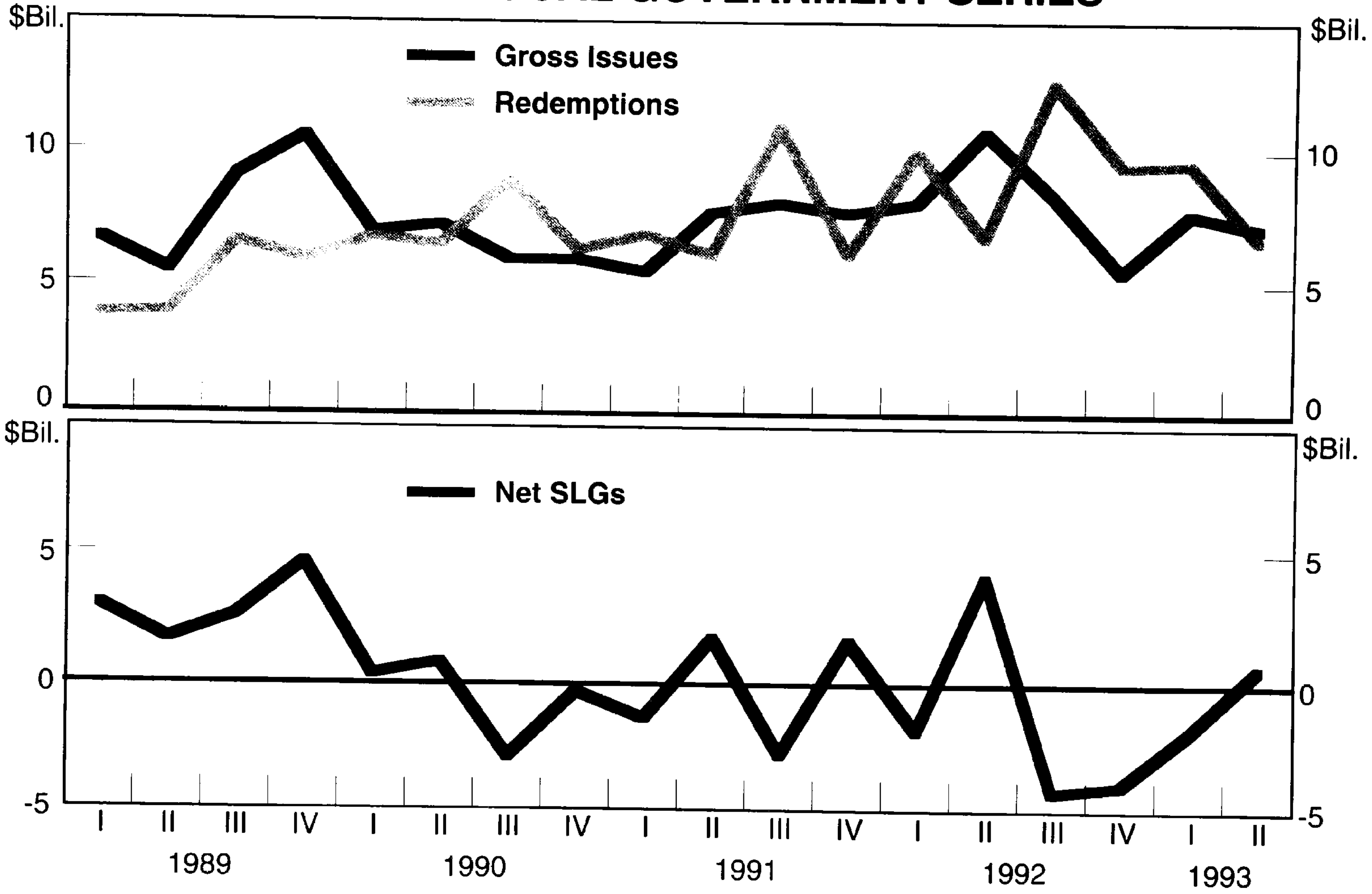
End of Quarter

e estimate

Department of the Treasury
Office of Market Finance

August 2, 1993-17

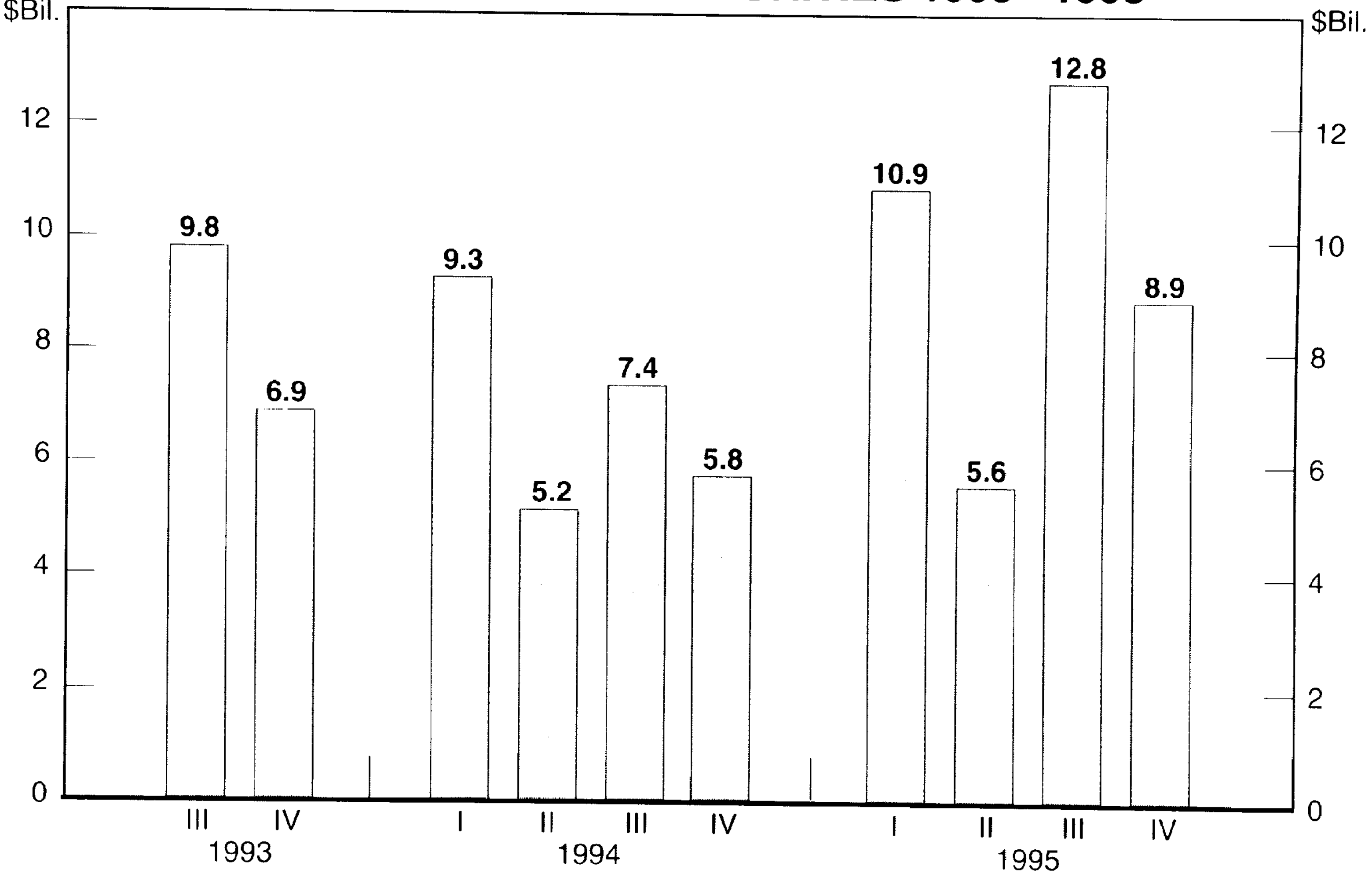
STATE & LOCAL GOVERNMENT SERIES



Department of the Treasury
Office of Market Finance

August 2, 1993-18

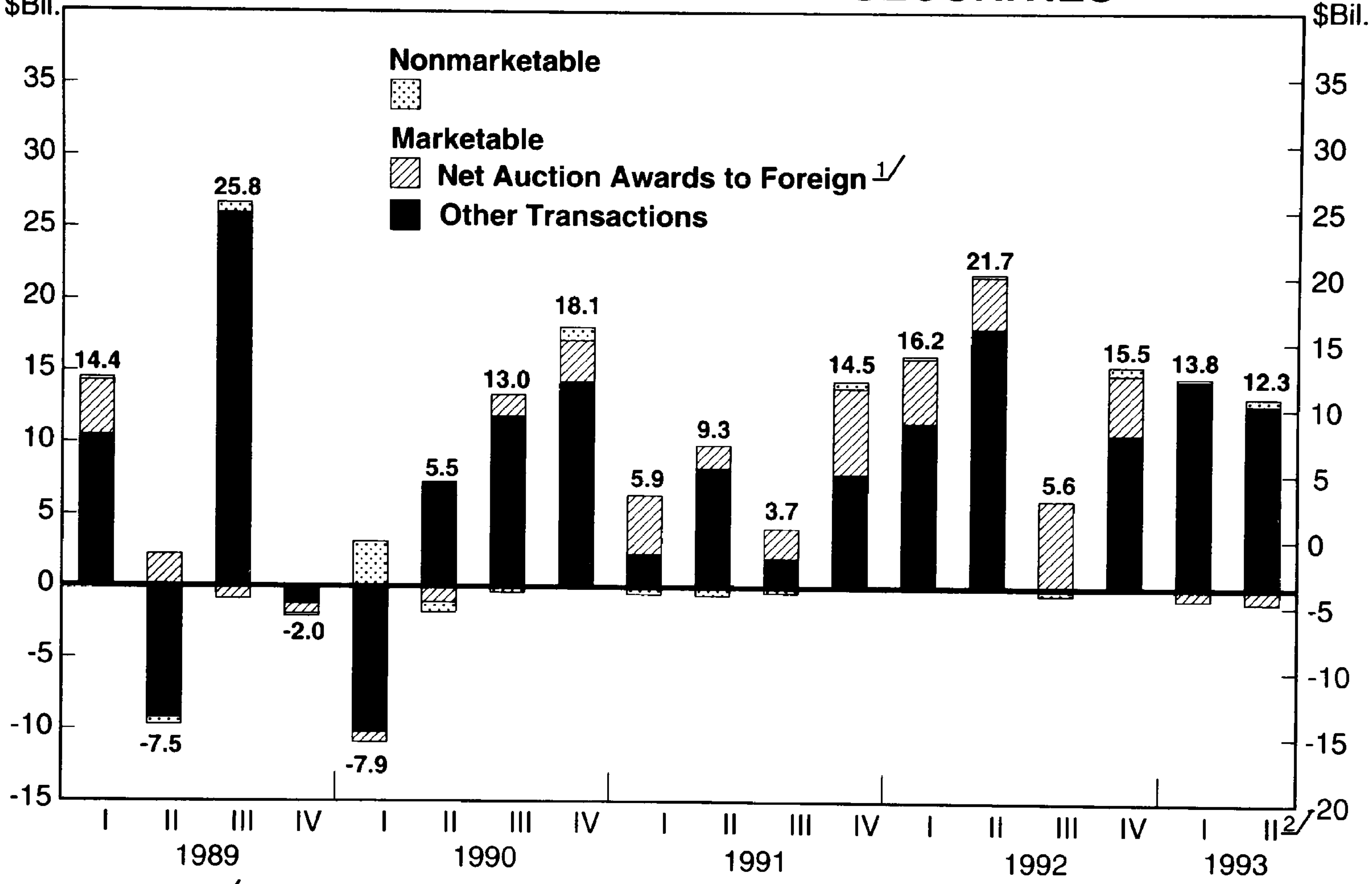
STATE AND LOCAL MATURITIES 1993 - 1995



Department of the Treasury
Office of Market Finance

August 2, 1993-30

QUARTERLY CHANGES IN FOREIGN AND INTERNATIONAL HOLDINGS OF PUBLIC DEBT SECURITIES



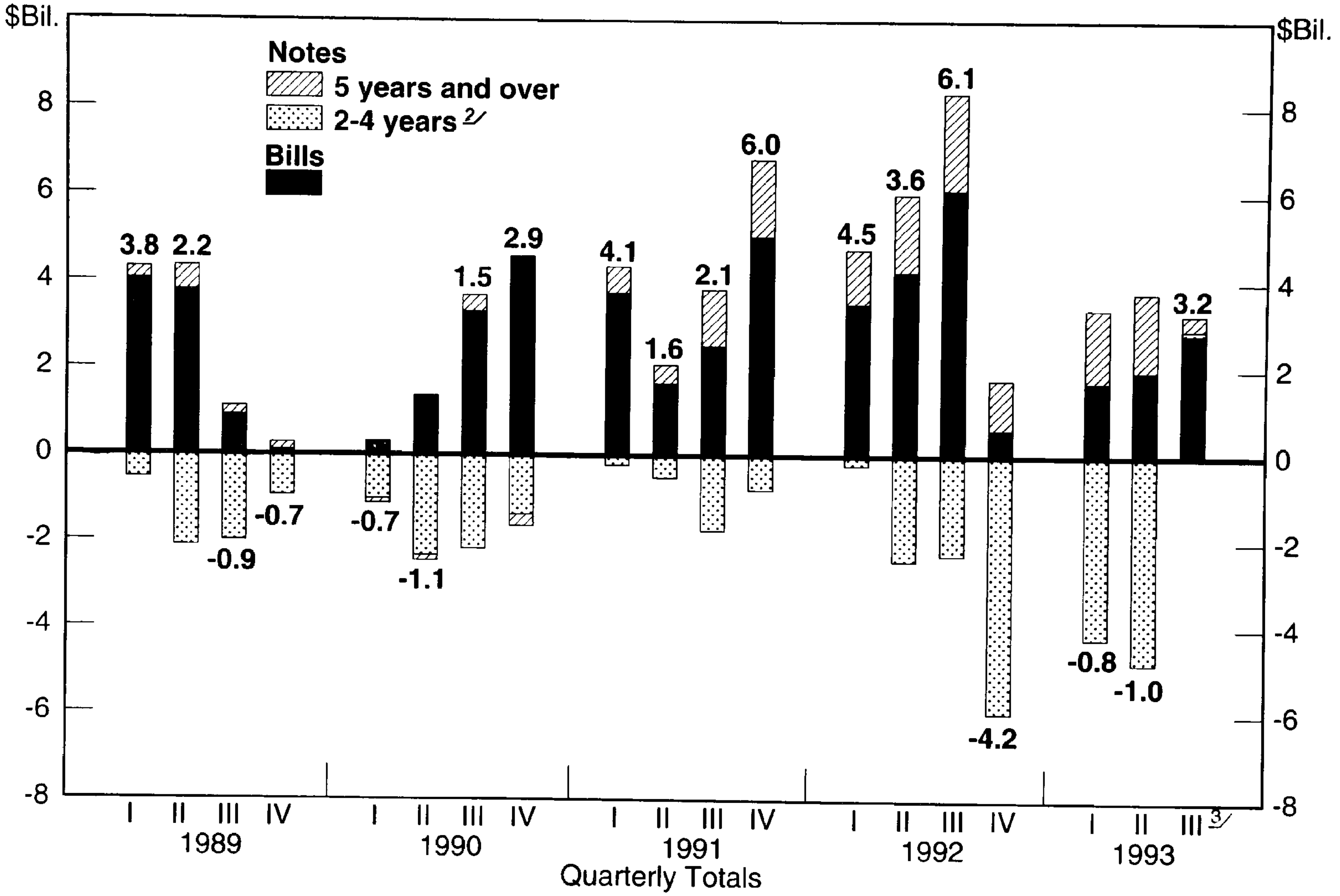
1/ Auction awards to foreign custody purchasers netted against holdings of maturing securities.

2/ Preliminary

Department of the Treasury
Office of Market Finance

August 2, 1993-16

NET AWARDS TO FOREIGN OFFICIAL ACCOUNTS [1]



[1] Noncompetitive awards to foreign official accounts held in custody at the Federal Reserve in excess of foreign custody account holdings of maturing securities.

[2] 4 year notes not issued after December 31, 1990.

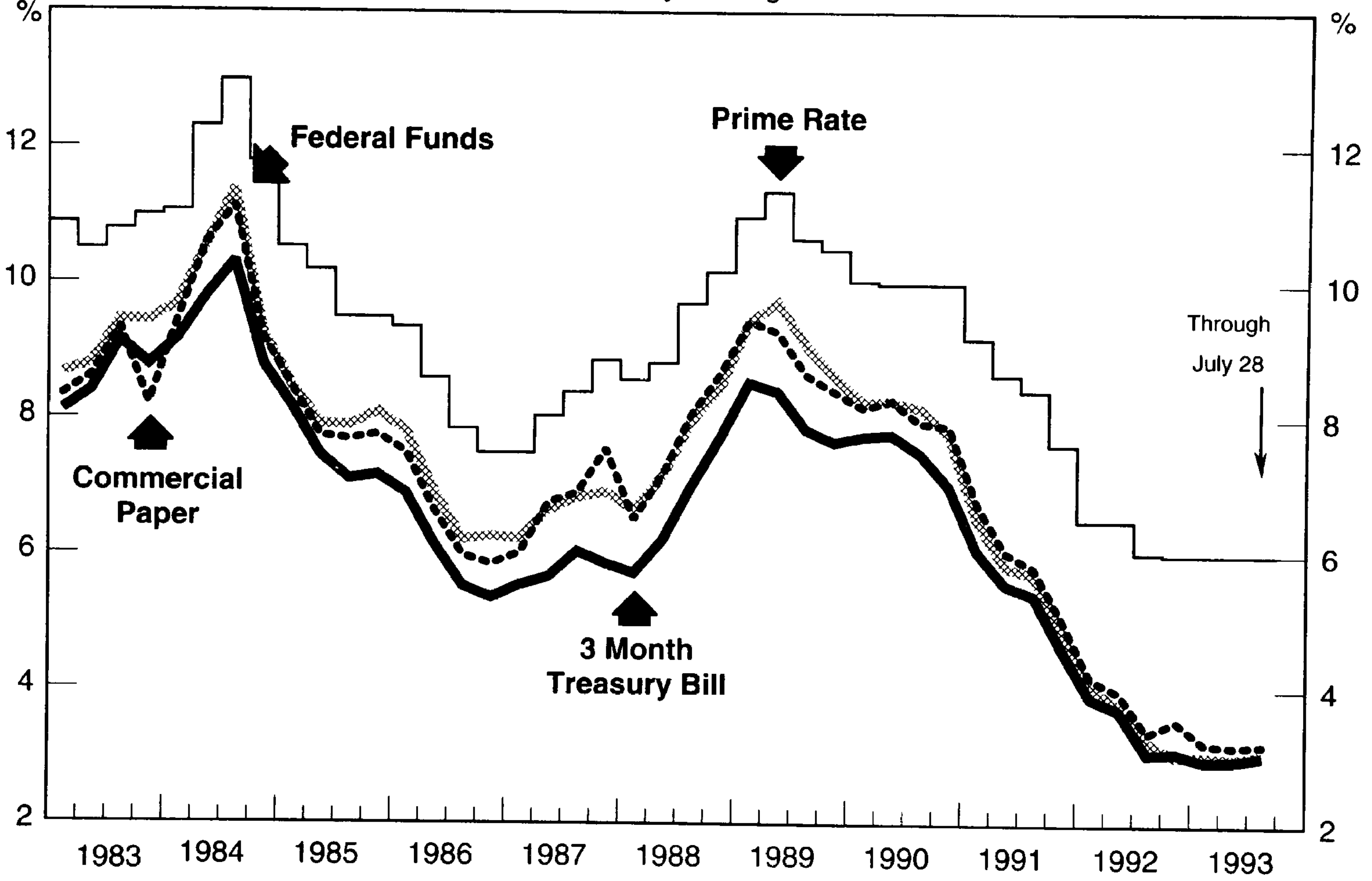
[3] Through July 30, 1993.

Department of the Treasury
Office of Market Finance

August 2, 1991-31

SHORT TERM INTEREST RATES

Quarterly Averages

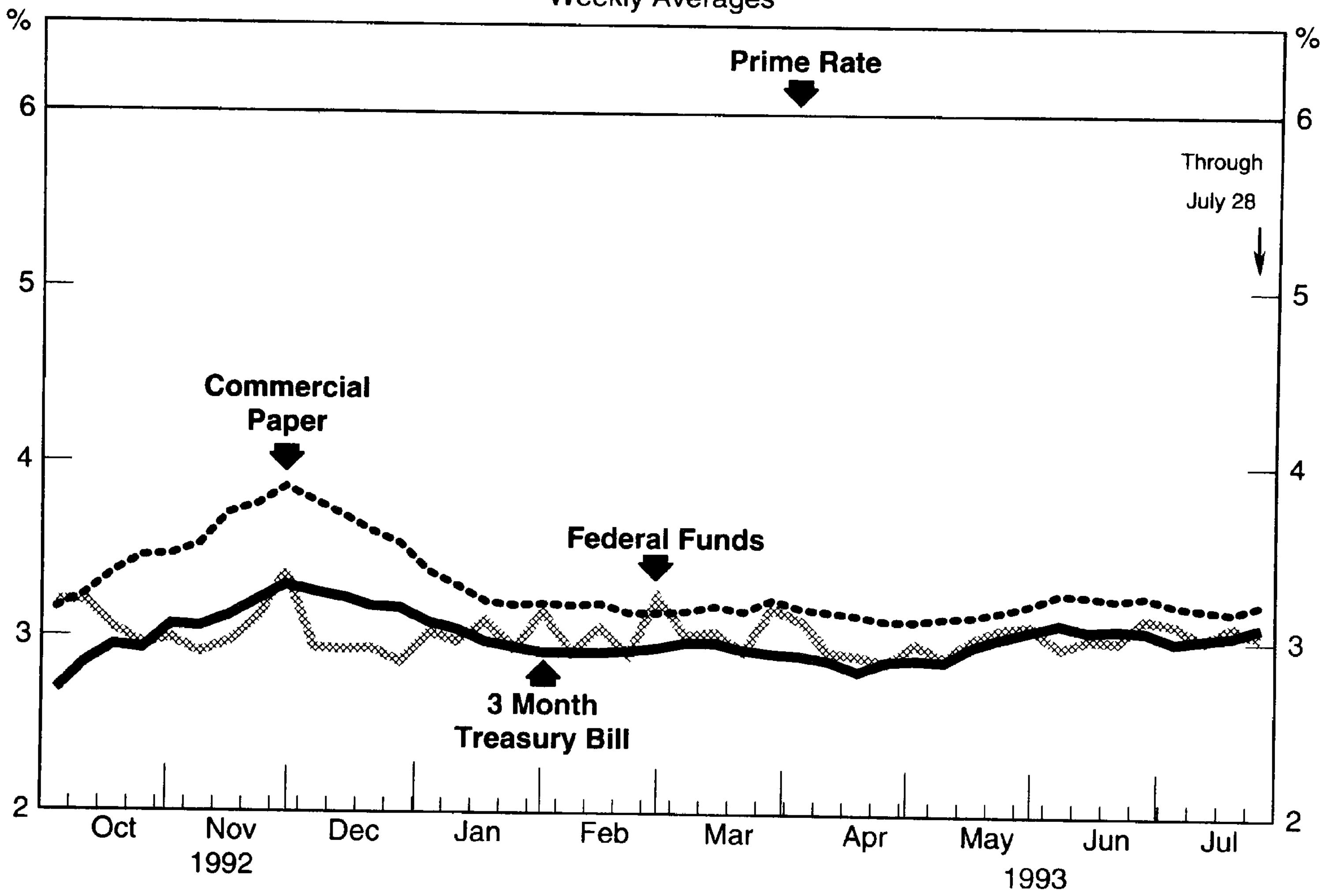


Department of the Treasury
Office of Market Finance

August 2, 1993-23

SHORT TERM INTEREST RATES

Weekly Averages

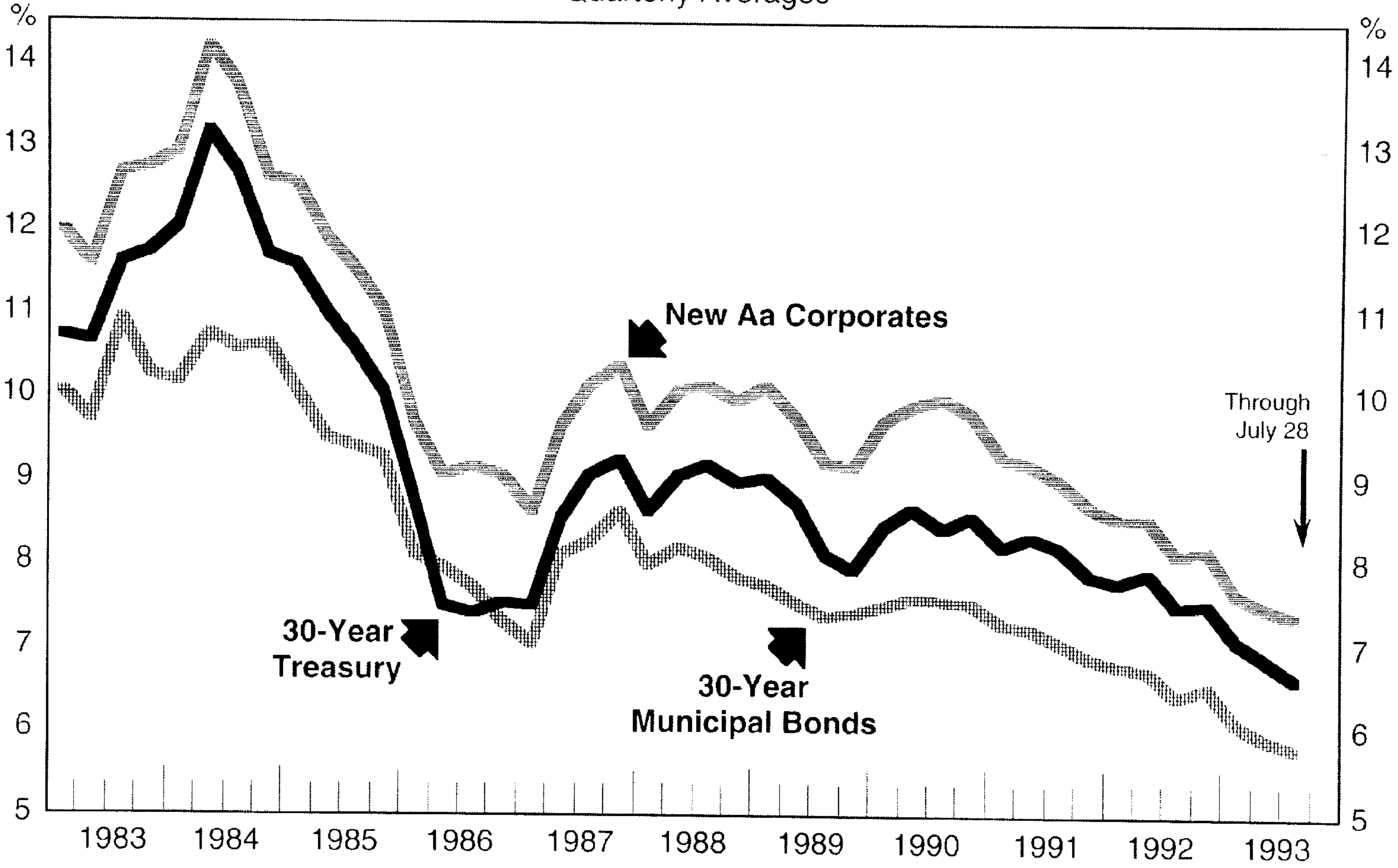


Department of the Treasury
Office of Market Finance

August 2, 1993-24

LONG TERM MARKET RATES

Quarterly Averages

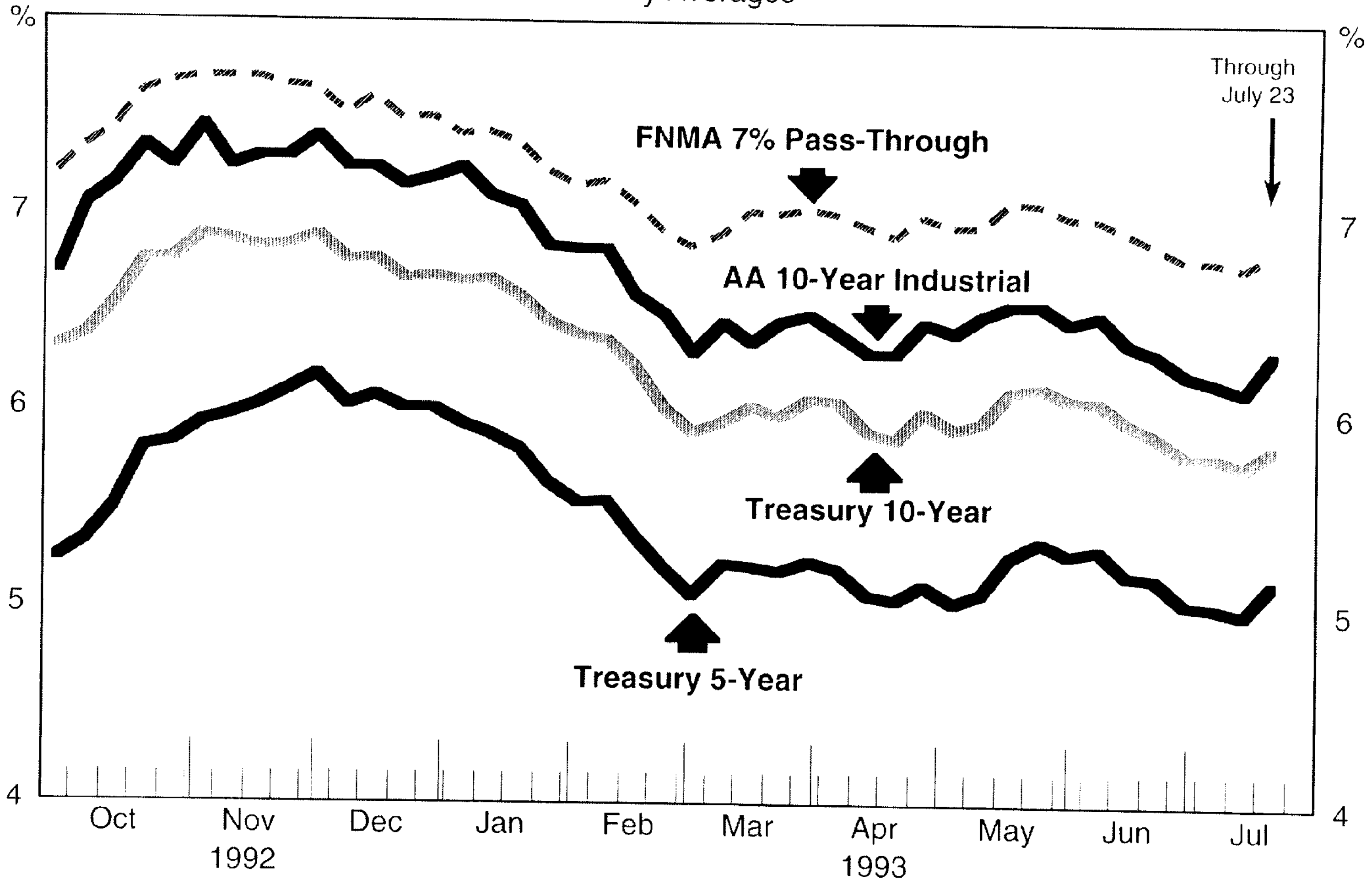


Department of the Treasury
Office of Market Finance

August 2, 1993-25

INTERMEDIATE TERM INTEREST RATES

Weekly Averages*

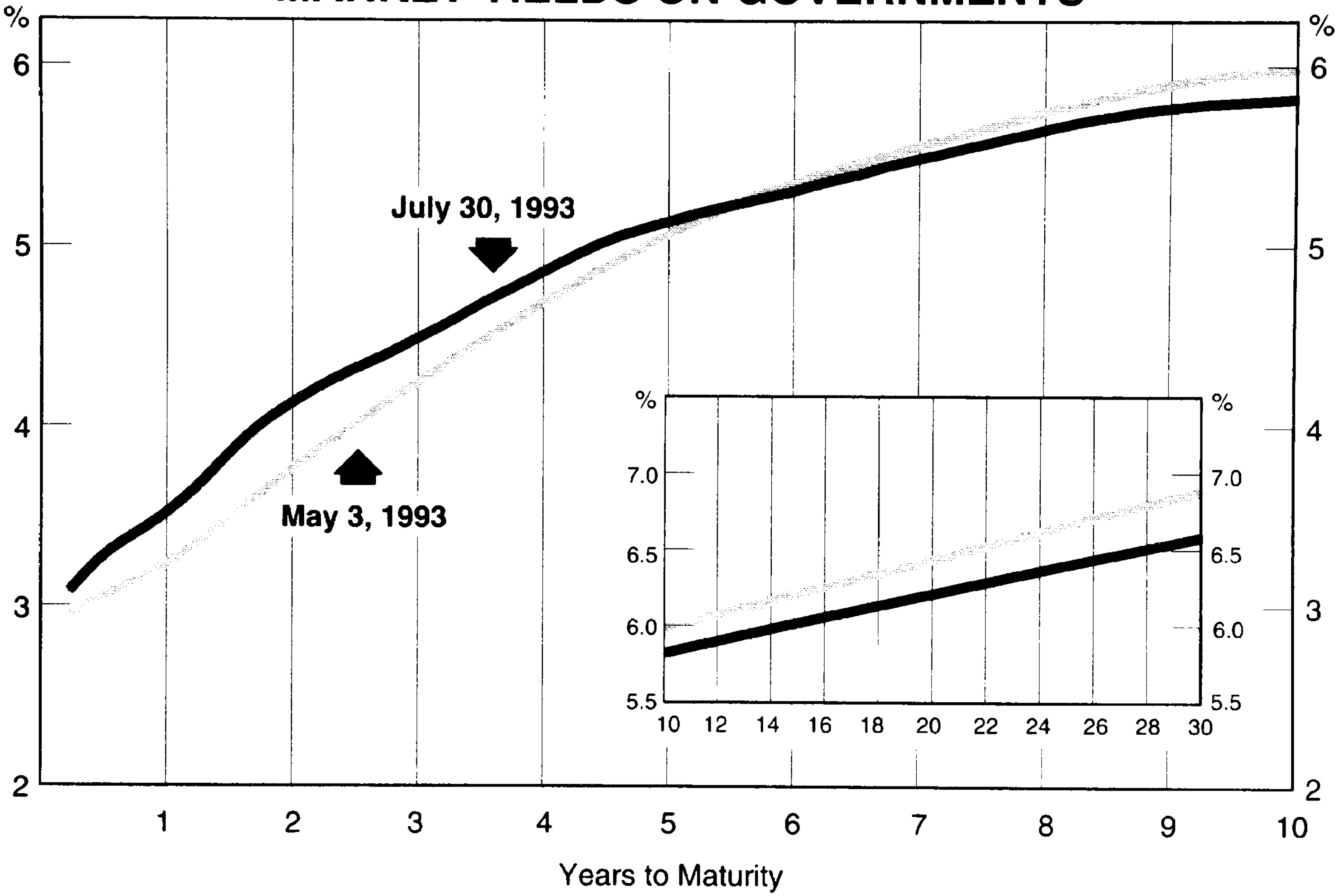


* Salomon 10-yr. AA Industrial is a Thursday rate. All rates are offer side.

Department of the Treasury
Office of Market Finance

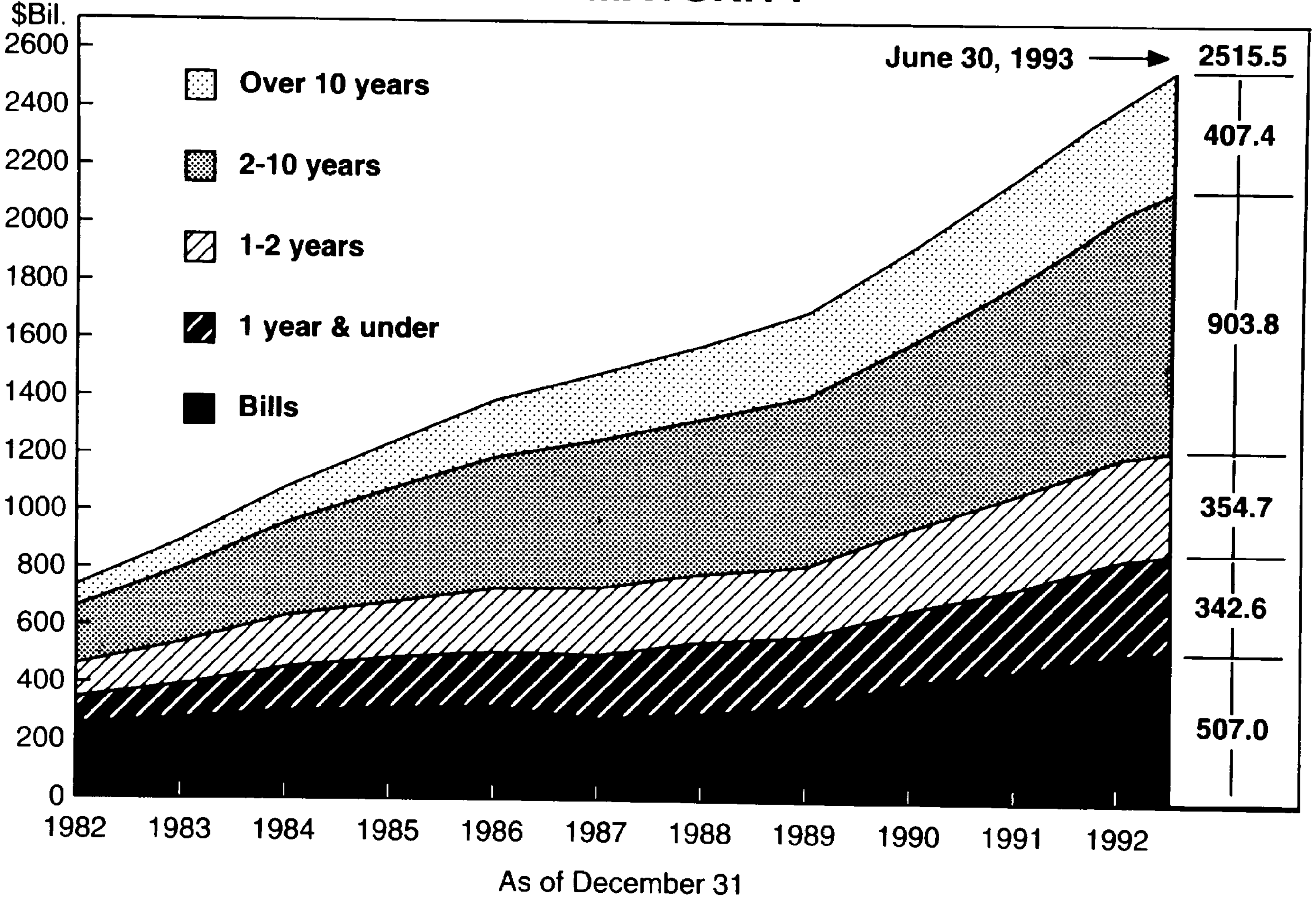
August 2, 1993-26

MARKET YIELDS ON GOVERNMENTS



Department of the Treasury
Office of Market Finance

PRIVATE HOLDINGS OF TREASURY MARKETABLE DEBT BY MATURITY

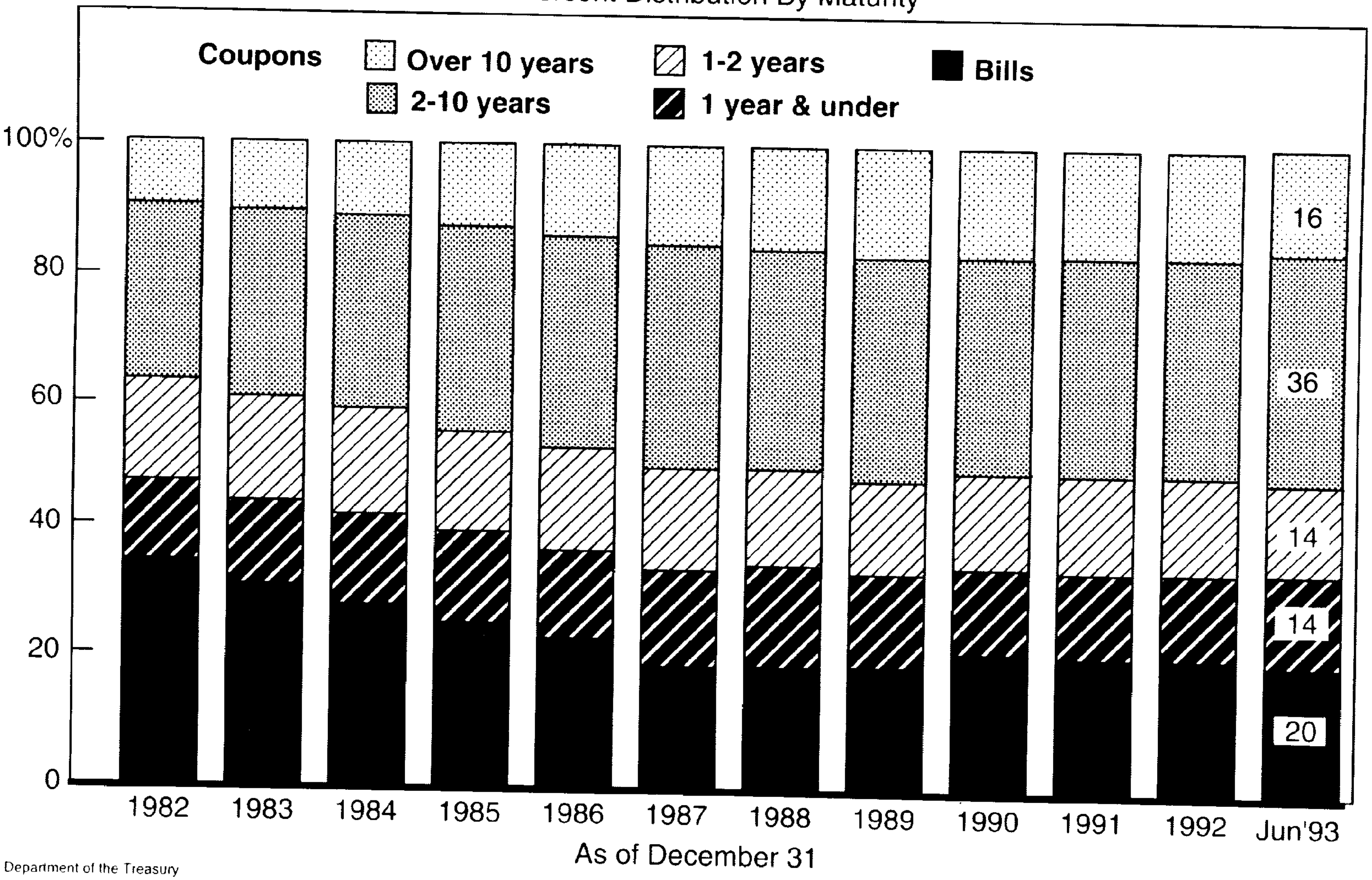


Department of the Treasury
Office of Market Finance

August 2, 1993-1

PRIVATE HOLDINGS OF TREASURY MARKETABLE DEBT

Percent Distribution By Maturity

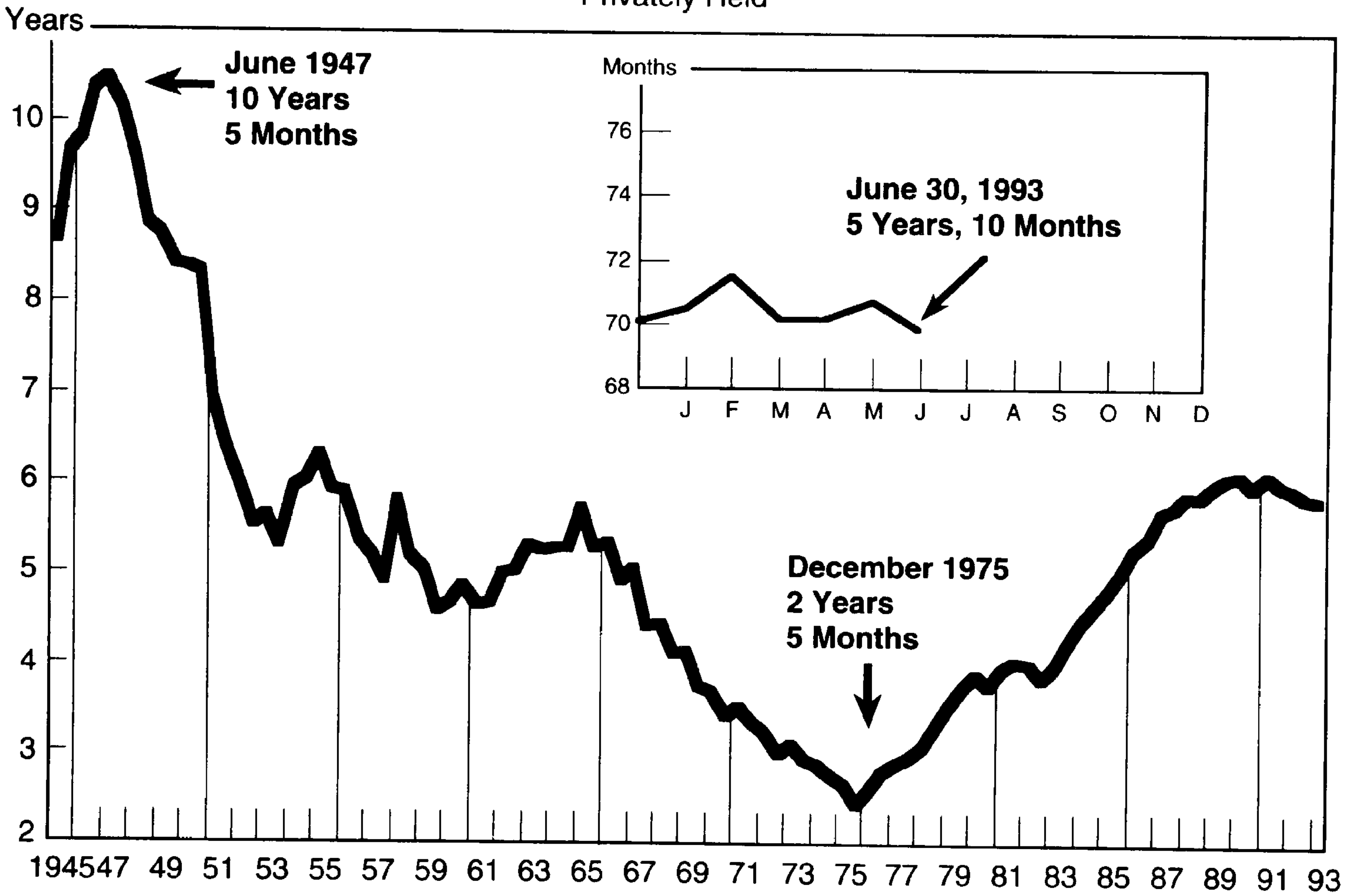


Department of the Treasury
Office of Market Finance

August 2, 1993-2

AVERAGE LENGTH OF THE MARKETABLE DEBT

Privately Held



Department of the Treasury
Office of Market Finance

August 2, 1993-3

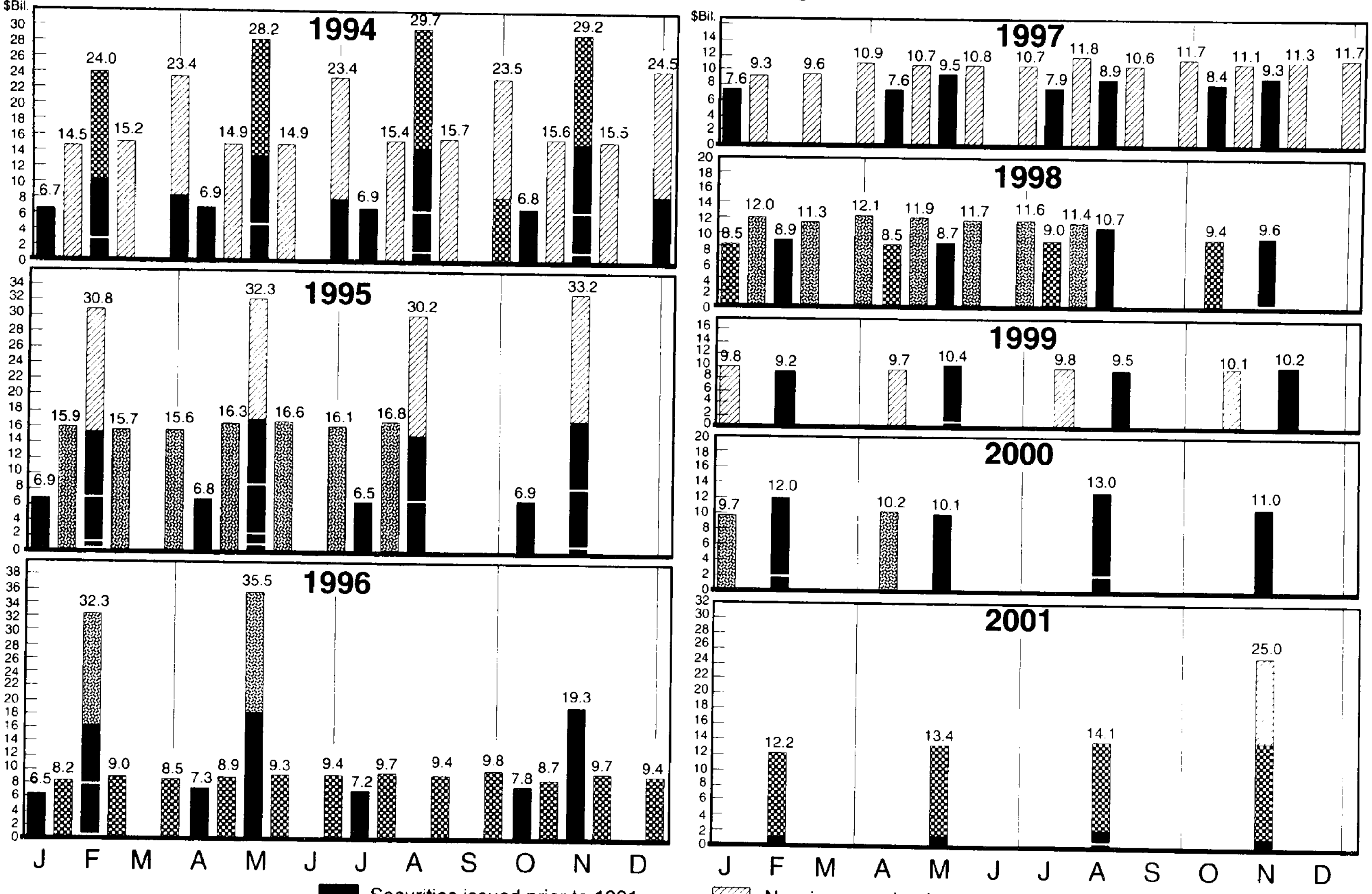
MATURING COUPON ISSUES
August - December 1993
(in millions of dollars)

Maturing Coupons	June 30, 1993			
	Total	Held by		
		Federal Reserve & Government Accounts	Private Investors	Foreign[1] Investors
11 7/8% Note 08/15/93	6,593	1,606	4,987	313
8 3/4% Note 08/15/93	7,370	68	7,302	1,407
8 % Note 08/15/93	15,499	2,686	12,813	2,665
8 5/8% Bond 08/15/93	1,768	164	1,604	50
6 3/8% Note 08/31/93	14,087	967	13,120	1,055
8 1/4% Note 09/30/93	8,745	341	8,404	1,225
6 1/8% Note 09/30/93	15,373	1,521	13,852	1,755
7 1/8% Note 10/15/93	7,013	468	6,545	558
6 % Note 10/31/93	15,716	1,567	14,149	2,857
11 3/4% Note 11/15/93	12,478	2,223	10,255	1,996
9 % Note 11/15/93	7,518	272	7,246	1,354
7 3/4% Note 11/15/93	17,211	3,776	13,435	2,271
8 5/8% Bond 11/15/93	1,509	224	1,285	73
5 1/2% Note 11/30/93	15,628	1,146	14,482	1,906
7 5/8% Note 12/31/93	8,974	778	8,196	673
5 % Note 12/31/93	16,539	2,133	14,406	1,534
Totals	172,021	19,940	152,081	21,692

[1] F.R.B. custody accounts for foreign official institutions; included in Private Investors.

TREASURY MARKETABLE MATURITIES

Privately held, Excluding Bills



■ Securities issued prior to 1991

▩ New issues calendar year 1991

▨ New issues calendar year 1992

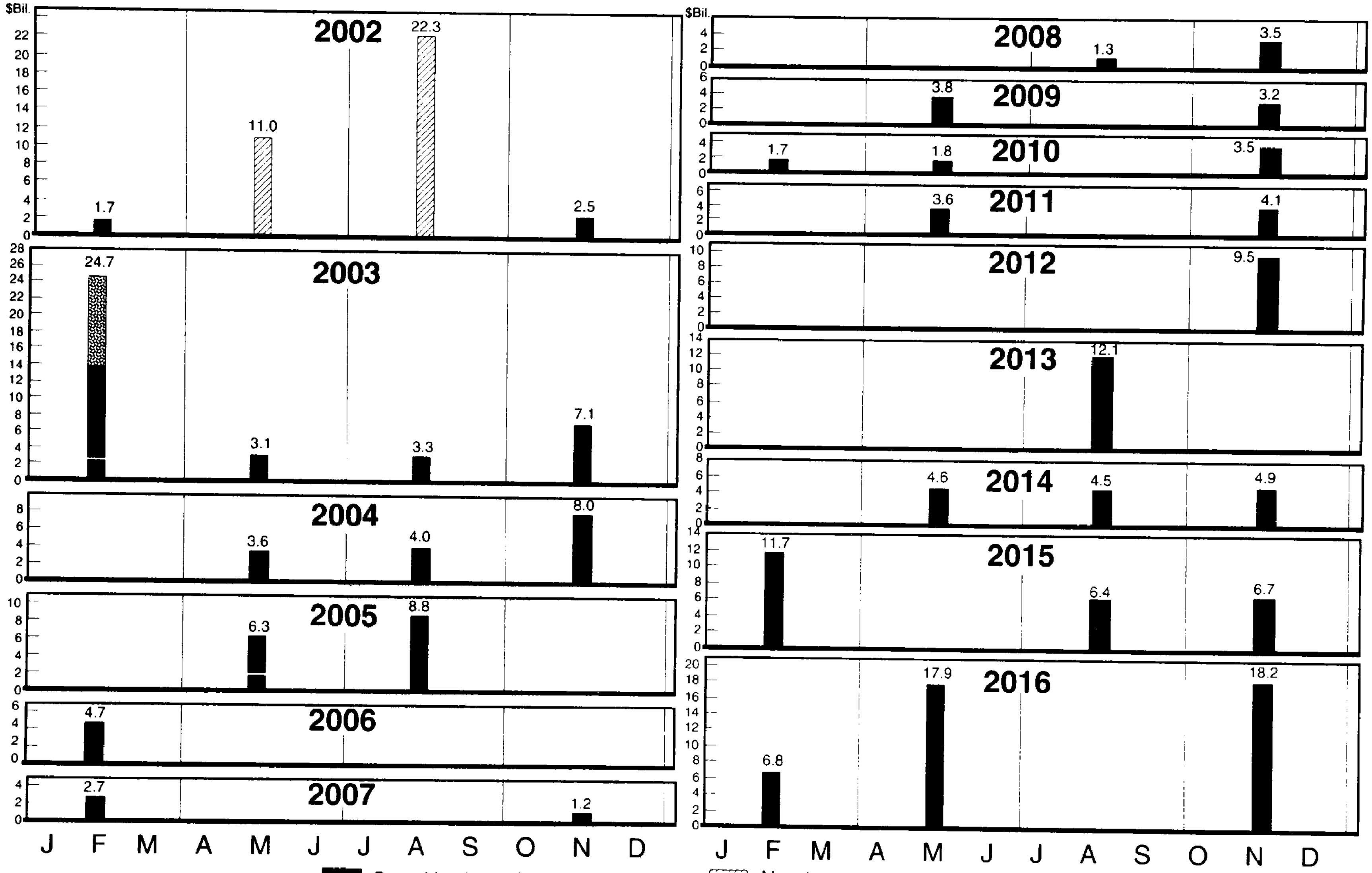
▩ Issued or announced through July 30, 1993

Department of the Treasury
Office of Market Finance

August 2, 1993-8

TREASURY MARKETABLE MATURITIES

Privately held, Excluding Bills



■ Securities issued prior to 1991

▩ New issues calendar year 1991

☐ New issues calendar year 1992

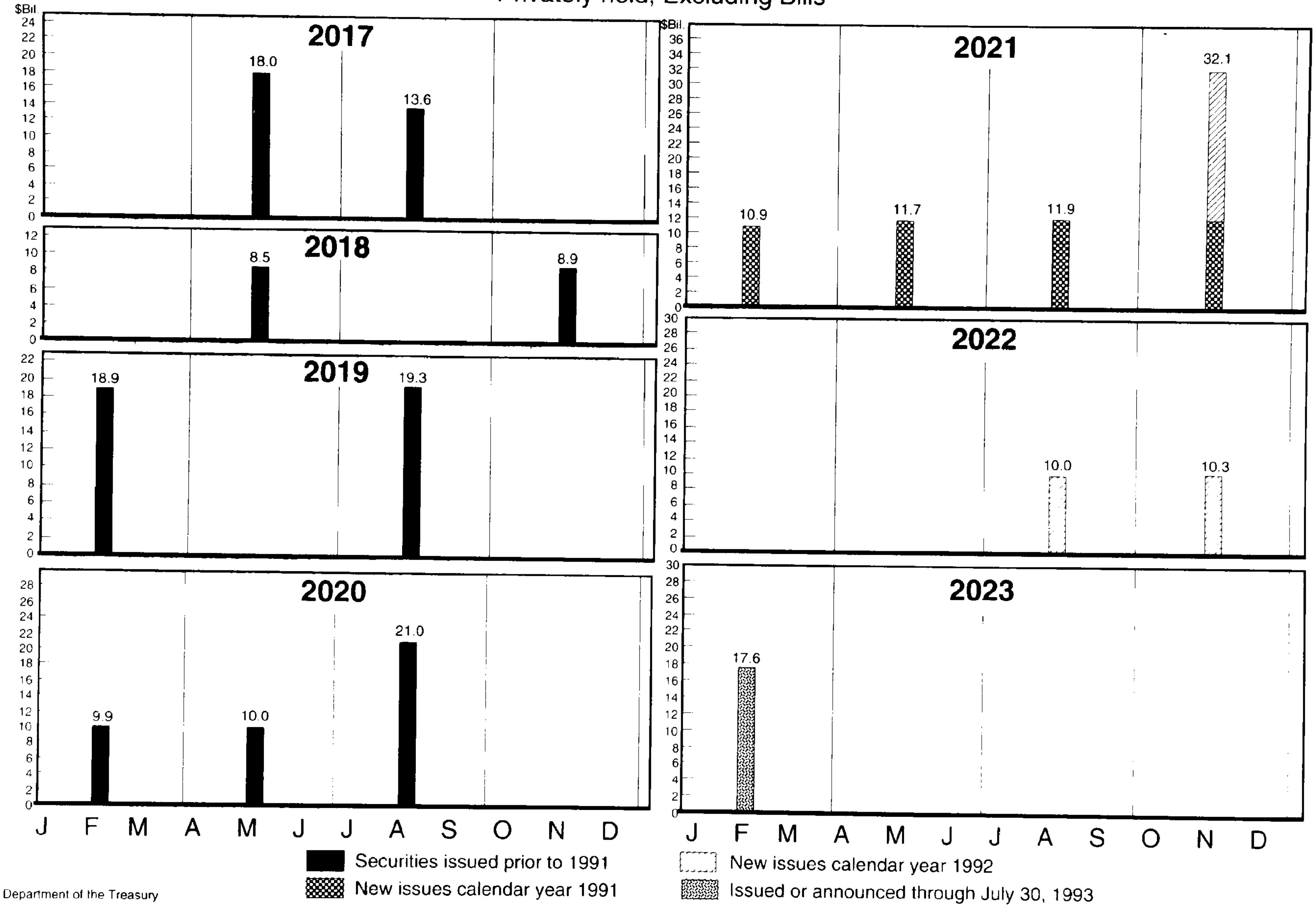
▨ Issued or announced through July 30, 1993

Department of the Treasury
Office of Market Finance

August 2, 1993-9

TREASURY MARKETABLE MATURITIES

Privately held, Excluding Bills



Department of the Treasury
Office of Market Finance

August 2, 1993-10

SCHEDULE OF ISSUES TO BE ANNOUNCED AND AUCTIONED IN AUGUST 1993[1]

Monday	Tuesday	Wednesday	Thursday	Friday
2	3	4	5	6
9	10 Auction 3 year[2]	11 Auction 10 year[2]	12 Auction 30 year[2]	13 Announce 52 week
16	17	18 Announce 2 year 5 year	19 Auction 52 week[3]	20
23	24 Auction 2 year[4]	25 Auction 5 year[4]	26	27
30	31			

[1] Does not include weekly bills
[2] For settlement August 16
[3] For settlement August 26
[4] For settlement August 31

Department of the Treasury
Office of Market Finance

SCHEDULE OF ISSUES TO BE ANNOUNCED AND AUCTIONED IN SEPTEMBER 1993[1]

Monday	Tuesday	Wednesday	Thursday	Friday
		1	2	3
6 Holiday	7	8	9	10 Announce 52 week
13	14	15 Announce 2 year 5 year	16 Auction 52 week[2]	17
20	21 Auction 2 year[3]	22 Auction 5 year[3]	23	24
27	28	29	30	

[1] Does not include weekly bills
[2] For settlement September 23
[3] For settlement September 30

Department of the Treasury
Office of Market Finance

SCHEDULE OF ISSUES TO BE ANNOUNCED AND AUCTIONED IN OCTOBER 1993 1/

Monday	Tuesday	Wednesday	Thursday	Friday
				1
4	5	6	7	9 Announce 52 week 2/
11 Holiday	12	13	14 Auction 52 week 2/	15
18	19	20 Announce 2 year 5 year	21	22
25	26 Auction 2 year 3/	27 Auction 5 year 3/	28	29

1/ Does not include weekly bills
2/ For settlement October 21
3/ For settlement November 1

RETROACTIVE RATE CHANGES

The following is a list of retroactive rate increases and their effective dates.

1917: The Revenue Act of 1917 imposed a surtax on individuals and an excess profits tax on corporations. The Act was passed on October 3, 1917 and the rate changes applied retroactively to the 1917 calendar year.

1918: The Revenue Act of 1918 increased individual rates and corporate rates. The Act was passed February 24, 1919 and the rate increases applied retroactively to the 1918 calendar year.

1935: The Revenue Act of 1935 increased the individual surtax rate and the corporate rate. The Act passed on August 30, 1935. The effective date for this tax was generally prospective, based on a pro ration formula, but for some corporations, it was possible that the rate could have been retroactive from July 30. 1935 to June 30, 1935.

1936: The Revenue Act of 1936 imposed an undistributed profits tax on corporations. The Act was passed on June 22, 1936 and the tax applied retroactively to December 31, 1935.

1938: The Revenue Act of 1938 altered the distribution of the corporate tax to make the tax more progressive. High income corporations faced a higher tax. The Act was passed May 28, 1938 and applied retroactively to years beginning after December 31, 1937.

1940: The Revenue Act of 1940 raised corporate rates and imposed a Defense Tax on individuals. The Act was passed June 25, 1940 and was effective retroactively to December 31, 1939. The Second Revenue Act of 1940 added an additional surtax on corporations and an excess profits tax on corporations. The Act was passed October 10, 1940. Both increases were effective retroactively back to December 31, 1939.

1941: The Revenue Act of 1941 increased the surtax on individuals and corporations, effective retroactively to December 31, 1940. The Act was passed on September 9, 1941.

1942: The Revenue Act of 1942 increased the normal tax and the surtax on individuals, both retroactive to December 31, 1941. The Act also increased the corporate surtax, again retroactive to December 31, 1941.

1943: The Revenue Act of 1943 increased the excess profits tax on corporations. The Act was not passed until February 25, 1944 and the rate changes applied retroactively to December 31, 1943.

1950: The Excess Profits Tax Act of 1950 imposed an excess profits tax to taxable years ending after June 30, 1950. The Act was approved January 3, 1951.

1951: The Revenue Act of 1951 increased corporate rates both retroactively and prospectively. The rates were increased as of January 1, 1951, with further increases to take effect January 1, 1952. The Act was passed October 21, 1951.

1968: The Revenue and Expenditure Control Act of 1968 imposed a surtax on all taxpayers. For individuals, estates and trusts, the surtax was retroactive to April 1, 1968. For corporations, the surtax was retroactive to January 1, 1968. The Act was passed on October 22, 1968.

1976: Tax Reform Act of 1976 increased the alternative minimum tax on individuals from 10 percent to 15 percent. The corporate alternative minimum tax was similarly increased to 15 percent. Both increases were effective after December 31, 1975. The Act was passed on October 4, 1976.

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
Aug. 5, 1993

STATEMENT OF TREASURY SECRETARY LLOYD BENTSEN

I think it's great that Herb Kohl is confronting the special interests and their scare campaign. These powerful groups have misrepresented the economic program and it's high time someone stood up to them.

When the special interests spend the kind of money they have in Wisconsin, it's almost impossible to set the record straight unless you respond on TV. Herb Kohl is in a position to do that. These interest groups operate like bullies, never imagining that anyone will fight back, and he is to be commended for taking them on.

-30-

PUBLIC DEBT NEWS

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

FOR RELEASE AT 3:00 PM
August 5, 1993

Contact: Peter Hollenbach
(202) 219-3302

PUBLIC DEBT ANNOUNCES ACTIVITY FOR SECURITIES IN THE STRIPS PROGRAM FOR JULY 1993

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

Dollar Amounts in Thousands

Principal Outstanding (Eligible Securities)	$700,254,639
Held in Unstripped Form	$502,927,473
Held in Stripped Form	$197,327,166
Reconstituted in July	$14,723,280

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.

oOo

TABLE VI—HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, JULY 31, 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	
11 5/8% Note C-1994	11/15/94	$6,658,554	$4,981,754	$1,676,800	$206,400
11 1/4% Note A-1995	2/15/95	6,933,861	5,316,261	1,617,600	121,600
11 1/4% Note B-1995	5/15/95	7,127,086	4,294,766	2,832,320	167,680
10 1/2% Note C-1995	8/15/95	7,955,901	5,056,301	2,899,600	64,000
9-1/2% Note D-1995	11/15/95	7,318,550	3,888,550	3,430,000	10,400
8 7/8% Note A-1996	2/15/96	8,417,019	7,722,619	694,400	166,400
7 3/8% Note C-1996	5/15/96	20,085,643	19,312,843	772,800	8,000
7 1/4% Note D-1996	11/15/96	20,258,810	18,166,010	2,092,800	241,600
8 1/2% Note A-1997	5/15/97	9,921,237	8,686,837	1,234,400	30,000
8 5/8% Note B-1997	8/15/97	9,362,836	8,207,636	1,155,200	-0-
8 7/8% Note C-1997	11/15/97	9,808,329	7,478,729	2,329,600	59,200
8 1/8% Note A-1998	2/15/98	9,159,068	8,458,588	700,480	121,600
9% Note B-1998	5/15/98	9,165,387	6,780,987	2,384,400	120,000
9 1/4% Note C-1998	8/15/98	11,342,646	9,784,246	1,558,400	91,200
8 7/8% Note D-1998	11/15/98	9,902,875	7,685,275	2,217,600	-0-
8 7/8% Note A-1999	2/15/99	9,719,623	9,022,023	697,600	89,600
9 1/8% Note B-1999	5/15/99	10,047,103	7,813,503	2,233,600	145,600
8% Note C-1999	8/15/99	10,163,644	9,555,444	608,200	-0-
7 7/8% Note D-1999	11/15/99	10,773,960	9,341,960	1,432,000	24,000
8 1/2% Note A-2000	2/15/00	10,673,033	9,890,233	782,800	41,600
8 7/8% Note B-2000	5/15/00	10,496,230	6,910,630	3,585,600	-0-
8 3/4% Note C-2000	8/15/00	11,080,646	9,374,086	1,706,560	59,840
8 1/2% Note D-2000	11/15/00	11,519,682	9,810,882	1,708,800	100,000
7 3/4% Note A-2001	2/15/01	11,312,802	10,581,602	731,200	48,000
8% Note B-2001	5/15/01	12,398,083	11,079,858	1,318,225	26,400
7 7/8% Note C-2001	8/15/01	12,339,185	11,665,585	673,600	-0-
7 1/2% Note D-2001	11/15/01	24,226,102	24,002,902	223,200	271,200
7 1/2% Note A-2002	5/15/02	11,714,397	11,260,957	453,440	-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	23,562,691	23,560,675	2,016	-0-
11 5/8% Bond 2004	11/15/04	8,301,806	5,653,806	2,648,000	1,056,000
12% Bond 2005	5/15/05	4,260,758	3,274,908	985,850	414,000
10 3/4% Bond 2005	8/15/05	9,269,713	8,252,113	1,017,600	3,200
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	3,963,184	2,042,400	857,600
11 1/4% Bond 2015	2/15/15	12,667,799	4,825,079	7,842,720	2,190,880
10 5/8% Bond 2015	8/15/15	7,149,916	3,005,596	4,144,320	525,440
9 7/8% Bond 2015	11/15/15	6,899,859	2,933,459	3,966,400	1,166,400
9 1/4% Bond 2016	2/15/16	7,266,854	5,666,054	1,600,800	200,000
7 1/4% Bond 2016	5/15/16	18,823,551	18,060,351	763,200	-0-
7 1/2% Bond 2016	11/15/16	18,864,448	17,709,568	1,154,880	-0-
8 3/4% Bond 2017	5/15/17	18,194,169	5,102,329	13,091,840	745,120
8 7/8% Bond 2017	8/15/17	14,016,858	5,082,458	8,934,400	547,200
9-1/8% Bond 2018	5/15/18	8,708,639	2,111,839	6,596,800	97,600
9% Bond 2018	11/15/18	9,032,870	853,870	8,179,000	-0-
8 7/8% Bond 2019	2/15/19	19,250,798	4,434,798	14,816,000	1,094,400
8 1/8% Bond 2019	8/15/19	20,213,832	14,105,352	6,108,480	71,040
8-1/2% Bond 2020	2/15/20	10,228,868	3,293,268	6,935,600	64,800
8 3/4% Bond 2020	5/15/20	10,158,883	2,236,323	7,922,560	639,520
8 3/4% Bond 2020	8/15/20	21,418,606	3,342,286	18,076,320	616,000
7 7/8% Bond 2021	2/15/21	11,113,373	9,423,773	1,689,600	73,600
8-1/8% Bond 2021	5/15/21	11,958,888	4,391,208	7,567,680	397,440
8 1/8% Bond 2021	8/15/21	12,163,482	7,376,922	4,786,560	408,320
8% Bond 2021	11/15/21	32,798,394	11,939,319	20,859,075	1,042,800

TABLE VI—HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, JULY 31, 1993—Continued

(In thousands)

Loan Description	Maturity Date	Principal Amount Outstanding			Reconstituted This Month[1]
		Total	Portion Held in Unstripped Form	Portion Held in Stripped Form	
7 1/4% Bond 2022	8/15/22	10.352.790	8.915.990	1 436.800	40.000
7 5/8% Bond 2022	11/15/22	10.699.626	10.334.826	364.800	257.600
7 1'8% Bond 2023	2/15/23	18.374.361	18.369.561	4.800	-0-
Total		700.254.639	502.927.473	'97 327 166	14.723.280

[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 Table VI will be available after 3 00 pm eastern time on the Commerce Department s Economic Bulletin Board (EBB) The telephone number for more information about EBB is (202) 482-1986. The balances in this table are subject to audit and subsequent adjustments

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
August 5, 1993

Contact: Michelle Smith
(202) 622-2960

TREASURY DEPARTMENT ASSESSES CIVIL PENALTY AGAINST THE HONGKONG AND SHANGHAI BANKING CORPORATION LIMITED

The Department of the Treasury on Thursday announced that The Hong Kong and Shanghai Banking Corporation Limited has paid a civil money penalty of $225,000 for failing to report certain cash transactions within the prescribed period of time as required by the Bank Secrecy Act (BSA).

The violations involved single cash transactions in excess of $10,000, which were not reported on currency transaction reports (CTR) at the Guam Branch of the bank. These violations occurred in 1987 when the bank was under different management and stemmed from a failure to adhere to internal controls designed to identify and report transactions subject to the BSA.

The amount of the penalty was agreed upon by Treasury and the bank in complete settlement of the bank's civil liability under the BSA for activities of the Guam Branch of the bank. In determining the amount of the penalty, Treasury considered the bank's full cooperation and improvements to the BSA compliance program implemented by the bank's new management for U.S. operations.

Treasury has no evidence that the Guam Branch or any of its employees or officers engaged in any criminal activity in connection with the reporting violations, nor was it under investigation because of its failure to file CTRs.

(MORE)

Assistant Secretary (Enforcement) Ronald Noble said: "The Bank Secrecy Act is designed so that banks and other types of financial institutions help the government fight potential money laundering. Banks represent our front line of defense against financial crime and, under this law, provide critical information to law enforcement."

"For this reason, Treasury is continuing its efforts to assess civil penalties against banks and nonbank financial institutions for violations of the BSA reporting and recordkeeping requirements," Noble said. Noble also commended the Internal Revenue Service Examination Division and examiner Roberto LeBron, for their assistance in this matter.

The BSA requires banks 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 and reports is to assist the government in combatting money laundering as well as for use in civil, criminal, tax and regulatory investigations.

-30-

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
August 5, 1993

CONTACT: Michelle Smith
(202) 622-2960

TREASURY ANNOUNCES LAW SUIT AGAINST BRUNSWICK BANK & TRUST

The Department of the Treasury today announced that the Justice Department, at the request of the Secretary of the Treasury, is suing a New Jersey bank to collect more than $450,000 in civil money penalties.

The suit alleges that on numerous occasions, Brunswick Bank & Trust Co., of New Brunswick, N.J., received cash deposits in excess of 10,000 but did not report them on currency transaction reports as required by the Bank Secrecy Act (BSA).

The total penalty of $472,004 was assessed on October 21, 1992 after Treasury determined that Brunswick had failed to comply with the reporting requirements, and is the maximum penalty amount authorized by law.

Compliance deficiencies at the bank were discovered and reported to Treasury by the Federal Deposit Insurance Corporation (FDIC). Although negotiations were held, Treasury and the bank were unable to resolve this matter.

Ronald Noble, Assistant Secretary of the Treasury (Enforcement), said, "Compliance deficiencies and reporting failures are extremely serious and deprive Treasury of financial information that can be vital in the battle against organized crime, drug trafficking and tax evasion." Noble commended the FDIC for its assistance in this matter and its diligence in effective review of the bank's compliance with this important law.

LB-315

(MORE)

In the past year, Treasury has assessed more than $4 million in Bank Secrecy Act civil money penalties against banks, a credit union, currency exchanges, check cashers, casinos, an individual and an import/export corporation. These penalties reflect Treasury's continuing commitment to enforce BSA compliance by all types of affected financial institutions and individuals.

The BSA requires banks and other financial institutions to keep certain records, file currency transaction reports with Treasury on cash 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 and reports is to assist the government's efforts in combatting money laundering as well as for use in civil, tax, and regulatory and other criminal investigations.

TREASURY NEWS

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

FOR RELEASE WHEN AUTHORIZED AT PRESS CONFERENCE
August 4, 1993

CONTACT: Office of Financing
202/219-3350

TREASURY AUGUST QUARTERLY FINANCING

The Treasury will auction $16,500 million of 3-year notes, $11,000 million of 10-year notes, and $11,000 million of 30-year bonds to refund $26,706 million of publicly-held securities maturing August 15, 1993, and to raise about $11,800 million new cash.

In addition to the public holdings, Federal Reserve Banks hold $4,524 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 $3,856 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.

The 10-year note and the 30-year bond being offered today are eligible for the STRIPS program.

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 notes and bond are given in the attached offering highlights.

oOo

Attachment

TALKING POINTS
FOR THE
FINANCING PRESS CONFERENCE

August 4, 1993

Today, we are announcing the terms of the regular Treasury August midquarter refunding. I will also discuss Treasury financing requirements for the balance of the current calendar quarter and our estimated cash needs for the October-December quarter.

1. We are offering $38.5 billion of notes and bonds to refund $26.7 billion of privately held notes and bonds maturing on August 15 and to raise approximately $11.8 billion of cash. The three securities are:

-- First, a 3-year note in the amount $16.5 billion, maturing on August 15, 1996. This note is scheduled to be auctioned on a yield basis on Tuesday, August 10. The minimum purchase amount will be $5,000 and purchases above $5,000 may be made in multiples of $1,000.

-- Second, a 10-year note in the amount of $11.0 billion, maturing on August 15, 2003. This note is scheduled to be auctioned on a yield basis on Wednesday, August 11. The minimum purchase amount will be $1,000.

Third, a 30-year bond in the amount of $11.0 billion, maturing on August 15, 2023. This bond is scheduled to be auctioned on a yield basis on Thursday, August 12. The minimum purchase amount will be $1,000.

In our May 5, 1993 press conference, we announced that beginning with this August refunding, the Treasury will offer 30-year bonds semiannually. Therefore, the next 30-year bond is scheduled to be offered in the February 1994 refunding.

2. As announced on Monday, August 2, we estimate a net market borrowing need of $58.3 billion for the July-September quarter. The estimate assumes a $40 billion cash balance at the end of September. Including this refunding, we will have raised a net $35.5 billion of the $58.3 billion in market borrowing needed this quarter. This net borrowing was accomplished as follows:

-- $3.8 billion of cash from the 2-year note that settled August 2;

-- $11.4 billion of cash from the 5-year note that settled August 2;

-- $14.4 billion of net cash from the regular weekly bills including those announced yesterday;

-- $0.9 billion of cash in the 52-week bills;

-- a paydown of $6.8 billion in the 7-year note that matured July 15; and

-- $11.8 billion of cash from the refunding issues announced today.

The Treasury will need to issue $38.8 billion of marketable securities during the rest of the July-September quarter to paydown $16.0 billion of cash management bills that mature on September 23 and raise net cash of $22.8 billion. This financing could be accomplished through sales of regular 13-, 26-, and 52-week bills and 2-year and 5-year notes at the end of August and September.

3. We estimate Treasury net market borrowing needs to be in the range of $95 billion to $100 billion for the October-December quarter, assuming a $35 billion cash balance on December 31.

4. The borrowing estimates for the two quarters assume that legislation providing funds for resolutions of problem thrift institutions will be enacted shortly.

5. For the foreseeable future, we believe that the current regular issue cycles for bills, notes, and bonds will be sufficient to refund maturing securities and raise needed cash. In order to maintain a regular, predictable pattern of debt issuance, we would provide ample advance notice to the public if there were to be any change in the regular offerings.

6. We are also announcing that the Treasury is extending the single-price auction experiment for regular monthly offerings of 2- and 5-year notes for another year. Thus, we are extending the experiment, which began with the 2- and 5-year note auctions in September 1992, through the 2- and 5-year auctions to be held in August 1994.

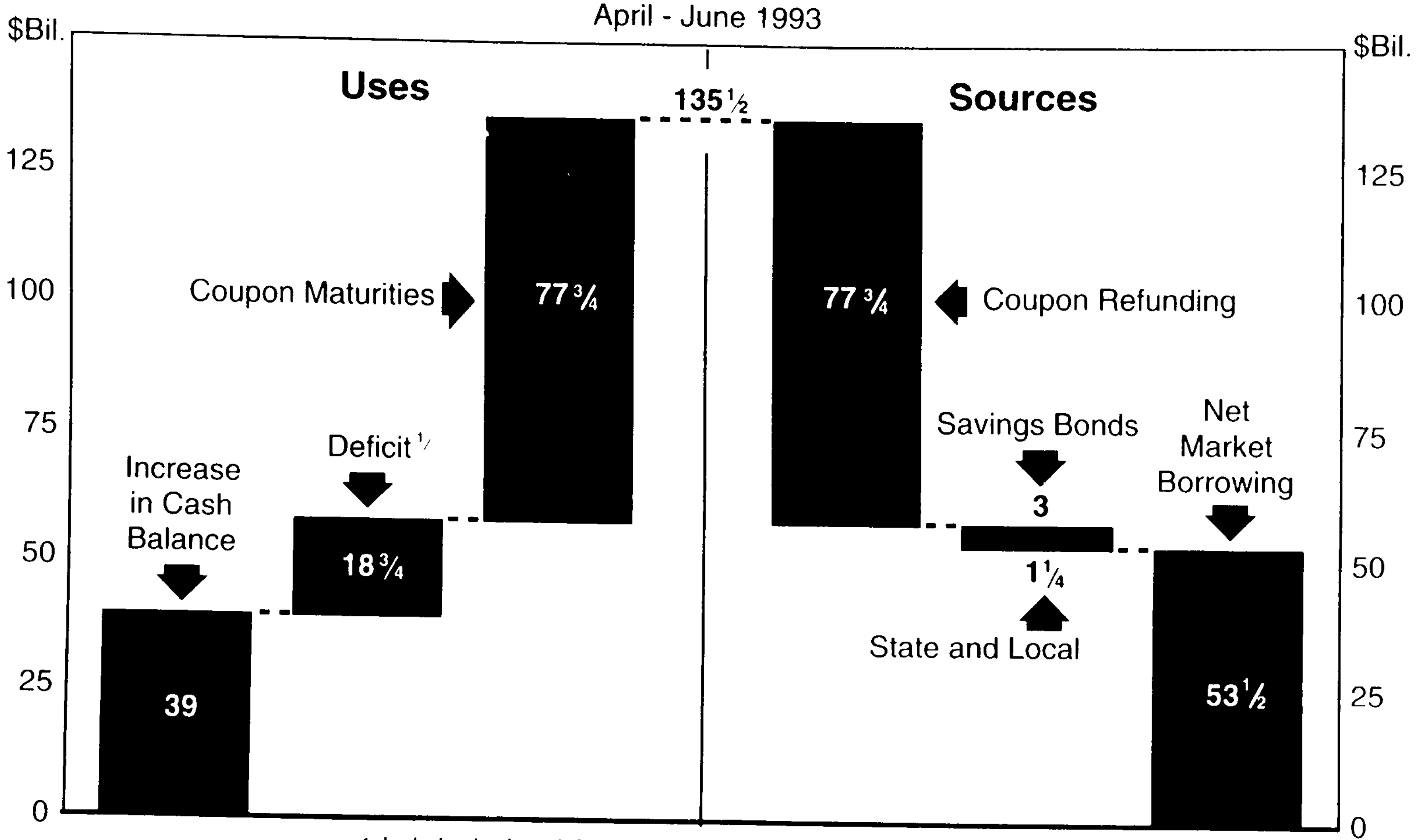
We believe that more observations are necessary to evaluate the single-price auction technique thoroughly. The results of the experiment to date have not revealed evidence that the single-price auctions have added to the cost of financing the debt. As we announced last September, the Treasury will evaluate the results according to indicators such as cost, breadth of participation in auctions, concentration of auction awards, yields at auction relative to when-issued and secondary market trading, and dispersion of bids.

7. We will accept noncompetitive tenders up to $5 million for each of the notes and bonds. The 10-year notes and 30-year bonds being announced today are eligible for conversion to STRIPS (Separate Trading of Registered Interest and Principal of Securities) and, accordingly, may be divided into separate interest and principal components.

8. The November midquarter refunding press conference will be held on Wednesday, November 3, 1993.

TREASURY FINANCING REQUIREMENTS

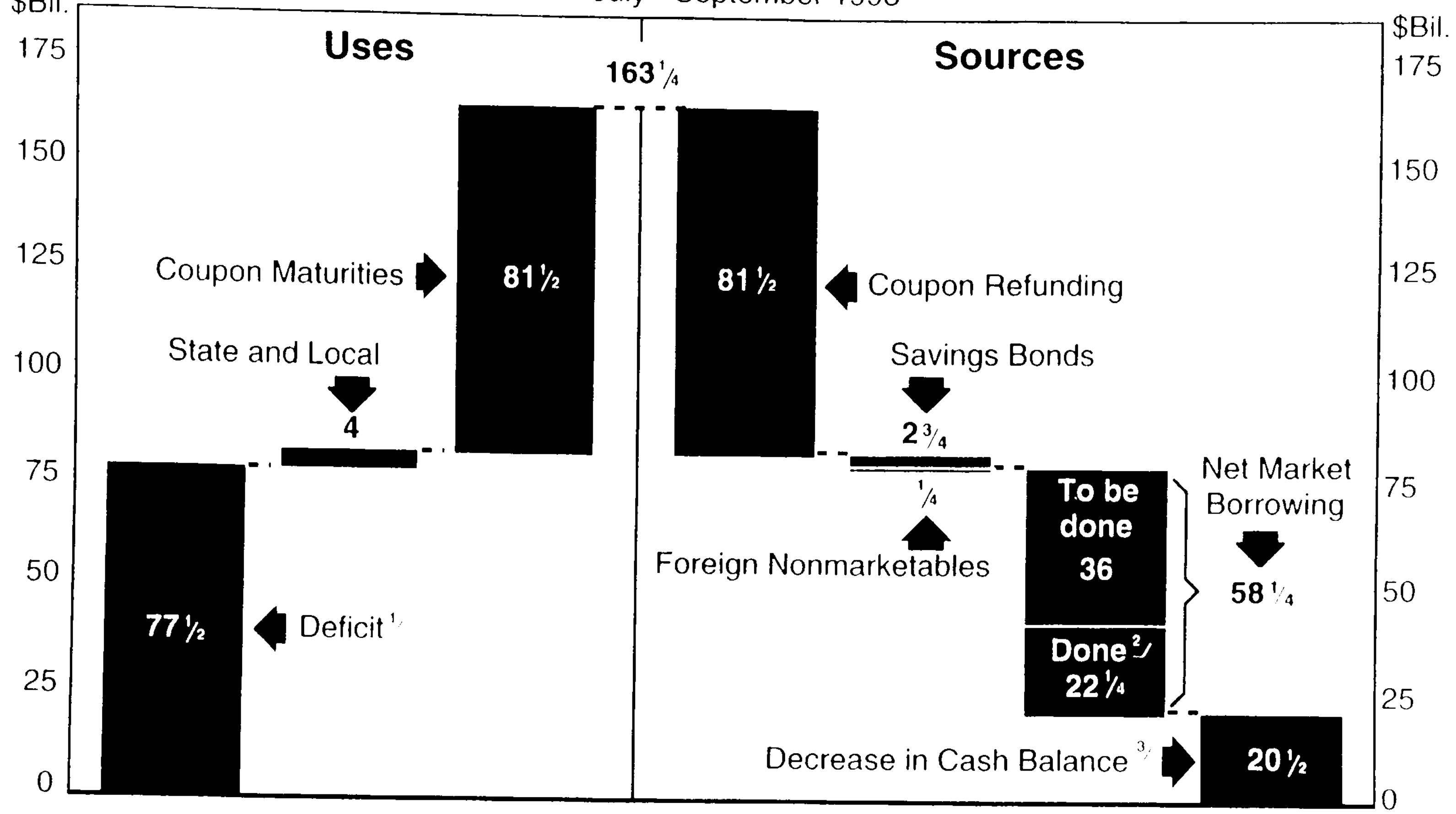
April - June 1993



[1] Includes budget deficit, changes in accrued interest and checks outstanding and minor miscellaneous debt transactions.

TREASURY FINANCING REQUIREMENTS

July - September 1993



[1] Includes budget deficit, changes in accrued interest and checks outstanding and minor miscellaneous debt transactions.

[2] Issued or announced through July 30, 1993.

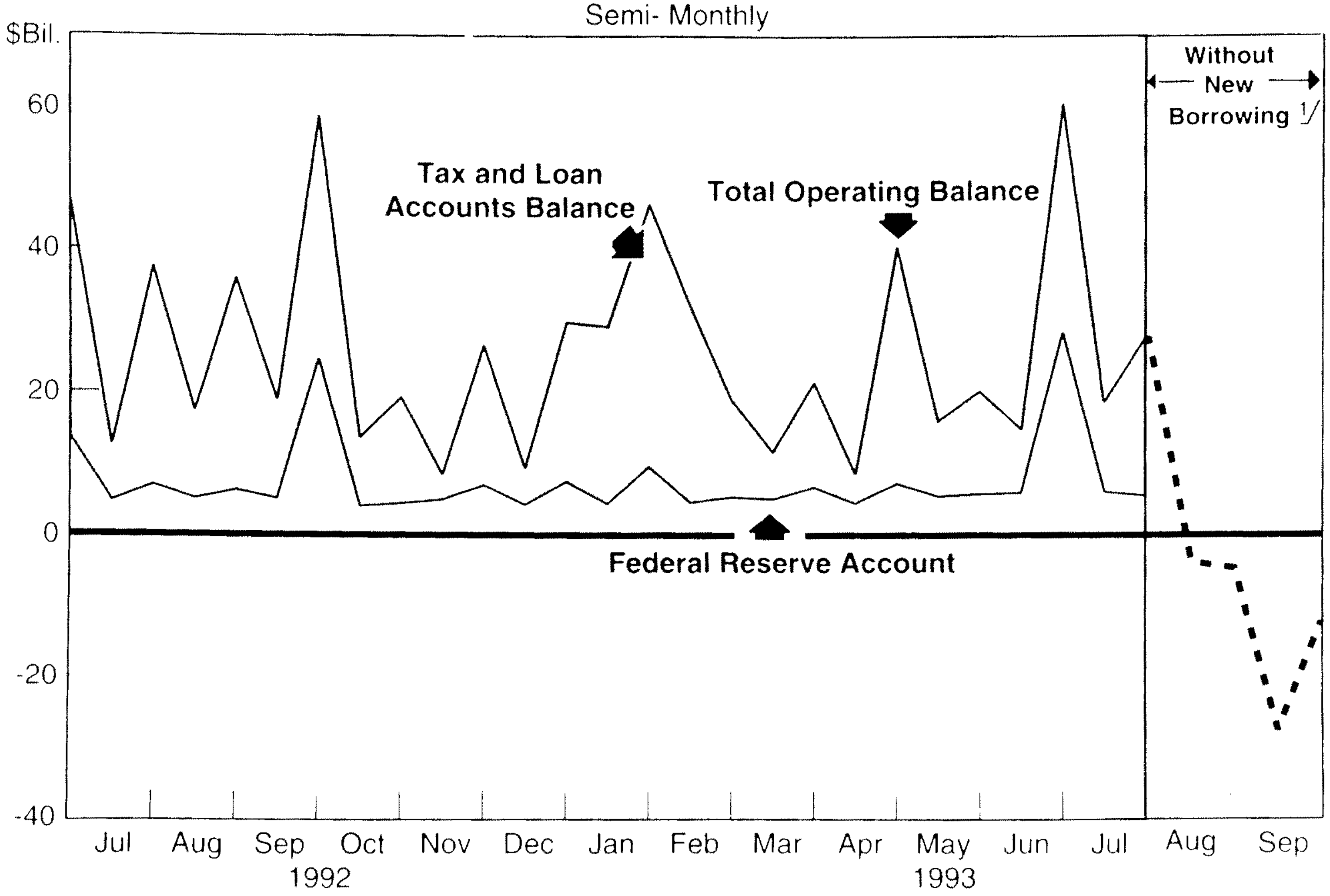
[3] Assumes a $40 billlion cash balance September 30, 1993.

Department of the Treasury
Office of Market Finance

August 2, 1993-28

TREASURY OPERATING CASH BALANCE

Semi- Monthly

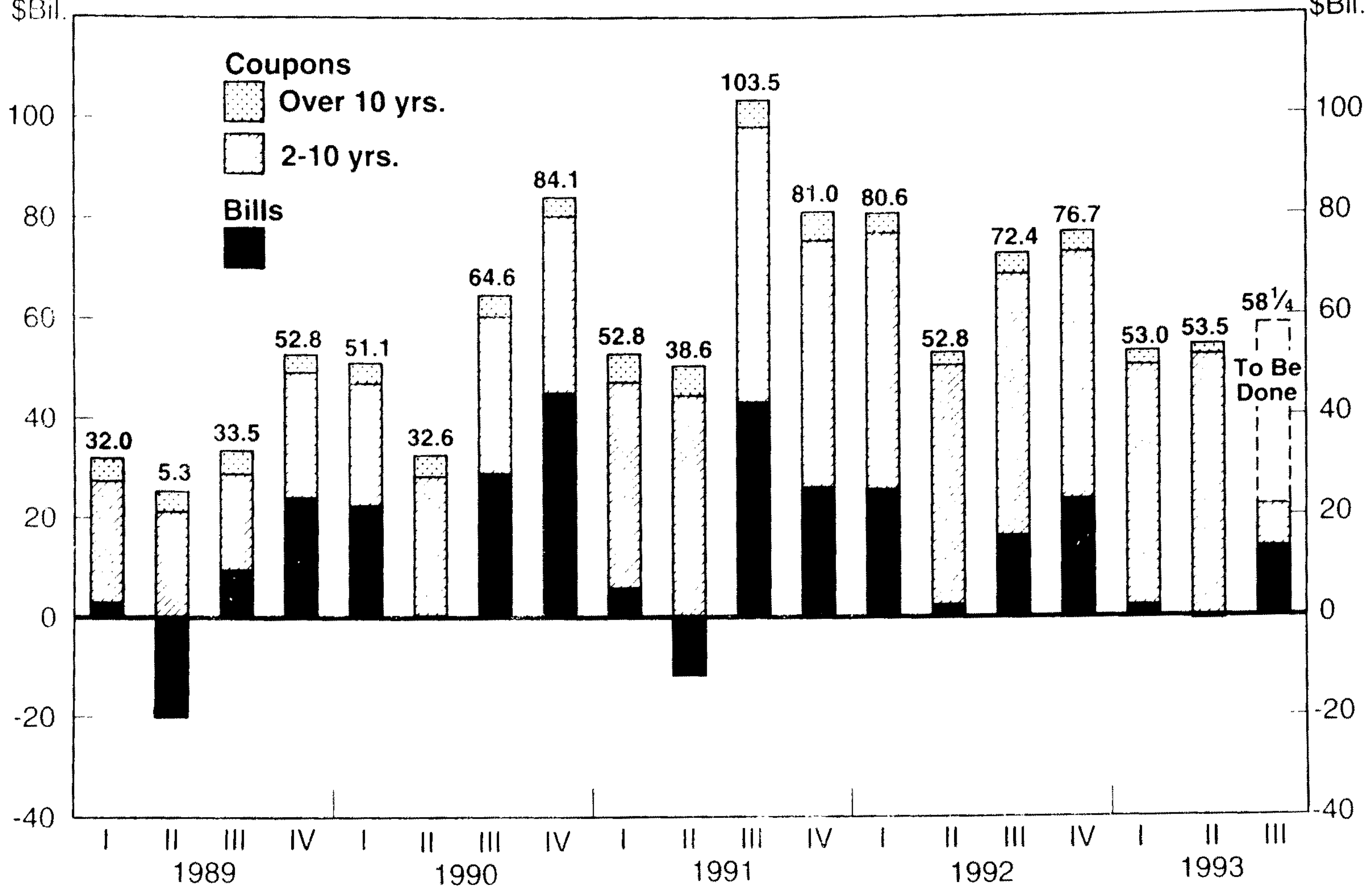


1/ Assumes refunding of maturing issues

Department of the Treasury,
Office of Market Finance

[illegible]

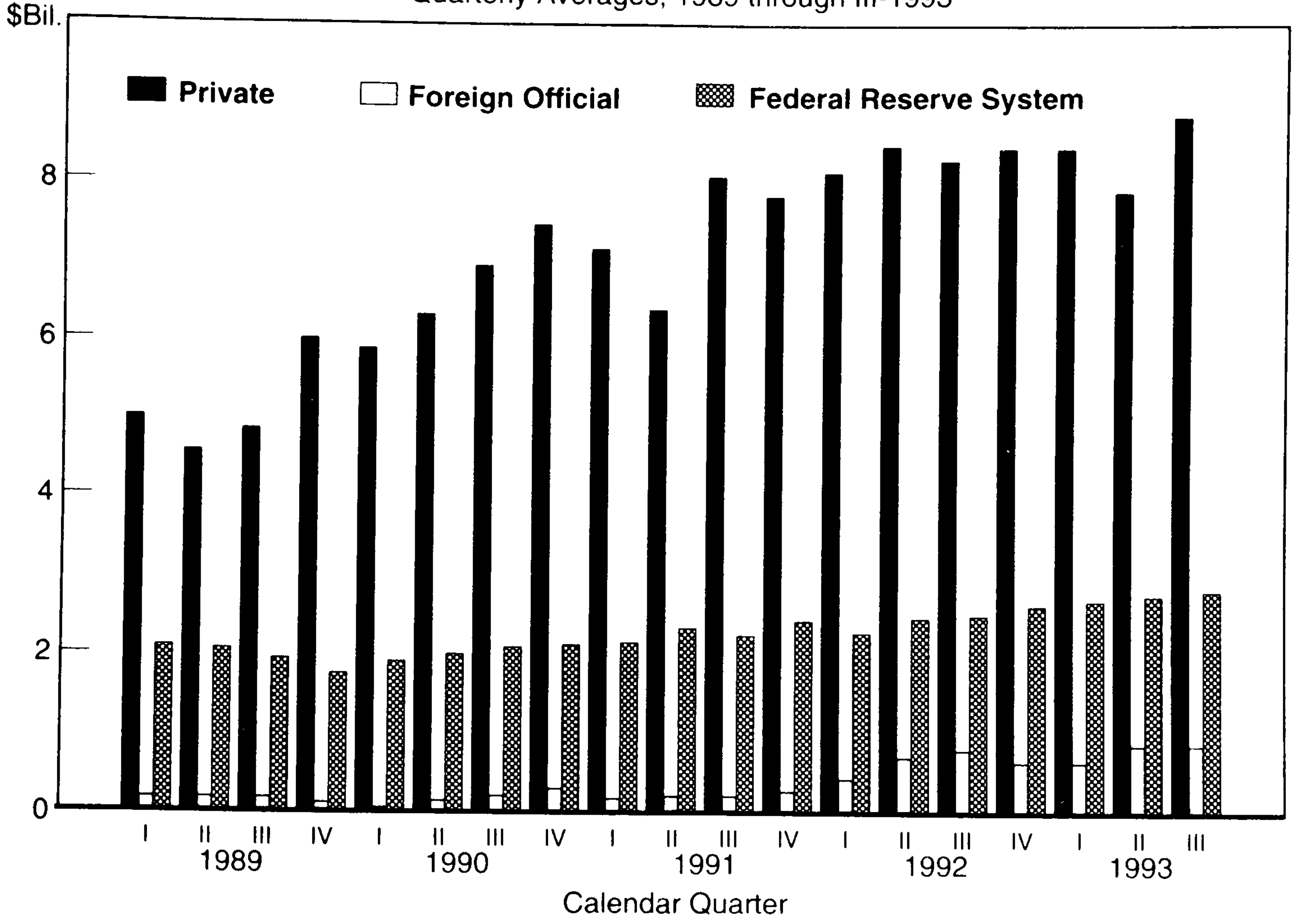
TREASURY NET MARKET BORROWING [1]



[1] Excludes Federal Reserve and Government Account Transactions

13-WEEK BILL AWARDS TO PRIVATE INVESTORS, FEDERAL RESERVE SYSTEM, AND OFFICIAL FOREIGN CUSTODY ACCOUNTS

Quarterly Averages, 1989 through III-1993*



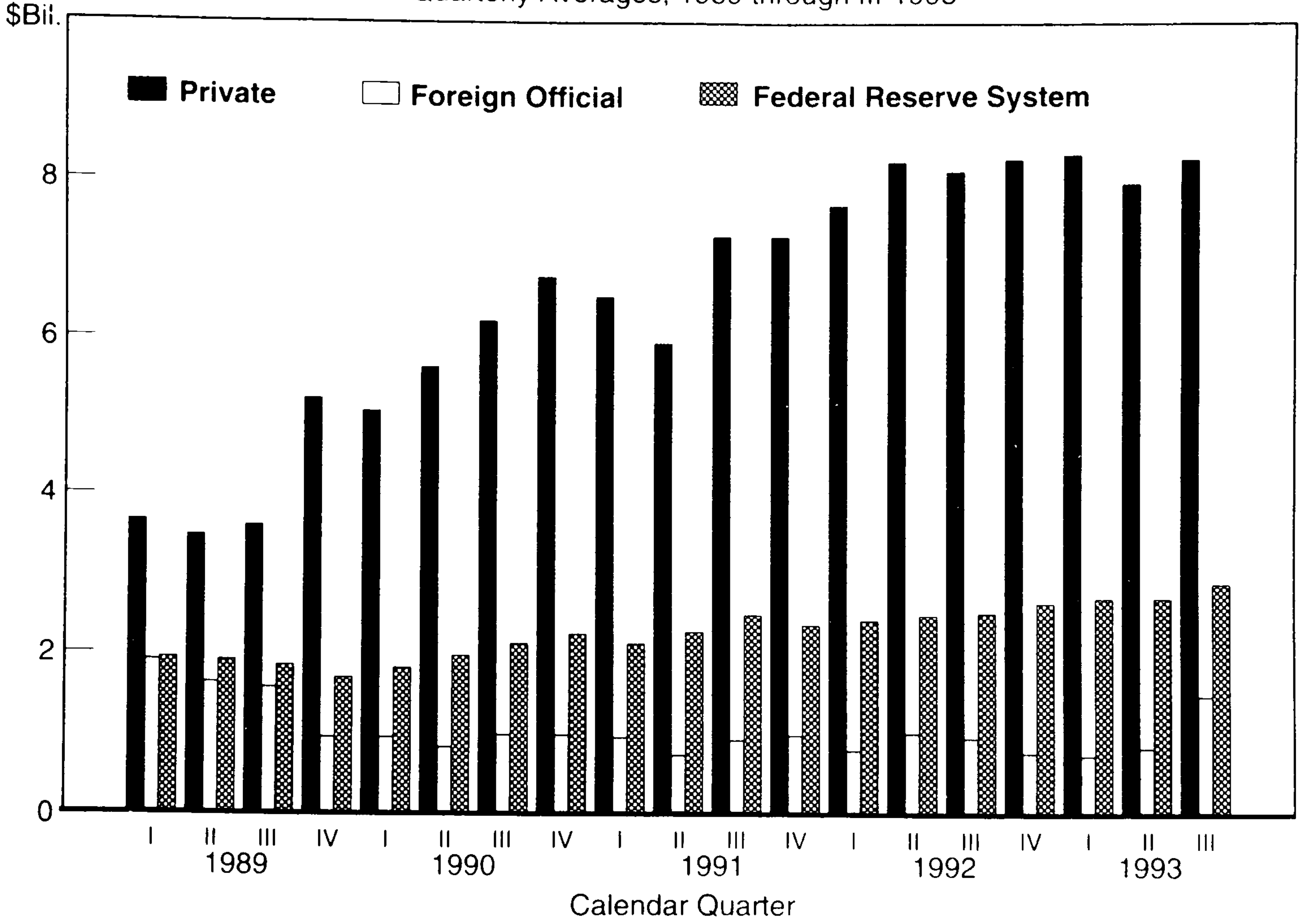
* Latest bill settled July 29, 1993

Department of the Treasury
Office of Market Finance

August 2, 1993-5

26-WEEK BILL AWARDS TO PRIVATE INVESTORS, FEDERAL RESERVE SYSTEM, AND OFFICIAL FOREIGN CUSTODY ACCOUNTS

Quarterly Averages, 1989 through III-1993*



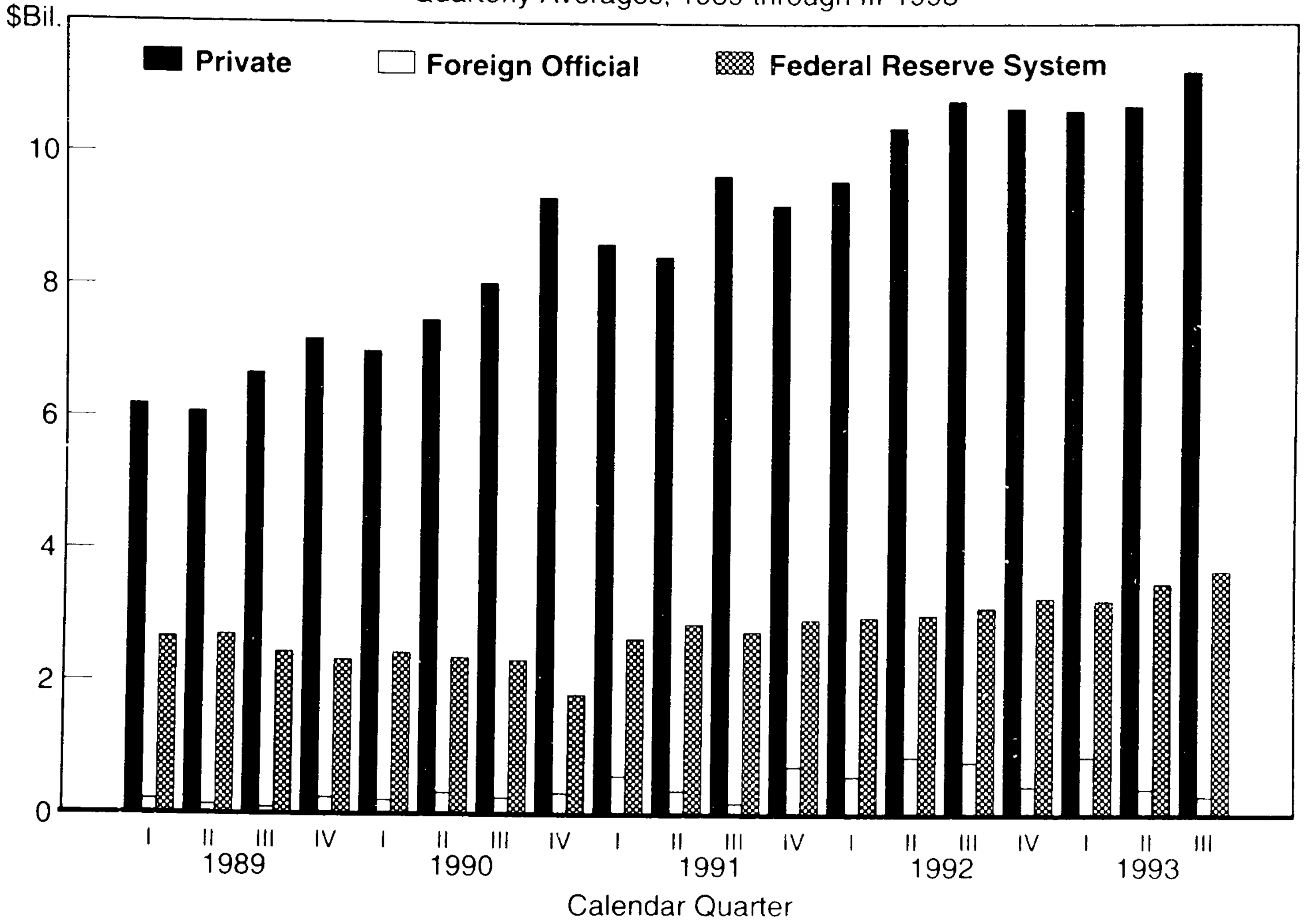
* Latest bill settled July 29, 1993

Department of the Treasury
Office of Market Finance

August 2, 1993-6

52-WEEK BILL AWARDS TO PRIVATE INVESTORS, FEDERAL RESERVE SYSTEM, AND OFFICIAL FOREIGN CUSTODY ACCOUNTS

Quarterly Averages, 1989 through III-1993*



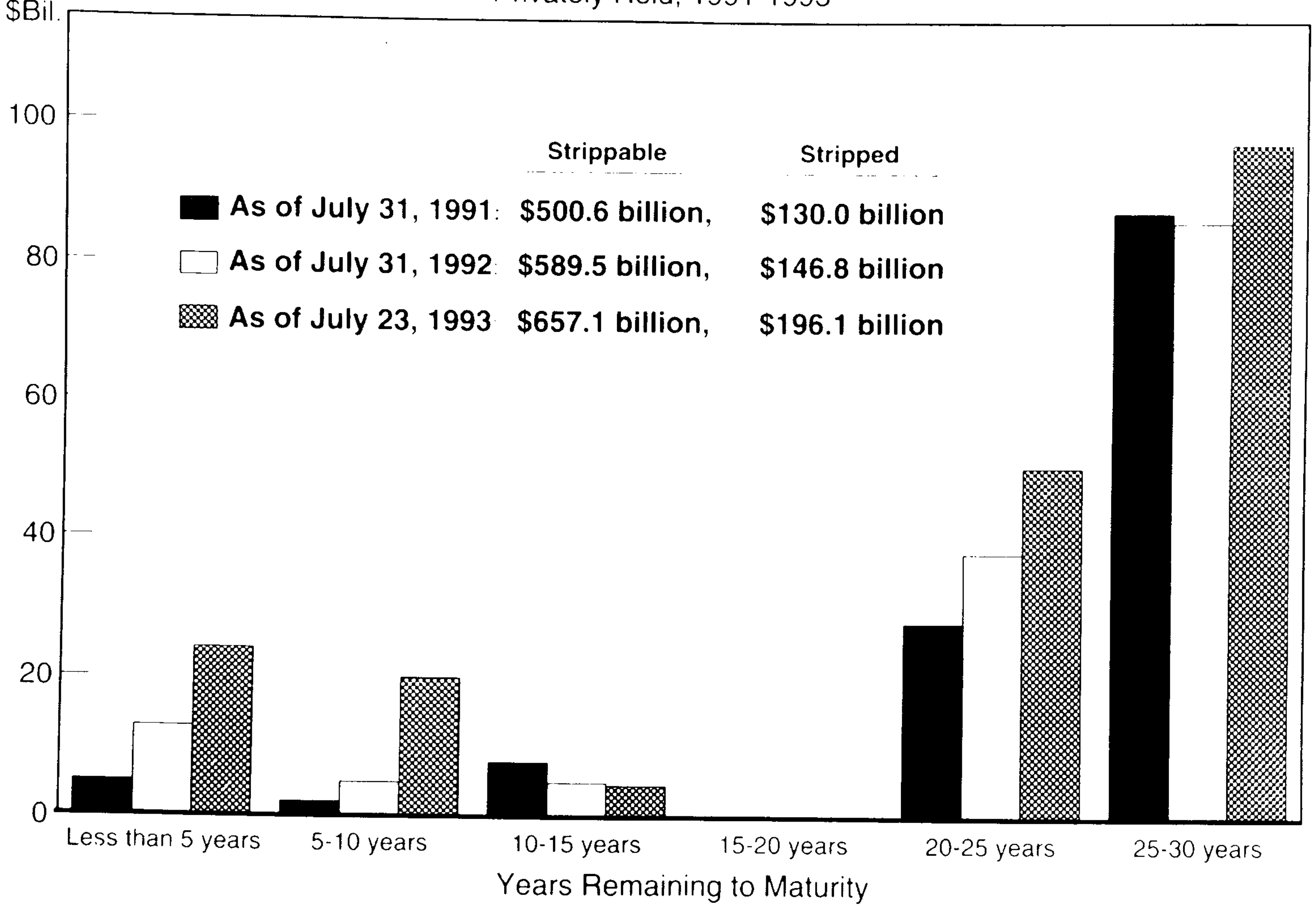
* Latest bill settled July 29, 1993

Department of the Treasury
Office of Market Finance

August 2, 1993 7

NET STRIPS

Privately Held, 1991-1993

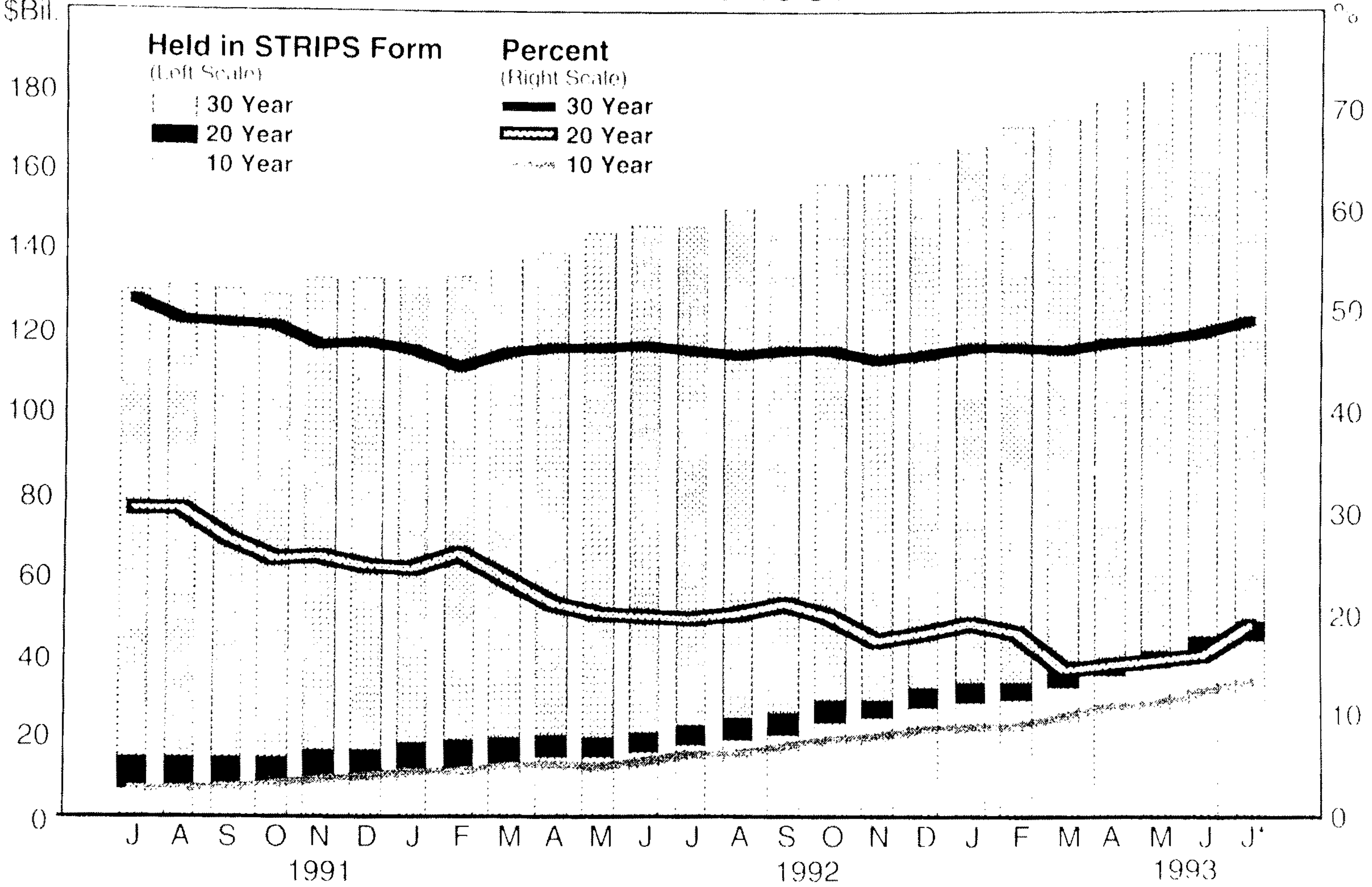


	Strippable	Stripped
■ As of July 31, 1991:	$500.6 billion,	$130.0 billion
□ As of July 31, 1992:	$589.5 billion,	$146.8 billion
▨ As of July 23, 1993:	$657.1 billion,	$196.1 billion

Department of the Treasury
Office of Market Finance

August 13, 1993

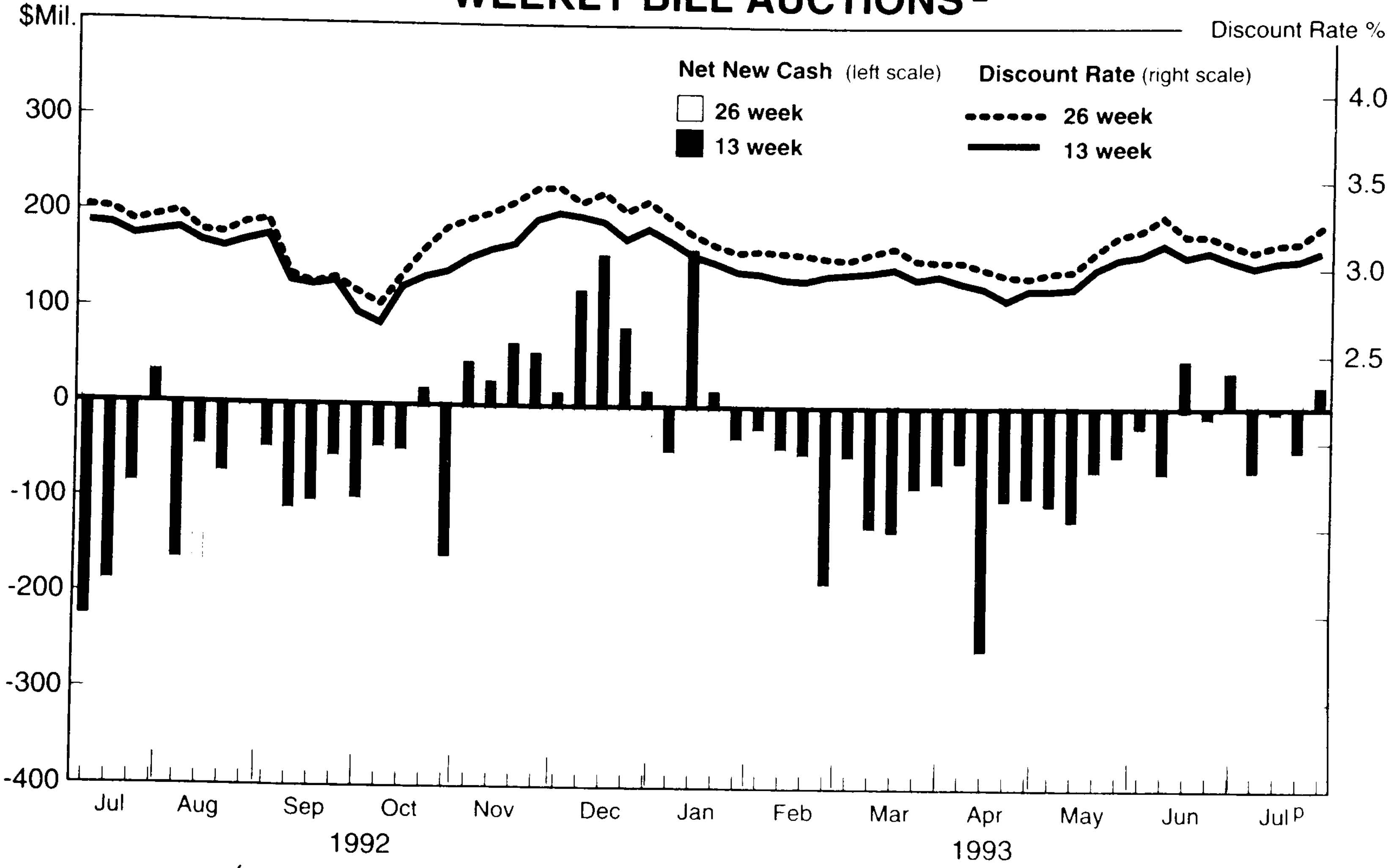
NET STRIPS AS A PERCENT OF PRIVATELY HELD STRIPPABLE SECURITIES



*Through July 23, 1993

Department of the Treasury
Office of Market Finance

NET NEW CASH FROM NONCOMPETITIVE TENDERS IN WEEKLY BILL AUCTIONS [1]



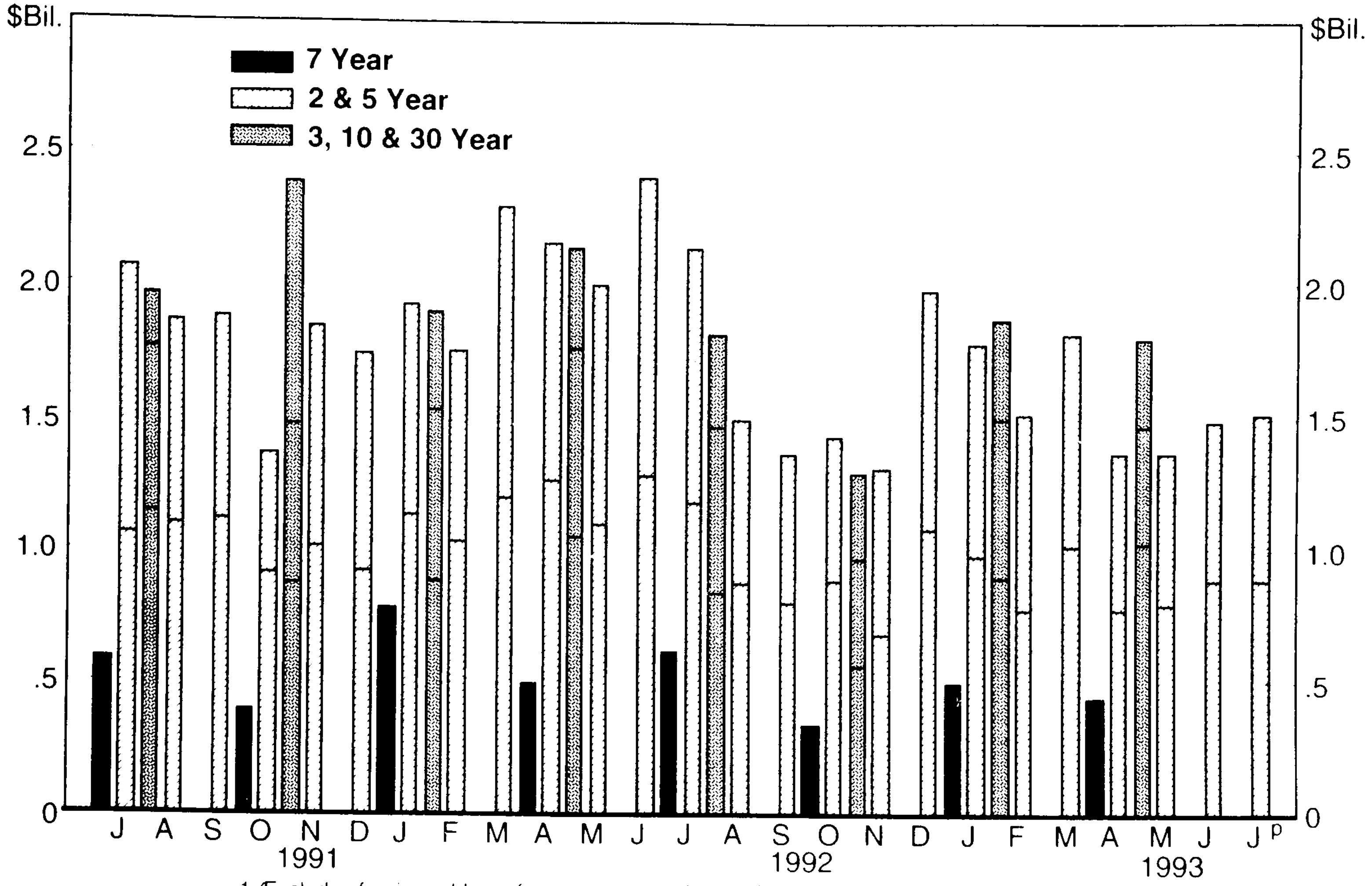
[1] Excludes noncompetitive tenders from foreign official accounts and the Federal Reserve account.

p Preliminary

Department of the Treasury
Office of Market Finance

Auguust 2 1993 14

NONCOMPETITIVE TENDERS IN TREASURY NOTES AND BONDS 1/



1/ Excludes foreign add-ons from noncompetitive tenders.

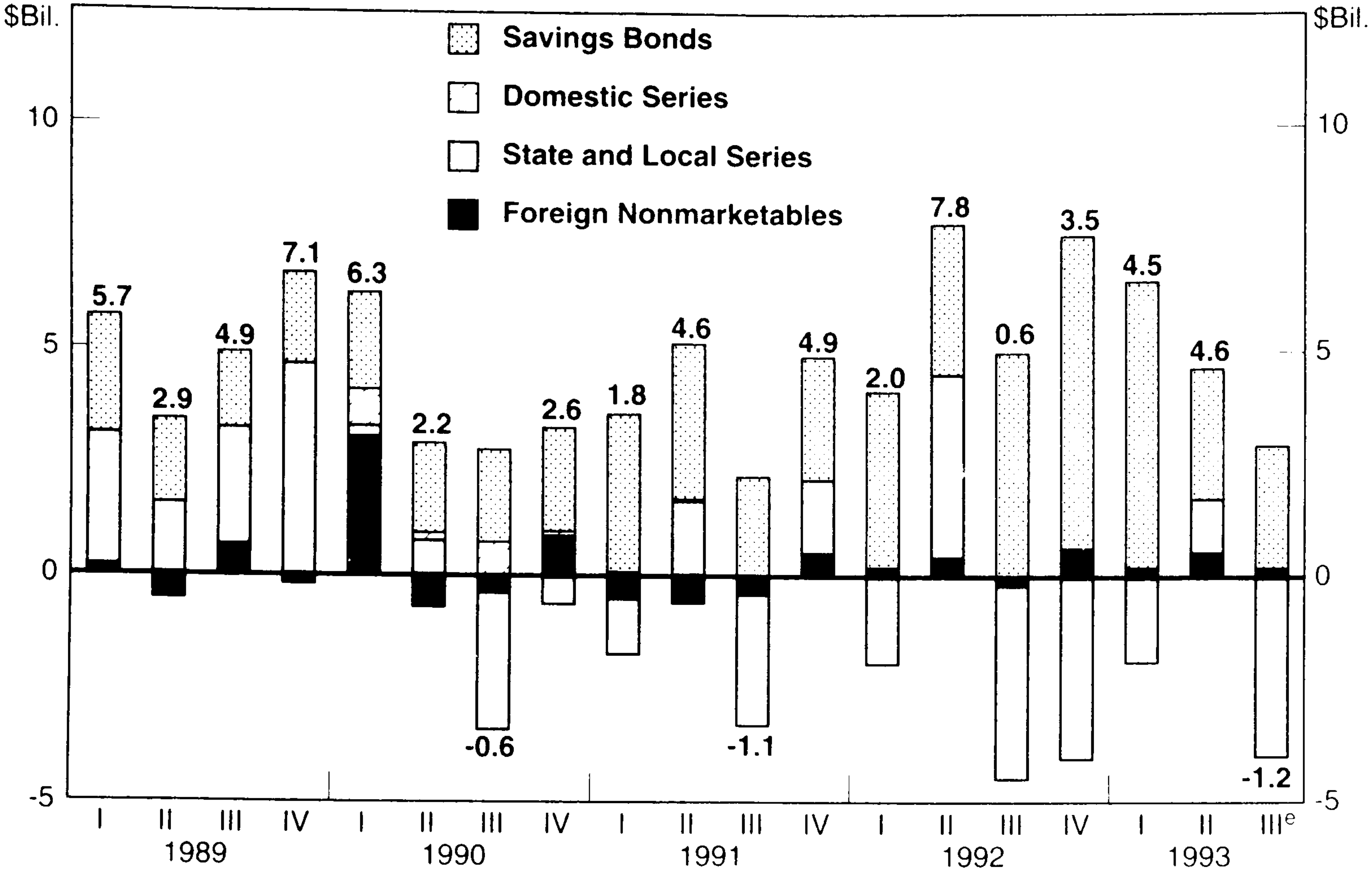
p Preliminary

Treasury increased the maximum noncompetitive award to any noncompetitive bidder to $5 million effective November 5, 1991

Effective February 11, 1992 a noncompetitive bidder may not hold a position in WI trading, futures, or forward contracts nor submit both competitive and noncompetitive bids for its own account

Department of the Treasury
Office of Market Finance

TREASURY NET BORROWING FROM NONMARKETABLE ISSUES



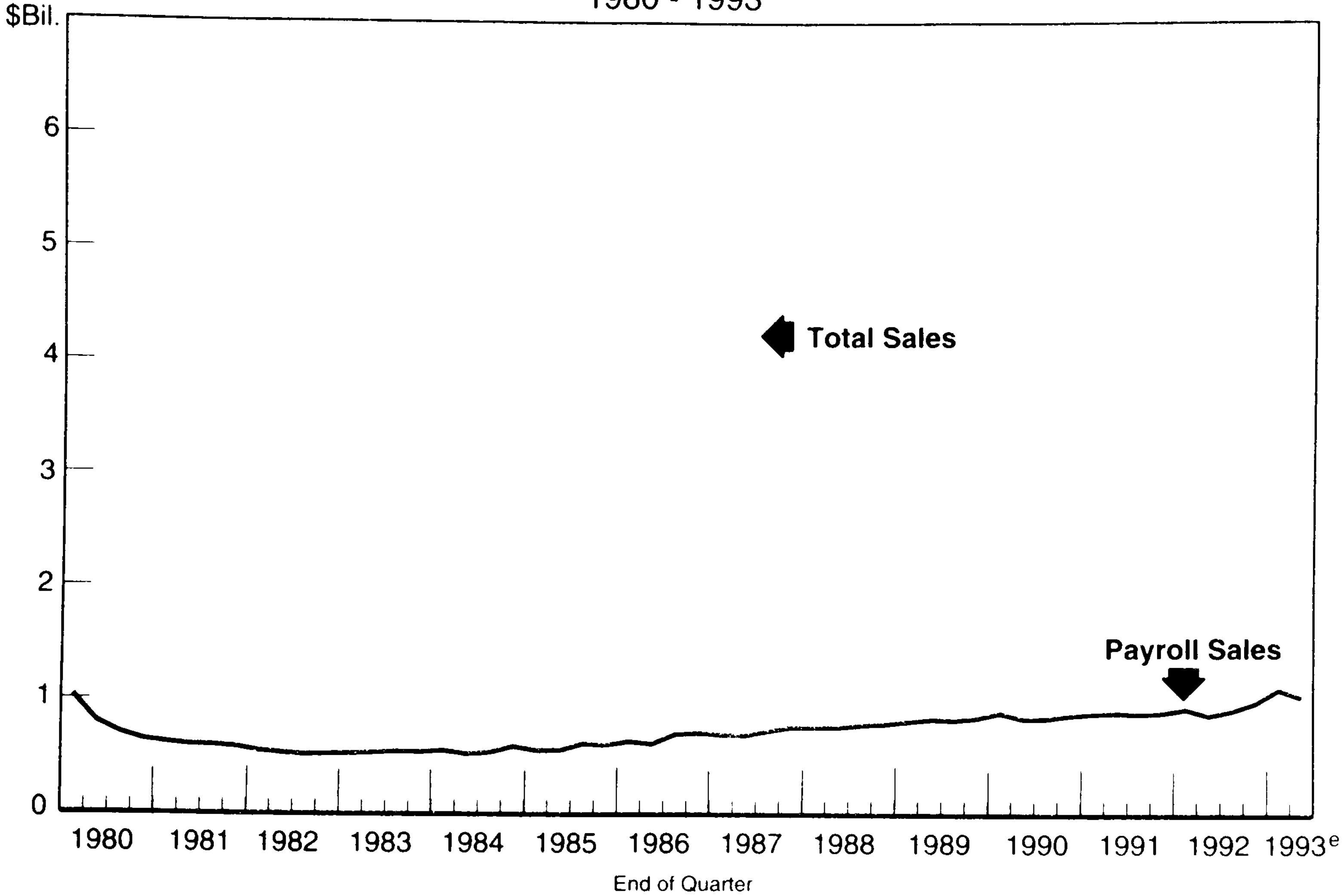
e estimate

Department of the Treasury
Office of Market Finance

August [illegible]

SALES OF UNITED STATES SAVINGS BONDS

1980 - 1993

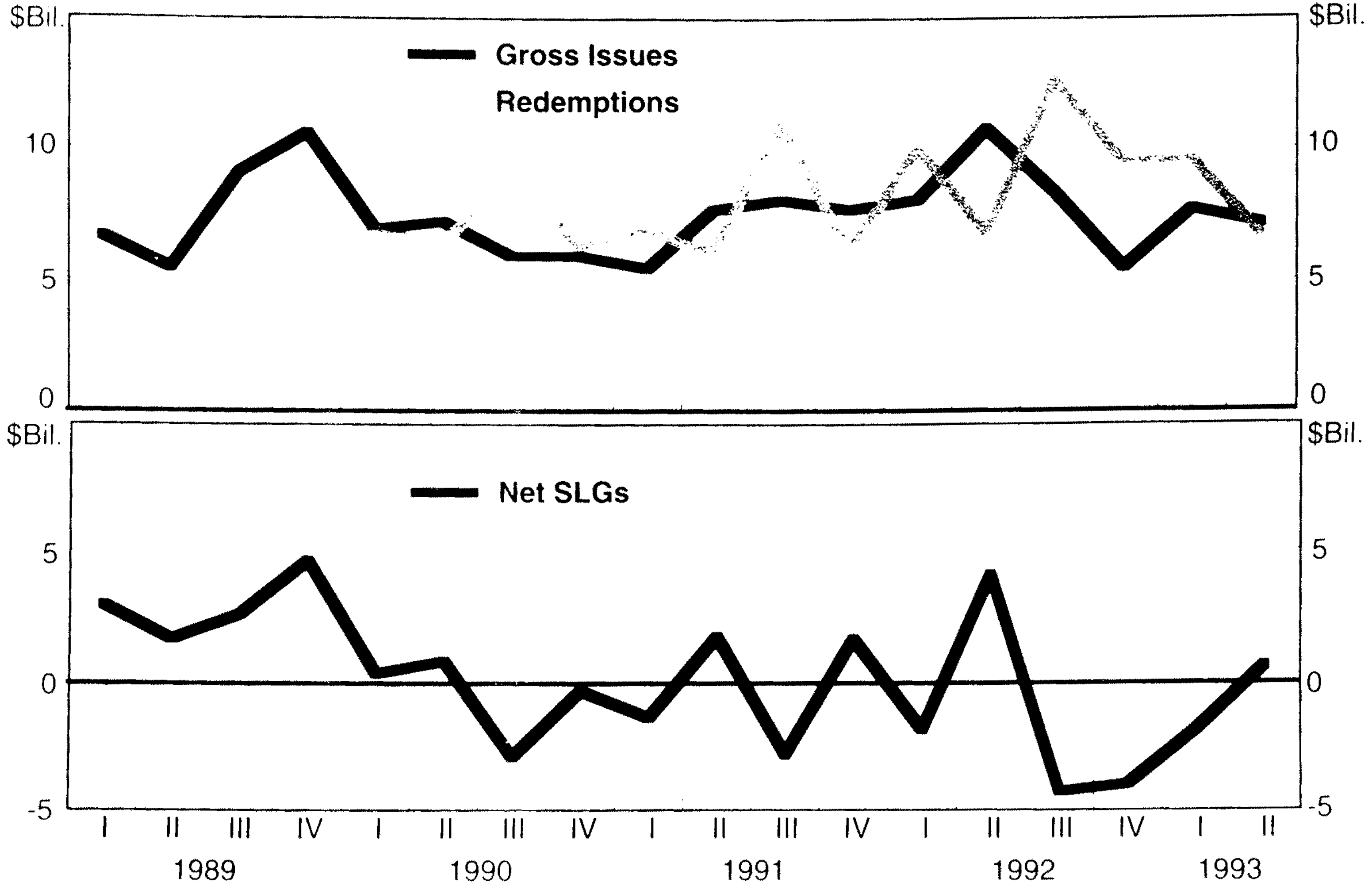


e estimate

Department of the Treasury
Office of Market Finance

August 2 1993 17

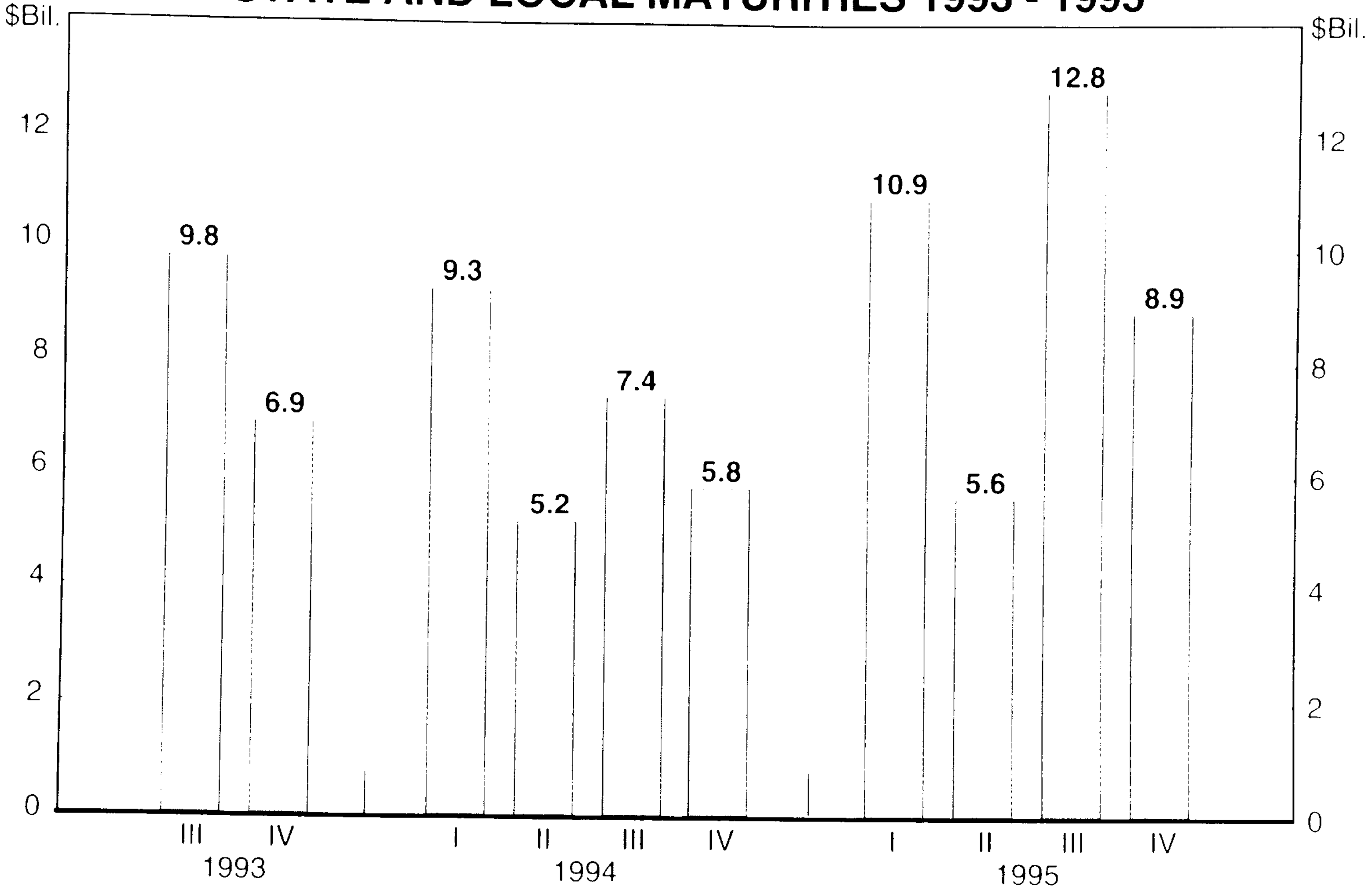
STATE & LOCAL GOVERNMENT SERIES



Department of the Treasury
Office of Market Finance

August 2, 1993 18

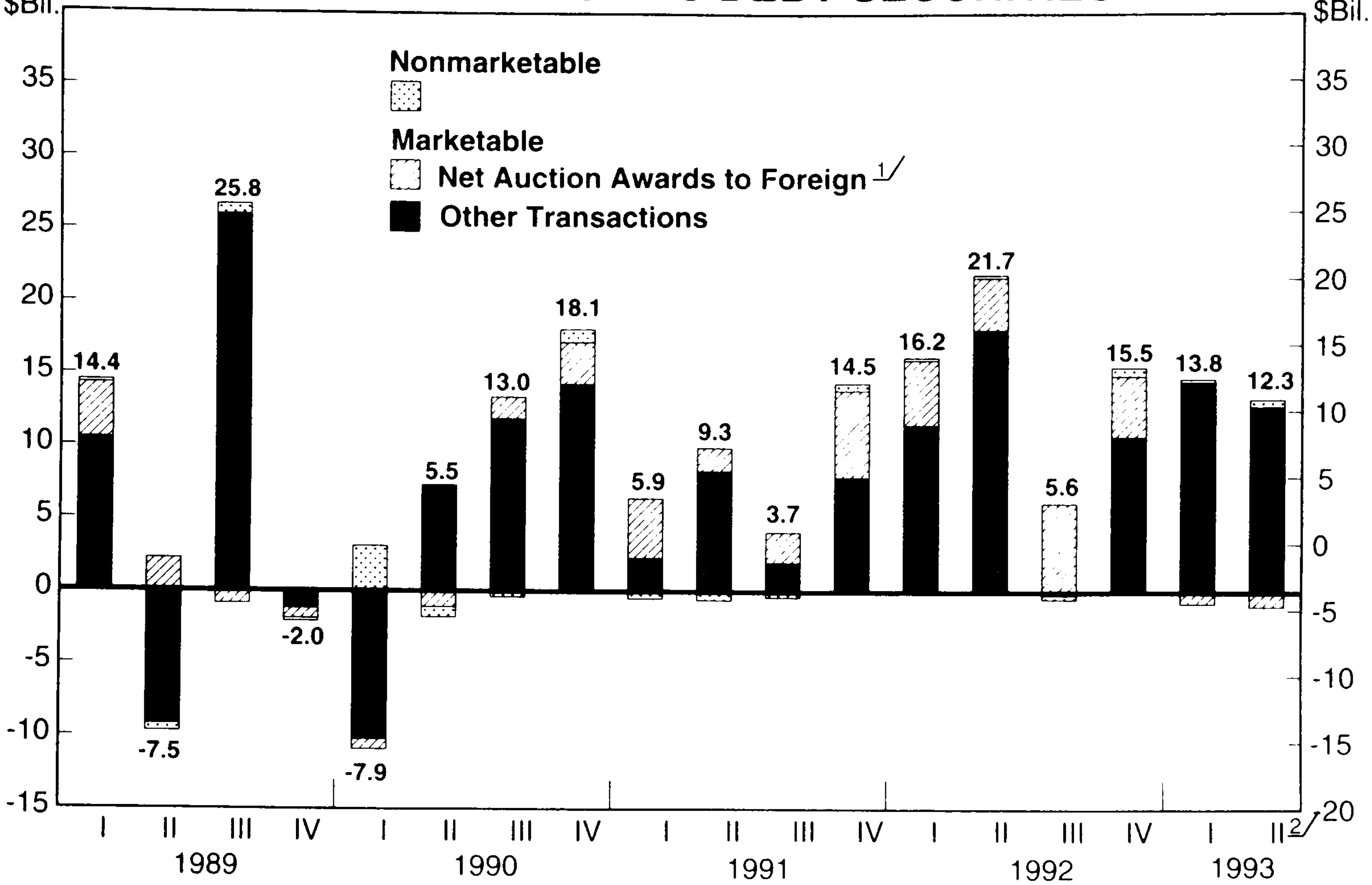
STATE AND LOCAL MATURITIES 1993 - 1995



Department of the Treasury
Office of Market Finance

August 1993

QUARTERLY CHANGES IN FOREIGN AND INTERNATIONAL HOLDINGS OF PUBLIC DEBT SECURITIES



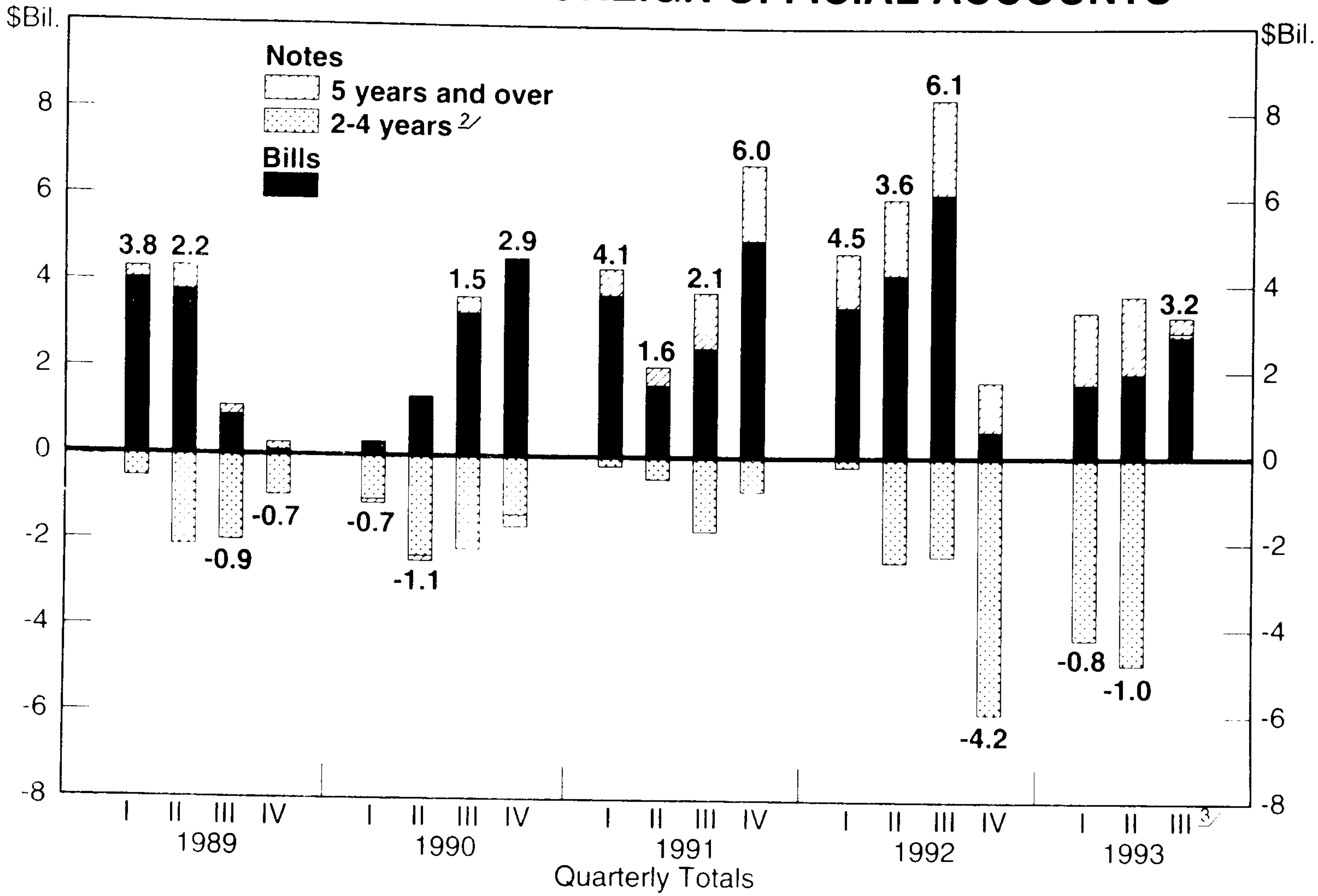
1/ Auction awards to foreign custody purchasers netted against holdings of maturing securities.

2/ Preliminary

Department of the Treasury
Office of Market Finance

August 2 1993 16

NET AWARDS TO FOREIGN OFFICIAL ACCOUNTS [1]



[1] Noncompetitive awards to foreign official accounts held in custody at the Federal Reserve in excess of foreign custody account holdings of maturing securities.

[2] 4 year notes not issued after December 31, 1990.

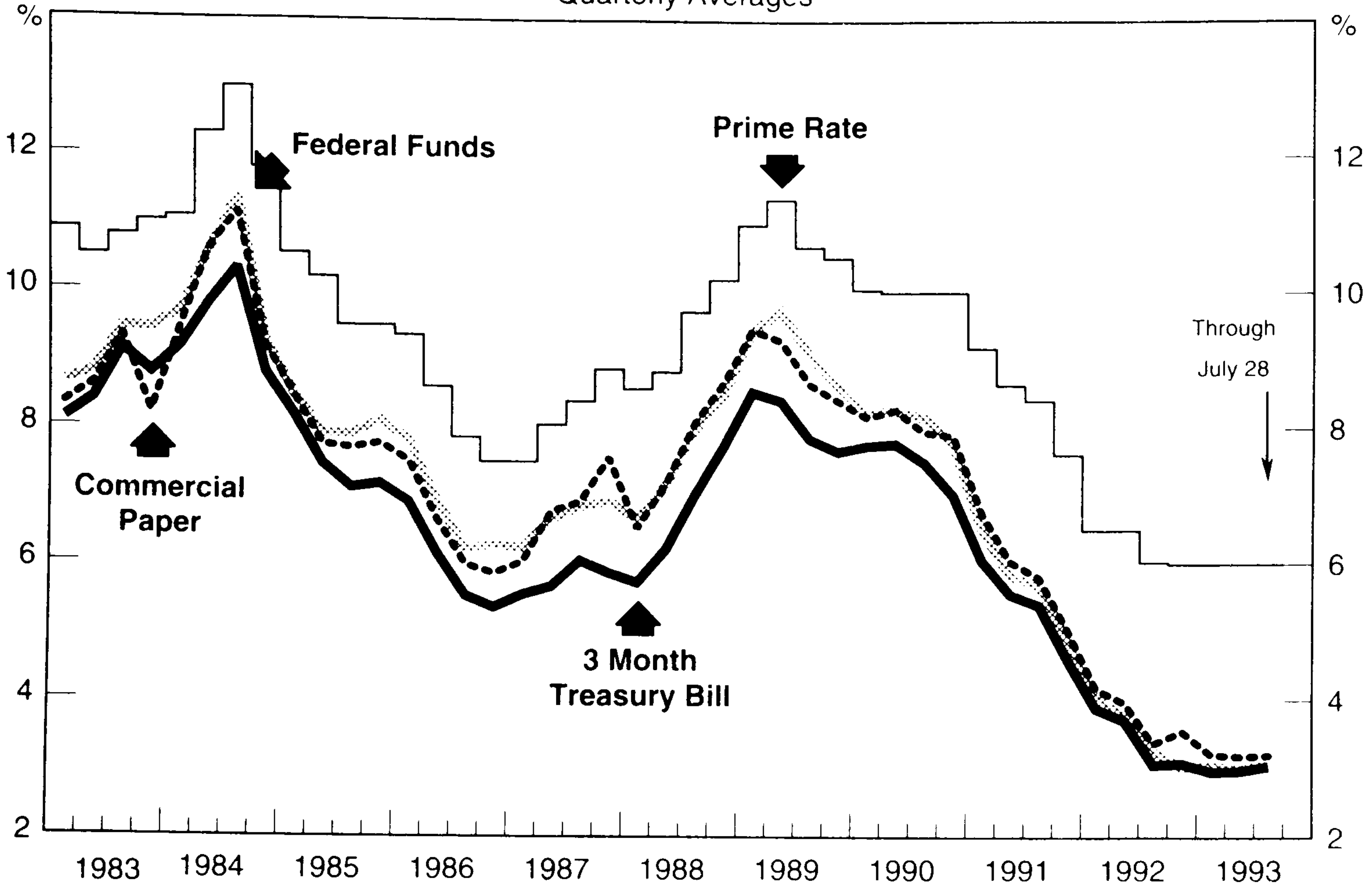
[3] Through July 30, 1993.

Department of the Treasury
Office of Market Finance

August 2, 1991-31

SHORT TERM INTEREST RATES

Quarterly Averages

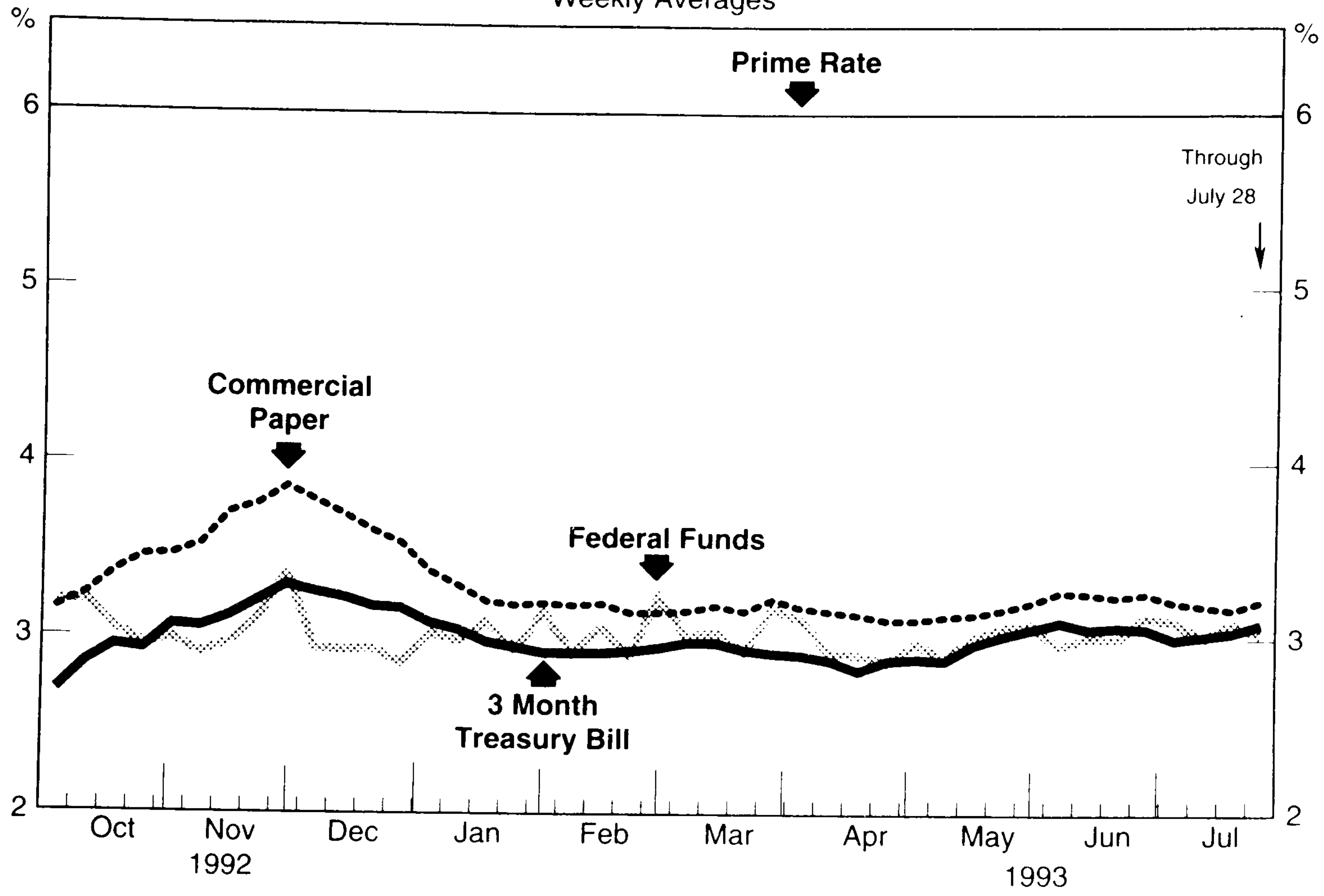


Department of the Treasury
Office of Market Finance

August 2, 1993 23

SHORT TERM INTEREST RATES

Weekly Averages

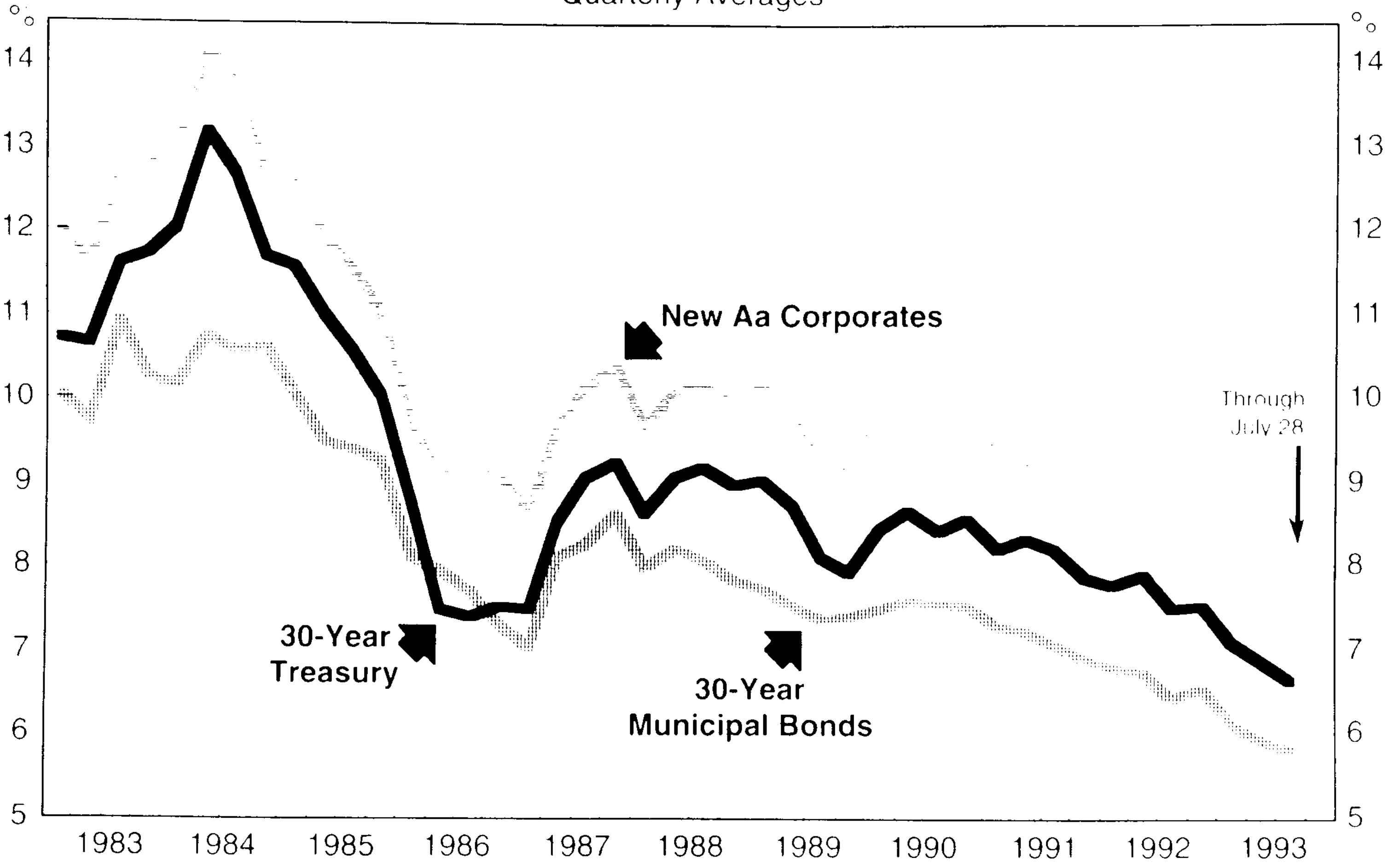


Department of the Treasury
Office of Market Finance

August 2, 1993 24

LONG TERM MARKET RATES

Quarterly Averages

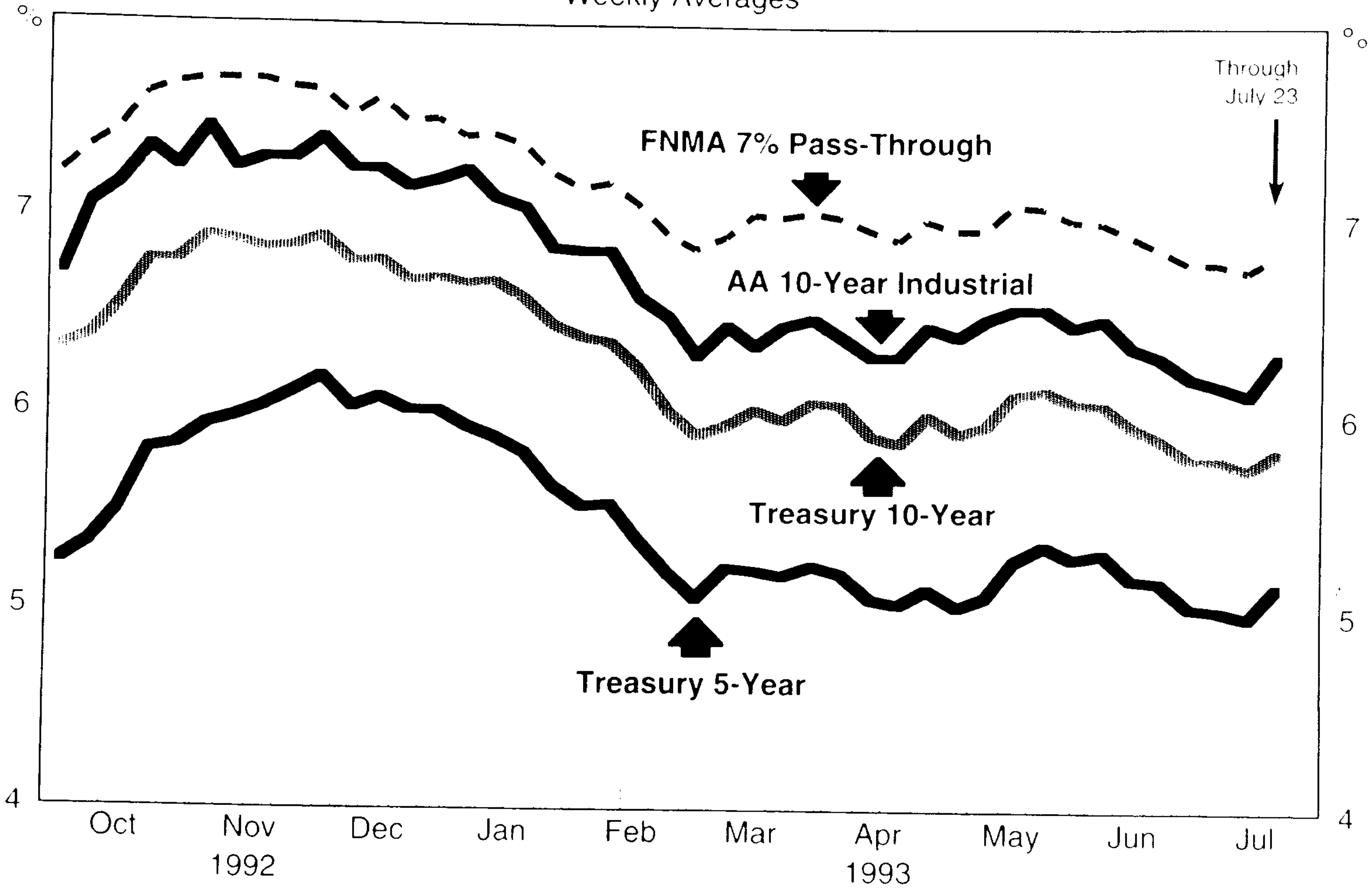


Department of the Treasury,
Office of Market Finance

August 1993

INTERMEDIATE TERM INTEREST RATES

Weekly Averages*

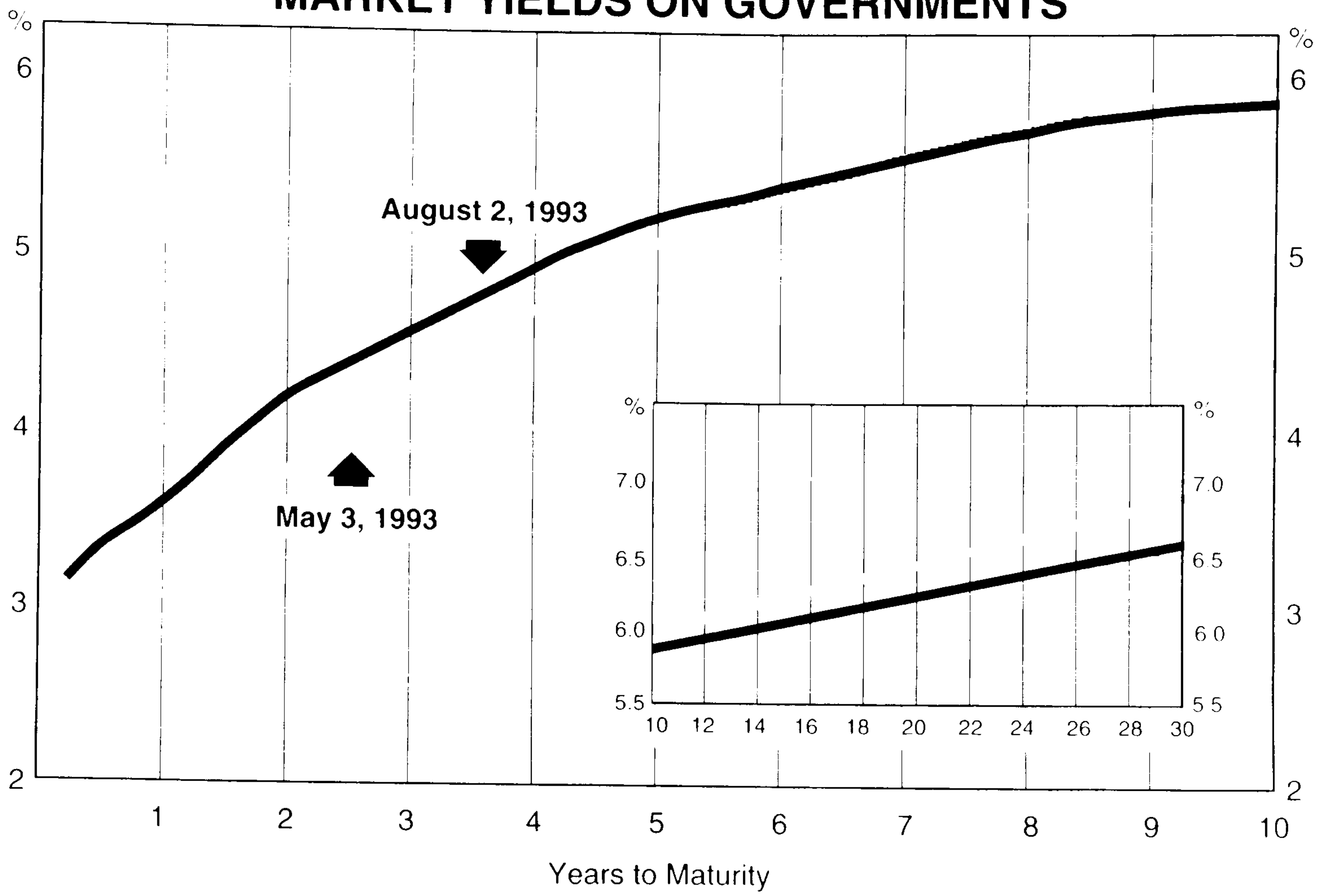


* Salomon 10-yr AA Industrial is a Thursday rate. All rates are offer side.

Department of the Treasury
Office of Market Finance

August [illegible]

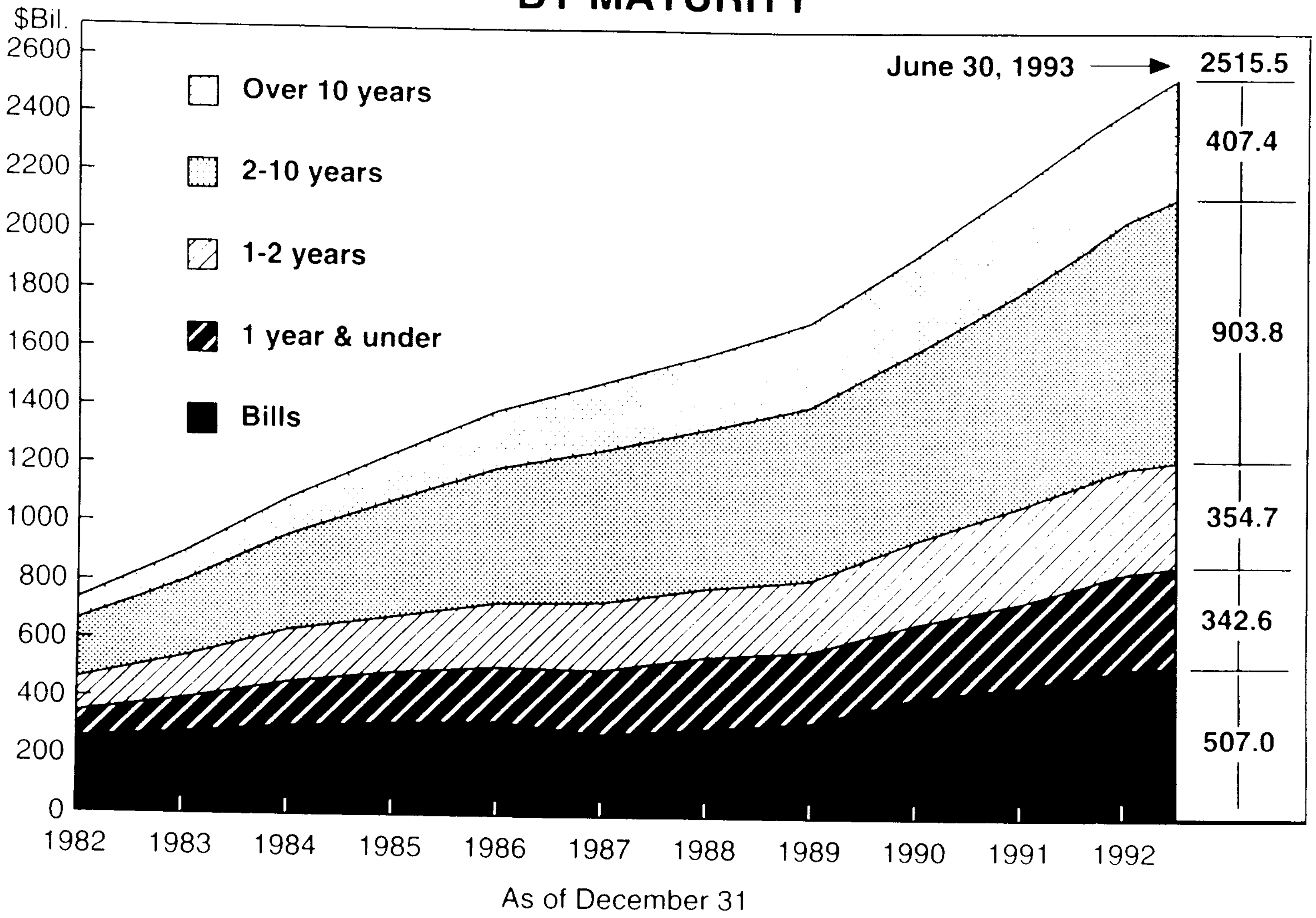
MARKET YIELDS ON GOVERNMENTS



Department of the Treasury
Office of Market Finance

August 3, 1993

PRIVATE HOLDINGS OF TREASURY MARKETABLE DEBT BY MATURITY

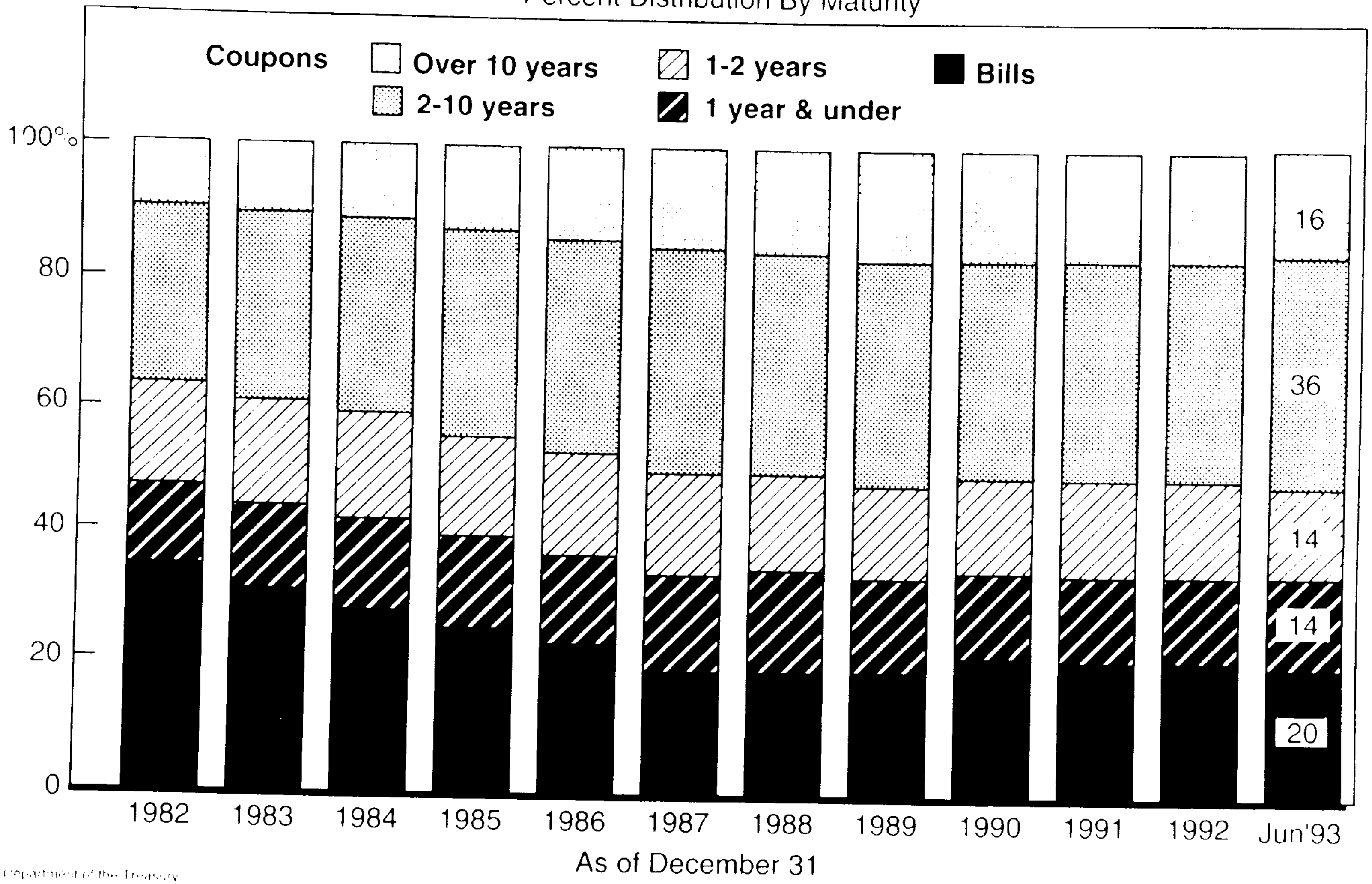


Department of the Treasury
Office of Market Finance

August [illegible]

PRIVATE HOLDINGS OF TREASURY MARKETABLE DEBT

Percent Distribution By Maturity

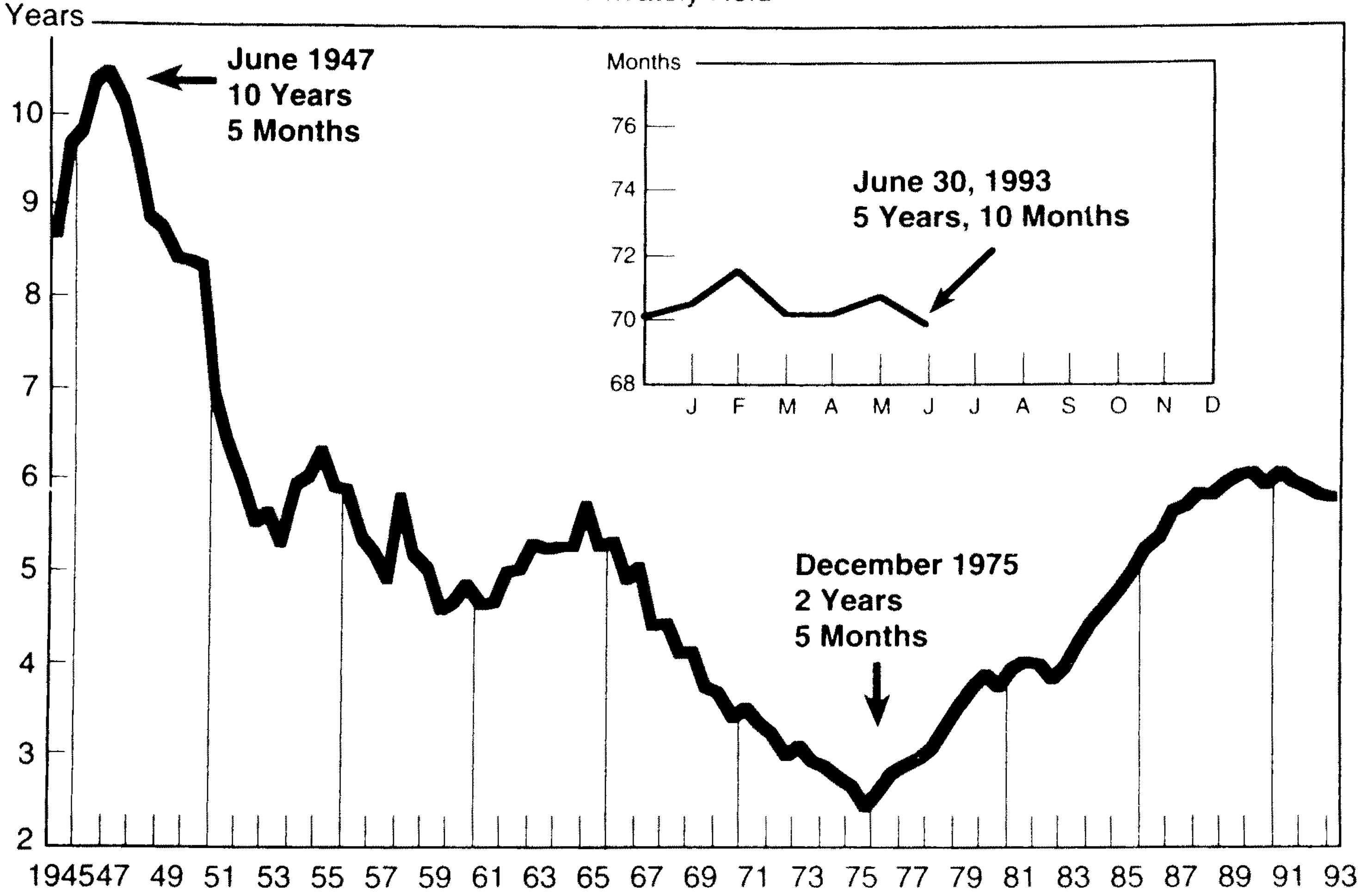


Department of the Treasury
Office of Market Finance

August [illegible], 1993

AVERAGE LENGTH OF THE MARKETABLE DEBT

Privately Held



June 1947
10 Years
5 Months

June 30, 1993
5 Years, 10 Months

December 1975
2 Years
5 Months

Department of the Treasury
Office of Market Finance

August 2, 1993-3

MATURING COUPON ISSUES
August - December 1993
(in millions of dollars)

Maturing Coupons	June 30, 1993			
	Total	Held by		
		Federal Reserve & Government Accounts	Private Investors	Foreign[1] Investors
11 7/8% Note 08/15/93	6,593	1,606	4,987	313
8 3/4% Note 08/15/93	7,370	68	7,302	1,407
8 % Note 08/15/93	15,499	2,686	12,813	2,665
8 5/8% Bond 08/15/93	1,768	164	1,604	50
6 3/8% Note 08/31/93	14,087	967	13,120	1,055
8 1/4% Note 09/30/93	8,745	341	8,404	1,225
6 1/8% Note 09/30/93	15,373	1,521	13,852	1,755
7 1/8% Note 10/15/93	7,013	468	6,545	558
6 % Note 10/31/93	15,716	1,567	14,149	2,857
11 3/4% Note 11/15/93	12,478	2,223	10,255	1,996
9 % Note 11/15/93	7,518	272	7,246	1,354
7 3/4% Note 11/15/93	17,211	3,776	13,435	2,271
8 5/8% Bond 11/15/93	1,509	224	1,285	73
5 1/2% Note 11/30/93	15,628	1,146	14,482	1,906
7 5/8% Note 12/31/93	8,974	778	8,196	673
5 % Note 12/31/93	16,539	2,133	14,406	1,534
Totals	172,021	19,940	152,081	21,692

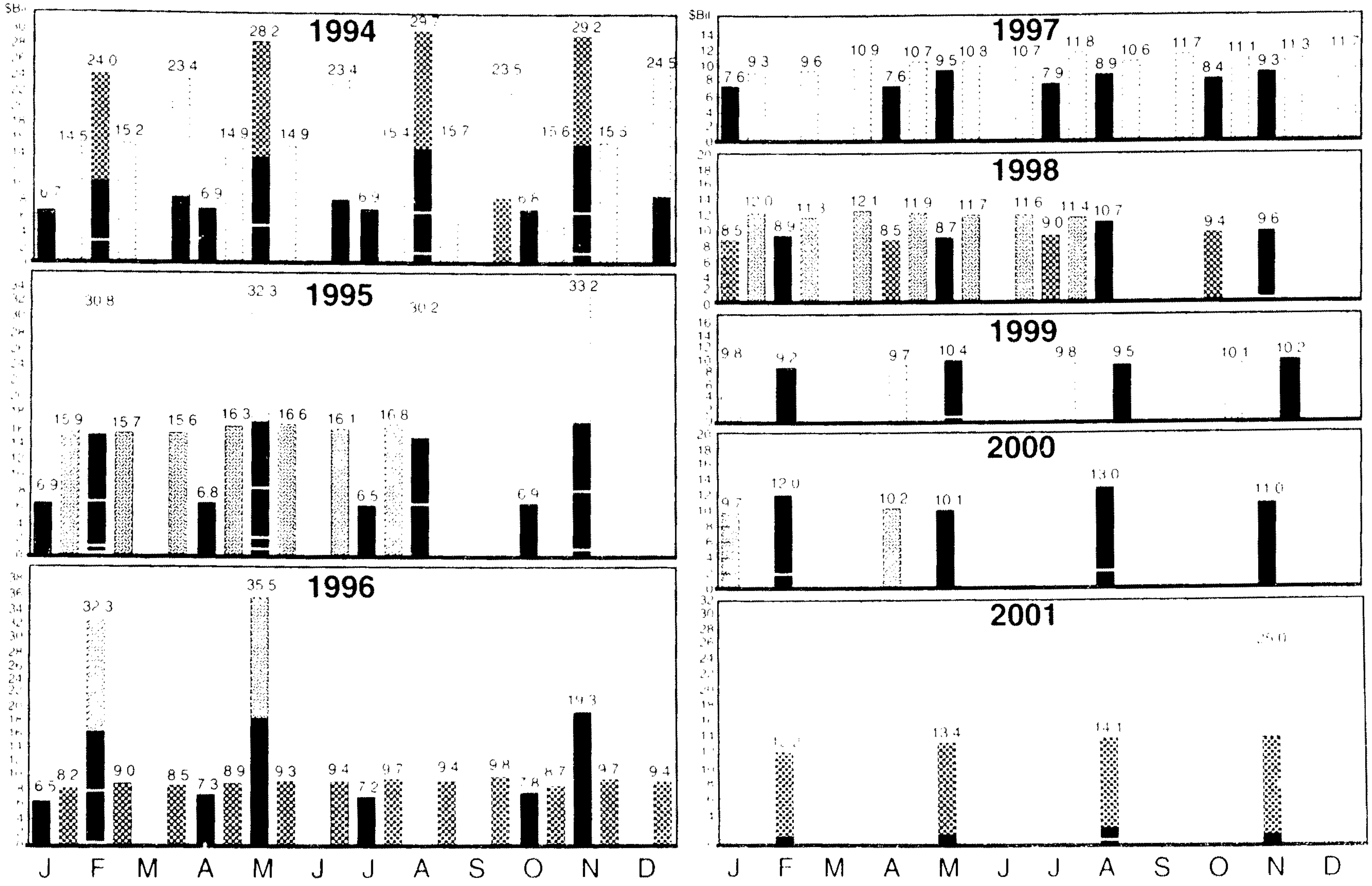
[1] F R B custody accounts for foreign official institutions, included in Private Investors

Department of the Treasury,
Office of Market Finance

[illegible]

TREASURY MARKETABLE MATURITIES

Privately held, Excluding Bills



■ Securities issued prior to 1991

▨ New issues calendar year 1991

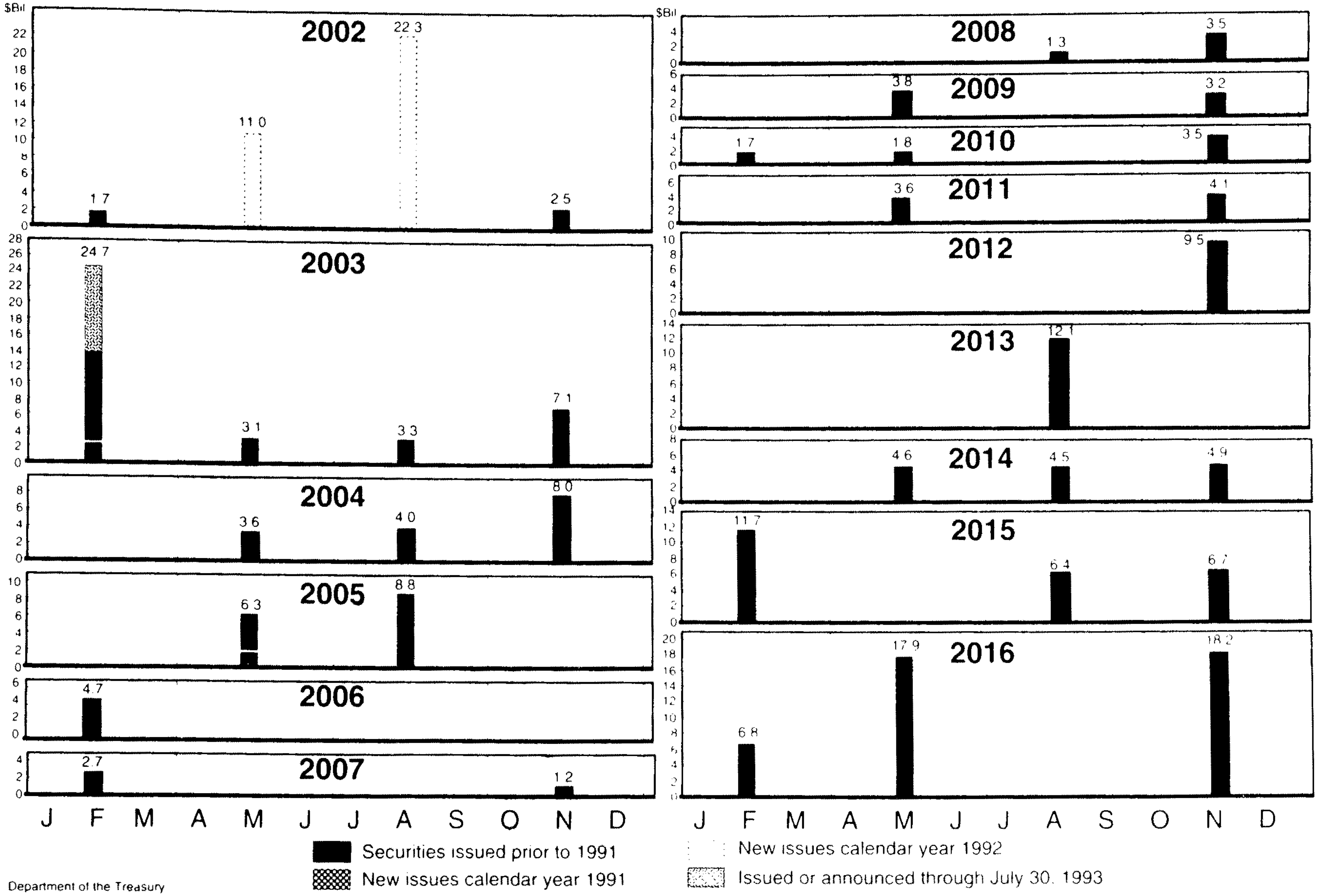
New issues calendar year 1992

⬚ Issued or announced through July 30 1993

Department of the Treasury
Office of Market Finance

TREASURY MARKETABLE MATURITIES

Privately held, Excluding Bills

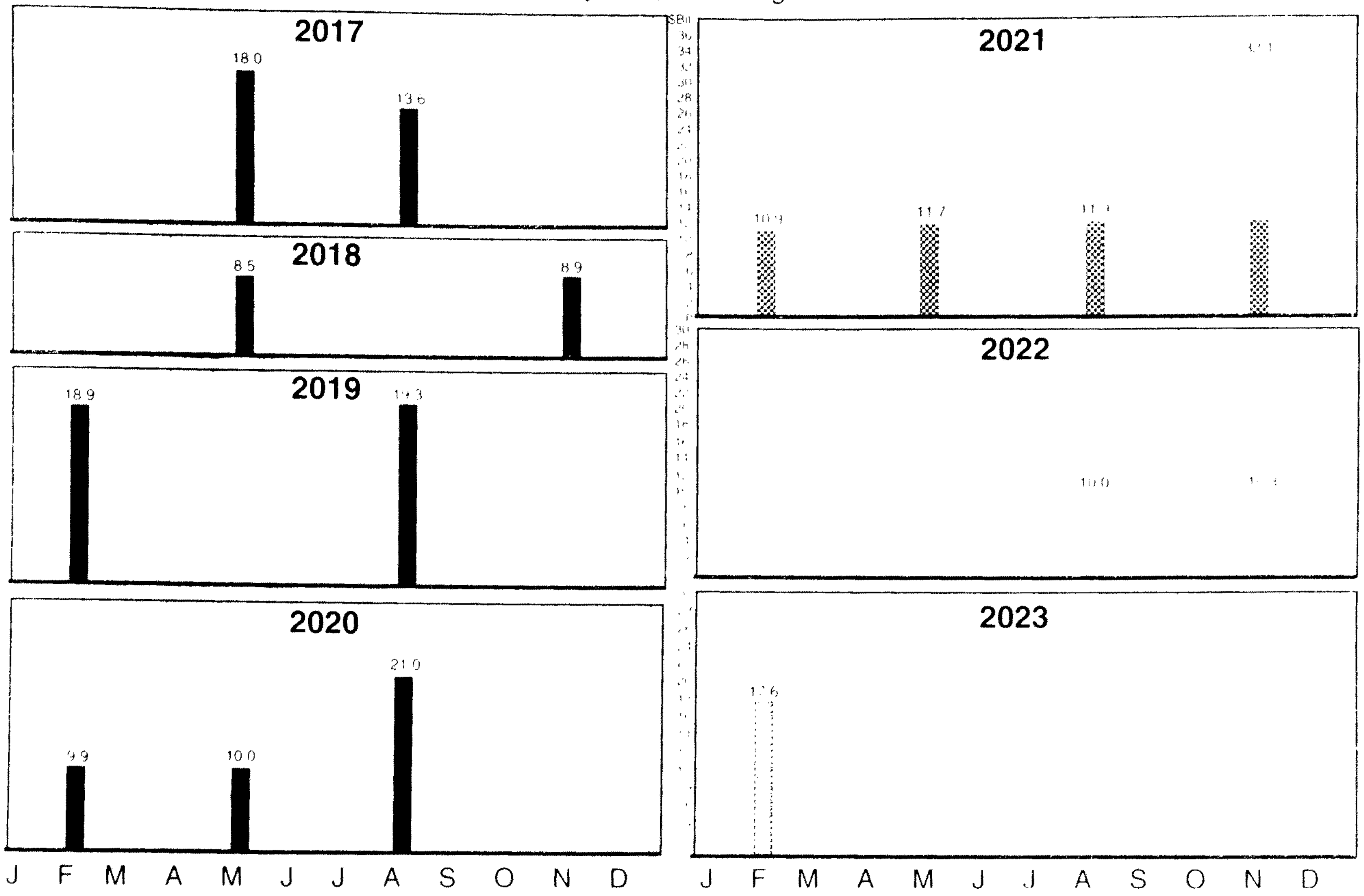


Department of the Treasury
Office of Market Finance

August 2 1993

TREASURY MARKETABLE MATURITIES

Privately held, Excluding Bills



■ Securities issued prior to 1991

▨ New issues calendar year 1991

New issues calendar year 1992

□ Issued or announced through July 30, 1993

Department of the Treasury
Office of Market Finance

SCHEDULE OF ISSUES TO BE ANNOUNCED AND AUCTIONED IN AUGUST 1993[1]

Monday	Tuesday	Wednesday	Thursday	Friday
2	3	4	5	6
9	10 Auction 3 year[2]	11 Auction 10 year[2]	12 Auction 30 year[2]	13 Announce 52 week
16	17	18 Announce 2 year 5 year	19 Auction 52 week[3]	20
23	24 Auction 2 year[4]	25 Auction 5 year[4]	26	27
30	31			

[1] Does not include weekly bills

[2] For settlement August 16

[3] For settlement August 26

[4] For settlement August 31

Department of the Treasury
Office of Market Finance

August 3, 1993 19

SCHEDULE OF ISSUES TO BE ANNOUNCED AND AUCTIONED IN SEPTEMBER 1993[1]

Monday	Tuesday	Wednesday	Thursday	Friday
		1	2	3
6 Holiday	7	8	9	10 Announce 52 week
13	14	15 Announce 2 year 5 year	16 Auction 52 week[2]	17
20	21 Auction 2 year[3]	22 Auction 5 year[3]	23	24
27	28	29	30	

[1] Does not include weekly bills

[2] For settlement September 23

[3] For settlement September 30

Department of the Treasury
Office of Market Finance

August 3, 1993-20

SCHEDULE OF ISSUES TO BE ANNOUNCED AND AUCTIONED IN OCTOBER 1993[1]

Monday	Tuesday	Wednesday	Thursday	Friday
				1
4	5	6	7	9 Announce 52 week[2]
11 Holiday	12	13	14 Auction 52 week[2]	15
18	19	20 Announce 2 year 5 year	21	22
25	26 Auction 2 year[3]	27 Auction 5 year[3]	28	29

[1] Does not include weekly bills
[2] For settlement October 21
[3] For settlement November 1

Department of the Treasury
Office of Market Finance

August 3, 1992 [illegible]

AGREEMENT BETWEEN THE GOVERNMENT OF THE REPUBLIC OF COLOMBIA AND THE GOVERNMENT OF THE UNITED STATES OF AMERICA FOR THE EXCHANGE OF TAX INFORMATION

The Government of the Republic of Colombia and the Government of the United States of America agree to enter into the Agreement for the Exchange of Tax Information (hereinafter referred to as "the Agreement"), in accordance with the following provisions:

ARTICLE 1

OBJECT AND SCOPE OF APPLICATION OF THE AGREEMENT

1. OBJECT

   The Contracting States shall assist each other to facilitate the exchange of information for assuring the accurate determination, assessment and collection of taxes covered by the Agreement, with a view to prevent and combat within their respective jurisdictions, fiscal evasion, fraud, and avoidance and develop improved information sources for tax matters.

2. LEGAL LIMITATIONS

   The Contracting States shall cooperate with each other to carry out the objective of this

Agreement. Such cooperation shall be provided through exchange of information authorized pursuant to Article 4 and such related measures as may be agreed upon by the competent authorities of the Contracting States pursuant to Article 5.

3. SCOPE OF APPLICATION

Information shall be exchanged to fulfill the purpose of this Agreement without regard to whether the person to whom the information relates is, or whether the information is held by, a resident or national of the Contracting States.

ARTICLE 2

TAXES COVERED BY THE AGREEMENT

1. TAXES COVERED

This Agreement shall apply to the following taxes:

a) In the case of Colombia: income tax and complimentary taxes, sales tax, stamp tax, and movie theater tax.

b) In the case of the United States of America: federal taxes on income, self employment income, transfers to avoid income tax, estates and gifts; and excise taxes.

2. IDENTICAL, SIMILAR, SUBSTITUTIVE, OR ADDITIONAL TAXES

This Agreement shall apply also to any identical or similar tax imposed after the date of signature of the Agreement or taxes in addition to, or in place of, the existing taxes. The competent authorities of the Contracting States shall notify each other, with the frequency agreed, of any change in their legislation, as well as judicial decisions, which may affect their obligations pursuant to this Agreement.

3. ACTIONS BARRED BY STATUTE OF LIMITATIONS

The Agreement shall not apply to the extent that an action or proceeding concerning taxes covered by this Agreement is barred by the statute of limitations or has expired pursuant to the laws of the applicant State.

4. STATE TAXES, MUNICIPAL TAXES, ETC.

This Agreement shall not apply to taxes imposed by states, provinces, departments, regions, municipalities or other political subdivisions or possessions that are under the jurisdiction of the Contracting States.

ARTICLE 3
DEFINITIONS

1. DEFINITIONS

For purposes of this Agreement:

a) The term competent authority means: the entity authorized to request and receive information.

   i) In the case of Colombia, the Director of the Special Administrative Unit Directorate of

National Taxes or his delegate.

ii) In the case of the United States of America, the Secretary of the Treasury or his delegate.

b) The term national means any individual and any legal entity or any other collective entity, deriving its status as such from the laws in force in the Contracting States.

c) The term person means any individual, legal entity, or any other collective entity according to the laws of the Contracting States.

d) The term tax means any tax to which the Agreement applies.

e) The term information means any fact or statement, in any form whatever, and that may be relevant or material

to the administration and enforcement of taxes covered by this Agreement, including among others:

i) the testimony of individuals,

ii) the documents, records or tangible personal property in the possession of a person or Contracting State and

iii) expert opinions, technical concepts, valuations and certifications.

f) The term applicant State means the Contracting State applying for or receiving information; and the term requested State means the Contracting State providing or requested to provide information.

g) For purposes of determining the geographical area of Colombia within which it may exercise its jurisdiction to obtain or compel production of information, Colombia means the territory of Colombia.

h) For purposes of determining the geographical area of the United States of America within which it may exercise its jurisdiction to obtain or compel production of information, the United States means the United States of America, including Puerto Rico, the Virgin Islands, Guam and any other possession or territory of the United States.

2. UNDEFINED TERMS

Any term not defined in this Agreement shall have the meaning which it has under the laws of the Contracting States concerning taxes covered by this Agreement, unless the context otherwise requires or the competent authorities agree to a common meaning pursuant to the provisions of Article 5.

ARTICLE 4

EXCHANGE OF INFORMATION

1. OBJECT OF THE EXCHANGE

The competent authorities of the Contracting States shall exchange information to administer and enforce their domestic laws concerning taxes covered by this Agreement, including information to administration of taxes under this Agreement, the recovery of fiscal claims derived from such taxes, the enforcement of the tax laws, the prosecution of fiscal violations or the determination of administrative appeals in relation to such taxes, and the oversight of the above. Such persons or authorities may use the information only for tax purposes and may disclose it in public court proceedings or in judicial decisions of the applicant State in relation to such matters.

ARTICLE 5

MUTUAL AGREEMENT PROCEDURE

1. PROGRAMS FOR IMPLEMENTING THE AGREEMENT

The competent authorities of tne Contracting States shall implement programs to carry out the purposes of this Agreement. These programs may include, in addition to exchanges of information specified in Article 4, other measures to improve tax compliance, such as technical assistance, training, exchange of technical know-how, development of new audit techniques, execution of simultaneous and/or joint examinations and investigations of fiscal violations and crimes, identification of new areas of tax evasion and avoidance, and joint studies of such tax evasion and avoidance areas.

2. INTERPRETATION AND APPLICATION OF THE AGREEMENT

The competent authorities of the Contracting States shall endeavor to resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of this Agreement. In particular, the competent authorities may agree to a common meaning of a term.

3. DIRECT COMMUNICATION OF THE COMPETENT AUTHORITIES

The competent authorities of the Contracting States may communicate with each other directly in order to carry out the provisions of this Agreement.

ARTICLE 6

COSTS

1. ORDINARY AND EXTRAORDINARY COSTS

Unless the competent authorities of the Contracting States otherwise agree, ordinary costs incurred for the execution of this Agreement shall be borne by the requested State and extraordinary costs shall be borne by the applicant State.

2. DETERMINATION OF EXTRAORDINARY COSTS

The competent authorities of the Contracting States shall determine by mutual agreement when a cost is extraordinary.

ARTICLE 7

ENTRY INTO FORCE

This Agreement shall enter into force upon an exchange of notes by the duly authorized affect the determination, assessment, and collection of such taxes, the recovery and enforcement of tax claims, the investigation or prosecution of alleged tax crimes and violations involving the contravention of tax laws and regulations.

2. GENERAL AND AUTOMATIC INFORMATION

The competent authorities of the Contracting States shall automatically transmit information to each other that they consider of vital importance to accomplish the objectives of this Agreement. The competent authorities shall agree on the type of information, the form, language, and procedures to be used to exchange such information.

3. SPONTANEOUS INFORMATION

The competent authorities of the Contracting States shall spontaneously transmit information to each other, when during the course of their own activities, information which is likely to be relevant to, and bear significantly on, accomplishment of the purposes referred to in paragraph 1 of this Article, may have come to the attention of one of the Contracting States. The competent authorities shall determine the information to be exchanged, establishing the form and language in which it will be transmitted.

4. SPECIFIC INFORMATION

The competent authority of the requested State shall provide information upon specific request by the competent authority of the applicant State for the purposes referred to in paragraph 1 of this Article. If the information available in the tax files of the requested State is not sufficient to enable compliance with the request, that State shall take all measures, allowed by its legislation, including compulsory measures, to provide the applicant State with the information requested.

a) Powers of the requested State

The requested State shall have the authority to:

i) examine any books, papers, records, or other personal property which may be relevant or material to such inquiry;

ii) question any person having knowledge or in possession, custody or control of information which may be relevant or material to such inquiry; and

iii) compel, pursuant to its own legislation, any person having knowledge or in possession, custody or control of information which may be relevant or material to such inquiry, to appear at a stated time and place and testify under oath and produce books, papers, records, or other personal property.

b) Privileges

In the execution of a request, the privileges granted under the laws or practices of the applicant State shall not be applied in the requested State. The claim for privileges under the laws or practices of the applicant State shall be exclusively determined by the courts of such State, and the claim for privileges under the laws or practices of the requested State shall be exclusively determined by the courts of that State.

c) Objection procedures

The Contracting States may establish administrative or judicial objection or claim procedures, with a view to prevent the abuse of the exchange of information authorized by this Agreement.

5. ACTIONS OF THE REQUESTED STATE FOR RESPONDING TO A SPECIFIC REQUEST

When information is requested by a Contracting State pursuant to the foregoing paragraph, the requested State shall obtain and provide the information in the same manner, as if the tax of the applicant State were the tax of the requested State and were being imposed by the latter. However, if specifically requested by the competent authority of the applicant State, the requested State shall:

a) specify the time and place for the taking of testimony or the production of books, papers, records, and other personal property;

b) place the individual giving testimony or producing books, papers, records, and other personal property under oath;

c) secure for its examination, without editing them, the original books, papers, records, and other personal property;

d) secure or produce true copies of originals (including books, papers, testimony and records);

e) certify or obtain a certification from the corresponding bodies, of the authenticity of books, papers, records, and other personal property produced, as the case may be;

f) examine the individual producing books, papers, records and other personal property regarding the purpose for which the item produced is or was maintained and the manner in which the maintenance is or was carried out;

g) permit the competent authority of the applicant State, to provide written questions to be answered by the individual testifying or producing books, papers, records, and other personal property;

h) perform any other act not in violation of the laws, or at variance with, the administrative practices of the requested State; and

i) certify either that the procedures requested by the competent authority of the applicant State were followed or that the procedures requested could not be followed, with an explanation of the reasons therefore.

6. SCOPE OF THE TRANSMISSION OF INFORMATION

The exchange of information referred to in this Agreement does not compel the Contracting States:

a) to supply information the disclosure of which would be contrary to public policy;

b) to carry out administrative measures at variance with their respective laws or regulations;

c) to supply particular items of information which are not obtainable under their respective laws or regulations;

d) to supply information which would disclose any commercial, industrial, trade, professional, or business secret or trade process; and

e) to supply information requested by the applicant State to administer or enforce a provision of the tax law of the applicant State, or any requirement connected therewith, which discriminates against a national of the requested State. A provision of tax law, or connected requirement, will be considered to be discriminatory against a national of the requested State if it is more burdensome with respect to a national of the requested State than with respect to a national of the applicant

State in the same circumstances. For purposes of the preceding sentence, there is no discrimination when the applicant State taxes on a worldwide basis and the requested State does not. The provisions of this subparagraph shall not be construed to prevent the exchange of information with respect to: in the case of Colombia, that which is related to the income tax on dividends and participation of non-residents and the complimentary tax on remittances abroad; and, in the case of the United States, the tax on branch profits or the excess interest of a branch or on the premium income of foreign insurers.

7. REGULATIONS FOR EXECUTING A REQUEST

Except as provided in paragraph 6 of this Article, the provisions of the preceding paragraphs shall be construed so as to impose on a Contracting State the obligation to use all legal means and its best efforts to execute a request.

8. USE OF THE INFORMATION RECEIVED

Any information received by a Contracting State shall be treated as secret in the same manner as information obtained under the domestic laws of that State and shall be disclosed only to persons or authorities of the applicant State, including judicial and administrative bodies involved in the determination, assessment, collection, and representatives of the Contracting States by which they confirm their mutual agreement that both sides have met the constitutional and legal requirements necessary to effectuate this Agreement.

ARTICLE 8

TERMINATION

This Agreement shall remain in force until terminated by one of the Contracting States. Either Contracting State may terminate the Agreement at any time after its entry into force provided that at least three (3) months prior notice of its intention to terminate it has been given to the other Contracting State through diplomatic channels.

DONE at Santafe de Bogota, in duplicate, in the English and Spanish languages, the two texts having equal authenticity, this 21st day of July, 1993.

For the Government of the
United States of
America

For the Government of the
Republic of Colombia

1. Taxation of unemployment compensation (sec. 611 of the Act and sec. 85 of the Code)*

Prior Law

All or a portion of unemployment compensation benefits paid pursuant to government programs may be included in the recipient's gross income. The amount of unemployment compensation that is included in adjusted gross income generally is limited to one-half of the excess of (1) the sum of the taxpayer's adjusted gross income, all unemployment compensation paid pursuant to government programs, all disability income of the type eligible for exclusion from income (under Code sec. 105(d)), and the amount allowed under the deduction for two-earner married couples over (2) the taxpayer's base amount.

The base amount was $25,000 in the case of a married individual filing a joint return; zero in the case of a married individual filing a separate return (unless he or she lived apart from his or her spouse for the entire taxable year); and $20,000 in the case of all other individuals.

An individual may be subject to an estimated tax penalty to the extent that estimated tax payments and withholding for a taxable year are less that 80 percent of actual tax liability for that year.

Reasons for Change

In order to increase cumulative revenues during fiscal years 1983 to 1985 by an amount approximately equal to the increased outlays resulting from the Act's provision of additional unemployment benefits (secs. 602-606), the Act lowers the income thresholds which determine the amount of unemployment compensation includible in adjusted gross income. By extending the duration of unemployment benefits for those who cannot find work, while simultaneously increasing the taxation of benefits for those who have substantial amounts of other income during the year, the Act improves the targeting of available resources to those who are most in need.

Explanation of Provision

The Act reduces the base amounts for purposes of computing the amount of unemployment compensation included in adjusted gross income from $20,000 to $12,000 for single taxpayers and from $25,000 to $18,000 for married taxpayers filing joint returns. The base amount remains zero for married taxpayers who file separately

ment compensation made after December 31, 1981, in taxable years ending after that date.

Special rule for underpayment of estimated tax.—An individual is not to be penalized for an underpayment of estimated tax to the extent that the underpayment is attributable to the inclusion in income of unemployment compensation received during 1982 that, but for the provision lowering the base amounts, was not includible in income.

Special rule for fiscal year taxpayers.—A fiscal year taxpayer whose taxable year includes January 1, 1982, takes into account the entire amount of unemployment compensation received during the fiscal year for purposes of determining how much to include in income. However, the increase in adjusted gross income for that fiscal year which can occur as a result of this section of the Act is limited to the amount of unemployment compensation paid after December 31, 1981.

Revenue Effect

The provision will increase fiscal year receipts by $763 million in 1983, $734 million in 1984, $611 million in 1985, $618 million in 1986, and $650 million in 1987.

* For legislative background of the provision, see H. Rep. No. 97-760 (August 17, 1982), p. 461 (the Joint Explanatory Statement of the Committee of Conference).

AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
August 9, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $12,383 million of 13-week bills to be issued August 12, 1993 and to mature November 12, 1993 were accepted today (CUSIP: 912794G57).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.04%	3.11%	99.223
High	3.05%	3.11%	99.221
Average	3.05%	3.11%	99.221

Tenders at the high discount rate were allotted 27%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	36,956	36,956
New York	49,839,593	11,005,944
Philadelphia	5,596	5,596
Cleveland	47,228	38,038
Richmond	90,783	34,323
Atlanta	20,267	14,807
Chicago	1,437,027	117,507
St. Louis	9,325	9,325
Minneapolis	14,086	14,086
Kansas City	21,393	21,393
Dallas	17,585	17,585
San Francisco	808,585	155,935
Treasury	911,496	911,496
TOTALS	$53,259,920	$12,382,991

Type	Received	Accepted
Competitive	$48,245,238	$7,368,309
Noncompetitive	1,415,098	1,415,098
Subtotal, Public	$49,660,336	$8,783,407
Federal Reserve	2,900,010	2,900,010
Foreign Official Institutions	699,574	699,574
TOTALS	$53,259,920	$12,382,991

An additional $69,526 thousand of bills will be issued to foreign official institutions for new cash.

UCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
August 9, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $12,348 million of 26-week bills to be issued August 12, 1993 and to mature February 10, 1994 were accepted today (CUSIP: 912794H80).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.16%	3.26%	98.402
High	3.18%	3.28%	98.392
Average	3.18%	3.28%	98.392

Tenders at the high discount rate were allotted 17%. The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	40,333	40,333
New York	52,647,814	11,287,232
Philadelphia	10,815	10,815
Cleveland	41,782	31,782
Richmond	74,551	23,801
Atlanta	25,075	23,415
Chicago	1,877,608	141,428
St. Louis	12,306	12,306
Minneapolis	8,682	8,682
Kansas City	25,946	25,946
Dallas	8,470	8,470
San Francisco	616,943	70,333
Treasury	663,193	663,193
TOTALS	$56,053,518	$12,347,736
Type		
Competitive	$50,993,615	$7,287,833
Noncompetitive	1,089,777	1,089,777
Subtotal, Public	$52,083,392	$8,377,610
Federal Reserve	2,950,000	2,950,000
Foreign Official Institutions	1,020,126	1,020,126
TOTALS	$56,053,518	$12,347,736

An additional $101,474 thousand of bills will be issued to foreign official institutions for new cash.

CTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
August 10, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 3-YEAR NOTES

Tenders for $16,668 million of 3-year notes, Series Z-1996, to be issued August 16, 1993 and to mature August 15, 1996 were accepted today (CUSIP: 912827L75).

The interest rate on the notes will be 4 3/8%. The range of accepted bids and corresponding prices are as follows:

	Yield	Price
Low	4.48%	99.709
High	4.49%	99.681
Average	4.49%	99.681

Tenders at the high yield were allotted 68%.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	29,830	29,830
New York	42,933,009	15,781,769
Philadelphia	7,609	7,609
Cleveland	31,432	31,432
Richmond	70,618	60,658
Atlanta	49,513	27,273
Chicago	1,555,982	360,577
St. Louis	57,349	57,349
Minneapolis	28,922	18,422
Kansas City	47,803	47,803
Dallas	16,721	16,721
San Francisco	597,562	68,992
Treasury	159,480	159,480
TOTALS	$45,585,830	$16,667,915

The $16,668 million of accepted tenders includes $887 million of noncompetitive tenders and $15,781 million of competitive tenders from the public.

In addition, $1,090 million of tenders was awarded at the average price to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional $2,899 million of tenders was also accepted at the average price from Federal Reserve Banks for their own account in exchange for maturing securities.

TREASURY NEWS

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

FOR RELEASE AT 2:30 P.M.
August 10, 1993

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $24,400 million, to be issued August 19, 1993. This offering will provide about $175 million of new cash for the Treasury, as the maturing bills are outstanding in the amount of $24,217 million.

Federal Reserve Banks hold $6,088 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 $1,815 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
TO BE ISSUED AUGUST 19, 1993

August 10, 1993

Offering Amount	$12,200 million	$12,200 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 E5 9	912794 H9 8
Auction date	August 16, 1993	August 16, 1993
Issue date	August 19, 1993	August 19, 1993
Maturity date	November 18, 1993	February 17, 1994
Original issue date	November 19, 1992	August 19, 1993
Currently outstanding	$26,430 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

MINUTES OF THE MEETING OF THE TREASURY BORROWING ADVISORY COMMITTEE OF THE PUBLIC SECURITIES ASSOCIATION AUGUST 3 AND 4, 1993

August 3

The Committee convened at 9:00 a.m. at the Treasury Department. All members were present, except Mr. Napoli. See the attached list.

I gave the Committee an informational background briefing updating Treasury borrowing estimates and historical information relevant to the Treasury August midquarter refunding. The borrowing estimates and background information had been released to the public on August 2, 1993.

The Committee also received a briefing by a Treasury staff member on current economic conditions. Under Secretary Newman then gave the Committee its "charge", which was to make recommendations on the August Treasury refunding and related matters. See the attached Charge. The meeting adjourned at 10:35 a.m.

The Committee reconvened at 2:35 p.m. at the Madison Hotel. All members were present, except Mr. Napoli. A Committee member circulated a draft of financing schedules (attached) as the starting point of the discussion. The meeting began with a discussion of the likely Treasury overall financing need in the rest of the July-September quarter. The Committee voted unanimously to recommend that the following issues be sold in the August refunding:

$16.5 billion of 3-year notes, maturing 8-15-96
$11.0 billion of 10-year notes, maturing 8-15-03
$11.0 billion of 30-year bonds, maturing 8-15-23.

No reopenings were recommended. The Committee believed that it is appropriate for the Treasury to offer $11.0 billion of 10-year notes in the August refunding, an increase of $0.25 billion from the amount sold in the May 1993 refunding, in order to signal that the Treasury may increase the size of 10-year offerings over time.

The Committee considered, but did not vote on, a financing pattern during the rest of the quarter. The Committee discussed the possibility of increasing the size of the regular monthly 5-year notes, but deferred making a recommendation until an unspecified later date. The Committee voted unanimously to recommend a $40 billion cash balance at the end of September.

The Committee consensus estimate was that the Treasury's October-December borrowing requirement may be closer to $85 billion than to Treasury's estimate of $95-$100 billion. The

Committee was mindful that the Treasury will not issue a 7-year note or a 30-year bond during the quarter. The consensus was that the Treasury should increase the sizes of regular weekly and 52-week bills, monthly 2- and 5-year notes, and the 3- and 10-year notes in the November refunding. The consensus was also that the Treasury should issue fewer regular bills, if actual borrowing needs are closer to the Street estimate, and that the Treasury should issue large amounts of cash management bills in November to mature in January and April, in order to manage cash and debt around the tax payment dates. The Committee voted unanimously to recommend a Treasury cash balance of $35 billion on December 31.

The Committee unanimously recommended that the Treasury extend the single-price auction experiment for monthly 2- and 5-year note auctions for one year beyond the auctions in August 1993. The Committee believed that the results of the experiment have been inconclusive to date, there have been no negative effects from the experiment, and extension might test the auction technique under a wider range of market conditions. Prior to the vote, the Committee discussed whether to recommend expanding the experiment to other Treasury securities, but no vote was taken, since the Treasury had not asked the Committee to consider this question.

The meeting adjourned at 4:15 p.m.

August 4

The Committee reconvened at 8:00 a.m. at the Treasury. All members were present, except Mr. Napoli. The Chairman presented the Committee report to Under Secretary Newman. There was a question-and-answer period related to the recommendations.

The meeting adjourned at 8:30 a.m.

Jill K. Ouseley

Jill K. Ouseley, Director
Office of Market Finance
Domestic Finance
August 6, 1993

Attachments

Certified by:

Morgan B. Stark, Chairman
Treasury Borrowing Advisory Committee
of the Public Securities Association

1993
TREASURY BORROWING ADVISORY COMMITTEE OF THE PUBLIC SECURITIES ASSOCIATION

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August 3, 1993

COMMITTEE CHARGE

The Treasury would like to have the Committee's specific advice on the following:

Treasury financing

-- the composition of a financing to refund $26.7 billion of privately held notes and bonds maturing on August 15 and to raise $11 billion to $12 billion of cash in regular refunding issues;

-- the composition of Treasury marketable financing for the remainder of the July-September quarter and the October-December quarter;

-- the appropriate levels of Treasury cash balances on September 30 and December 31; and

-- the market reception, if the Treasury were to decide to continue the single-price auction experiment for 2- and 5-year notes for one year beyond the auctions in August 1993.

Other topics

The Treasury would welcome any comments that the Committee might wish to make on related matters.

Treasury Financing - Third Quarter, 1993

End of Quarter Treasury Balances				
	Q1	Q2	Q3	Q4
1993	21.6	60.6	40.0*	
1992	19.8	47.0	58.8	29.9
1991	32.0	43.6	41.5	48.8
1990	18.5	34.6	40.2	32.2
1989	14.7	43.7	41.0	26.9
1988	22.9	39.6	44.4	33.7

*Estimate

				Maturing	New	Total			
			3- and 6- Month Bills						
			01-Jul-93	23,697	1,737	25,434			
			08-Jul-93	23,891	1,667	25,558			
			15-Jul-93	23,172	2,046	25,218			
			22-jul-93	22,354	2,672	25,026			
			29-Jul-93	21,679	2,855	24,534			
			05-Aug-93	22,360	2,166	24,526			
			12-Aug-93	23,318	1,082	24,400			
			19-Aug-93	24,217	583	24,800			
			26-Aug-93	23,796	1,004	24,800			
			02-Sep-93	23,780	1,020	24,800			
			09-Sep-93	23,707	1,093	24,800			
			16-Sep-93	23,668	1,132	24,800			
			23-Sep-93	23,445	1,355	24,800			
			30-Sep-93	23,843	957	24,800			
		Subtotal		326,927	21,369	348,296			
Ann.	Act.	Sett.							
Date	Date	Date	1-Year Bills						
17-Jun	24-Jun	01-Jul		14,992	353	15,345			
16-Jul	22-Jul	29-Jul		14,717	538	15,255			
13-Aug	9-Aug	26-Aug		14,616	884	15,500			
10-Sep	16-Sep	23-Sep		14,889	611	15,500			
		Subtotal		59,214	2,386	61,600			
Ann.	Act.	Sett.							
Date	Date	Date	Cash Management Bills						
31-Aug	02-Sep	07-Sep		0	6,000	6,000			(01-20-94)
31-Aug	02-Sep	07-Sep		0	4,000	4,000			
			16-Sep	4,000	(4,000)	(4,000)			
			23-Sep	16,037	(16,037)	0			
		Subtotal		20,037	(10,037)	6,000			
		Total Bills		406,178	13,718	419,896			
							Size of		
		Coupons					Auction	Foreign	
			Mat. 7-Year Note	6,459	(6,459)	0			
21-Jul	27-Jul	02-Aug	July 2-Year Note	12,989	3,764	16,753	16,003	750	
21-Jul	28-Jul	02-Aug	July 5-Year Note	0	11,373	11,373	11,023	350	
10-Aug	12-Aug	17-Aug	Aug. 3-Year Note				16,000		
11-Aug	12-Aug	17-Aug	Aug. 10-Year Note				10,750		
12-Aug	12-Aug	17-Aug	Aug. 30-Year Note				11,000		
			Total for August Refunding	26,706	12,244	38,950	37,750	1,200	
18-Aug	24-Aug	31-Aug	Aug. 2-Year Note	13,120	4,280	17,400	16,500	900	
18-Aug	25-Aug	31-Aug	Aug. 5-Year Note	0	12,100	12,100	11,500	600	
22-Sep	28-Sep	30-Sep	Sep. 2-Year Note	13,852	3,548	17,400	16,500	900	
22-Sep	29-Sep	30-Sep	Sep. 5-Year Note	8,404	3,696	12,100	11,500	600	
		Total Coupons		81,530	44,546	126,076			
		Complete Total		487,708	58,264	545,972			

Treasury Financing - Fourth Quarter, 1993

End of Quarter Treasury Balances				
	Q1	Q2	Q3	Q4
1993	21.6	60.6	40.0*	35.0*
1992	19.8	47.0	58.8	29.9
1991	32.0	43.6	41.5	48.8
1990	18.5	34.6	40.2	32.2
1989	14.7	43.7	41.0	26.9
1988	22.9	39.6	44.4	33.7

*Estimates

				Maturing	New	Total	
			3- and 6- Month Bills				
			07-Oct-93	23,945	1,655	25,600	
			14-Oct-93	23,713	1,887	25,600	
			21-Oct-93	23,164	3,236	26,400	
			28-Oct-93	22,371	4,029	26,400	
			04-Nov-93	22,940	3,460	26,400	
			12-Nov-93	23,821	2,579	26,400	
			18-Nov-93	24,371	2,029	26,400	
			26-Nov-93	24,405	1,995	26,400	
			02-Dec-93	24,240	2,160	26,400	
			09-Dec-93	24,485	1,915	26,400	
			16-Dec-93	24,423	1,977	26,400	
			23-Dec-93	24,652	1,748	26,400	
			30-Dec-93	25,223	1,177	26,400	
		Subtotal		311,753	29,847	341,600	
Ann. Date	Act. Date	Sett. Date					
			1-Year Bills				
08-Oct	14-Oct	21-Oct		14,279	1,721	16,000	
05-Nov	2-Nov	18-Nov		14,259	2,241	16,500	
03-Dec	9-Dec	16-Dec		14,783	1,717	16,500	
		Subtotal		43 321	5,679	49,000	
Ann. Date	Act. Date	Sett. Date					
			Cash Management Bills				
04-Nov	11-Nov	15-Nov		0	16,000	16,000	(4-21-94)
07-Dec	9-Dec	15-Dec		0	10,000	10,000	(1-20-94)
		Subtotal		0	26,000	26,000	
		Total Bills		355,074	61,526	416,600	
							Size of Auction
			Coupons				
			Mat. 7-Year Note	6,545	(6,545)	0	
20-Oct	26-Oct	01-Nov	Oct. 2-Year Note	14,149	3,351	17,500	16,500
20-Oct	27-Oct	01-Nov	Oct. 5-Year Note	0	12,100	12,100	11,500
03-Nov	10-Nov	15-Nov	Nov. 3-Year Note				17,250
03-Nov	11-Nov	15-Nov	Nov. 10-Year Note				11,750
			Total for November Refunding	32,221	(2,021)	30,200	29,000
17-Nov	22-Nov	30-Nov	Nov. 2-Year Note	14,383	3,267	17,650	16,750
17-Nov	23-Nov	30-Nov	Nov. 5-Year Note	0	12,100	12,100	11,500
22-Dec	28-Dec	31-Dec	Dec. 2-Year Note	14,406	3,244	17,650	16,750
22-Dec	29-Dec	31-Dec	Dec. 5-Year Note	8,196	3,904	12,100	11,500
		Total Coupons		89,900	29,400	119,300	
		Complete Total		444,974	90,926	535,900	
					95,926*		

should be 15B

REPORT TO THE SECRETARY OF THE TREASURY FROM THE TREASURY BORROWING ADVISORY COMMITTEE OF THE PUBLIC SECURITIES ASSOCIATION

August 4, 1993

Dear Mr. Secretary:

Since the Committee's meeting with Treasury in early May, economic activity led by car sales, capital spending, and industrial production has improved. Growth prospects for the current and following quarter center around a solid 3% for GDP. Inflation is widely viewed as stable near a stubborn 3% floor. The rising cost of medical services, public transportation, and college tuition, coupled with Federal, state, and local tax increases on gasoline, cigarettes, and income, seem to assure little additional progress will be made in reducing inflation further.

Notwithstanding the debate over whether current lower interest rates will offset the drag of higher taxes on GDP growth, profits, and incentives to work and invest, near-term optimism is constrained by the effects of reduced defense spending, increased taxation and retroactivity, uncertain health costs, low consumer confidence, continued corporate downsizing and the increased recognition that growing economies in Europe and Asia are required for extended GDP growth here. Responding to the above and the recently articulated posture of monetary policy, the yield curve has flattened significantly since early May. Specifically, the 12 month to 30-year spread has narrowed by over 50 basis points, as the 30-year bond has declined in yield by 28 basis points to 6.52% and 12-month and 2-year yields have increased by 28 and 36 basis points to 3.53% and 4.14%, respectively.

Within this context, the Committee met to consider the composition of a financing to refund $26.7 billion of privately-held notes and bonds maturing on August 15 and to raise $11 to $12 billion of cash. Given the announced $58.3 billion financing for the current fiscal quarter and the $22.25 billion previously issued or announced, there remains a net $36 billion to be financed this quarter. The Committee voted unanimously, 19-0, in favor of a quarter-end balance of $40 billion and the selling at competitive auction of three new issues totalling $38.5 billion comprised of:

Refunding
$16.5 billion of 3-year notes, maturing 8/15/96;

$11.0 billion of 10-year notes, maturing 8/15/2003; and

$11.0 billion of 30-year bonds, maturing 8/15/2023

to raise $11.8 billion new cash.

Underlying the Committee's refunding recommendation is its belief that (1) the quarterly refunding should remain a central focus of Treasury financing; (2) that investors expect the Treasury to confirm in this refunding its commitment to issue $11 billion or more long bonds twice a year; and (3) that the 10-year note should be $11.0 billion to affirm its new role as a global benchmark security and to signal that it will need to grow in size above present levels in the next quarterly refunding.

Summary of Quarterly Financing to be Done

Auctions	Date	Size	Raising
Refunding	August	$38.5 billion	$11.8 billion
2-year notes	August	$16.5	
	September	$16.5	$6.0
5-year notes	August	$11.0	
	September	$11.0	$13.6
1-year bills	August	$15.750	
	September	$15.750	$2.0
3- & 6-month bills	8 auctions	$24.4	
		$24.6	
		6 x $24.8	$8.0
Net Cash Mgmt Bills			(10.0)
Net Already Issued			$22.250
Foreign Add-ons			$4.6
Total net market borrowing			$58.250 billion

The Committee sees the need for one cash management bill of $6 billion to be auctioned September 2 to mature January 20, 1994, an attractive maturity given the high Treasury cash balance anticipated for January 31, 1994. The Committee notes a further potential cash need for up to $4 billion intra-September, and recommends an intra-quarter cash management bill to be auctioned September 2 to mature September 16.

Concerning the follow-on October-December first fiscal quarter, the Committee concurs with the targeted $35 billion quarter-end balance. The $95-100 billion net market borrowing anticipated by the Treasury is, however, above most current private estimates of approximately $85 billion. Should actual needs evolve closer to the private estimates, the Committee recommends reducing the 3- and 6-month bill offerings set forth in the financing schedule below:

Summary of October-December Financing

Auctions	Size	Raising
Refunding		
3-year	$17.250 billion	
10-year	$11.750	($3.2 billion)
2-year notes	$16.500 $16.750 $16.750	$7.0
5-year notes	$11.500 $11.500 $11.500	$26.3
1-year bills	$16.000 $16.500 $16.500	$5.7
3- & 6-month bill	2 x 25.600 11 x 26.400	$29.8
Cash management bills	$16.000 to mature 4/21/94 $15.000 to mature 1/20/94	$31.0
7-year		($6.5)
Estimated Foreign Add-ons		$5.8
Total Net Market Borrowing		$95.9 billion

The first fiscal quarter financing will be unique inasmuch as Treasury will not only face high interest payments on the November 15 mid-quarter refunding date, but as well will no longer raise money via 7-year notes or 30-year bonds. As such, larger offering sizes for the 2-year and 5-year note cycles, as well as the 3- and 10-year notes in the refunding will play key roles. Also, longer dated cash management bills, moving maturities to the second fiscal and prospectively less demanding third fiscal quarters, will be central.

Concerning the question of extending the single-price auction experiment for 2- and 5-year notes for one year beyond the auctions in August 1993, the Committee voted 19-0 in favor of continuation. In support of this unanimous view, the Committee offers the following observations:

--- The marketplace and investors expect the single price auction agreement to continue;

--- There appear to be no major negative effects associated with the experiment;

--- The experiment has been conducted in a market environment characterized by low volatility, an accommodative monetary policy, a positively sloped yield curve providing substantial financing margins, and widespread global investor participation. Additional data, particularly if it happened to be gathered in more adverse and volatile conditions, would be useful in assessing the value of single price auctions to the Treasury.

--- While as yet there appears no clear evidence, either way, that single-price auctions have reduced Treasury financing costs, attracted new investors, or encouraged more aggressive bidding, compared to multiple price auctions, interestingly, immediate post-auction volatility appears to be less with the single-price auction.

--- Lastly, the Committee felt that more experimentation and more extensive analysis, especially if under different market conditions and with the new Treasury financing focus, would be helpful in aiding the Treasury's assessment.

The committee also discussed the potential attraction of including other Treasury cycles in the experiment at a later date but achieved no consensus.

Mr. Secretary, this concludes the Committee's report and we stand ready to address your questions or comments.

Sincerely,

Morgan B. Stark
Chairman of the Treasury Borrowing
Advisory Committee of the PSA

AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
August 11, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 10-YEAR NOTES

Tenders for $11,025 million of 10-year notes, Series B-2003, to be issued August 16, 1993 and to mature August 15, 2003 were accepted today (CUSIP: 912827L83).

The interest rate on the notes will be 5 3/4%. The range of accepted bids and corresponding prices are as follows:

	Yield	Price
Low	5.77%	99.849
High	5.78%	99.774
Average	5.78%	99.774

Tenders at the high yield were allotted 55%.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	11,512	11,512
New York	32,810,452	10,567,202
Philadelphia	9,825	9,825
Cleveland	13,027	13,027
Richmond	49,608	45,108
Atlanta	23,717	14,217
Chicago	1,303,624	198,374
St. Louis	7,231	7,231
Minneapolis	3,632	3,622
Kansas City	18,322	18,322
Dallas	2,274	2,274
San Francisco	422,980	105,950
Treasury	28,476	28,452
TOTALS	$34,704,680	$11,025,116

The $11,025 million of accepted tenders includes $482 million of noncompetitive tenders and $10,543 million of competitive tenders from the public.

In addition, $800 million of tenders was awarded at the average price to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional $1,100 million of tenders was also accepted at the average price from Federal Reserve Banks for their own account in exchange for maturing securities.

The minimum par amount required for STRIPS is $800,000. Larger amounts must be in multiples of that amount.

Also, accrued interest of $0.15625 per $1,000 of par must be paid for the period August 15, 1993 to August 16, 1993.

AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
August 12, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 30-YEAR BONDS

Tenders for $11,002 million of 30-year bonds to be issued August 16, 1993 and to mature August 15, 2023 were accepted today (CUSIP: 912810EQ7).

The interest rate on the bonds will be 6 1/4%. The range of accepted bids and corresponding prices are as follows:

	Yield	Price
Low	6.32%	99.063
High	6.35%	98.666
Average	6.33%	98.931

Tenders at the high yield were allotted 10%.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	9,347	9,347
New York	22,150,499	10,747,399
Philadelphia	1,878	1,878
Cleveland	12,240	12,240
Richmond	38,138	38,138
Atlanta	3,306	3,306
Chicago	936,429	128,929
St. Louis	664	664
Minneapolis	2,394	2,391
Kansas City	8,613	8,613
Dallas	916	746
San Francisco	295,083	42,982
Treasury	5,197	5,197
TOTALS	$23,464,704	$11,001,830

The $11,002 million of accepted tenders includes $390 million of noncompetitive tenders and $10,612 million of competitive tenders from the public.

In addition, $525 million of tenders was also accepted at the average price from Federal Reserve Banks for their own account in exchange for maturing securities.

The minimum par amount required for STRIPS is $32,000. Larger amounts must be in multiples of that amount.

Also, accrued interest of $0.16984 per $1,000 of par must be paid for the period August 15, 1993 to August 16, 1993.

TREASURY NEWS

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

August 13, 1993

STATEMENT OF TREASURY SECRETARY LLOYD BENTSEN NAFTA SIDE AGREEMENTS

I'm delighted that Ambassador Kantor and his counterparts have concluded the important supplemental agreements to NAFTA. We soon will be able to take NAFTA to Congress for approval, and get on with the business of creating 200,000 new jobs for Americans. This is very good news.

-30-

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
August 13, 1993

CONTACT: Michelle Smith
(202) 622-2960

BENTSEN NAMES DIEHL TO MINT JOB

Treasury Secretary Lloyd Bentsen on Friday named Philip Diehl to be Executive Deputy Director of the United States Mint. Diehl is presently Counselor to the Secretary and Chief of Staff at the Department of the Treasury.

"It is important to have Philip at the Mint to help insure success for the Administration's management reinvention plans. He has the knowledge and the ability to get the job done," Secretary Bentsen said.

Diehl will begin serving in the new position September 8. In addition to assisting in the reinvention process, he will focus on the Mint's marketing program.

Diehl, 42, has served as Counselor to the Secretary and Chief of Staff since January 21. He is a former staff director of the Senate Finance Committee and legislative director for Senator Lloyd Bentsen.

He earned an M.A. in government from the University of Texas at Austin and a B.A. in political science and economics at Austin College in Sherman, Texas.

The Mint has more than 2,200 employees in four mints, in Washington, D.C., and at Fort Knox. It produces the nation's supply of circulating coinage and has numismatic and bullion coin sales of approximately $500 million a year.

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TREASURY NEWS

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

FOR RELEASE AT 2:30 P.M.
August 13, 1993

CONTACT: Office of Financing
202/219-3350

TREASURY'S 52-WEEK BILL OFFERING

The Treasury will auction approximately $15,250 million of 52-week Treasury bills to be issued August 26, 1993. This offering will provide about $625 million of new cash for the Treasury, as the maturing 52-week bill is currently outstanding in the amount of $14,616 million. In addition to the maturing 52-week bills, there are $23,796 million of maturing 13-week and 26-week bills.

Federal Reserve Banks hold $9,926 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 $3,692 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 $555 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

HIGHLIGHTS OF TREASURY OFFERING OF 52-WEEK BILLS TO BE ISSUED AUGUST 26, 1993

August 13, 1993

Offering Amount		$15,250 million
Description of Offering:		
Term and type of security .		364-day bill
CUSIP number		912794 L6 9
Auction date		August 19, 1993
Issue date		August 26, 1993
Maturity date		August 25, 1994
Original issue date		August 26, 1993
Maturing amount.		$14,616 million
Minimum bid amount		$10,000
Multiples		$1,000
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 are $2 billion or greater.
	(3)	Net long position must be reported one half-hour prior to the closing time for receipt of competitive bids.
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

Text as Prepared for Delivery
Advance for 1 p.m. PDT (4 p.m. EDT)
August 17, 1993

REMARKS OF TREASURY SECRETARY LLOYD BENTSEN
LOS ANGELES WORLD AFFAIRS COUNCIL

It has been too long since I've had the chance to talk here -- almost five years. Times have changed. I was a candidate then. Now, at long last, I'm part of an administration trying to make a change in America.

I want to spend some time today talking about two of the major, interconnected issues on my plate, the North American Free Trade Agreement, and our economic relations throughout the Pacific region. Then perhaps I can take a few questions.

First, however, I want to put these issues into broader perspective. Our efforts to increase trade, with Mexico, with Asia and the Pacific, everywhere, are part of an effort to deal directly with our economic problems. They also represent our recognition of and part of our response to the fact that while security issues were the overriding factor during the Cold War years, now the economic dimension is paramount.

President Clinton was elected because people wanted a change from the status quo. We're doing that. We're looking more than six weeks or six months down the road. We're looking to America's long term economic health. We're not slapping band-aids on problems, praying the bleeding will stop, and acting surprised as we grow weaker and weaker.

We took the first steps toward restoring long term strength in our economy with passage of our deficit reduction bill. We've got interest rates down to record low levels. Now we're moving ahead, taking on other problems. We're taking on the health care issue, to get deficits down even more and be sure Americans have access to affordable health care. We're aggressively pursuing NAFTA, the GATT talks, and talks with Japan, because trade agreements and open markets are another way to generate long term growth and create jobs.

We're putting the status quo and gridlock behind us. It's not going to change in six weeks or six months, but if we work together, we'll make a major difference a year from now, two years, three years from now. And these problems can stay fixed.

We passed that deficit reduction bill with just Democratic votes, but we need Republican votes on some of these other solutions to our problems. These problems that we're taking on are not Democratic problems. They're not Republican problems. They're American problems. Americans want the political parties to work together to solve American problems.

I'm delighted that just the other day former President Bush applauded President Clinton's commitment to getting NAFTA approved and put in place. President Bush recognizes that NAFTA will be good for America.

Now, I want to get a bit more specific about NAFTA. I believe we can get it through Congress this fall and in place by the start of next year. It won't be easy, but it's doable.

We're going to be waging an aggressive fight for NAFTA this fall. We've got an experienced hand in Bill Daley to direct our effort. And we're going to set up another command center like the war room we had going for the deficit reduction package. We're not going to get behind on the message curve on this one. We'll be out there making sure the misinformation is labeled for what it is, and making sure people understand that NAFTA means more jobs, at better wages, for thousands upon thousands of Americans -- 200,000 in fact.

NAFTA is a good agreement, but because we wanted to make it even better, our negotiators have worked out supplemental agreements on labor issues, on how to deal with import surges, and on the crucial issue of the environment. And we're also working on the fine print of a mechanism to fund environmental clean-up along the border.

We're looking at a Border Environmental Financing Facility with a capitalization on the order of several billion dollars.

When we talk about these side agreements, particularly on the environment, without NAFTA, we may continue to see environmental problems, and none of us wants that.

What will NAFTA give us? We already have 700,000 jobs related to trade with Mexico. Some 400,000 of those jobs have been created since President Salinas began to liberalize his country's trade rules. NAFTA will generate about 200,000 additional U.S. jobs in the next two years alone. And we estimate that NAFTA-related jobs will pay 12 percent more.

Where are those jobs? Who benefits? Let me tick off a few of the winners here in California. Cal-State Lumber Sales of San Ysidro for one. Their sales are up 700 percent. They say that with NAFTA it will get even better. Western Digital in Irvine says it's going to be able to add to its work force because computer parts tariffs will go down. Johnson Environmental at Santa Ana is a small business. They say their sales of package closing machines to Canada and Mexico will go up by a factor of four, and they'll hire 50 percent more workers. Big business, small business, and in between, everyone benefits.

I want to say one other thing about NAFTA and jobs. Organized labor and others have some sincere concerns that NAFTA may cost jobs here in America. The point here is that jobs can go south to Mexico now, or the Far East, or anywhere. That's the effect of global competition, not NAFTA. On balance, NAFTA's a net job creator, 200,000 of them. And for those who are affected by NAFTA, we have job retraining programs. We want everyone to benefit from NAFTA, and the prosperity it's going to bring.

If you look at what's happened with our trade position with Mexico, you'll see what lower trade barriers mean. Today, Mexico has replaced Japan as our second-largest market for manufactured products. Our trade position with Mexico has turned around because of what President Salinas has done with trade barriers. We've gone from a trade deficit of nearly $6 billion to a surplus today of $5.4 billion. Exports to Mexico are over $40 billion. Seven years ago they were just $12 billion. And that's why we're working hard to crack markets everywhere, not just in Mexico.

There's another important point about NAFTA that needs to be made -- one of the most important. NAFTA not only levels the playing field, it ensures it will stay that way. Right now, half of what comes in from Mexico does so duty free, and the duty on the rest averages just 4 percent. On the other hand, our goods going into Mexico, on average, face 10 percent duties. If you look at automobiles, our duty for a Mexican-built car is just 2.5 percent, but we pay a 20 percent duty to send a car into Mexico. While I'm talking about cars, let me remind everyone that right now Mexico says we have to buy $20,000 in auto parts from them before we can sell one $10,000 car in Mexico. That's the sort of disparity we want to eliminate.

NAFTA will get rid of much higher barriers to our goods than to our imports from Mexico. And it will eliminate things you can't chart on any graph, like licensing requirements and the like that hamper many of our businesses now.

Failure to pass NAFTA could put at risk the 700,000 jobs that now depend on trade with Mexico. Remember, all the liberalization we've seen in trade rules with Mexico has been voluntary. There is no guarantee that whoever succeeds President Salinas won't jack those tariffs back up to as high as 50 percent -- which would be consistent with Mexico's GATT obligations.

There is another dimension to the case for NAFTA. Take it from a Texan, where we've got an 800-mile border with Mexico.

I know about the illegal immigration problem. NAFTA is going to help raise living standards in Mexico, which will reduce the economic incentive to cross the border illegally and put demands on our public services. And a higher standard of living in Mexico means they will be buying more U.S. goods, and creating more jobs here.

Finally, failing to adopt NAFTA could have serious international repercussions. It could damage our ability to cooperate on a variety of issues with Mexico, and throughout Latin America. That's not to mention how our ability to reach trade agreements elsewhere could be affected.

To sum up, we're going to take our case to the American people in an aggressive way. We've got a good thing going here, and Americans need to know about it. NAFTA is all about jobs. NAFTA is all about growth. NAFTA is all about helping the environment. And NAFTA is about a better way of life for Americans.

Now, having looked south for a while and talked about jobs, I want to shift my focus westward across the Pacific for a few minutes and talk about -- you guessed it -- creating jobs.

If you'll recall, jobs is what we were after at the Economic Summit in Tokyo last month. We talked at length about the jobs we can create in the United States, throughout the Pacific, and around the world, with lower trade barriers in Japan, and with lower barriers worldwide through the GATT process. We talked about holding a jobs summit in Washington this year. And, if you follow these issues closely, and I imagine many of you do, you'll remember also that President Clinton spoke about building a new partnership with the Pacific.

Over the years, the United States and the people of the Pacific region have been linked by a common security interest. That aspect of our relationship remains important. But economic interests are taking on new and greater significance. We are being drawn closer together now not by a common enemy but by our common economic interests, and by the desire to create the jobs and prosperity that underpin democracies.

I consider making this new Pacific relationship work as one of my major tasks. We will use every forum available to advance this cause. We have a large network, if you will, of organizations to assist in relations with Europe -- NATO, the OECD, the G-7 and the like. But in the Pacific the parallel economic and diplomatic structure is not as widespread. That means a higher degree of visibility and importance for the organization for Asian and Pacific Economic Cooperation, among others.

To understand the importance of creating a vibrant Pacific Community, I want to share some figures with you. Asia is going to be a driving force in the global economy in the next few decades. That fact alone is enough to make businessmen and those of us in government pay far closer attention to the Pacific region. In China, for example, there are one billion consumers, and last year they imported more than $80 billion of merchandise. Economic growth there has averaged in the double digits for the past decade. Last year, Asia -- excluding Japan -- accounted for fully one fifth of U.S. trade.

I saw a story two weeks ago in a newspaper that drove home that point. It said that U.S. exports to developed countries last year rose by less than 2 percent, and exports to Western Europe fell by more than 1 percent. What really made the headline was that our exports to developing countries and the newly industrialized countries in Asia were up nearly 14 percent last year from 1991. We did an astounding 47 percent more export business with Indonesia from one year to the next.

You don't have to be the guy who invented stealth technology to figure out that we ought to be strengthening our historic ties to the region to create growth and jobs not only for our economy, but for all economies.

When you look at all the charts and tables that the economists spread out on my desk, one of the things that stands out is that the U.S. foreign direct investment presence in Asia is not what it could be. In 1991, for instance, our foreign direct investment in Asia was less than half what it was in Latin America. The encouraging sign, however, is that our foreign direct investment flow to Asia is growing.

Everywhere else in the world, trade with multinational affiliates accounts for a larger share of U.S. exports than in Asia. For example, that kind of export was 27 percent worldwide, but in Asia, exports to U.S. affiliates was just 14 percent.

If the United States were able to invest more heavily in Asia, it could boost our exports to the point it could help start our regional trade imbalances headed downward. And at the heart of it all, it would create jobs, which is exactly what we want.

And the creation of jobs brings me back to what it was we were working toward at the Tokyo summit. As part of our global effort to restore growth and create jobs, President Clinton announced that he was going to convene a special meeting of heads of state from the Organization of Asian and Pacific Economic Cooperation up in Seattle this fall. That will allow the president and his counterparts to talk about ways to share prosperity and opportunity.

The president also asked me to meet with the Pacific finance ministers so that we can work on the economic challenges we face in strengthening the relationships throughout the region.

Let me close here by saying that the Clinton Administration is committed to the economic course that gives us long term solutions to our problems, not temporary fixes that leave us worse off later. We've taken the first step by starting down the deficit reduction road, and we're going to step up to problem after problem and set them right. We're going to take on health care. And we're going to put NAFTA in place. We're going to work on freer trade through the GATT process. We're going to seek new trade opportunities in Japan and throughout Asia and the Pacific. And remember why we're doing this: To get our economy on the move again, growing and creating jobs for all Americans.

Thank you very much.

* * *

AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
August 16, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $12,380 million of 13-week bills to be issued August 19, 1993 and to mature November 18, 1993 were accepted today (CUSIP: 912794E59).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.00%	3.06%	99.242
High	3.03%	3.10%	99.234
Average	3.03%	3.10%	99.234

$5,000,000 was accepted at lower yields.
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	33,163	33,163
New York	46,802,179	10,894,230
Philadelphia	5,590	5,560
Cleveland	40,180	40,180
Richmond	32,185	32,185
Atlanta	18,319	14,269
Chicago	2,717,657	347,637
St. Louis	9,708	9,708
Minneapolis	4,979	4,979
Kansas City	22,931	22,931
Dallas	12,300	12,300
San Francisco	960,358	172,808
Treasury	790,522	790,522
TOTALS	$51,450,071	$12,380,472
Type		
Competitive	$46,341,348	$7,271,749
Noncompetitive	1,300,723	1,300,723
Subtotal, Public	$47,642,071	$8,572,472
Federal Reserve	3,087,900	3,087,900
Foreign Official Institutions	720,100	720,100
TOTALS	$51,450,071	$12,380,472

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AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
August 16, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $12,201 million of 26-week bills to be issued August 19, 1993 and to mature February 17, 1994 were accepted today (CUSIP: 912794H98).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.06%	3.15%	98.453
High	3.12%	3.21%	98.423
Average	3.12%	3.21%	98.423

Tenders at the high discount rate were allotted 96%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	31,991	31,991
New York	49,063,196	11,286,778
Philadelphia	7,116	7,116
Cleveland	31,856	31,856
Richmond	25,856	25,656
Atlanta	18,652	16,588
Chicago	2,247,053	137,013
St. Louis	11,815	11,815
Minneapolis	5,495	5,495
Kansas City	18,822	18,822
Dallas	6,933	6,933
San Francisco	709,893	34,813
Treasury	586,600	586,600
TOTALS	$52,765,278	$12,201,476
Type		
Competitive	$47,984,455	$7,420,653
Noncompetitive	947,323	947,323
Subtotal, Public	$48,931,778	$8,367,976
Federal Reserve	3,000,000	3,000,000
Foreign Official Institutions	833,500	833,500
TOTALS	$52,765,278	$12,201,476

NEWS U.S. Department of the Treasury
Financial Crimes Enforcement Network

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FOR IMMEDIATE RELEASE
August 17, 1993

Contact: Anna Fotias
(703) 905-3695

ANNOUNCEMENT
OF

FinCEN's MOVE TO NEW BUILDING

The Treasury Department's Financial Crimes Enforcement Network (FinCEN) is moving to a new building in two stages over the weekends of August 14-15 and August 21-22. On August 23, all personnel will be located at FinCEN's new address, which is:

Financial Crimes Enforcement Network (FinCEN)
Tycon Courthouse Building
2070 Chain Bridge Road
Vienna, Virginia 22182

FinCEN's telephone number at its new address is:

(703) 905-3520.

During the week of August 16-20, a temporary telephone number for FinCEN at its former Ballston location is (703) 875-2277. FinCEN's operations will continue during the move. The FinCEN 1-800-SOS-BUCK telephone number, used by enforcement agencies for authorized calls from the field to request FinCEN's assistance, will remain connected.

FinCEN, created by the Treasury Department in 1990, supports law enforcement investigations of money laundering and other financial crimes. It is the Government's central source for analysis of financial and computerized data.

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TREASURY NEWS

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

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

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $24,400 million, to be issued August 26, 1993. This offering will provide about $600 million of new cash for the Treasury, as the maturing 13-week and 26-week bills are outstanding in the amount of $23,796 million. In addition to the maturing 13-week and 26-week bills, there are $14,616 million of maturing 52-week bills. The disposition of this latter amount was announced last week.

Federal Reserve Banks hold $9,926 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 $3,610 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 $3,055 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.

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Attachment

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED AUGUST 26, 1993

August 17, 1993

Offering Amount	$12,200 million	$12,200 million
Description of Offering:		
Term and type of security	92-day bill	182-day bill
CUSIP number	912794 G6 5	912794 J2 1
Auction date	August 23, 1993	August 23, 1993
Issue date	August 26, 1993	August 26, 1993
Maturity date	November 26, 1993	February 24, 1994
Original issue date	May 27, 1993	August 26, 1993
Currently outstanding	$12,205 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 RELEASE AT 2:30 P.M.
August 18, 1993

CONTACT: Office of Financing
202/219-3350

TREASURY TO AUCTION 2-YEAR AND 5-YEAR NOTES TOTALING $27,000 MILLION

The Treasury will auction $16,000 million of 2-year notes and $11,000 million of 5-year notes to refund $13,120 million of publicly-held securities maturing August 31, 1993, and to raise about $13,875 million new cash.

In addition to the public holdings, Federal Reserve Banks hold $967 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 $955 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.

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Attachment

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

August 18, 1993

Offering Amount	$16,000 million	$11,000 million
Description of Offering:		
Term and type of security	2-year notes	5-year notes
Series	Series Z-1995	Series R-1998
CUSIP number	912827 L9 1	912827 M2 5
Auction date	August 24, 1993	August 25, 1993
Issue date	August 31, 1993	August 31, 1993
Dated date	August 31, 1993	August 31, 1993
Maturity date	August 31, 1995	August 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.	February 28 and August 31	The last calendar day of February and August through August 31, 1998
Minimum bid amount	$5,000	$1,000
Multiples	$1,000	$1,000
Accrued interest payable by investor	None	None
Premium or discount	Determined at auction	Determined at auction

The following rules apply to all securities mentioned above:

Submission of Bids:

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.
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
August 19, 1993

STATEMENT OF SECRETARY LLOYD BENTSEN:

Jacques de Larosiere has an outstanding record of accomplishment in international finance and development. I am confident of his ability to provide the strong leadership that the EBRD will require as it carries out its vitally important mission of promoting market reform in Eastern Europe and the newly independent states. I look forward to working closely with him.

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UCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
August 19, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 52-WEEK BILLS

Tenders for $15,281 million of 52-week bills to be issued August 26, 1993 and to mature August 25, 1994 were accepted today (CUSIP: 912794L69).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.29%	3.42%	96.673
High	3.30%	3.43%	96.663
Average	3.30%	3.43%	96.663

$5,000,000 was accepted at lower yields.
Tenders at the high discount rate were allotted 47%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	10,033	10,033
New York	48,790,047	14,639,530
Philadelphia	7,962	7,962
Cleveland	19,225	19,225
Richmond	20,434	17,784
Atlanta	12,575	10,575
Chicago	1,969,265	181,097
St. Louis	6,013	6,013
Minneapolis	8,305	5,655
Kansas City	13,076	13,076
Dallas	7,253	7,253
San Francisco	979,165	117,865
Treasury	244,775	244,775
TOTALS	$52,088,128	$15,280,843
Type		
Competitive	$47,233,850	$10,426,565
Noncompetitive	449,278	449,278
Subtotal, Public	$47,683,128	$10,875,843
Federal Reserve	3,850,000	3,850,000
Foreign Official Institutions	555,000	555,000
TOTALS	$52,088,128	$15,280,843

An additional $5,000 thousand of bills will be issued to foreign official institutions for new cash.

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Monthly Treasury Statement

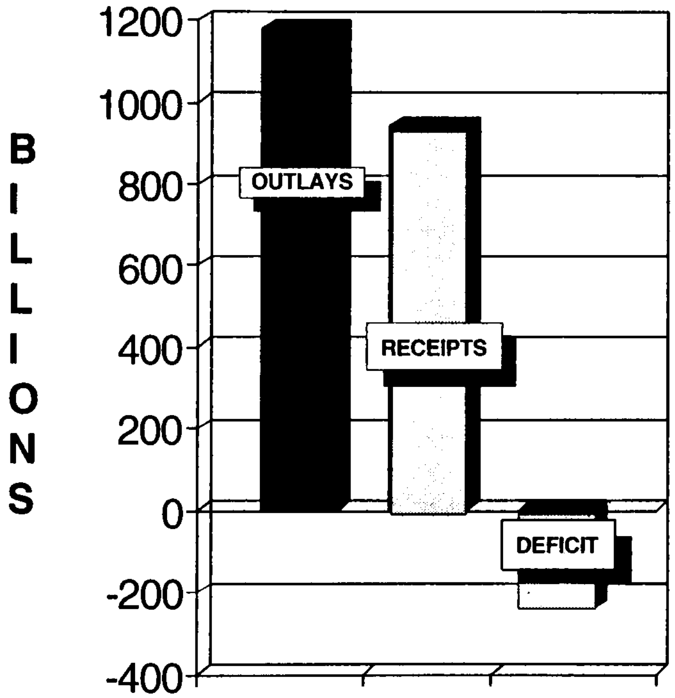
of Receipts and Outlays
of the United States Government

For Fiscal Year 1993 Through **July 31, 1993,** and Other Periods

Highlight

Military active duty pay, veterans benefits, and supplemental security income payments for August 1, 1993 were accelerated to July 30, 1993, thereby inflating outlays for the month of July.

RECEIPTS, OUTLAYS, AND SURPLUS/DEFICIT
THROUGH JULY 1993



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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	78,065	114,659	36,594
November	73,095	117,779	44,684
December	103,636	106,170	2,534
January	104,031	119,699	15,668
February	62,747	111,927	49,180
March	72,127	122,839	50,712
April	138,351	123,748	−14,603
May	62,184	108,957	46,773
June	120,878	117,096	−3,782
July	79,050	122,197	43,147
August	78,101	102,843	24,742
September	118,184	112,722	−5,462
Year-to-Date	**[1]1,090,449**	**[1]1,380,637**	**[1]290,188**
FY 1993			
October	76,826	125,618	48,792
November	74,628	107,353	32,726
December	113,685	152,632	38,947
January	112,713	82,896	−29,817
February	66,133	[2]114,330	48,197
March	83,447	[2]127,422	43,974
April	132,117	124,026	−8,091
May	70,753	107,717	36,963
June	128,586	117,487	−11,099
July	80,639	120,216	39,577
Year-to-Date	**939,527**	**1,179,697**	**240,170**

[1] The receipt, outlay and deficit figures differ from the *FY 1994 Budget*, released by the Office of Management and Budget on April 8, 1993, by $210 million due mainly to revisions in data following the release of the Final September Monthly Treasury Statement.

[2] Outlays have been increased by $603 million in February 1993 and correspondingly decreased in March 1993. A receipt for the Loan Guaranty Revolving fund was erroneously reported to the liquidating account instead of the financing account. This had been corrected in March instead of February

Note: The receipt and outlay figures for FY 1992 and FY 1993 have been revised to reflect the reclassification of the account "Tonnage Duty Increases", from a governmental receipt to an offsetting governmental receipt.

Note: The Deposit in Transit Differences (suspense) clearing accounts for Postal Service and Treasury (Office of the Secretary, Financial Management Service and Bureau of the Public Debt) have been reclassified from a non-budgetary status to a budgetary status.

Table 2. Summary of Budget and Off-Budget Results and Financing of the U.S. Government, July 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	80,639	939,527		894,163	
On-budget receipts	57,153	681,134		640,053	
Off-budget receipts	23,486	258,393		254,111	
Total outlays	120,216	1,179,697		1,165,071	
On-budget outlays	96,252	966,681		962,540	
Off-budget outlays	23,964	213,015		202,532	
Total surplus (+) or deficit (−)	−39,577	−240,170		−270,908	
On-budget surplus (+) or deficit (−)	−39,099	−285,547		−322,487	
Off-budget surplus (+) or deficit (−)	−478	+45,377		+51,579	
Total on-budget and off-budget financing	39,577	240,170		270,908	
Means of financing:					
Borrowing from the public	1,055	203,663		262,224	
Reduction of operating cash, increase (−)	32,447	30,647		3,979	
By other means	6,076	5,859		4,705	

[1] New budget estimates will be published in the next Monthly Treasury Statement, after the release of the *Mid-Session Review*, by the Office of Management and Budget in August.

... 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

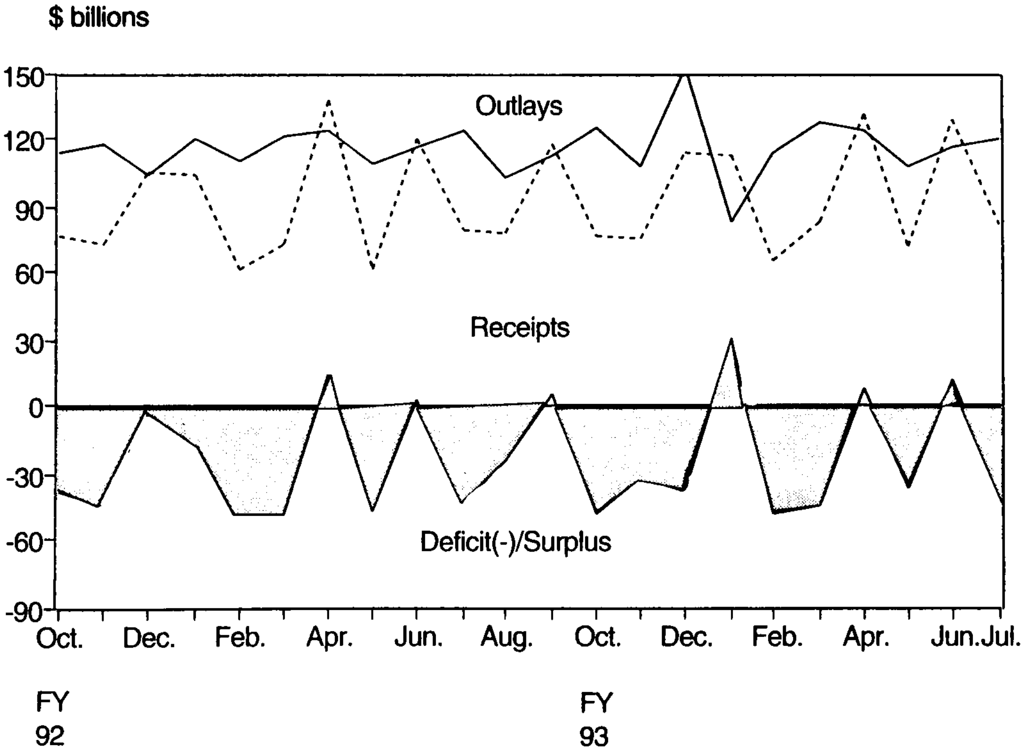

Figure 2. Monthly Receipts of the U.S. Government, by Source, Fiscal Years 1992 and 1993

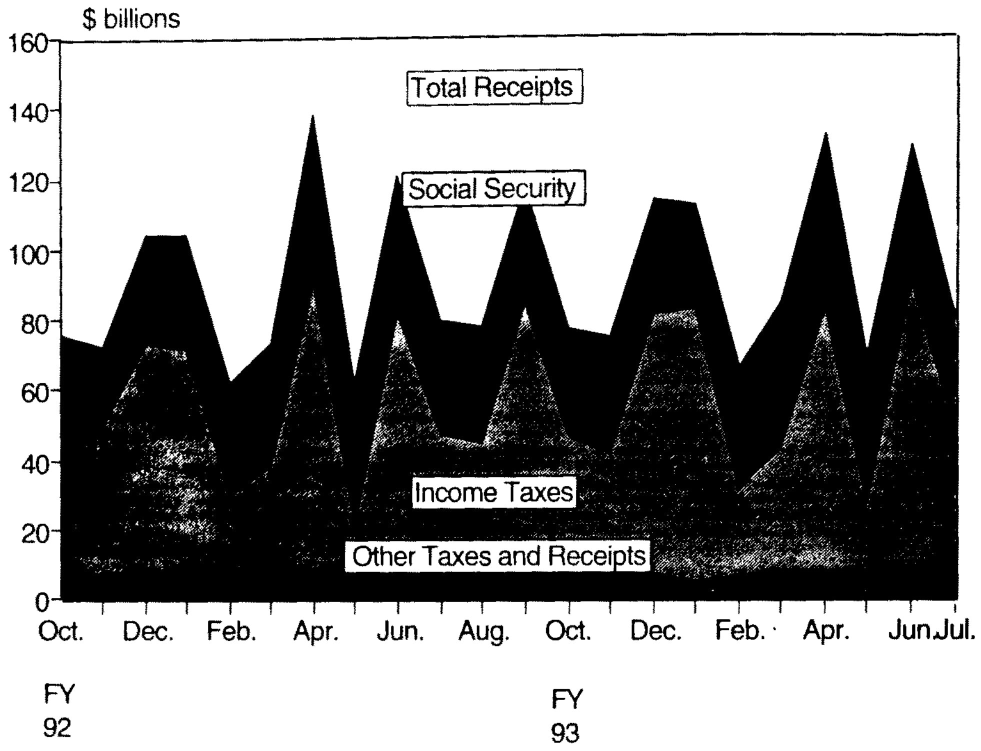

Figure 3. Monthly Outlays of the U.S. Government, by Function, Fiscal Years 1992 and 1993

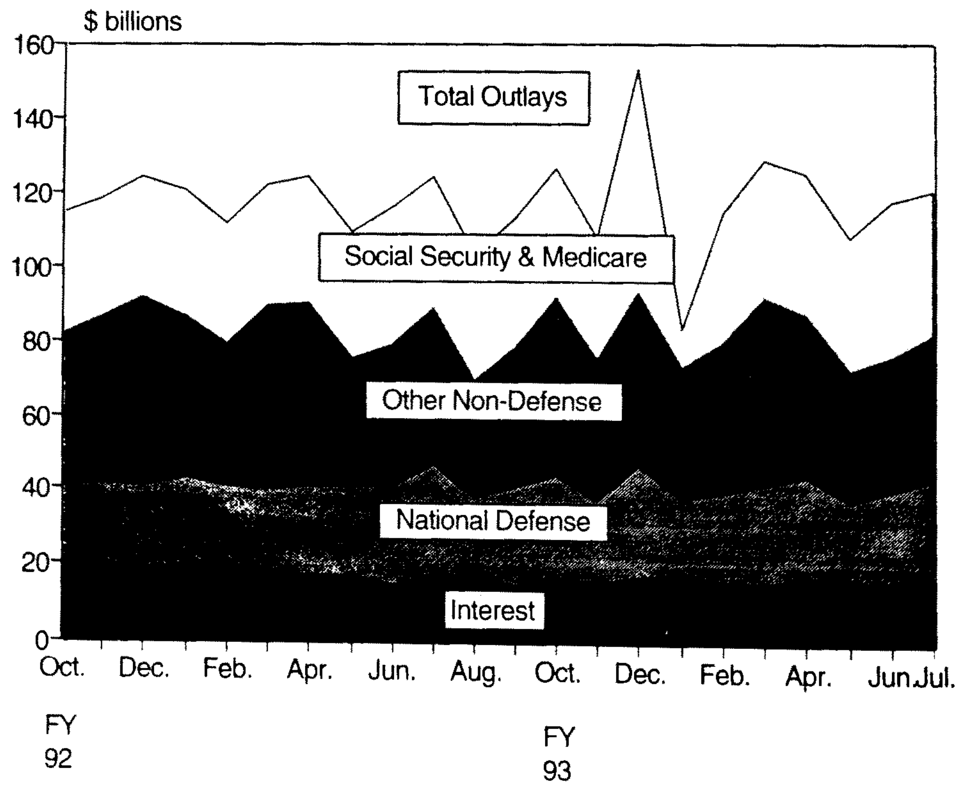

Table 3. Summary of Receipts and Outlays of the U.S. Government, July 1993 and Other Periods

[$ millions]

Classification	This Month	Current Fiscal Year to Date	Comparable Prior Period	Budget Estimates Full Fiscal Year[1]
Budget Receipts				
Individual income taxes	37,489	415,149	385,758	
Corporation income taxes	2,695	91,067	78,795	
Social insurance taxes and contributions:				
Employment taxes and contributions (off-budget)	23,486	258,393	254,111	
Employment taxes and contributions (on-budget)	6,670	70,192	69,787	
Unemployment insurance	1,709	21,333	19,332	
Other retirement contributions	419	3,957	3,995	
Excise taxes	4,214	39,377	37,426	
Estate and gift taxes	944	10,378	9,313	
Customs duties	1,761	15,329	14,228	
Miscellaneous receipts	1,252	[2]14,353	[2]21,419	
Total Receipts	**80,639**	**939,527**	**894,163**	
(On-budget)	**57,153**	**681,134**	**640,053**	
(Off-budget)	**23,486**	**258,393**	**254,111**	
Budget Outlays				
Legislative Branch	202	2,002	2,109	
The Judiciary	259	2,089	1,956	
Executive Office of the President	23	170	160	
Funds Appropriated to the President	660	10,694	10,038	
Department of Agriculture	3,531	55,596	49,248	
Department of Commerce	254	2,253	2,199	
Department of Defense—Military	24,902	234,517	241,191	
Department of Defense—Civil	2,356	24,299	23,430	
Department of Education	1,474	24,366	23,279	
Department of Energy	1,346	13,740	12,760	
Department of Health and Human Services, except Social Security	27,399	236,977	215,727	
Department of Health and Human Services, Social Security	24,039	247,353	233,187	
Department of Housing and Urban Development	2,138	20,783	20,657	
Department of the Interior	566	5,317	5,432	
Department of Justice	853	8,591	8,249	
Department of Labor	3,827	37,879	39,448	
Department of State	481	4,666	4,272	
Department of Transportation	3,191	[2]27,598	[2]26,426	
Department of the Treasury:				
Interest on the Public Debt	17,920	256,487	255,756	
Other	104	[3]8,242	[3]2,104	
Department of Veterans Affairs	4,275	30,435	29,175	
Environmental Protection Agency	482	4,813	4,964	
General Services Administration	−551	223	−99	
National Aeronautics and Space Administration	1,247	11,853	11,736	
Office of Personnel Management	3,121	30,581	29,702	
Small Business Administration	72	683	336	
Other independent agencies:				
Resolution Trust Corporation	−2,192	−18,511	−2,934	
Other	1,385	5,923	21,780	
Undistributed offsetting receipts:				
Interest	−55	−81,548	−76,721	
Other	−3,094	−28,376	−30,496	
Total outlays	**120,216**	**1,179,697**	**1,165,071**	
(On-budget)	**96,252**	**966,681**	**962,540**	
(Off-budget)	**23,964**	**213,015**	**202,532**	
Surplus (+) or deficit (−)	**−39,577**	**−240,170**	**−270,908**	
(On-budget)	**−39,099**	**−285,547**	**−322,487**	
(Off-budget)	**−478**	**+45,377**	**+51,579**	

[1] The budget estimates will be published in the next Monthly Treasury Statement, after the elease of the *Mid-Session Review*, by the Office of Management and Budget in August.

[2] Includes a reclassification from a government receipt to an offsetting governmental receipt of -$65 million for FY 1992 and -$48 million for FY 1993 for the account "Tonnage Duty Increases".

[3] Includes a reclassification from a non-budgetary status to a budgetary status of $44 million for FY 1992 and −$6 million for FY 1993 for the "Deposit in Transit (suspense) clearing accounts for Postal Service and Treasury (Office of the Secretary, Financial Management Service and Bureau of the Public Debt).

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

Table 4. Receipts of the U.S. Government, July 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	[1]36,396			362,251			342,584		
Presidential Election Campaign Fund	2			27			22		
Other	[1]2,759			125,264			121,997		
Total—Individual income taxes	**39,157**	**1,668**	**37,489**	**487,542**	**72,393**	**415,149**	**464,602**	**78,844**	**385,758**
Corporation income taxes	**3,848**	**1,154**	**2,695**	**103,217**	**12,150**	**91,067**	**94,142**	**15,347**	**78,795**
Social insurance taxes and contributions:									
Employment taxes and contributions:									
Federal old-age and survivors ins. trust fund:									
Federal Insurance Contributions Act taxes	[1]21,139	......	21,139	221,968	......	221,968	215,176	......	215,176
Self-Employment Contributions Act taxes	[1]76	......	76	11,421	......	11,421	14,316	......	14,316
Deposits by States	(* *)	......	(* *)	−12	......	−12	4	......	4
Other	(* *)	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)
Total—FOASI trust fund	21,215	......	21,215	233,377	......	233,377	229,496	......	229,496
Federal disability insurance trust fund:									
Federal Insurance Contributions Act taxes	[1]2,264	......	2,264	23,792	......	23,792	23,068	......	23,068
Self-Employment Contributions Act taxes	[1]8	......	8	1,225	......	1,225	1,546	......	1,546
Receipts from railroad retirement account	......	......	......	......	......	......	......	......	......
Deposits by States	(* *)	......	(* *)	−1	......	−1	1	......	1
Other	......	......	......	......	......	......	(* *)	......	(* *)
Total—FDI trust fund	2,272	......	2,272	25,016	......	25,016	24,615	......	24,615
Federal hospital insurance trust fund:									
Federal Insurance Contributions Act taxes	[1]6,280	......	6,280	63,021	......	63,021	61,584	......	61,584
Self-Employment Contributions Act taxes	[1]20	......	20	3,727	......	3,727	4,572	......	4,572
Receipts from Railroad Retirement Board	......	......	......	381	......	381	337	......	337
Deposits by States	(* *)	......	(* *)	−3	......	−3	3	......	3
Total—FHI trust fund	6,300	......	6,300	67,126	......	67,126	66,496	......	66,496
Railroad retirement accounts:									
Rail industry pension fund	222	(* *)	221	1,959	10	1,949	2,092	2	2,090
Railroad Social Security equivalent benefit	149	......	149	1,117	......	1,117	1,201	......	1,201
Total—Employment taxes and contributions	30,157	(* *)	30,156	328,594	10	328,584	323,900	2	323,898
Unemployment insurance:									
State taxes deposited in Treasury	1,314	......	1,314	16,446	......	16,446	14,509	......	14,509
Federal Unemployment Tax Act taxes	408	19	389	4,857	110	4,747	4,783	132	4,651
Railroad unemployment taxes	5	......	5	62	......	62	136	......	136
Railroad debt repayment	2	......	2	79	......	79	36	......	36
Total—Unemployment insurance	1,728	19	1,709	21,444	110	21,333	19,464	132	19,332
Other retirement contributions:									
Federal employees retirement − employee contributions	410	......	410	3,875	......	3,875	3,907	......	3,907
Contributions for non-federal employees	9	......	9	81	......	81	88	......	88
Total—Other retirement contributions	419	......	419	3,957	......	3,957	3,995	......	3,995
Total—Social insurance taxes and contributions	**32,304**	**19**	**32,284**	**353,995**	**120**	**353,875**	**347,359**	**134**	**347,225**
Excise taxes:									
Miscellaneous excise taxes[2]	2,103	−81	2,185	22,206	450	21,756	19,702	734	18,968
Airport and airway trust fund	437	5	433	2,395	15	2,381	3,937	11	3,926
Highway trust fund	1,655	113	1,542	14,994	283	14,711	14,402	394	14,009
Black lung disability trust fund	55	......	55	529	......	529	524	......	524
Total—Excise taxes	**4,250**	**36**	**4,214**	**40,125**	**748**	**39,377**	**38,565**	**1,139**	**37,426**
Estate and gift taxes	**969**	**25**	**944**	**10,647**	**270**	**10,378**	**9,599**	**286**	**9,313**
Customs duties	**1,831**	**70**	**1,761**	**15,976**	**647**	**15,329**	**14,882**	**654**	**14,228**
Miscellaneous Receipts:									
Deposits of earnings by Federal Reserve banks	837	......	837	11,654	......	11,654	18,505	......	18,505
All other	415	(* *)	415	[3]2,854	155	2,699	[3]2,919	5	2,914
Total — Miscellaneous receipts	**1,253**	**(* *)**	**1,252**	**14,508**	**155**	**14,353**	**21,424**	**5**	**21,419**
Total — Receipts	**83,612**	**2,972**	**80,639**	**1,026,010**	**86,483**	**939,527**	**990,572**	**96,409**	**894,163**
Total — On-budget	**60,125**	**2,972**	**57,153**	**767,617**	**86,483**	**681,134**	**736,462**	**96,409**	**640,053**
Total — Off-budget	**23,486**	......	**23,486**	**258,393**	......	**258,393**	**254,111**	......	**254,111**

[1] In accordance with the provisions of the Social Security Act as amended, "Individual Income Taxes Withheld" have been increased and "Federal Contributions Act Taxes" correspondingly decreased by $802 million to correct estimates for the quarter ending June 30, 1992. "Individual Income Taxes Other" have been decreased and "Self Employment Contributions Act Taxes" correspondingly increased by $103 million to correct estimates for calendar year 1990 and prior.

[2] Includes amounts for windfall profits tax pursuant to P.L. 96-223.

[3] Includes a reclassification from a governmental receipt to an offsetting governmental receipt of −$65 million for FY 1992 and -$48 million for FY 1993 for the account "Tonnage Duty Increases".

... No Transactions.

(* *) Less than $500,000.

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

Table 5. Outlays of the U.S. Government, July 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	38	(* *)	38	379	1	378	362	1	361
House of Representatives	61	1	60	642	9	632	653	9	643
Joint items	8	......	8	65	......	65	66	......	66
Congressional Budget Office	2	......	2	18	......	18	18	......	18
Architect of the Capitol	17	1	16	183	8	174	202	7	195
Library of Congress	30	......	30	273	......	273	322	......	322
Government Printing Office:									
Revolving fund (net)	1	......	1	−30	......	−30	23	......	23
General fund appropriations	11	......	11	91	......	91	93	......	93
General Accounting Office	31	......	31	359	......	359	350	......	350
United States Tax Court	4	......	4	27	......	27	26	......	26
Other Legislative Branch agencies	3	......	3	27	......	27	25	......	25
Proprietary receipts from the public	......	1	−1	......	6	−6	......	6	−6
Intrabudgetary transactions	......	......	......	−8	......	−8	−8	......	−8
Total—Legislative Branch	**205**	**3**	**202**	**2,026**	**25**	**2,002**	**2,132**	**23**	**2,109**
The Judiciary:									
Supreme Court of the United States	2	......	2	19	......	19	23	......	23
Courts of Appeals, District Courts, and other judicial services	251	(* *)	251	1,996	(* *)	1,995	1,834	(* *)	1,834
Other	6	......	6	74	......	74	100	......	100
Total—The Judiciary	**259**	**(* *)**	**259**	**2,090**	**(* *)**	**2,089**	**1,956**	**(* *)**	**1,956**
Executive Office of the President:									
Compensation of the President and the White House Office	4	......	4	34	......	34	31	......	31
Office of Management and Budget	6	......	6	47	......	47	46	......	46
Other	12	......	12	89	......	89	83	......	83
Total—Executive Office of the President	**23**	**......**	**23**	**170**	**......**	**170**	**160**	**......**	**160**
Funds Appropriated to the President:									
International Security Assistance:									
Guaranty reserve fund	66	31	35	660	488	172	810	591	219
Foreign military financing grants	232	......	232	4,048	......	4,048	3,959	......	3,959
Economic support fund	241	......	241	2,864	......	2,864	2,565	......	2,565
Military assistance	(* *)	......	(* *)	−4	......	−4	131	......	131
Peacekeeping Operations	2	......	2	23	......	23	26	......	26
Other	4	......	4	26	......	26	35	......	35
Proprietary receipts from the public	......	29	−29	......	466	−466	......	509	−509
Total—International Security Assistance	546	60	486	7,617	953	6,664	7,527	1,100	6,427
International Development Assistance:									
Multilateral Assistance:									
Contribution to the International Development Association	212	......	212	774	......	774	885	......	885
International organizations and programs	2	......	2	223	......	223	254	......	254
Other	......	......	......	356	......	356	437	......	437
Total—Multilateral Assistance	214	......	214	1,353	......	1,353	1,575	......	1,575
Agency for International Development:									
Functional development assistance program	135	......	135	1,127	......	1,127	1,161	......	1,161
Sub-Saharan Africa development assistance	76	......	76	576	......	576	422	......	422
Operating expenses	40	......	40	393	......	393	369	......	369
Payment to the Foreign Service retirement and disability fund	......	......	......	......	......	......	41	......	41
Other	93	8	85	583	45	538	489	38	451
Proprietary receipts from the public	......	114	−114	......	743	−743	......	728	−728
Intrabudgetary transactions	......	......	......	......	......	......	......	......	......
Total—Agency for International Development	344	122	222	2,680	788	1,892	2,483	766	1,717
Peace Corps	24	......	24	165	......	165	165	......	165
Overseas Private Investment Corporation	4	9	−5	60	161	−102	175	243	−68
Other	4	(* *)	4	69	8	61	67	11	56
Total—International Development Assistance	589	131	459	4,327	957	3,370	4,464	1,020	3,444
International Monetary Programs	112	......	112	576	......	576	−493	......	−493
Military Sales Programs:									
Special defense acquisition fund	16	−1	17	210	173	38	239	230	9
Foreign military sales trust fund	941	......	941	10,698	......	10,698	10,335	......	10,335
Kuwait civil reconstruction trust fund	(* *)	......	(* *)	7	(* *)	7	279	54	226
Proprietary receipts from the public	......	1,356	−1,356	......	10,667	−10,667	......	9,914	−9,914
Other	1	......	1	9	......	9	5	......	5
Total—Funds Appropriated to the President	**2,206**	**1,546**	**660**	**23,444**	**12,749**	**10,694**	**22,355**	**12,317**	**10,038**

Table 5. Outlays of the U.S. Government, July 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	53	......	53	604	......	604	573	......	573
Cooperative State Research Service	36	......	36	362	......	362	351	......	351
Extension Service	33	......	33	332	......	332	335	......	335
Animal and Plant Health Inspection Service	36	......	36	404	......	404	371	......	371
Food Safety and Inspection Service	39	......	39	414	......	414	394	......	394
Agricultural Marketing Service	17	......	17	618	1	617	600	4	596
Soil Conservation Service:									
Watershed and flood prevention operations	23	......	23	188	......	188	163	......	163
Conservation operations	44	......	44	480	......	480	472	......	472
Other	8	......	8	67	......	67	64	......	64
Agricultural Stabilization and Conservation Service:									
Conservation programs	30	......	30	1,838	......	1,838	1,803	......	1,803
Other	63	......	63	629	......	629	615	......	615
Farmers Home Administration:									
Credit accounts:									
Agricultural credit insurance fund	314	85	228	2,020	1,730	289	3,015	2,041	973
Rural housing insurance fund	592	266	326	3,390	2,680	710	4,109	2,665	1,445
Other	(* *)	(* *)	(* *)	(* *)	1	(* *)	(* *)	(* *)	(* *)
Salaries and expenses	48	......	48	530	......	530	513	......	513
Other	7	......	7	67	......	67	58	......	58
Total—Farmers Home Administration	960	351	609	6,006	4,411	1,596	7,696	4,706	2,990
Foreign assistance programs	27	......	27	401	......	401	719	......	719
Rural Development Administration:									
Rural development insurance fund	91	58	33	875	427	448	984	417	568
Rural water and waste disposal grants	23	......	23	193	......	193	145	......	145
Other	7	(* *)	7	57	2	55	40	2	38
Rural Electrification Administration	113	282	−169	2,435	3,533	−1,098	2,528	3,432	−904
Federal Crop Insurance Corporation	60	2	58	591	327	264	938	281	658
Commodity Credit Corporation:									
Price support and related programs	736	1,060	−324	22,934	6,662	16,272	15,959	6,157	9,801
National Wool Act Program	1	......	1	175	......	175	177	......	177
Food and Nutrition Service:									
Food stamp program	2,027	......	2,027	20,486	......	20,486	19,098	......	19,098
State child nutrition programs	425	......	425	5,979	......	5,979	5,633	......	5,633
Women, infants and children programs	226	......	226	2,462	......	2,462	2,234	......	2,234
Other	27	......	27	518	......	518	478	......	478
Total—Food and Nutrition Service	2,706	......	2,706	29,446	......	29,446	27,443	......	27,443
Forest Service:									
National forest system	106	......	106	1,155	......	1,155	1,165	......	1,165
Forest service permanent appropriations	21	......	21	257	......	257	254	......	254
Other	118	......	118	1,085	......	1,085	1,032	......	1,032
Total—Forest Service	244	......	244	2,496	......	2,496	2,452	......	2,452
Other	38	2	36	500	28	471	510	25	485
Proprietary receipts from the public	......	101	−101	......	908	−908	......	1,060	−1,060
Intrabudgetary transactions	......	......	......	−150	......	−150	......	......	......
Total—Department of Agriculture	**5,388**	**1,857**	**3,531**	**71,896**	**16,300**	**55,596**	**65,332**	**16,084**	**49,248**
Department of Commerce:									
Economic Development Administration	24	3	21	129	18	111	130	35	96
Bureau of the Census	30	......	30	290	......	290	273	......	273
Promotion of Industry and Commerce	26	......	26	255	......	255	245	......	245
Science and Technology:									
National Oceanic and Atmospheric Administration	143	1	141	1,359	21	1,339	1,367	24	1,343
Patent and Trademark Office	5	......	5	46	......	46	62	......	62
National Institute of Standards and Technology	25	......	25	189	......	189	155	......	155
Other	4	3	1	61	32	29	72	......	72
Total—Science and Technology	176	5	171	1,655	53	1,602	1,657	24	1,633
Other	16	......	16	92	......	92	79	......	79
Proprietary receipts from the public	......	10	−10	......	97	−97	......	122	−122
Intrabudgetary transactions	......	......	......	(* *)	......	(* *)	−5	......	−5
Offsetting governmental receipts	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)	(* *)
Total—Department of Commerce	**272**	**17**	**254**	**2,420**	**167**	**2,253**	**2,380**	**181**	**2,199**

Table 5. Outlays of the U.S. Government, July 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	3,675	......	3,675	24,725	......	24,725	27,607	......	27,607
Department of the Navy	3,126	......	3,126	23,522	......	23,522	24,505	......	24,505
Department of the Air Force	2,358	......	2,358	17,758	......	17,758	18,128	......	18,128
Total—Military personnel	9,159	......	9,159	66,006	......	66,006	70,240	......	70,240
Operation and maintenance:									
Department of the Army	1,824	......	1,824	19,784	......	19,784	21,544	......	21,544
Department of the Navy	1,870	......	1,870	21,471	......	21,471	21,741	......	21,741
Department of the Air Force	2,224	......	2,224	20,729	......	20,729	21,215	......	21,215
Defense agencies	1,468	......	1,468	15,699	......	15,699	10,827	......	10,827
Total—Operation and maintenance	7,386	......	7,386	77,682	......	77,682	75,327	......	75,327
Procurement:									
Department of the Army	859	......	859	9,685	......	9,685	10,970	......	10,970
Department of the Navy	1,625	......	1,625	24,848	......	24,848	26,762	......	26,762
Department of the Air Force	1,925	......	1,925	21,176	......	21,176	22,206	......	22,206
Defense agencies	299	......	299	3,039	......	3,039	2,733	......	2,733
Total—Procurement	4,708	......	4,708	58,748	......	58,748	62,670	......	62,670
Research, development, test, and evaluation:									
Department of the Army	487	......	487	5,137	......	5,137	5,036	......	5,036
Department of the Navy	525	......	525	7,561	......	7,561	6,461	......	6,461
Department of the Air Force	986	......	986	10,570	......	10,570	10,090	......	10,090
Defense agencies	650	......	650	7,661	......	7,661	7,258	......	7,258
Total—Research, development, test and evaluation	2,648	......	2,648	30,929	......	30,929	28,844	......	28,844
Military construction:									
Department of the Army	95	......	95	864	......	864	692	......	692
Department of the Navy	71	......	71	746	......	746	905	......	905
Department of the Air Force	94	......	94	964	......	964	926	......	926
Defense agencies	128	......	128	1,302	......	1,302	941	......	941
Total—Military construction	388	......	388	3,875	......	3,875	3,463	......	3,463
Family housing:									
Department of the Army	108	......	108	1,115	......	1,115	1,276	......	1,276
Department of the Navy	78	......	78	721	......	721	653	......	653
Department of the Air Force	101	......	101	783	......	783	737	......	737
Defense agencies	8	3	4	69	17	52	31	7	25
Revolving and management funds:									
Department of the Army	−42	......	−42	68	......	68	−44	......	−44
Department of the Navy	−2	......	−2	−60	......	−60	1	......	1
Department of the Air Force	......	......	......	......	......	......	......	......	......
Defense agencies:									
Defense business operations fund	335	......	335	−4,241	......	−4,241	3,473	......	3,473
Other	−4	......	−4	−155	3	−159	50	2	48
Trust funds:									
Department of the Army	(* *)	......	(* *)	(* *)	(* *)	(* *)	(* *)	(* *)	(* *)
Department of the Navy	4	2	2	40	15	25	38	15	23
Department of the Air Force	1	(* *)	(* *)	25	20	4	31	32	−1
Defense agencies	−10	......	−10	55	......	55	−43	......	−43
Proprietary receipts from the public:									
Department of the Army	......	−88	88	......	216	−216	......	157	−157
Department of the Navy	......	(* *)	(* *)	......	197	−197	......	299	−299
Department of the Air Force	......	60	−60	......	307	−307	......	271	−271
Defense agencies	......	25	−25	......	32	−32	......	75	−75
Intrabudgetary transactions:									
Department of the Army	3	......	3	92	......	92	100	......	100
Department of the Navy	21	......	21	513	......	513	808	......	808
Department of the Air Force	11	......	11	115	......	115	8	......	8
Defense agencies:									
Defense cooperation account	(* *)	......	(* *)	−2	......	−2	−294	......	−294
Voluntary separation incentive fund	......	......	......	−949	......	−949	......	......	......
Other	4	......	4	−48	......	−48	−396	......	−396
Offsetting governmental receipts:									
Department of the Army	......	......	......	......	21	−21	......	13	−13
Defense agencies:									
Defense cooperation account	......	......	......	......	38	−38	......	4,910	−4,910
Total—Department of Defense—Military	**24,904**	**1**	**24,902**	**235,383**	**866**	**234,517**	**246,972**	**5,781**	**241,191**

Table 5. Outlays of the U.S. Government, July 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	88	......	88	814	......	814	930	......	930
Operation and maintenance, general	145	......	145	1,197	......	1,197	1,226	......	1,226
Other	−34	......	−34	872	......	872	886	......	886
Proprietary receipts from the public	......	24	−24	......	164	−164	......	155	−155
Total—Corps of Engineers	199	24	176	2,883	164	2,719	3,042	155	2,886
Military retirement:									
Payment to military retirement fund	......	......	......	12,273	......	12,273	11,169	......	11,169
Retired pay	......	......	......	(* *)	......	(* *)	(* *)	......	(* *)
Military retirement fund	2,169	......	2,169	21,396	......	21,396	20,352	......	20,352
Intrabudgetary transactions	......	......	......	−12,273	......	−12,273	−11,169	......	−11,169
Education benefits	7	......	7	137	......	137	121	......	121
Other	6	(* *)	6	58	4	54	83	4	80
Proprietary receipts from the public	......	1	−1	......	7	−7	......	9	−9
Total—Department of Defense—Civil	**2,381**	**25**	**2,356**	**24,473**	**175**	**24,299**	**23,598**	**168**	**23,430**
Department of Education:									
Office of Elementary and Secondary Education:									
Compensatory education for the disadvantaged	668	......	668	5,936	......	5,936	5,538	......	5,538
Impact aid	13	......	13	769	......	769	724	......	724
School improvement programs	54	......	54	1,313	......	1,313	1,238	......	1,238
Chicago litigation settlement	......	......	......	12	......	12	10	......	10
Indian education	6	......	6	67	......	67	60	......	60
Other	......	......	......	......	......	......	......	......	......
Total—Office of Elementary and Secondary Education	741	......	741	8,097	......	8,097	7,570	......	7,570
Office of Bilingual Education and Minority Languages Affairs	6	......	6	164	......	164	158	......	158
Office of Special Education and Rehabilitative Services:									
Special education	148	......	148	2,196	......	2,196	1,883	......	1,883
Rehabilitation services and disability research	88	......	88	1,646	......	1,646	1,671	......	1,671
Special institutions for persons with disabilities	9	......	9	107	......	107	92	......	92
Office of Vocational and Adult Education	−153	......	−153	1,110	......	1,110	832	......	832
Office of Postsecondary Education:									
College housing loans	(* *)	4	−4	13	56	−44	12	55	−43
Student financial assistance	300	......	300	6,083	......	6,083	5,837	......	5,837
Federal family education loans	246	......	246	3,726	......	3,726	4,133	......	4,133
Higher education	26	......	26	565	......	565	476	......	476
Howard University	12	......	12	163	......	163	162	......	162
Other	4	......	4	16	......	16	17	......	17
Total—Office of Postsecondary Education	588	4	585	10,566	56	10,509	10,637	55	10,582
Office of Educational Research and Improvement	22	......	22	299	......	299	247	......	247
Departmental management	34	......	34	294	......	294	305	......	305
Proprietary receipts from the public	......	7	−7	......	56	−56	......	60	−60
Total—Department of Education	**1,484**	**11**	**1,474**	**24,478**	**112**	**24,366**	**23,395**	**116**	**23,279**
Department of Energy:									
Atomic energy defense activities	949	......	949	9,077	......	9,077	9,116	......	9,116
Energy programs:									
General science and research activities	124	......	124	1,174	......	1,174	1,063	......	1,063
Energy supply, R and D activities	238	......	238	2,373	......	2,373	2,262	......	2,262
Uranium supply and enrichment activities	88	......	88	939	......	939	1,054	......	1,054
Fossil energy research and development	33	......	33	338	......	338	342	......	342
Energy conservation	42	......	42	423	......	423	377	......	377
Strategic petroleum reserve	27	......	27	361	......	361	201	......	201
Nuclear waste disposal fund	23	......	23	211	......	211	267	......	267
Other	15	(* *)	14	127	2	124	169	3	167
Total—Energy programs	590	(* *)	590	5,945	2	5,942	5,735	3	5,732
Power Marketing Administration	133	85	48	1,807	1,177	629	1,260	1,123	137
Departmental administration	14	......	14	337	......	337	361	......	361
Proprietary receipts from the public	......	188	−188	......	1,934	−1,934	......	2,294	−2,294
Intrabudgetary transactions	−22	......	−22	−244	......	−244	−238	......	−238
Offsetting governmental receipts	......	45	−45	......	68	−68	......	53	−53
Total—Department of Energy	**1,665**	**319**	**1,346**	**16,922**	**3,182**	**13,740**	**16,234**	**3,473**	**12,760**

Table 5. Outlays of the U.S. Government, July 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:									
Public Health Service:									
Food and Drug Administration	74	(* *)	74	628	4	625	617	4	613
Health Resources and Services Administration	143	......	143	1,929	......	1,929	1,862	......	1,862
Indian Health Service	157	......	157	1,392	......	1,392	1,264	......	1,264
Centers for Disease Control	161	......	161	1,110	......	1,110	971	......	971
National Institutes of Health	663	......	663	7,909	......	7,909	6,966	......	6,966
Substance Abuse and Mental Health Services Administration	232	......	232	2,277	......	2,277	2,320	......	2,320
Agency for Health Care Policy and Research	8	......	8	52	......	52	77	......	77
Assistant secretary for health	70	......	70	227	......	227	123	......	123
Total—Public Health Service	1,509	(* *)	1,509	15,524	4	15,520	14,200	4	14,196
Health Care Financing Administration:									
Grants to States for Medicaid	6,220	......	6,220	62,057	......	62,057	55,297	......	55,297
Payments to health care trust funds	3,643	......	3,643	37,250	......	37,250	34,185	......	34,185
Federal hospital insurance trust fund:									
Benefit payments	8,113	......	8,113	75,308	......	75,308	67,228	......	67,228
Administrative expenses and construction	136	......	136	1,028	......	1,028	945	......	945
Interest on normalized tax transfers	......	......	......	......	......	......	......	......	......
Quinquennial transfers to the general fund from FHI	......	......	......	......	......	......	......	......	......
Total—FHI trust fund	8,249	......	8,249	76,336	......	76,336	68,173	......	68,173
Federal supplementary medical insurance trust fund:									
Benefit payments	5,047	......	5,047	43,703	......	43,703	40,581	......	40,581
Administrative expenses and construction	103	......	103	1,181	......	1,181	1,385	......	1,385
Total—FSMI trust fund	5,150	......	5,150	44,883	......	44,883	41,966	......	41,966
Other	30	......	30	124	......	124	−43	......	−43
Total—Health Care Financing Administration	23,291	......	23,291	220,650	......	220,650	199,577	......	199,577
Social Security Administration:									
Payments to Social Security trust funds	1,528	......	1,528	6,158	......	6,158	6,109	......	6,109
Special benefits for disabled coal miners	67	......	67	673	......	673	693	......	693
Supplemental security income program	3,673	......	3,673	20,487	......	20,487	17,513	......	17,513
Total—Social Security Administration	5,268	......	5,268	27,318	......	27,318	24,316	......	24,316
Administration for children and families:									
Family support payments to States	1,408	......	1,408	13,155	......	13,155	12,754	......	12,754
Low income home energy assistance	34	......	34	1,029	......	1,029	1,078	......	1,078
Refugee and entrant assistance	21	......	21	293	......	293	252	......	252
Community Services Block Grant	28	......	28	334	......	334	385	......	385
Payments to States for afdc work programs	54	......	54	606	......	606	502	......	502
Interim assistance to States for legalization	11	......	11	125	......	125	468	......	468
Payments to States for child care assistance	41	......	41	320	......	320	......	......	......
Social services block grant	193	......	193	2,337	......	2,337	2,326	......	2,326
Children and families services programs	351	......	351	3,017	......	3,017	3,311	......	3,311
Payments to States for foster care and adoption assistance	155	......	155	2,126	......	2,126	1,988	......	1,988
Other	......	......	......	(* *)	......	(* *)	(* *)	......	(* *)
Total—Administration for children and families	2,297	......	2,297	23,342	......	23,342	23,064	......	23,064
Administration on aging	49	......	49	450	......	450	......	......	......
Office of the Secretary	16	......	16	148	......	148	144	......	144
Proprietary receipts from the public	......	1,388	−1,388	......	13,201	−13,201	......	11,385	−11,385

Table 5. Outlays of the U.S. Government, July 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	−3,643	......	−3,643	−36,769	......	−36,769	−33,479	......	−33,479
Payments for tax and other credits:									
Federal hospital insurance trust fund	......	......	......	−481	......	−481	−706	......	−706
Other	......	......	......	......	......	......	......	......	....
Total—Department of Health and Human Services, except Social Security	**28,787**	**1,388**	**27,399**	**250,181**	**13,205**	**236,977**	**227,116**	**11,389**	**215,727**
Department of Health and Human Services, Social Security (off-budget):									
Federal old-age and survivors insurance trust fund:									
Benefit payments	22,299	......	22,299	219,883	......	219,883	208,741	......	208,741
Administrative expenses and construction	239	......	239	1,624	......	1,624	1,550	......	1,550
Payment to railroad retirement account	......	......	......	3,353	......	3,353	3,148	......	3,148
Interest expense on interfund borrowings	......	......	......	......	......	......	......	......	.....
Interest on normalized tax transfers	......	......	......	......	......	......	......	......	.....
Quinquennial transfers to the general fund from FOASI	......	......	......	......	......	......	......	......	.....
Total—FOASI trust fund	22,538	......	22,538	224,859	......	224,859	213,440	......	213,440
Federal disability insurance trust fund:									
Benefit payments	2,933	......	2,933	27,828	......	27,828	25,139	......	25,139
Administrative expenses and construction	96	......	96	755	......	755	700	......	700
Payment to railroad retirement account	......	......	......	83	......	83	58	......	58
Interest on normalized tax transfers	......	......	......	......	......	......	......	......	.....
Quinquennial transfers to the general fund from FDI	......	......	......	......	......	......	......	......	.....
Total—FDI trust fund	3,029	......	3,029	28,666	......	28,666	25,897	......	25,897
Proprietary receipts from the public	......	(* *)	(* *)	......	(* *)	(* *)	......	1	−1
Intrabudgetary transactions[1]	−1,528	......	−1,528	−6,171	......	−6,171	−6,149	......	−6,149
Total—Department of Health and Human Services, Social Security(off-budget)	**24,039**	**(* *)**	**24,039**	**247,354**	**(* *)**	**247,353**	**233,188**	**1**	**233,187**
Department of Housing and Urban Development:									
Housing programs:									
Public enterprise funds	9	5	3	68	57	10	36	58	−22
Credit accounts:									
Federal housing administration fund	544	312	232	5,108	4,271	837	7,712	5,666	2,046
Housing for the elderly or handicapped fund	−4	56	−59	782	542	239	1,099	539	560
Other	35	......	35	266	(* *)	266	18	(* *)	18
Rent supplement payments	5	......	5	46	......	46	46	......	46
Homeownership assistance	9	......	9	77	......	77	68	......	68
Rental housing assistance	55	......	55	553	......	553	546	......	546
Rental housing development grants	(* *)	......	(* *)	13	......	13	13	......	13
Low-rent public housing	50	......	50	660	......	660	685	......	685
Public housing grants	217	......	217	2,063	......	2,063	1,726	......	1,726
College housing grants	2	......	2	18	......	18	19	(* *)	18
Lower income housing assistance	923	......	923	9,061	......	9,061	8,904	......	8,904
Section 8 contract renewals	237	......	237	2,038	......	2,038	1,216	......	1,216
Other	3	......	3	20	......	20	35	......	35
Total—Housing programs	2,086	372	1,713	20,770	4,871	15,900	22,123	6,264	15,860
Public and Indian Housing programs:									
Low-rent public housing—Loans and other expenses	15	1	14	170	33	137	158	34	124
Payments for operation of low-income housing projects	177	......	177	1,966	......	1,966	1,789	......	1,789
Community Partnerships Against Crime	13	......	13	92	......	92	24	......	24
Total—Public and Indian Housing programs	204	1	203	2,228	33	2,195	1,972	34	1,937
Government National Mortgage Association:									
Management and liquidating functions fund	......	2	−2	......	4	−4	(* *)	5	−5
Guarantees of mortgage-backed securities	43	178	−135	898	1,364	−466	1,786	1,980	−194
Total—Government National Mortgage Association	43	180	−137	898	1,368	−470	1,786	1,985	−199

Table 5. Outlays of the U.S. Government, July 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									
Community Planning and Development:									
Community Development Grants	281	......	281	2,628	......	2,628	2,590	......	2,590
Other	53	13	40	395	96	299	319	81	238
Total—Community Planning and Development	334	13	321	3,023	96	2,927	2,909	81	2,828
Management and Administration	54	......	54	449	......	449	414	......	414
Other	6	......	6	29	......	29	30	......	30
Proprietary receipts from the public	......	21	−21	......	247	−247	......	213	−213
Total—Department of Housing and Urban Development	**2,726**	**588**	**2,138**	**27,397**	**6,615**	**20,783**	**29,234**	**8,577**	**20,657**
Department of the Interior:									
Land and minerals management:									
Bureau of Land Management:									
Management of lands and resources	50	......	50	455	......	455	445	......	445
Fire protection	34	......	34	87	......	87	99	......	99
Other	3	......	3	196	......	196	344	......	344
Minerals Management Service	53	......	53	566	......	566	525	......	525
Office of Surface Mining Reclamation and Enforcement	28	......	28	246	......	246	248	......	248
Total—Land and minerals management	167	......	167	1,550	......	1,550	1,661	......	1,661
Water and science:									
Bureau of Reclamation:									
Construction program	20	......	20	218	......	218	241	......	241
Operation and maintenance	22	......	22	233	......	233	199	......	199
Other	38	14	25	395	120	275	486	100	386
Geological Survey	62	......	62	528	......	528	526	......	526
Bureau of Mines	17	3	14	166	25	141	171	26	144
Total—Water and science	159	17	142	1,541	145	1,395	1,622	126	1,496
Fish and wildlife and parks:									
United States Fish and Wildlife Service	65	......	65	1,024	......	1,024	898	......	898
National Park Service	130	......	130	1,223	......	1,223	1,120	......	1,120
Total—Fish and wildlife and parks	195	......	195	2,247	......	2,247	2,018	......	2,018
Bureau of Indian Affairs:									
Operation of Indian programs	143	......	143	1,140	......	1,140	924	......	924
Indian tribal funds	29	......	29	143	......	143	369	......	369
Other	22	2	21	289	17	273	274	16	258
Total—Bureau of Indian Affairs	194	2	193	1,573	17	1,556	1,568	16	1,552
Territorial and international affairs	22	......	22	207	......	207	276	......	276
Departmental offices	11	......	11	103	......	103	85	......	85
Proprietary receipts from the public	......	163	−163	......	1,649	−1,649	......	1,569	−1,569
Intrabudgetary transactions	−1	......	−1	−94	......	−94	−83	......	−83
Offsetting governmental receipts	......	......	......	......	(* *)	(* *)	......	4	−4
Total—Department of the Interior	**747**	**181**	**566**	**7,127**	**1,811**	**5,317**	**7,147**	**1,716**	**5,432**
Department of Justice:									
Legal activities	175	......	175	2,324	......	2,324	2,427	......	2,427
Federal Bureau of Investigation	198	......	198	1,674	......	1,674	1,564	......	1,564
Drug Enforcement Administration	84	......	84	669	......	669	613	......	613
Immigration and Naturalization Service	141	......	141	1,268	......	1,268	1,104	......	1,104
Federal Prison System	192	9	183	1,809	80	1,729	1,815	62	1,753
Office of Justice Programs	53	......	53	755	......	755	673	......	673
Other	66	......	66	760	......	760	534	......	534
Intrabudgetary transactions	−2	......	−2	−194	......	−194	−44	......	−44
Offsetting governmental receipts	......	46	−46	......	395	−395	......	376	−376
Total—Department of Justice	**908**	**55**	**853**	**9,067**	**475**	**8,591**	**8,687**	**438**	**8,249**
Department of Labor:									
Employment and Training Administration:									
Training and employment services	414	......	414	3,331	......	3,331	3,318	......	3,318
Community Service Employment for Older Americans	33	......	33	325	......	325	321	......	321
Federal unemployment benefits and allowances	7	......	7	121	......	121	92	......	92
State unemployment insurance and employment service operations	45	......	45	59	......	59	31	......	31
Payments to the unemployment trust fund	17	......	17	7,532	......	7,532	364	......	364
Advances to the unemployment trust fund and other funds	1,006	......	1,006	2,573	......	2,573	150	......	150

Table 5. Outlays of the U.S. Government, July 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	2,766	......	2,766	30,443	......	30,443	31,529	......	31,529
State administrative expenses	275	......	275	2,807	......	2,807	2,685	......	2,685
Federal administrative expenses	102	......	102	186	......	186	177	......	177
Veterans employment and training	13	......	13	142	......	142	144	......	144
Repayment of advances from the general fund	......	......	......	......	......	......	......	......	......
Railroad unemployment insurance	4	......	4	62	......	62	76	......	76
Other	3	......	3	18	......	18	21	......	21
Total—Unemployment trust fund	3,164	......	3,164	33,656	......	33,656	34,631	......	34,631
Other	6	......	6	62	......	62	60	......	60
Total—Employment and Training Administration	4,691	......	4,691	47,659	......	47,659	38,969	......	38,969
Pension Benefit Guaranty Corporation	63	[2]209	−146	681	1,613	−933	640	1,118	−478
Employment Standards Administration:									
Salaries and expenses	16	......	16	184	......	184	185	......	185
Special benefits	156	......	156	402	......	402	377	......	377
Black lung disability trust fund	53	......	53	511	......	511	523	......	523
Other	8	......	8	102	......	102	99	......	99
Occupational Safety and Health Administration	20	......	20	230	......	230	251	......	251
Bureau of Labor Statistics	26	......	26	239	......	239	197	......	197
Other	35	......	35	370	......	370	385	......	385
Proprietary receipts from the public	......	(* *)	(* *)	......	2	−2	......	2	−2
Intrabudgetary transactions	−1,031	......	−1,031	−10,884	......	−10,884	−1,057	......	−1,057
Total—Department of Labor	**4,036**	**209**	**3,827**	**39,494**	**1,615**	**37,879**	**40,568**	**1,120**	**39,448**
Department of State:									
Administration of Foreign Affairs:									
Salaries and expenses	252	......	252	1,837	......	1,837	1,725	......	1,725
Acquisition and maintenance of buildings abroad	56	......	56	402	......	402	300	......	300
Payment to Foreign Service retirement and disability fund	......	......	......	119	......	119	113	......	113
Foreign Service retirement and disability fund	35	......	35	347	......	347	317	......	317
Other	9	......	9	84	......	84	59	......	59
Total—Administration of Foreign Affairs	351	......	351	2,788	......	2,788	2,515	......	2,515
International organizations and Conferences	65	......	65	1,301	......	1,301	1,210	......	1,210
Migration and refugee assistance	48	......	48	567	......	567	536	......	536
International narcotics control	12	......	12	114	......	114	112	......	112
Other	5	......	5	63	......	63	55	......	55
Proprietary receipts from the public	......	......	......	......	(* *)	(* *)	......	(* *)	(* *)
Intrabudgetary transactions	(* *)	......	(* *)	−167	......	−167	−155	......	−155
Offsetting governmental receipts	......	......	......	......	......	......	......	......	......
Total—Department of State	**481**	......	**481**	**4,666**	**(* *)**	**4,666**	**4,273**	**(* *)**	**4,272**
Department of Transportation:									
Federal Highway Administration:									
Highway trust fund:									
Federal-aid highways	1,650	......	1,650	12,557	......	12,557	11,944	......	11,944
Other	5	......	5	112	......	112	119	......	119
Other programs	25	......	25	198	......	198	149	......	149
Total—Federal Highway Administration	1,680	......	1,680	12,868	......	12,868	12,212	......	12,212
National Highway Traffic Safety Administration	19	......	19	197	......	197	196	......	196
Federal Railroad Administration:									
Grants to National Railroad Passenger Corporation	120	......	120	465	......	465	508	......	508
Other	35	1	34	310	12	298	358	17	341
Total—Federal Railroad Administration	154	1	154	775	12	763	866	17	849

Table 5. Outlays of the U.S. Government, July 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	139	......	139	1,545	......	1,545	1,630	......	1,630
Discretionary grants	118	......	118	1,062	......	1,062	1,045	......	1,045
Other	27	......	27	305	......	305	411	......	411
Total—Federal Transit Administration	283	......	283	2,911	......	2,911	3,087	......	3,087
Federal Aviation Administration:									
Operations	117	......	117	1,755	......	1,755	1,853	......	1,853
Airport and airway trust fund:									
Grants-in-aid for airports	127	......	127	1,508	......	1,508	1,397	......	1,397
Facilities and equipment	190	......	190	1,695	......	1,695	1,478	......	1,478
Research, engineering and development	21	......	21	163	......	163	169	......	169
Operations	190	......	190	1,899	......	1,899	1,758	......	1,758
Total—Airport and airway trust fund	528	......	528	5,265	......	5,265	4,803	......	4,803
Other	(* *)	(* *)	(* *)	(* *)	2	−2	(* *)	2	−1
Total—Federal Aviation Administration	645	(* *)	645	7,021	2	7,018	6,656	2	6,654
Coast Guard:									
Operating expenses	245	......	245	2,115	......	2,115	2,048	......	2,048
Acquisition, construction, and improvements	22	......	22	226	......	226	286	......	286
Retired pay	39	......	39	413	......	413	377	......	377
Other	27	1	26	233	5	228	261	5	256
Total—Coast Guard	333	1	333	2,987	5	2,983	2,971	5	2,967
Maritime Administration	144	115	29	1,165	553	612	839	480	360
Other	57	1	56	333	10	323	252	12	241
Proprietary receipts from the public	......	2	−2	......	11	−11	......	26	−26
Intrabudgetary transactions	1	......	1	−2	......	−2	......	......	......
Offsetting governmental receipts	......	6	−6	......	[3]64	−64	......	[3]112	−112
Total—Department of Transportation	**3,317**	**126**	**3,191**	**28,256**	**657**	**27,598**	**27,078**	**653**	**26,426**
Department of the Treasury:									
Departmental offices:									
Exchange stabilization fund	−64	1	−65	−1,090	10	−1,101	−1,799	13	−1,812
Other	55	......	55	206	......	206	146	......	146
Financial Management Service:									
Salaries and expenses	21	......	21	185	......	185	198	......	198
Payment to the Resolution Funding Corporation	577	......	577	2,328	......	2,328	2,328	......	2,328
Claims, judgements, and relief acts	41	......	41	444	......	444	695	......	695
Other	17	......	17	148	......	148	177	......	177
Total—Financial Management Service	656	......	656	3,105	......	3,105	3,398	......	3,398
Federal Financing Bank	−114	......	−114	224	......	224	225	......	225
Bureau of Alcohol, Tobacco and Firearms:									
Salaries and expenses	28	......	28	302	......	302	290	......	290
Internal revenue collections for Puerto Rico	16	......	16	162	......	162	174	......	174
United States Customs Service	154	......	154	1,472	......	1,472	1,552	......	1,552
Bureau of Engraving and Printing	−8	......	−8	−13	......	−13	−26	......	−26
United States Mint	64	......	64	59	......	59	81	......	81
Bureau of the Public Debt	18	......	18	247	......	247	199	......	199
Internal Revenue Service:									
Processing tax returns and assistance	223	......	223	1,413	......	1,413	1,406	......	1,406
Tax law enforcement	348	......	348	3,172	......	3,172	2,942	......	2,942
Information systems	99	......	99	986	......	986	896	......	896
Payment where earned income credit exceeds liability for tax	68	......	68	9,261	......	9,261	7,181	......	7,181
Health insurance supplement to earned income credit	7	......	7	639	......	639	483	......	483
Refunding internal revenue collections, interest	134	......	134	1,630	......	1,630	2,874	......	2,874
Other	4	......	4	118	(* *)	118	120	5	115
Total—Internal Revenue Service	883	......	883	17,220	(* *)	17,220	15,901	5	15,896

Table 5. Outlays of the U.S. Government, July 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	426	......	426	417	......	417
Comptroller of the Currency	43	79	−36	301	288	13	270	276	−6
Office of Thrift Supervison	17	2	16	175	114	62	205	247	−43
Interest on the public debt:									
Public issues (accrual basis)	17,456	......	17,456	171,683	......	171,683	176,369	......	176,369
Special issues (cash basis)	464	......	464	84,804	......	84,804	79,387	......	79,387
Total—Interest on the public debt	17,920	......	17,920	256,487	......	256,487	255,756	......	255,756
Other	3	......	3	49	......	49	40	......	40
Proprietary receipts from the public	......	131	−131	......	[4]1,787	−1,787	......	[4]2,054	−2,054
Receipts from off-budget federal entities	......	......	......	......	......	......	......	......	......
Intrabudgetary transactions	−1,425	......	−1,425	−11,810	......	−11,810	−15,828	......	−15,828
Offsetting governmental receipts	......	52	−52	......	594	−594	......	546	−546
Total—Department of the Treasury	**18,289**	**264**	**18,025**	**267,521**	**2,792**	**264,730**	**261,001**	**3,141**	**257,860**
Department of Veterans Affairs:									
Veterans Health Administration:									
Medical care	1,189	......	1,189	11,656	......	11,656	11,076	......	11,076
Other	60	20	39	863	212	650	652	207	445
Veterans Benefits Administration:									
Public enterprise funds:									
Guaranty and indemnity fund	75	43	32	1,000	338	662	539	244	294
Loan guaranty revolving fund	58	44	14	643	455	188	969	880	89
Other	33	29	4	387	365	21	348	378	−30
Compensation and pensions	2,741	......	2,741	15,444	......	15,444	14,954	......	14,954
Readjustment benefits	71	......	71	753	......	753	667	......	667
Post-Vietnam era veterans education account	8	......	8	93	......	93	117	......	117
Insurance funds:									
National service life	105	......	105	932	......	932	1,202	......	1,202
United States government life	2	......	2	17	......	17	24	......	24
Veterans special life	11	3	7	106	176	−70	120	174	−54
Other	4	......	4	7	......	7	14	......	14
Total—Veterans Benefits Administration	3,108	119	2,988	19,381	1,334	18,046	18,953	1,676	17,277
Construction	49	(* *)	49	517	(* *)	517	530	(* *)	529
Departmental administration	110	......	110	912	......	912	866	......	866
Proprietary receipts from the public:									
National service life	......	30	−30	......	330	−330	......	355	−355
United States government life	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)	(* *)
Other	......	69	−69	......	989	−989	......	638	−638
Intrabudgetary transactions	(* *)	......	(* *)	−27	......	−27	−25	......	−25
Total—Department of Veterans Affairs	**4,514**	**239**	**4,275**	**33,302**	**2,866**	**30,435**	**32,051**	**2,876**	**29,175**
Environmental Protection Agency:									
Program and research operations	66	......	66	720	......	720	922	......	922
Abatement, control, and compliance	135	......	135	1,086	......	1,086	803	7	796
Water infrastructure financing	157	......	157	1,694	......	1,694	2,010	......	2,010
Hazardous substance superfund	99	......	99	1,132	......	1,132	1,088	......	1,088
Other	40	(* *)	39	593	17	576	544	16	528
Proprietary receipts from the public	......	14	−14	......	136	−136	......	146	−146
Intrabudgetary transactions	......	......	......	−250	......	−250	−234	......	−234
Offsetting governmental receipts	......	1	−1	......	8	−8	......	......	......
Total—Environmental Protection Agency	**497**	**15**	**482**	**4,975**	**162**	**4,813**	**5,134**	**169**	**4,964**
General Services Administration:									
Real property activities	−468	......	−468	115	......	115	−222	......	−222
Personal property activities	−8	......	−8	63	......	63	126	......	126
Information Resources Management Service	−59	......	−59	(* *)	......	(* *)	−29	......	−29
Federal property resources activities	2	......	2	18	......	18	16	......	16
General activities	−16	......	−16	33	......	33	38	......	38
Proprietary receipts from the public	......	2	−2	......	5	−5	......	28	−28
Total—General Services Administration	**−549**	**2**	**−551**	**228**	**5**	**223**	**−71**	**28**	**−99**

Table 5. Outlays of the U.S. Government, July 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	647	......	647	5,905	......	5,905	5,467	......	5,467
Space flight, control, and data communications	418	......	418	4,173	......	4,173	4,390	......	4,390
Construction of facilities	49	......	49	454	......	454	369	......	369
Research and program management	132	......	132	1,309	......	1,309	1,500	......	1,500
Other	1	......	1	13	......	13	11	......	11
Total—National Aeronautics and Space Administration	**1,247**	......	**1,247**	**11,853**	......	**11,853**	**11,736**	......	**11,736**
Office of Personnel Management:									
Government payment for annuitants, employees health and life insurance benefits	329	......	329	3,073	......	3,073	2,836	......	2,836
Payment to civil service retirement and disability fund	......	......	......	......	......	......	1	......	1
Civil service retirement and disability fund	2,975	......	2,975	28,990	......	28,990	28,134	......	28,134
Employees health benefits fund	1,240	1,384	-144	12,055	12,731	-676	11,484	11,908	-423
Employees life insurance fund	110	156	-45	1,094	1,956	-862	1,012	1,936	-924
Retired employees health benefits fund	1	1	(* *)	7	7	(* *)	7	7	(* *)
Other	10	......	10	91	......	91	124	......	124
Intrabudgetary transactions:									
Civil service retirement and disability fund:									
General fund contributions	......	......	......	......	......	......	-1	......	-1
Other	-3	......	-3	-35	......	-35	-45	......	-45
Total—Office of Personnel Management	**4,661**	**1,541**	**3,121**	**45,275**	**14,694**	**30,581**	**43,553**	**13,851**	**29,702**
Small Business Administration:									
Public enterprise funds:									
Business loan fund	116	66	50	942	613	330	849	668	180
Disaster loan fund	16	35	-19	311	401	-90	358	431	-72
Other	1	1	(* *)	42	12	31	55	15	40
Other	42	(* *)	42	413	(* *)	413	189	(* *)	188
Total—Small Business Administration	**175**	**102**	**72**	**1,708**	**1,025**	**683**	**1,450**	**1,114**	**336**
Other independent agencies:									
Action	17	......	17	168	......	168	162	......	162
Board for International Broadcasting	37	......	37	207	......	207	182	......	182
Corporation for Public Broadcasting	......	......	......	319	......	319	327	......	327
District of Columbia:									
Federal payment	......	......	......	698	......	698	691	......	691
Other	4	......	4	5	160	-155	3	325	-322
Equal Employment Opportunity Commission	26	(* *)	26	184	(* *)	184	177	......	177
Export-Import Bank of the United States	109	154	-45	1,200	1,888	-687	1,600	1,849	-249
Federal Communications Commission	10	3	7	107	33	74	110	39	71
Federal Deposit Insurance Corporation:									
Bank insurance fund	358	1,338	-981	7,006	13,127	-6,121	18,262	10,292	7,970
Savings association insurance fund	6	12	-6	42	458	-416	14	206	-193
FSLIC resolution fund	69	249	-180	2,462	1,314	1,149	5,982	1,857	4,125
Federal Emergency Management Agency:									
Public enterprise funds	38	39	-2	635	263	372	283	292	-8
Disaster relief	237	......	237	1,877	......	1,877	639	......	639
Emergency management planning and assistance	9	......	9	210	......	210	230	......	230
Other	11	......	11	261	......	261	255	......	255
Federal Trade Commission	9	......	9	72	......	72	58	......	58
Interstate Commerce Commission	4	......	4	34	......	34	33	......	33
Legal Services Corporation	29	......	29	328	......	328	269	......	269
National Archives and Records Administration	59	(* *)	59	203	(* *)	203	140	(* *)	140
National Credit Union Administration:									
Credit union share insurance fund	6	20	-13	23	356	-333	248	496	-249
Central liquidity facility	4	4	......	79	79	(* *)	281	390	-109
Other	-3	(* *)	-4	27	46	-19	-12	2	-13

Table 5. Outlays of the U.S. Government, July 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	13	......	13	142	......	142	140	......	140
National Endowment for the Humanities	16	......	16	130	......	130	125	......	125
National Labor Relations Board	17	......	17	142	......	142	133	......	133
National Science Foundation	242	......	242	1,999	......	1,999	1,810	......	1,810
Nuclear Regulatory Commission	51	15	37	406	352	54	456	344	112
Panama Canal Commission	45	43	2	431	451	−21	417	427	−9
Postal Service:									
Public enterprise funds (off-budget)	4,473	[5]3,647	826	37,980	40,329	−2,349	37,324	39,386	−2,062
Payment to the Postal Service fund	30	......	30	161	......	161	511	......	511
Railroad Retirement Board:									
Federal windfall subsidy	24	......	24	242	......	242	255	......	255
Federal payments to the railroad retirement accounts	14	......	14	58	......	58	247	......	247
Regional rail transportation protective account	(* *)	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)
Rail industry pension fund:									
Advances from FOASDI fund	−90	......	−90	−891	......	−891	−863	......	−863
OASDI certifications	89	......	89	890	......	890	867	......	867
Administrative expenses	8	......	8	60	......	60	62	......	62
Interest on refunds of taxes	(* *)	......	(* *)	5	......	5	(* *)	......	(* *)
Supplemental annuity pension fund	247	......	247	2,415	......	2,415	2,353	......	2,353
Other	1	......	1	8	......	8	7	......	7
Intrabudgetary transactions:									
Social Security equivalent benefit account	397	......	397	3,905	......	3,905	3,802	......	3,802
Payments from other funds to the railroad retirement trust funds	......	......	......	−3,435	......	−3,435	−3,206	......	−3,206
Other	−14	......	−14	193	......	193	15	......	15
Total—Railroad Retirement Board	676	......	676	3,452	......	3,452	3,538	......	3,538
Resolution Trust Corporation	498	2,691	−2,192	10,296	28,807	−18,511	39,439	42,372	−2,934
Securities and Exchange Commission	10	......	10	90	......	90	89	......	89
Smithsonian Institution	32	......	32	321	......	321	316	......	316
Tennessee Valley Authority	662	452	210	6,985	5,174	1,810	4,220	2,997	1,223
United States Information Agency	102	(* *)	102	856	(* *)	856	861	2	859
Other	206	254	−48	1,094	382	712	951	145	806
Total—Other independent agencies	**8,113**	**8,921**	**−807**	**80,632**	**93,220**	**−12,587**	**120,266**	**101,420**	**18,846**
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	−1,091	......	−1,091	−10,950	......	−10,950	−13,694	......	−13,694
Department of Health and Human Services, except Social Security:									
Federal hospital insurance trust fund:									
Federal employer contributions	−167	......	−167	[6]−1,504	......	−1,504	[6]−1,479	......	−1,479
Postal Service employer contributions	−38	......	−38	[6]−380	......	−380	[6]−365	......	−365
Payments for military service credits	−81	......	−81	−81	......	−81	−86	......	−86
Department of Health and Human Services, Social Security (off-budget):									
Federal old-age and survivors insurance trust fund:									
Federal employer contributions	−494	......	−494	−4,501	......	−4,501	−4,265	......	−4,265
Payments for military service credits	−307	......	−307	−307	......	−307	−327	......	−327
Federal disability insurance trust fund:									
Federal employer contributions	−53	......	−53	−481	......	−481	−460	......	−460
Payments for military service credits	−33	......	−33	−33	......	−33	−35	......	−35
Department of State:									
Foreign Service retirement and disability fund	−8	......	−8	−89	......	−89	−77	......	−77
Office of Personnel Management:									
Civil service retirement and disability fund	−795	......	−795	−7,897	......	−7,897	−7,656	......	−7,656
Independent agencies:									
Court of veterans appeals retirement fund	......	......	......	......	......	......	(* *)	......	(* *)
Total—Employer share, employee retirement	−3.067	......	−3,067	−26,223	......	−26,223	−28,445	......	−28,445

Table 5. Outlays of the U.S. Government, July 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	......	......	......	−13	......	−13	−12	......	−12
Department of Defense—Civil:									
Corps of Engineers	−6	......	−6	−11	......	−11	−14	......	−14
Military retirement fund	57	......	57	−9,704	......	−9,704	−8,823	......	−8,823
Education benefits fund	−1	......	−1	−47	......	−47	−54	......	−54
Soldiers' and airmen's home permanent fund	−2	......	−2	−20	......	−20	−6	......	−6
Other	......	......	......	(* *)	......	(* *)	......	......	......
Department of Health and Human Services, except Social Security:									
Federal hospital insurance trust fund	−6	......	−6	−10,541	......	−10,541	−10,035	......	−10,035
Federal supplementary medical insurance trust fund	−11	......	−11	−1,882	......	−1,882	−1,687	......	−1,687
Department of Health and Human Services, Social Security (off-budget):									
Federal old-age and survivors insurance trust fund	−12	......	−12	−25,722	......	−25,722	−22,450	......	−22,450
Federal disability insurance trust fund	−2	......	−2	−946	......	−946	−1,056	......	−1,056
Department of Labor:									
Unemployment trust fund	−3	......	−3	−2,528	......	−2,528	−3,613	......	−3,613
Department of State:									
Foreign Service retirement and disability fund	(* *)	......	(* *)	−546	......	−546	−513	......	−513
Department of Transportation:									
Highway trust fund	−3	......	−3	−1,542	......	−1,542	−1,637	......	−1,637
Airport and airway trust fund	−1	......	−1	−1,030	......	−1,030	−1,266	......	−1,266
Oil spill liability trust fund	(* *)	......	(* *)	−43	......	−43	−8	......	−8
Department of Veterans Affairs:									
National service life insurance fund	(* *)	......	(* *)	−1,083	......	−1,083	−1,070	......	−1,070
United States government life Insurance Fund	(* *)	......	(* *)	−11	......	−11	−12	......	−12
Environmental Protection Agency	(* *)	......	(* *)	−2	......	−2	−3	......	−3
National Aeronautics and Space Administration	(* *)	......	(* *)	−1	......	−1	−1	......	−1
Office of Personnel Management:									
Civil service retirement and disability fund	−1	......	−1	−25,090	......	−25,090	−23,654	......	−23,654
Independent agencies:									
Railroad Retirement Board	−54	......	−54	−747	......	−747	−701	......	−701
Other	(* *)	......	(* *)	−10	......	−10	−2	......	−2
Other	−9	......	−9	−29	......	−29	−104	......	−104
Total—Interest received by trust funds	−55	......	−55	−81,548	......	−81,548	−76,721	......	−76,721
Rents and royalties on the outer continental shelf lands	......	27	−27	......	2,153	−2,153	......	2,051	−2,051
Sale of major assets	......	......	......	......	......	......	......	......	......
Total—Undistributed offsetting receipts	**−3,122**	**27**	**−3,148**	**−107,770**	**2,153**	**−109,924**	**−105,166**	**2,051**	**−107,217**
Total outlays	**137,652**	**17,436**	**120,216**	**1,354,569**	**174,872**	**1,179,697**	**1,351,759**	**186,688**	**1,165,071**
Total on-budget	**110,041**	**13,789**	**96,252**	**1,101,225**	**134,543**	**966,681**	**1,109,841**	**147,301**	**962,540**
Total off-budget	**27,611**	**3,647**	**23,964**	**253,345**	**40,329**	**213,015**	**241,918**	**39,386**	**202,532**
Total surplus (+) or deficit			**−39,577**			**−240,170**			**−270,908**
Total on-budget			**−39,099**			**−285,547**			**−322,487**
Total off-budget			**−478**			**+45,377**			**+51,579**

MEMORANDUM

Receipts offset against outlays [$ millions]

	Current Fiscal Year to Date	Comparable Period Prior Fiscal Year
Proprietary receipts	36,505	34,549
Receipts from off-budget federal entities	......	......
Intrabudgetary transactions	190,889	177,512
Governmental receipts	1,540	6,359
Total receipts offset against outlays	228,934	218,419

[1] Includes FICA and SECA tax credits, non-contributory military service credits, special benefits ›r the aged, and credit for unnegotiated OASI benefit checks.

[2] Includes a decrease in net outlays of $145 million for amortization of zero coupon bonds.

[3] Includes a reclassification from a governmental receipt to an offsetting governmental receipt f −$65 million for FY 1992 and -$48 million for FY 1993 for the account "Tonnage Duty creases".

[4] Includes a reclassification from a non-budgetary status to a budgetary status of $44 million for Y 1992 and −$6 million for FY 1993 for the "Deposit in Transit (suspense) clearing accounts for ›stal Service and Treasury (Office of the Secretary, Financial Management Service and Bureau of ›e Public Debt).

[5] 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 USPS results through 7/23 and estimates for $476 million through 7/31.

[6] Postal Service employer contributions to the FHI trust fund have been increased by $438 million for FY 1992 and by $342 million for FY 1993 and Federal employer contributions to the FHI trust fund have been correspondingly decreased to reflect contributions previously reported as Federal employer contributions.

... 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, July 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	−1,689	285,640	345,309	4,049,621	4,336,950	4,335,261
Federal Financing Bank	......	......	......	15,000	15,000	15,000
Total, public debt securities	−1,689	285,640	345,309	4,064,621	4,351,950	4,350,261
Plus premium on public debt securities	−8	355	219	1,032	1,395	1,388
Less discount on public debt securities	450	4,895	−1,987	81,090	85,536	85,985
Total public debt securities net of Premium and discount	−2,147	281,101	347,515	3,984,565	4,267,812	4,265,665
Agency securities, issued under special financing authorities (see Schedule B. for other Agency borrowing, see Schedule C)	2,438	5,135	−3,865	18,030	20,727	23,165
Total federal securities	291	286,235	343,650	4,002,595	4,288,539	4,288,830
Deduct:						
Federal securities held as investments of government accounts (see Schedule D)	−908	82,427	85,857	1,016,453	1,099,788	1,098,880
Less discount on federal securities held as investments of government accounts	−145	−145	4,431	12,415	12,414	12,269
Net federal securities held as investments of government accounts	−763	82,572	81,426	1,004,038	1,087,374	1,086,610
Total borrowing from the public	1,055	203,663	262,224	2,998,556	3,201,165	3,202,220
Accrued interest payable to the public	7,976	6,872	5,178	44,212	43,108	51,084
Allocations of special drawing rights	−63	−402	373	7,216	6,877	6,814
Deposit funds	−519	−786	−731	6,422	6,155	5,636
Miscellaneous liability accounts (includes checks Outstanding etc.)	2,440	1,443	865	2,143	1,145	3,585
Total liability accounts	**10,888**	**210,790**	**267,909**	**3,058,550**	**3,258,451**	**3,269,339**
Asset accounts (deduct)						
Cash and monetary assets:						
U.S. Treasury operating cash:[1]						
Federal Reserve account	−22,568	−18,768	−1,004	24,586	28,386	5,818
Tax and loan note accounts	−9,878	−11,879	−2,975	34,203	32,202	22,324
Balance	−32,447	−30,647	−3,979	58,789	60,588	28,141
Special drawing rights:						
Total holdings	−82	−3,206	980	12,111	8,987	8,905
SDR certificates issued to Federal Reserve banks	......	2,000	......	−10,018	−8,018	−8,018
Balance	−82	−1,206	980	2,093	969	887
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	−342	−1,562	1,365	6,692	5,471	5,129
Letter of credit issued to IMF	264	−9,913	−297	−15,381	−25,558	−25,294
Dollar deposits with the IMF	9	−27	−9	−73	−109	−99
Receivable/Payable (−) for interim maintenance Of value adjustments	229	1,752	−537	−1,167	355	585
Balance	161	2,313	522	9,770	11,922	12,083
Loans to International Monetary Fund	......	......	......	(* *)	(* *)	(* *)
Other cash and monetary assets	3,280	1,184	16,247	23,842	21,745	25,026
Total cash and monetary assets	−29,088	−28,357	13,770	94,494	95,225	66,137
Net activity, guaranteed loan financing	−40	−2,888	−2,406	−1,591	−4,439	−4,479
Net activity, direct loan financing	481	2,822	2,722	3,052	5,394	5,874
Miscellaneous asset accounts	−16	−688	−16,836	−1,585	−2,257	−2,272
Total asset accounts	**−28,663**	**−29,110**	**−2,750**	**94,370**	**93,923**	**65,260**
Excess of liabilities (+) or assets (−)	**+39,552**	**+239,900**	**+270,659**	**+2,964,180**	**+3,164,528**	**+3,204,079**
Transactions not applied to current year's surplus or deficit (see Schedule a for Details)	25	270	249	......	245	275
Total budget and off-budget federal entities (financing of deficit (+) or disposition of surplus (−))	**+39,577**	**+240,170**	**+270,908**	**+2,964,180**	**+3,164,772**	**+3,204,350**

[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, July 1993 and Other Periods

[$ millions]

Classification	This Month	Fiscal Year to Date	
		This Year	Prior Year
Excess of liabilities beginning of period:			
Based on composition of unified budget in preceding period	3,164,360	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	......	−59	680
Reclassification of Thrift Savings Plan Clearing Accounts to a non-budgetary status	......	(* *)	......
Reclassification of Deposit in Transit Differences (Suspense) Clearing accounts to a budgetary status	168	174	129
Excess of liabilities beginning of period (current basis)	3,164,528	2,964,180	2,674,254
Budget surplus (−) or deficit:			
Based on composition of unified budget in prior fiscal yr	39,577	240,170	270,908
Changes in composition of unified budget	......	......	......
Total surplus (−) or deficit (Table 2)	39,577	240,170	270,908
Total-on-budget (Table 2)	39,099	285,547	322,487
Total-off-budget (Table 2)	478	−45,377	−51,579
Transactions not applied to current year's surplus or deficit:			
Seigniorage	−25	−270	−249
Profit on sale of gold	......	(* *)	(* *)
Total-transactions not applied to current year's Surplus or deficit	−25	−270	−249
Excess of liabilities close of period	**3,204,079**	**3,204,079**	**2,944,913**

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

[$ millions]

Classification	Net Transactions (−) denotes net reduction of either Liability 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	
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	......	......	−2	93	93	93
FSLIC resolution fund	......	−194	−6,045	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	−186	−204	−142	301	283	97
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	12	11	162	173	174
Department of Defense:						
Homeowners assistance mortgages	−1	−1	−1	1	1	......
Independent agencies:						
National Archives and Records Administration	......	......	......	302	302	302
Tennessee Valley Authority	2,624	5,522	2,315	16,015	18,913	21,537
Total, agency securities	**2,438**	**5,135**	**−3,865**	**18,030**	**20,727**	**23,165**

... 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, July 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	......	3	(* *)	(* *)	3	3
Department of Agriculture:						
Foreign assistance programs	27	96	33	70	140	166
Commodity Credit Corporation	−400	5,301	−1,767	17,282	22,983	22,583
Farmers Home Administration:						
Agriculture credit insurance fund	55	281	−6,508	5,526	5,752	5,807
Self-help housing land development fund	......	1	......	......	1	1
Rural housing insurance fund	111	679	−1,998	1,989	2,558	2,668
Rural Development Administration:						
Rural development insurance fund	16	84	−500	1,545	1,614	1,629
Rural development loan fund	1	4	(* *)	(* *)	3	4
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	......	194	23	7,905	8,099	8,099
Rural Telephone Bank	......	40	3	763	802	802
Department of Commerce:						
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	(* *)	4	9	9	12	13
Bonneville power administration fund	−50	320	314	1,906	2,276	2,226
Department of Housing and Urban Development:						
Housing programs:						
Federal Housing Administration	......	......	−7,323	......	......	......
Housing for the ederly and handicapped	......	185	1,316	8,774	8,959	8,959
Public and Indian housing:						
Low-rent public housing	25	50	......	50	75	100
Department of the Interior:						
Bureau of Reclamation Loans	......	2	1	2	4	4
Bureau of Mines, Helium Fund	......	......	......	252	252	252
Bureau of Indian Affairs:						
Revolving funds for loans	......	8	7	8	15	15
Department of Justice:						
Federal prison industries, incorporated	......	......	......	20	20	20
Department of State:						
Repatriation loans	(* *)	−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	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	−645	−32,115	−16,534	149,422	117,953	117,307
Department of Veterans Affairs:						
Loan guaranty revolving fund	−575	−61	820	921	1,435	860
Guaranty and indemnity fund	−140	43	31	40	223	83
Direct loan revolving fund	−1,730	−1,730	(* *)	1,730	1,731	1
Vocational rehabilitation revolving fund	(* *)	1	(* *)	1	1	2
Environmental Protection Agency:						
Abatement, control, and compliance loan program	1	5	(* *)	1	5	6
Small Business Administration:						
Business loan and revolving fund	205	205	11	11	11	216

Table 6. Schedule C (Memorandum)—Federal Agency Borrowing Financed Through the Issue of Public Debt Securities, July 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	22	213	73	88	279	301
Federal Emergency Management Agency:						
National insurance development fund	3	11	−144	18	26	30
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	253	−440	−335	2,670	1,978	2,230
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	**−2,822**	**−26,606**	**−32,461**	**206,410**	**182,626**	**179,804**
Borrowing from the Federal Financing Bank:						
Funds Appropriated to the President:						
Foreign military sales	−14	−199	−202	4,344	4,159	4,145
Department of Agriculture:						
Rural Electrification Administration	5	−260	−435	22,742	22,477	22,482
Farmers Home Administration:						
Agriculture credit insurance fund	−600	−3,850	−5,280	12,858	9,608	9,008
Rural housing insurance fund	......	......	−2,205	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	−12	−39	−18	124	97	85
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	−36	−20	174	140	139
Department of Interior:						
Territorial and international affairs	(* *)	−28	−1	51	23	23
Department of Transportation:						
Federal Railroad Administration	......	−2	−2	19	17	17
Department of the Treasury:						
Financial Management Service	−22	−95	125	125	53	30
General Services Administration:						
Federal buildings fund	114	686	52	699	1,272	1,385
National Aeronautics and Space Administration:						
Space flight, control and data communications	......	......	−33	......	......	......
Small Business Administration:						
Business loan and investment fund	−14	−97	−138	782	699	685
Independent agencies:						
Export-Import Bank of the United States	......	−1,440	−3,111	7,692	6,252	6,252
Federal Deposit Insurance Corporation:						
Bank insurance fund	......	−7,660	6,864	10,160	2,500	2,500
National Credit Union Administration	......	......	−109	......	......	......
Pennsylvania Avenue Development Corporation	11	59	38	78	126	136
Postal Service	......	278	1,703	9,903	10,182	10,182
Resolution Trust Corporation	......	−17,448	−10,188	46,536	29,088	29,088
Tennessee Valley Authority	−93	−1,856	−3,446	9,592	7,829	7,736
Washington Metropolitan Transit Authority	......	......	......	177	177	177
Total borrowing from the Federal Financing Bank	**−628**	**−32,117**	**−16,535**	**164,427**	**132,939**	**132,310**

Note: This table includes lending by the Federal Financing Bank accomplished by the purchase agency financial assets, by the acquisition of agency debt securities, and by direct loans on half of an agency. The Federal Financing Bank borrows from Treasury and issues its own :urities and in turn may loan these funds to agencies in lieu of agencies borrowing directly ough 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, July 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	−3	−3	−4	5	5	2
Department of Commerce	1	2	−1	8	9	10
Department of Defense—Military:						
Defense cooperation account	−3	−2,023	−3,401	2,032	12	9
Department of Energy	88	393	480	3,513	3,818	3,906
Department of Housing and Urban Development:						
Housing programs						
Federal housing administration fund:						
Public debt securities	−40	−340	−643	5,858	5,558	5,518
Government National Mortgage Association:						
Management and liquidating functions fund:						
Public debt securities	......	2	4	6	9	9
Agency securities	−40	−40	−5	60	60	20
Guarantees of mortgage-backed securities:						
Public debt securities	180	508	240	2,699	3,027	3,207
Agency securities	−61	−61	−11	62	62	1
Other	1	9	7	245	252	253
Department of the Interior:						
Public debt securities	56	412	1,400	2,333	2,689	2,745
Department of Labor	2	796	4,914	15,480	16,275	16,277
Department of Transportation	19	95	−6	781	857	876
Department of the Treasury	16	2,294	219	3,462	5,740	5,756
Department of Veterans Affairs:						
Canteen service revolving fund	......	−3	−3	43	40	40
Guaranty and indemnity fund	......	......	−355	......	......	.....
Veterans reopened insurance fund	−1	16	10	509	526	525
Servicemen's group life insurance fund	......	−44	8	198	154	154
Independent agencies:						
Export-Import Bank of the United States	105	308	409	88	292	396
Federal Deposit Insurance Corporation:						
Bank insurance fund	927	−1,533	−758	4,664	2,204	3,131
Savings association insurance fund	6	416	193	340	750	756
FSLIC resolution fund:						
Public debt securities	181	−657	−318	1,319	481	662
Federal Emergency Management Agency:						
National flood insurance fund	−49	−471	131	543	121	71
National Credit Union Administration	17	352	262	2,392	2,727	2,744
Postal Service	−632	1,781	4,310	4,679	7,093	6,461
Tennessee Valley Authority	2,216	1,497	−2,210	2,239	1,520	3,736
Other	−43	12	69	765	820	777
Other	−14	189	118	2,410	2,612	2,598
Total public debt securities	3,030	4,007	5,075	56,611	57,589	60,619
Total agency securities	−102	−102	−16	123	123	21
Total Federal funds	**2,928**	**3,905**	**5,059**	**56,734**	**57,711**	**60,639**
Trust funds:						
Legislative Branch						
Library of Congress	......	3	5	1	4	4
United States Tax Court	......	(* *)	(* *)	4	4	4
Other	(* *)	(* *)	1	27	27	27
The Judiciary						
Judicial retirement funds	......	15	16	193	209	209
Department of Agriculture	(* *)	7	(* *)	6	13	13
Department of Commerce	(* *)	(* *)	(* *)	(* *)	(* *)	(* *)
Department of Defense—Military:						
Voluntary separation incentive fund	−15	880	......	......	895	880
Other	−1	−8	(* *)	160	153	152
Department of Defense—Civil						
Military retirement fund	−1,073	11,021	13,127	87,753	99,847	98,775
Other	74	456	478	1,098	1,479	1,553

Table 6. Schedule D—Investments of Federal Government Accounts in Federal Securities, July 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 and Human Services, except Social Security:						
Federal hospital insurance trust fund:						
Public debt securities	−1,841	5,735	11,859	120,647	128,222	126,381
Federal supplementary medical insurance trust fund	33	4,349	3,272	18,534	22,850	22,883
Other	−7	45	105	621	673	666
Department of Health and Human Services, Social Security:						
Federal old-age and survivors insurance trust fund:						
Public debt securities	1,795	45,521	49,151	306,524	350,251	352,045
Federal disability insurance trust fund	−409	−1,816	409	12,918	11,511	11,102
Department of the Interior:						
Public debt securities	26	−161	117	336	149	175
Department of Justice	−118	......	......	......	118	......
Department of Labor:						
Unemployment trust fund	−539	−16	−11,227	35,133	35,656	35,117
Other	43	13	−36	52	21	64
Department of State:						
Foreign Service retirement and disability fund	−14	441	420	5,999	6,454	6,440
Other	−12	25	(* *)	(* *)	38	25
Department of Transportation:						
Highway trust fund	−349	2,388	2,371	20,962	23,698	23,350
Airport and airway trust fund	−83	−1,816	339	15,090	13,358	13,275
Other	10	163	168	1,399	1,552	1,562
Department of the Treasury	41	−13	27	184	129	170
Department of Veterans Affairs:						
General post fund, national homes	......	5	2	34	39	39
National service life insurance:						
Public debt securities	−47	483	222	11,310	11,840	11,793
United States government life Insurance Fund	2	−6	−12	134	127	128
Veterans special life insurance fund	−5	70	55	1,406	1,481	1,476
Environmental Protection Agency	5	836	390	4,456	5,287	5,292
National Aeronautics and Space Administration	......	(* *)	(* *)	16	16	16
Office of Personnel Management:						
Civil service retirement and disability fund:						
Public debt securities	−1,587	7,986	7,236	284,430	294,003	292,416
Employees health benefits fund	146	643	420	5,993	6,490	6,636
Employees life insurance fund	46	866	934	12,604	13,424	13,470
Retired employees health benefits fund	(* *)	(* *)	(* *)	1	1	1
Independent agencies:						
Harry S. Truman memorial scholarship trust fund	(* *)	2	−4	47	49	49
Japan-United States Friendship Commission	(* *)	(* *)	(* *)	17	17	17
Railroad Retirement Board	42	384	934	11,527	11,870	11,912
Other	3	19	18	104	121	124
Total public debt securities	−3,836	78,521	80,798	959,719	1,042,077	1,038,240
Total trust funds	**−3,836**	**78,521**	**80,798**	**959,719**	**1,042,077**	**1,038,240**
irand total	**−908**	**82,427**	**85,857**	**1,016,453**	**1,099,788**	**1,098,880**

... 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	27,935	56,137	17,919	56,463	37,489			415,149	385,758
Corporation income taxes	2,096	1,478	22,950	3,212	792	12,724	17,795	2,376	24,949	2,695			91,067	78,795
Social insurance taxes and contributions:														
Employment taxes and contributions	28,135	30,264	31,252	28,209	31,623	32,980	45,164	33,062	37,738	30,156			328,584	323,898
Unemployment insurance	1,034	2,270	245	844	2,259	240	3,581	8,849	301	1,709			21,333	19,332
Other retirement contributions	426	366	421	363	369	432	431	365	366	419			3,957	3,995
Excise taxes	3,670	4,082	4,014	3,307	3,342	4,514	4,168	3,502	4,565	4,214			39,377	37,426
Estate and gift taxes	1,027	954	959	888	822	977	1,898	1,009	900	944			10,378	9,313
Customs duties	1,666	1,503	1,539	1,310	1,347	1,598	1,544	1,419	1,642	1,761			15,329	14,228
Miscellaneous receipts	1,485	613	1,135	876	1,633	2,045	1,399	2,252	1,662	1,252			14,353	21,419
Total—Receipts this year	**76,826**	**74,628**	**113,685**	**112,713**	**66,133**	**83,447**	**132,117**	**70,753**	**128,586**	**80,639**			**939,527**	......
(On-budget)	**55,050**	**51,213**	**89,589**	**90,124**	**41,032**	**57,253**	**96,408**	**44,632**	**98,679**	**57,153**			**681,134**	......
(Off-budget)	**21,776**	**23,414**	**24,096**	**22,589**	**25,100**	**26,194**	**35,709**	**26,122**	**29,906**	**23,486**			**258,393**	......
Total—Receipts prior year	*78,065*	*73,095*	*103,636*	*104,031*	*62,747*	*72,127*	*138,351*	*62,184*	*120,878*	*79,050*			......	*894,163*
(On budget)	*57,213*	*50,799*	*80,146*	*79,877*	*38,980*	*45,562*	*103,326*	*36,807*	*91,396*	*55,947*			......	*640,053*
(Off budget)	*20,852*	*22,296*	*23,490*	*24,155*	*23,766*	*26.564*	*35,025*	*25,377*	*29,482*	*23,103*			......	*254,111*
Outlays														
Legislative Branch	204	211	193	221	195	196	233	159	187	202			2,002	2,109
The Judiciary	135	162	183	222	157	172	314	289	195	259			2,089	1,956
Executive Office of the President	18	22	14	21	12	14	21	12	13	23			170	160
Funds Appropriated to the President:														
International Security Assistance	334	3,393	521	414	137	245	285	391	459	486			6,664	6,427
International Development Assistance	629	260	218	368	242	283	396	275	238	459			3,370	3,444
Other	270	−27	74	168	483	−27	−315	234	86	−285			660	167
Department of Agriculture:														
Foreign assistance, special export programs and Commodity Credit Corporation	1,653	2,277	3,344	1,263	1,022	4,019	1,977	1,264	327	−297			16,848	10,698
Other	5,397	3,347	3,301	3,253	3,367	4,144	4,195	3,812	4,102	3,828			38,748	38,550
Department of Commerce	290	285	228	231	202	94	321	165	184	254			2,253	2,199
Department of Defense:														
Military:														
Military personnel	9,210	3,613	9,118	4,385	5,656	6,192	8,682	3,541	6,449	9,159			66,006	70,240
Operation and maintenance	6,526	7,265	8,140	6,986	7,154	7,657	8,888	7,369	10,310	7,386			77,682	75,327
Procurement	5,698	5,327	6,974	5,027	5,736	6,179	5,551	5,630	7,917	4,708			58,748	62,670
Research, development, test, and evaluation	3,002	2,752	3,337	2,636	2,930	3,418	2,958	2,755	4,493	2,648			30,929	28,844
Military construction	393	427	500	333	251	400	373	410	401	388			3,875	3,463
Family housing	219	218	264	263	275	284	296	263	299	291			2,672	2,690
Revolving and management funds	905	109	676	559	93	−298	−652	−47	−6,023	287			−4,391	3,477
Defense cooperation account	−30	−3	−3	−2	(* *)	−2	(* *)	(* *)	(* *)	(* *)			−40	−5,204
Other	32	238	−59	−1,250	−91	562	−59	−220	−151	35			−964	−316
Total Military	25,954	19,947	28,947	18,938	22,003	24,392	26,036	19,703	23,695	24,902			234,517	241,191
Civil	2,493	2,506	2,509	2,438	2,459	2,432	2,471	2,200	2,434	2,356			24,299	23,430
Department of Education	2,334	2,675	2,664	2,903	2,714	3,167	2,268	1,839	2,328	1,474			24,366	23,279
Department of Energy	1,714	1,391	1,549	780	1,266	1,542	1,434	1,101	1,617	1,346			13,740	12,760
Department of Health and Human Services, except Social Security:														
Public Health Service	1,438	1,476	1,573	1,348	1,546	1,633	1,806	1,407	1,785	1,509			15,520	14,19
Health Care Financing Administration:														
Grants to States for Medicaid	6,215	5,592	6,320	5,981	6,003	6,272	6,651	6,098	6,706	6,220			62,057	55,29
Federal hospital ins. trust fund	7,299	6,555	8,117	6,171	7,423	8,539	8,321	7,102	8,559	8,249			76,336	68,17
Federal supp. med. ins. trust fund	4,851	3,773	4,985	3,680	3,811	4,745	4,808	3,960	5,120	5,150			44,883	41,96
Other	3,247	3,270	7,723	529	3,746	4,069	3,638	3,721	3,760	3,673			37,374	34,14
Social Security Administration	4,691	386	3,483	1,874	2,049	2,025	5,038	582	1,923	5,268			27,318	24,31
Administration for children and families	2,178	2,132	2,507	2,536	2,626	2,394	2,213	2,521	1,939	2,297			23,342	23,064
Other	−4,271	−4,269	−9,901	−796	−5,079	−5,428	−5,050	−5,009	−5,087	−4,966			−49,854	−45,42
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	22,406	22,430	22,381	25,731	22,538			224,859	213,44
Federal disability ins. trust fund	2,771	2,638	5,145	465	2,840	2,880	2,994	2,910	2,994	3,029			28,666	25,8
Other	−1,523	−5	−21	−1,515	−9	−16	−1,535	−12	−7	−1,528			−6,172	−6,14

able 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.
utlays—Continued														
epartment of Housing and Urban)evelopment	2,591	2,053	2,232	1,786	1,764	1,982	2,290	1,716	2,231	2,138			20,783	20,657
epartment of the Interior	698	500	447	517	477	518	590	469	535	566			5,317	5,432
epartment of Justice	1,215	913	849	794	677	880	975	705	731	853			8,591	8,249
epartment of Labor:														
Unemployment trust fund	3,041	3,119	3,459	3,584	3,519	4,001	3,381	3,127	3,261	3,164			33,656	34,631
Other	626	−288	410	521	277	212	747	457	596	664			4,223	4,817
epartment of State	900	365	529	371	247	405	329	658	382	481			4,666	4,272
epartment of Transportation:														
Highway trust fund	1,479	1,486	1,320	1,061	852	1,165	878	1,188	1,586	1,655			12,670	12,062
Other	1,449	1,485	1,640	1,297	1,303	1,670	1,770	1,272	1,506	1,536			14,928	14,363
epartment of the Treasury:														
Interest on the public debt	17,978	22,506	51,678	18,062	16,813	18,007	17,970	23,576	51,977	17,920			256,487	255,756
Other	133	−907	537	573	4,152	2,230	1,385	362	−326	104			8,242	2,104
epartment of Veterans Affairs:														
Compensation and pensions	2,623	79	2,694	80	1,422	1,441	2,800	100	1,462	2,741			15,444	14,954
National service life	37	27	51	65	55	91	69	70	63	74			602	847
United States government life	1	1	2	2	1	2	1	2	2	2			17	24
Other	1,400	1,610	1,377	1,470	1,751	1,929	1,437	610	1,333	1,457			14,373	13,350
ıvironmental Protection Agency	439	511	510	437	383	581	518	399	553	482			4,813	4,964
eneral Services Administration	165	−478	734	−662	383	468	−604	259	509	−551			223	−99
ational Aeronautics and Space Administration	1,098	1,317	1,266	1,092	1,008	1,344	1,249	1,080	1,154	1,247			11,853	11,736
ffice of Personnel Management	3,090	2,586	2,986	3,330	2,886	3,180	3,294	2,761	3,348	3,121			30,581	29,702
nall Business Administration	113	95	44	−1	41	154	33	103	30	72			683	336
dependent agencies:														
Fed. Deposit Ins. Corp.:														
Bank insurance funds	97	232	−848	−514	−3,035	−397	−381	−96	−200	−981			−6,121	7,970
Savings association fund	(* *)	1	−3	−26	−389	−6	−6	−2	21	−6			−416	−193
FSLIC resolution fund	−87	339	30	−102	779	123	−12	129	129	−180			1,149	4,125
²ostal Service:														
Public enterprise funds (off-budget)	−452	327	349	−677	−10	−504	−1,138	−315	−757	826			−2,349	−2,062
Payment to the Postal Service fund	69	......	......	30	......	......	30	......	......	30			161	511
³esolution Trust Corporation	−2,578	−3,628	−1,392	−566	−622	−967	−2,698	−1,880	−1,986	−2,192			−18,511	−2,934
Tennessee Valley Authority	271	307	115	140	72	140	217	206	133	210			1,810	1,223
)ther independent agencies	2,326	1,195	1,345	1,125	1,416	1,711	1,291	1,442	−1,644	1,485			11,691	10,205
listributed offsetting receipts:														
Employer share, employee retirement	−2,498	−2,511	−2,522	−2,624	−2,564	−2,560	−2,737	−2,580	−2,558	−3,067			−26,223	−28,445
nterest received by trust funds	−443	−4,952	−34,461	9	−530	−143	−403	−5,206	−35,365	−55			−81,548	−76,721
³ents and royalties on outer continental shelf lands	−12	−442	−261	−36	−245	−427	−198	1	−506	−27			−2,153	−2,051
)ther	(* *)	(* *)	......	(* *)	......	......	(* *)	(* *)	(* *)	(* *)			(* *)	(* *)
tals this year:														
'otal outlays	**125,618**	**107,353**	**152,632**	**82,896**	**114,330**	**127,422**	**124,026**	**107,717**	**117,487**	**120,216**			**1,179,697**	......
(On-budget)	**103,777**	**83,434**	**116,571**	**84,922**	**89,874**	**103,184**	**101,852**	**83,322**	**103,493**	**96,252**			**966,681**	......
(Off-budget)	**21,841**	**23,919**	**36,061**	**−2,025**	**24,456**	**24,237**	**22,174**	**24,395**	**13,994**	**23,964**			**213,015**	......
'otal-surplus (+) or deficit (−)	**−48,792**	**−32,726**	**−38,947**	**+29,817**	**−48,197**	**−43,974**	**+8,091**	**−36,963**	**+11,099**	**−39,577**			**−240,170**	......
(On-budget)	**−48,727**	**−32,221**	**−26,982**	**+5,203**	**−48,842**	**−45,931**	**−5,445**	**−38,690**	**−4,813**	**−39,099**			**−285,547**	......
(Off-budget)	**−65**	**−505**	**−11,965**	**+24,614**	**+644**	**+1,957**	**+13,535**	**+1,727**	**+15,912**	**−478**			**+45,377**	......
'otal borrowing from the public	**−1,552**	**61,969**	**21,078**	**−8,355**	**30,689**	**37,727**	**5,464**	**30,832**	**24,757**	**1,055**			**203,663**	**262,224**
'otal-outlays prior year	*114,659*	*117,779*	*106,170*	*119,699*	*111,927*	*122,839*	*123,748*	*108,957*	*117,096*	*122,197*			......	*1,165,071*
(On-budget)	*94,669*	*95,486*	*95,472*	*97,139*	*88,704*	*99,894*	*102,713*	*86,270*	*102,288*	*99,906*			......	*962,540*
(Off-budget)	*19,990*	*22,294*	*10,699*	*22,561*	*23,222*	*22,945*	*21,035*	*22,687*	*14,808*	*22,291*			......	*202,532*
'otal-surplus (+) or deficit (−) prior year	*−36,594*	*−44,684*	*−2,534*	*−15,668*	*−49,180*	*−50,712*	*+14,603*	*−46,773*	*+3,782*	*−43,147*			......	*−270,908*
(On-budget)	*−37,457*	*−44,687*	*−15,326*	*−17,262*	*−49,724*	*−54,332*	*+614*	*−49,463*	*−10,892*	*−43,959*			......	*−322,487*
(Off-budget)	*+862*	*+3*	*+12,792*	*+1,594*	*+544*	*+3,619*	*+13,989*	*+2,690*	*+14,674*	*+812*			......	*+51,579*

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

Table 8. Trust Fund Impact on Budget Results and Investment Holdings as of July 31, 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	433	528	−95	3,411	5,265	−1,854	15,090	13,358	13,275
Black lung disability	55	53	2	531	511	20	......	......	.....
Federal disability insurance	2,427	3,029	−601	26,748	28,666	−1,918	12,918	11,511	11,102
Federal employees life and health	......	−183	183	......	−1,239	1,239	18,598	19,915	20,107
Federal employees retirement	1,225	3,009	−1,784	37,742	29,342	8,400	290,626	300,670	299,069
Federal hospital insurance	6,639	8,249	−1,609	80,609	76,336	4,273	120,647	128,222	126,381
Federal old-age and survivors insurance	23,488	22,538	949	269,806	224,859	44,947	306,524	350,251	352,045
Federal supplementary medical insurance	4,901	5,150	−248	50,780	44,883	5,897	18,534	22,850	22,883
Highways	1,544	1,784	−239	16,253	13,906	2,348	20,962	23,698	23,350
Military advances	1,356	941	415	10,667	10,698	−31	......	......	.....
Railroad retirement	439	652	−213	7,134	6,393	741	11,527	11,870	11,912
Military retirement	1,034	2,169	−1,135	32,927	21,396	11,532	87,753	99,847	98,775
Unemployment	2,741	3,164	−423	34,654	33,656	997	35,133	35,656	35,117
Veterans life insurance	31	114	−83	1,426	879	547	12,850	13,448	13,397
All other trust	393	202	191	5,797	2,780	3,017	8,556	10,780	10,827
Total trust fund receipts and outlays and investments held from Table 6-D	**46,708**	**51,399**	**−4,691**	**578,485**	**498,332**	**80,153**	**959,719**	**1,042,077**	**1,038,240**
Less: Interfund transactions	9,342	9,342	......	179,395	179,395	......			
Trust fund receipts and outlays on the basis of Tables 4 & 5	37,365	42,057	−4,691	399,089	318,936	80,153			
Total Federal fund receipts and outlays	**46,247**	**81,133**	**−34,886**	**565,719**	**886,042**	**−320,323**			
Less: Interfund transactions	192	192	......	620	620	......			
Federal fund receipts and outlays on the basis of Table 4 & 5	46,055	80,941	−34,886	565,099	885,422	−320,323			
Less: offsetting proprietary receipts	2,781	2,781	......	24,661	24,661	......			
Net budget receipts & outlays	**80,639**	**120,216**	**−39,577**	**939,527**	**1,179,697**	**−240,170**			

... 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.

able 9. Summary of Receipts by Source, and Outlays by Function of the U.S. Government, July 1993 and Other Periods

[$ millions]

Classification	This Month	Fiscal Year To Date	Comparable Period Prior Fiscal Year
ECEIPTS			
ndividual income taxes	37,489	415,149	385,758
orporation income taxes	2,695	91,067	78,795
ocial insurance taxes and contributions:			
Employment taxes and contributions	30,156	328,584	323,898
Unemployment insurance	1,709	21,333	19,332
Other retirement contributions	419	3,957	3,995
xcise taxes	4,214	39,377	37,426
state and gift taxes	944	10,378	9,313
ustoms	1,761	15,329	14,228
liscellaneous	1,252	14,353	21,419
Total	**80,639**	**939,527**	**894,163**
ET OUTLAYS			
ational defense	25,916	244,407	251,107
ternational affairs	1,241	15,126	14,194
eneral science, space, and technology	1,521	14,110	13,724
nergy	198	4,321	3,346
atural resources and environment	1,421	16,695	16,752
griculture	206	19,880	14,392
ommerce and housing credit	−2,014	−23,680	11,891
ansportation	3,250	28,207	27,262
ommunity and Regional Development	962	8,351	6,589
ducation, training, employment and social services	3,113	39,609	38,456
ealth	8,023	81,537	73,141
edicare	12,103	108,596	99,220
come security	18,665	177,878	168,093
ocial Security	25,567	253,511	239,296
eterans benefits and services	4,289	30,642	29,390
dministration of justice	1,350	12,445	11,995
eneral government	340	10,479	10,151
terest	17,159	165,958	166,569
ndistributed offsetting receipts	−3,094	−28,376	−30,496
Total	**120,216**	**1,179,697**	**1,165,071**

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, electronic funds transferred, or cash payments made. Certain outlays do not require issuance of cash or checks. An example is charges made against appropriations for that part of employees' salaries withheld for taxes or savings bond allotments — these are counted as payments to the employee and credits for whatever purpose the money was withheld. Outlays are stated net of offsetting collections (including receipts of revolving and management funds) and of refunds. Interest on the public debt (public issues) is recognized on the accrual basis. Federal credit programs subject to the Federal Credit Reform Act of 1990 use the cash basis of accounting and are divided into two components. The portion of the credit activities that involve a cost to the Government (mainly subsidies) is included within the budget program accounts. The remaining portion of the credit activities are in non-budget financing accounts. Outlays of off-budget Federal entities are excluded by law from budget totals. However, they are shown separately and combined with the on-budget outlays to display total Federal outlays.

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 August 1993 Statement will be 2:00 pm EST September 22, 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

FOR IMMEDIATE RELEASE
August 20, 1993

CONTACT: Michelle Smith
(202) 622-2960

STATEMENT OF RICHARD NEWCOMB, DIRECTOR OF THE OFFICE OF FOREIGN ASSETS CONTROL, U.S. TREASURY:

Consistent with United States policy and procedures and following discussions with the Pastors for Peace, Treasury's Office of Foreign Assets Control has authorized the group to donate and deliver a school bus to Havana, Cuba. Treasury has been assured that the World Council of Churches will oversee the delivery of the school bus as humanitarian aid to the Ebeneezer Baptist Church in Havana.

We are pleased we have been able to work constructively with the Pastors for Peace to resolve the situation on the border at Laredo, Texas.

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AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
August 23, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $12,365 million of 13-week bills to be issued August 26, 1993 and to mature November 26, 1993 were accepted today (CUSIP: 912794G65).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.00%	3.07%	99.233
High	3.02%	3.09%	99.228
Average	3.02%	3.09%	99.228

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	29,331	29,331
New York	52,452,346	10,731,535
Philadelphia	5,560	5,560
Cleveland	28,262	28,262
Richmond	230,539	65,539
Atlanta	13,006	11,706
Chicago	3,061,895	491,545
St. Louis	9,905	9,905
Minneapolis	6,151	6,151
Kansas City	26,797	26,797
Dallas	13,523	13,523
San Francisco	1,093,113	218,113
Treasury	727,087	727,087
TOTALS	$57,697,515	$12,365,054
Type		
Competitive	$52,799,091	$7,466,630
Noncompetitive	1,192,124	1,192,124
Subtotal, Public	$53,991,215	$8,658,754
Federal Reserve	2,976,100	2,976,100
Foreign Official Institutions	730,200	730,200
TOTALS	$57,697,515	$12,365,054

UCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
August 23, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $12,232 million of 26-week bills to be issued August 26, 1993 and to mature February 24, 1994 were accepted today (CUSIP: 912794J21).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.11%	3.20%	98.428
High	3.13%	3.22%	98.418
Average	3.12%	3.21%	98.423

Tenders at the high discount rate were allotted 4%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	29,502	29,502
New York	53,286,769	11,042,289
Philadelphia	4,276	4,276
Cleveland	23,066	23,066
Richmond	19,987	19,987
Atlanta	18,906	18,906
Chicago	2,422,553	211,173
St. Louis	11,878	11,878
Minneapolis	3,802	3,802
Kansas City	21,018	21,018
Dallas	8,160	8,160
San Francisco	879,249	289,249
Treasury	548,507	548,507
TOTALS	$57,277,673	$12,231,813
Type		
Competitive	$52,328,404	$7,282,544
Noncompetitive	871,769	871,769
Subtotal, Public	$53,200,173	$8,154,313
Federal Reserve	3,100,000	3,100,000
Foreign Official Institutions	977,500	977,500
TOTALS	$57,277,673	$12,231,813

CTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
August 24, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 2-YEAR NOTES

Tenders for $16,091 million of 2-year notes, Series Z-1995, to be issued August 31, 1993 and to mature August 31, 1995 were accepted today (CUSIP: 912827L91).

The interest rate on the notes will be 3 7/8%. All competitive tenders at yields lower than 3.94% were accepted in full. Tenders at 3.94% were allotted 38%. All noncompetitive and sucessful competitive bidders were allotted securities at the yield of 3.94%, with an equivalent price of 99.876. The median yield was 3.93%; that is, 50% of the amount of accepted competitive bids were tendered at or below that yield. The low yield was 3.90%; 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	30,331	30,331
New York	53,008,153	15,030,542
Philadelphia	21,044	21,044
Cleveland	61,187	61,187
Richmond	80,002	63,002
Atlanta	46,193	21,193
Chicago	1,615,837	355,837
St. Louis	39,340	32,340
Minneapolis	15,484	14,984
Kansas City	55,909	55,909
Dallas	21,335	21,335
San Francisco	890,785	115,785
Treasury	267,077	267,077
TOTALS	$56,152,677	$16,090,566

The $16,091 million of accepted tenders includes $804 million of noncompetitive tenders and $15,287 million of competitive tenders from the public.

In addition, $955 million of tenders was awarded at the high yield to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional $517 million of tenders was also accepted at the high yield from Federal Reserve Banks for their own account in exchange for maturing securities.

TREASURY NEWS

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

FOR RELEASE AT 2:30 P.M.
August 24, 1993

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $23,600 million, to be issued September 2, 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 $23,780 million.

Federal Reserve Banks hold $5,790 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 $1,873 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

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED SEPTEMBER 2, 1993

August 24, 1993

Offering Amount	$11,800 million	$11,800 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 G7 3	912794 J3 9
Auction date	August 30, 1993	August 30, 1993
Issue date	September 2, 1993	September 2, 1993
Maturity date	December 2, 1993	March 3, 1994
Original issue date	June 3, 1993	September 2, 1993
Currently outstanding	$12,040 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

CYNTHIA GIBSON BEERBOWER

International Tax Counsel

Cynthia Gibson Beerbower was appointed International Tax Counsel (ITC) at the Treasury Department on August 23, 1993.

In that position she is responsible for advising the Assistant Secretary (Tax Policy) in connection with the formulation of the Administration 's international tax initiatives. Her office is responsible for negotiating and reviewing income tax and estate and gift tax treaties with foreign countries and coordinating tax treaty matters with the State Department and Congress. ITC attorneys develop international tax legislation proposals, review and assess international tax bills, prepare background information, produce testimony for Treasury officials, and coordinate with Congressional staffs and other agencies on matters related to U.S. international tax policy.

Before joining Treasury Mrs. Beerbower was a partner (1981-1993) and an Associate (1977-1981) in the New York law firm Simpson Thacher and Bartlett.

She has been a member of the Executive Committee of the New York State Bar Association's Taxation Section over the past seven years. She co-chaired its Committee on Foreign Activities of U.S. Taxpayers and the Committee on U.S. Activities of Foreign Taxpayers. She has written and lectured extensively on the international tax aspects of financial instruments and serves on the advisory board of the Journal of International Taxation.

Mrs. Beerbower has an LL.B. with honors from Cambridge University, a J.D. from Boston University and a B.A. magna cum laude from Mount Holyoke College, where she is currently a trustee.

She is married to John E. Beerbower and has a son and daughter. She was born in Dayton, Ohio on June 25, 1949.

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AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
August 25, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 5-YEAR NOTES

Tenders for $11,000 million of 5-year notes, Series R-1998, to be issued August 31, 1993 and to mature August 31, 1998 were accepted today (CUSIP: 912827M25).

The interest rate on the notes will be 4 3/4%. All competitive tenders at yields lower than 4.87% were accepted in full. Tenders at 4.87% were allotted 59%. All noncompetitive and sucessful competitive bidders were allotted securities at the yield of 4.87%, with an equivalent price of 99.473. The median yield was 4.84%; that is, 50% of the amount of accepted competitive bids were tendered at or below that yield. The low yield was 4.80%; 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	23,950	23,950
New York	26,362,509	10,271,029
Philadelphia	15,734	15,734
Cleveland	35,071	35,071
Richmond	17,585	17,585
Atlanta	31,671	21,651
Chicago	1,346,847	327,167
St. Louis	23,275	23,275
Minneapolis	7,193	7,193
Kansas City	26,526	26,526
Dallas	7,636	7,636
San Francisco	692,220	170,170
Treasury	53,419	53,419
TOTALS	$28,643,636	$11,000,406

The $11,000 million of accepted tenders includes $570 million of noncompetitive tenders and $10,430 million of competitive tenders from the public.

In addition, $1,550 million of tenders was awarded at the high yield to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional $450 million of tenders was also accepted at the high yield from Federal Reserve Banks for their own account in exchange for maturing securities.

federal financing bank NEWS
WASHINGTON, D.C. 20220

Press 202-622-2960
FFB 202-622-2450

For Immediate Release

August 26, 1993

FEDERAL FINANCING BANK

Charles D. Haworth, Secretary, Federal Financing Bank (FFB), announced the following activity for the month of July 1993.

FFB holdings of obligations issued, sold or guaranteed by other Federal agencies totaled $132.3 billion on July 31, 1993, posting a decrease of $645.2 million from the level on June 30, 1993. This net change was the result of decreases in holdings of agency assets of $611.6 million, and in holdings of agency-guaranteed loans of $33.5 million. FFB made 22 disbursements, 3 maturity extensions, and 15 repricings in July. FFB also received 38 prepayments in July.

Attached to this release are tables presenting FFB July loan activity and FFB holdings as of July 31, 1993.

FEDERAL FINANCING BANK
JULY 1993 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE (semi-annual)	INTEREST RATE (not semi-annual)
AGENCY DEBT					
FEDERAL DEPOSIT INSURANCE CORPORATION					
Note No. 0010					
Advance #1	7/1	$ 2,500,000,000.00	10/01/93	3.222%	
RESOLUTION TRUST CORPORATION					
Note No. 0019					
Advance #1	7/1	29,087,710,737.98	10/01/93	3.222%	
GOVERNMENT - GUARANTEED LOANS					
RHODE ISLAND DEPOSITORS ECONOMIC PROTECTION CORPORATION					
*DEPCO	7/1	30,385,955.72	10/01/93	3.222%	
GENERAL SERVICES ADMINISTRATION					
Miami Law Enforcement	7/1	8,142,307.00	01/03/22	6.376%	
Oakland Office Building	7/6	354,470.00	01/31/94	3.310%	
Foley Services Contract	7/16	418,280.66	12/11/95	4.281%	
Foley Square Courthouse	7/19	11,943,484.00	12/11/95	4.281%	
Memphis IRS Service Center	7/20	44,399.21	01/03/95	3.832%	
ICTC Building	7/21	10,505,397.64	11/15/93	3.298%	
Chamblee Office Building	7/23	149,414.14	04/01/97	5.000%	
Oakland Office Building	7/23	2,656,584.00	01/31/94	3.482%	
Foley Square Office Bldg.	7/27	8,268,511.00	12/11/95	4.490%	
GSA Refinancing	7/30	89,730,000.00	01/31/01	5.238%	
RURAL ELECTRIFICATION ADMINISTRATION					
*Northwest Electric #176	7/1	838,000.00	01/03/22	6.372%	6.322% qtr.
*Northwest Electric #176	7/1	220,000.00	01/03/22	6.372%	6.322% qtr.
WRECI Electric Coop. #353	7/1	1,128,000.00	12/31/25	6.309%	6.260% qtr.
@Coop. Power Assoc. #001	7/16	1,359,912.45	12/31/09	5.800%	5.759% qtr.
@Coop. Power Assoc. #001	7/16	2,905,472.44	12/31/09	5.800%	5.759% qtr.
@Coop. Power Assoc. #001	7/16	1,853,837.33	12/31/09	5.800%	5.759% qtr.
@Coop. Power Assoc. #001	7/16	4,749,183.57	12/31/09	5.800%	5.759% qtr.
@Coop. Power Assoc. #005	7/16	2,691,284.37	12/31/12	5.931%	5.888% qtr.
@Coop. Power Assoc. #070A	7/16	7,147,514.82	12/31/12	5.931%	5.888% qtr.
@Coop. Power Assoc. #070A	7/16	6,251,480.47	12/31/12	5.931%	5.888% qtr.
@Coop. Power Assoc. #070A	7/16	15,250,612.34	12/31/12	5.931%	5.888% qtr.
@Coop. Power Assoc. #070A	7/16	12,532,865.01	12/31/12	5.931%	5.888% qtr.
@Coop. Power Assoc. #070A	7/16	9,842,286.12	12/31/12	5.931%	5.888% qtr.
@Coop. Power Assoc. #070A	7/16	8,996,452.27	12/31/12	5.931%	5.888% qtr.
@Coop. Power Assoc. #070A	7/16	6,314,837.12	12/31/12	5.931%	5.888% qtr.
@Coop. Power Assoc. #121	7/16	5,397,871.59	12/31/12	5.931%	5.888% qtr.
@Coop. Power Assoc. #121	7/16	1,062,112.87	12/31/12	5.931%	5.888% qtr.
@Pacific N.W. Electric #118	7/16	15,567,844.21	12/31/12	5.931%	5.888% qtr.
Florida Keys Electric #383	7/30	3,045,000.00	12/31/25	6.436%	6.385% qtr.

* maturity extension
@ interest rate buydown

FEDERAL FINANCING BANK
JULY 1993 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE	INTEREST RATE
				(semi-annual)	(not semi-annual)
TENNESSEE VALLEY AUTHORITY					
Seven States Energy Corporation					
Note A-93-14	7/30	$161,000,000.00	08/03/93	3.272%	
Note A-93-15	7/30	150,000,000.00	08/10/93	3.272%	
Note A-93-16	7/30	150,000,000.00	08/20/93	3.272%	
Note A-93-17	7/30	150,000,000.00	09/07/93	3.272%	
Note A-93-18	7/30	150,000,000.00	09/14/93	3.272%	
Note A-93-19	7/30	150,000,000.00	09/21/93	3.272%	
Note A-93-20	7/30	125,000,000.00	09/28/93	3.272%	
Note A-93-21	7/30	125,000,000.00	09/30/93	3.272%	

FEDERAL FINANCING BANK
(in millions)

Program	July 31, 1993	June 30, 1993	Net Change 7/1/93-7/31/93	FY '93 Net Change 10/1/92-7/31/93
Agency Debt:				
Export-Import Bank	$ 6,252.3	$ 6,252.3	$ 0.0	$-1,440.2
Federal Deposit Insurance Corporation	2,500.0	2,500.0	0.0	-7,660.0
Resolution Trust Corporation	29,087.7	29,087.7	0.0	-17,448.2
Tennessee Valley Authority	6,575.0	6,575.0	0.0	-600.0
U.S. Postal Service	10,181.5	10,181.5	0.0	278.1
sub-total*	54,596.6	54,596.6	0.0	-26,870.2
Agency Assets:				
Farmers Home Administration	39,129.0	39,729.0	-600.0	-3,850.0
DHHS-Health Maintenance Org.	30.9	36.0	-5.2	-24.3
DHHS-Medical Facilities	51.3	57.7	-6.4	-13.0
Rural Electrification Admin.-CBO	4,598.9	4,598.9	0.0	0.0
Small Business Administration	3.0	3.1	-0.1	-1.1
sub-total*	43,813.1	44,424.8	-611.6	-3,888.4
Government-Guaranteed Loans:				
DOD-Foreign Military Sales	4,145.0	4,159.1	-14.0	-199.2
DEd.-Student Loan Marketing Assn.	4,790.0	4,790.0	0.0	-30.0
DEPCO-Rhode Island	30.4	52.8	-22.4	-94.6
DHUD-Community Dev. Block Grant	138.8	139.6	-0.7	-35.6
DHUD-Public Housing Notes	1,801.0	1,801.0	0.0	-52.3
General Services Administration +	1,521.9	1,397.8	124.1	745.0
DOI-Guam Power Authority	0.0	0.0	0.0	-27.0
DOI-Virgin Islands	22.9	23.1	-0.2	-0.9
DON-Ship Lease Financing	1,528.3	1,528.3	0.0	-47.9
Rural Electrification Administration	17,882.5	17,895.2	-12.7	-260.5
SBA-Small Business Investment Cos.	95.2	103.7	-8.5	-48.3
SBA-State/Local Development Cos.	586.2	592.1	-5.8	-47.5
TVA-Seven States Energy Corp.	1,161.0	1,254.2	-93.2	-1,255.8
DOT-Section 511	17.5	17.5	0.0	-1.6
DOT-WMATA	177.0	177.0	0.0	0.0
sub-total*	33,897.6	33,931.2	-33.5	-1,356.0
grand-total*	$132,307.3	$132,952.5	$-645.2	$-32,114.6

*figures may not total due to rounding
+does not include capitalized interest

TREASURY NEWS

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

August 27, 1993

Monthly Release of U.S. Reserve Assets

The Treasury Department today released U.S. reserve assets data for the month of July 1993.

As indicated in this table, U.S. reserve assets amounted to $74,139 million at the end of July 1993, up from $73,968 million in June 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					
June	73,968	11,057	8,987	41,998	11,926
July	74,139	11,057	8,905	42,094	12,083

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.

CTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
August 30, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $11,969 million of 13-week bills to be issued September 2, 1993 and to mature December 2, 1993 were accepted today (CUSIP: 912794G73)

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.00%	3.06%	99.242
High	3.02%	3.08%	99.237
Average	3.02%	3.08%	99.237

Tenders at the high discount rate were allotted 15%. The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	28,720	28,720
New York	54,353,891	10,765,693
Philadelphia	4,990	4,990
Cleveland	37,733	37,733
Richmond	94,795	33,545
Atlanta	21,437	17,187
Chicago	2,961,851	226,251
St. Louis	6,878	6,878
Minneapolis	5,957	5,957
Kansas City	22,124	22,124
Dallas	21,121	21,121
San Francisco	561,853	55,503
Treasury	743,269	743,269
TOTALS	$58,864,619	$11,968,971
Type		
Competitive	$54,581,935	$7,686,287
Noncompetitive	1,202,854	1,202,854
Subtotal, Public	$55,784,789	$8,889,141
Federal Reserve	2,889,630	2,889,630
Foreign Official Institutions	190,200	190,200
TOTALS	$58,864,619	$11,968,971

AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
August 30, 1993

SEP 2[illegible]0000039

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $11,895 million of 26-week bills to be issued September 2, 1993 and to mature March 3, 1994 were accepted today (CUSIP: 912794J39).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.09%	3.18%	98.438
High	3.11%	3.20%	98.428
Average	3.11%	3.20%	98.428

Tenders at the high discount rate were allotted 17%. The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	29,423	29,423
New York	48,335,582	10,902,262
Philadelphia	5,006	5,006
Cleveland	37,253	37,253
Richmond	128,311	32,621
Atlanta	18,320	16,162
Chicago	2,067,027	181,847
St. Louis	7,692	7,692
Minneapolis	6,242	6,242
Kansas City	21,589	21,589
Dallas	8,951	8,951
San Francisco	483,808	59,308
Treasury	587,032	587,032
TOTALS	$51,736,236	$11,895,388
Type		
Competitive	$47,069,523	$7,228,675
Noncompetitive	944,513	944,513
Subtotal, Public	$48,014,036	$8,173,188
Federal Reserve	2,900,000	2,900,000
Foreign Official Institutions	822,200	822,200
TOTALS	$51,736,236	$11,895,388

TREASURY NEWS

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

FOR RELEASE AT 2:30 P.M.
August 31, 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 September 9, 1993. This offering will result in a paydown for the Treasury of about $1,300 million, as the maturing weekly bills are outstanding in the amount of $23,707 million.

Federal Reserve Banks hold $5,685 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 $1,695 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

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS TO BE ISSUED SEPTEMBER 9, 1993

August 31, 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 G8 1	912794 J4 7
Auction date	September 7, 1993	September 7, 1993
Issue date	September 9, 1993	September 9, 1993
Maturity date	December 9, 1993	March 10, 1994
Original issue date	June 10, 1993	March 11, 1993
Currently outstanding	$12,085 million	$14,829 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
August 31, 1993

Contact: Michelle Smith
(202) 622-2960

TREASURY PROPOSES WIRE TRANSFER REGULATIONS

The Treasury Department and the Board of Governors of the Federal Reserve System on Tuesday proposed joint regulations requiring banks and nonbank financial institutions to collect identifying information about wire transfers and to maintain these records for at least five years.

Treasury also proposed a separate regulation which requires this information be transmitted, or "travel," through payment orders to all affected financial institutions in the funds payment process.

Ronald Noble, Assistant Secretary for Enforcement, said the proposed regulations reflect Treasury's commitment to serve the needs of law enforcement without imposing unnecessary burdens on the financial services industry. "We developed these regulations with the benefit of hundreds of comments from the industry because we wanted to have responsive, sensible and effective regulations," he said.

The proposed rules, published in the Federal Register, would apply to all financial institutions subject to the Bank Secrecy Act (BSA) and are intended to improve the government's ability to identify and trace transactions that may involve money laundering and other financial crimes.

Information to be collected includes identification of the transmittor, the amount and

(MORE)

date of each transfer, the recipient's financial institution, and the recipient's name and address or account number, if received with the payment order.

The Annunzio-Wylie Anti-Money Laundering Act requires that certain aspects of the joint regulations be effective by December 31, 1993. The proposed effective date for the travel notice is one year following the publication date of a final joint rule.

While the joint notice proposes standardized recordkeeping for funds transfers by banks and nonbank financial institutions, additional collection and verification requirements are proposed for transactions which involve persons without an account at the financial institution involved.

Both the joint and travel notices invite comments on all aspects of the rules by October 4.

Both proposed rules are available by computer modem on Treasury's BSA Electronic Bulletin Board at (313) 961-4704.

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TREASURY NEWS

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

JEAN E. HANSON

General Counsel, Department of the Treasury

Jean E. Hanson was sworn in as General Counsel for the Department of the Treasury, on June 1, 1993.

As General Counsel she furnishes legal advice to the Secretary with respect to his responsibilities as chief financial officer of the government and as chief law officer at Treasury. The General Counsel is the head of the Legal Division, which is composed of all attorneys providing legal service to all of the Department's offices and bureaus.

From 1976 until she joined Treasury Ms. Hanson was with the law firm of Fried, Frank, Harris, Shriver & Jacobson in New York, becoming a partner in 1983.

In 1975 to 1976 she was a law clerk with the Office of the Minnesota State Public Defender. In 1972 to 1973 she was a probation officer in Hennepin County, Minneapolis.

She has a cum laude J.D. (1976) from the University of Minnesota and a magna cum laude B.A. (1971) from Luther College in Decorah, Iowa.

Ms. Hanson was born on June 28, 1949 in Alexandria, Minnesota, is married to H. Barndt Hauptfuhrer and has nine-year old twins.

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TREASURY NEWS

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

FAITH SHAPIRO HOCHBERG

Deputy Assistant Secretary (Law Enforcement)

Faith Shapiro Hochberg of Short Hills, New Jersey, has been appointed Deputy Assistant Secretary of the Treasury (Law Enforcement).

She is responsible for oversight of Treasury's law enforcement bureaus, including the U.S. Secret Service, the Bureau of Alcohol, Tobacco and Firearms and the Customs Service. Their activities include protecting high U.S. and visiting foreign officials, combatting counterfeiting, trade fraud, money laundering, computer fraud and narcotics traffic, overseeing the Federal Law Enforcement Training Center and the Financial Crimes Enforcement Network. She also oversees the Office of Financial Enforcement, which administers the Bank Secrecy Act.

From 1990 until appointed to her present position she was senior deputy chief counsel in the Office of Thrift Supervision, where she created and developed an enforcement office to combat savings and loan fraud.

From 1987 to 1990 Ms. Hochberg was a litigation partner with Cole, Schotz, Bernstein, Meisel & Forman, P.A.

From 1983 to 1987 she was in the United States Attorney's office in New Jersey, becoming head of the Securities Fraud Section in 1986.

Between 1977 and 1983 she practiced with private law firms in Washington, D.C., New Jersey and Massachusetts. In 1976 she served as special assistant to the chairman of the Securities and Exchange Commission in Washington, D.C.

In 1975-76 she clerked for the Honorable Spottswood W. Robinson III, United States Court of Appeals, District of Columbia Circuit in Washington, D.C.

Ms. Hochberg is a summa cum laude graduate of Tufts University, and graduated magna cum laude from the Harvard University Law School where she was an editor of the Harvard Law Review. She is married to Dr. Mark S. Hochberg M.D. and has two children.

TREASURY NEWS

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

SUSAN B. LEVINE

Deputy Assistant Secretary (International Development,
Debt and Environment Policy)

Susan B. Levine was appointed Deputy Assistant Secretary for International Debt, Development and Environment Policy on April 26, 1993.

From 1984 until she joined the Treasury Department she was with Lehman Brothers in New York City, ultimately as a senior vice president in charge of equity private placement in the Investment Banking Department. Before that she was part of the Global Finance Department at Lehman Brothers. She worked on raising money for U.S. and Canadian institutions in Japanese capital markets. She also worked to develop Lehman's business effort in the People's Republic of China.

From 1983 to 1984 she was with Bank America International in New York as an account associate marketing banking products to financial institutions in China, Taiwan and Hong Kong.

Prior to that she held jobs with First Chicago International in New York and with the National Geographic Society in Washington. She was an escort interpreter in Taiwan and China for National Geographic journalists and for Chinese delegations visiting the U.S.

From 1978 to 1980 she was an associate editor for the Echo Magazine Company in Taiwan.

Ms. Levine has an M.B.A. from the Columbia University Graduate School of Business and a B.A. in political science from Swarthmore College. She graduated with distinction and did substantial course work in Chinese language and Asian studies. She is fluent in Mandarin Chinese.

Ms. Levine was born in Cleveland, Ohio on May 8, 1956, and was raised in Fargo, North Dakota.

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TREASURY NEWS

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

MICHAEL LEVY

Assistant Secretary (Legislative Affairs)

Michael Levy was sworn in as Assistant Secretary of the Treasury (Legislative Affairs) on May 21, 1993.

In this position Levy advises the Secretary and all sub-Cabinet officers on Congressional relations policy. He is the principal contact and coordinator at Treasury for Congress and for Congressional relations activities at the White House and other departments.

Prior to his nomination, Levy had been Administrative Assistant to Senator Lloyd Bentsen from 1987 to 1993. Before that he was a staff economist on the Joint Economic Committee for a year and a half.

Levy was an associate professor of political science for seven years at Texas A & M University in College Station, Texas from 1978 to 1985. From 1986 to 1993 he was an adjunct instructor at Georgetown University.

He edited with Edward Portis the The Handbook of Political Theory and Policy Sciences in 1989 and edited in 1988 Political Thought in America: An Anthology. He wrote a number of papers on political science subjects for scholarly magazines and conferences.

Levy received his Ph.D. in political science from Rutgers University and his B.A. in political science from Brown University. Among awards he received was the University Bevier fellowship, and the departmental award for the outstanding political science dissertation at Rutgers in 1979.

Levy was born July 12, 1947, in Baltimore, Md. He and his wife, Bonny Wolf, have a son, Jonathan Levy.

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TREASURY NEWS

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

DAVID A. LIPTON

Deputy Assistant Secretary (Eastern Europe
and the Former Soviet Union)

David A. Lipton was appointed Deputy Assistant Secretary for Eastern Europe and the Former Soviet Union on June 6, 1993.

From September 1992 to May 1993, Lipton was a fellow at the Woodrow Wilson International Center for Scholars. He worked on the economic and political consequences of the transformation in Poland and the Soviet Union.

From 1989 to 1992 he was vice president of Jeffrey D. Sachs and Associates where he served as a senior advisor to the governments of Russia, Poland and Slovenia, providing advice on economic stabilization and transformation to market economies. In 1989 he also advised the governments of Bolivia and Venezuela.

From 1981 to 1989 Lipton served on the staff of the International Monetary Fund (IMF). As senior economist from 1987 to 1989, he analyzed economic policy making in Japan. From 1981 to 1987 he was an economist in the IMF's Exchange and Trade Relations and Western Hemisphere Departments.

From 1990 to 1992 he was a senior fellow in the World Institute for Development Economics Research in Helsinki. In 1990 he was a member of the Brookings Institution Panel of Economists.

He has published articles in economic journals and delivered speeches and papers to conferences primarily on economic reform in Russia and Eastern Europe, but also on the IMF and the Japanese economy.

Lipton has an M.A. and a Ph.D. in economics from Harvard and a B.A. in economics from Wesleyan, where he was elected a member of Phi Beta Kappa.

He is married to Susan Galbraith. They have two children. Lipton was born in Boston, Massachusetts, on Nov. 9, 1953.

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TREASURY NEWS

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

ALICIA H. MUNNELL

Assistant Secretary (Economic Policy)

Alicia H. Munnell was sworn in as Assistant Secretary for Economic Policy on May 20, 1993.

In that position Ms. Munnell is a key player on the Administration's economic team. She advises the Secretary on the economic effects of tax and budgetary policy; she develops official economic projections; and she works closely with the Office of Management and Budget, the Council of Economic Advisers, and other government agencies on the economic forecasts underlying the yearly budget process.

Before joining Treasury, Ms. Munnell served as Senior Vice President and Director of Research at the Federal Reserve Bank of Boston. At the Boston Fed, she initiated and directed a comprehensive analysis of the extent of racial discrimination in home mortgage lending in the Boston area. Federal regulators, community groups, and financial institutions have used this study to focus their efforts to combat discrimination. Ms. Munnell also conducted extensive research at the Boston Fed in the areas of tax policy, social security, public and private pensions, and public capital spending.

Ms. Munnell is the author of a wealth of articles and books on a variety of policy issues. Her books include The Economics of Private Pensions and The Future of Social Security.

Among her many other affiliations, Ms. Munnell is co-founder and the first president of the National Academy of Social Insurance. She is a member of the Institute of Medicine, the National Academy of Public Administration, and the Pension Research Council of the Wharton School.

Ms. Munnell earned a Ph.D. in Economics from Harvard University. She is married to Henry Healy and has two sons, Hamilton and Clark.

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DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SAMUEL Y. SESSIONS
DEPUTY ASSISTANT SECRETARY (TAX POLICY)

Samuel Y. Sessions was appointed Deputy Assistant Secretary of the Treasury (Tax Policy) on March 26, 1993.

He was chief tax counsel with the United States Senate Committee on Finance from 1990 to 1993. From 1988 to 1990 he was tax counsel with the Senate Finance Commitee. From 1987 to 1988 he was a legislative assistant on Senator Lloyd Bentsen's staff.

Sessions was an assistant professor of law at the University of Missouri (Kansas City) School of Law from 1986 to 1987. From 1982 to 1986 he was an associate at the law firm of Cleary, Gottlieb, Steen and Hamilton in New York City.

He was Jervey Fellow in Foreign and Comparative Law at the Columbia University School of Law where he received an LL.M. in 1981. He spent the second year of his Jervey Program at Hamburg University in Germany in 1981-1982.

Sessions has a J.D. from the University of Virginia School of Law in 1980. He was on the editorial board of the Virginia Law Review. In 1976-1977 he studied at Eberhard-Karls Universitat in Tubingen, Germany.

He received a B.A. with high honors from the University of Virginia in 1976, is a Phi Beta Kappa and was an Echols Scholar. He was born in Enterprise, Alabama on June 20, 1954.

TREASURY NEWS

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

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DEPT. OF THE TREASURY

FOR IMMEDIATE RELEASE
September 2, 1993

CONTACT: Michelle Smith
(202) 622-2960

BENTSEN, RENO NAME NEW HEAD OF INTERPOL WASHINGTON

Treasury Secretary Lloyd Bentsen and Attorney General Janet Reno on Thursday named Shelley Altenstadter as Chief of the U.S. National Central Bureau-INTERPOL.

Altenstadter, who is the first woman law enforcement agent named director of a federal law enforcement bureau, served for four years as Deputy Director of Treasury's Financial Crimes Enforcement Network (FinCEN). She also was director of the Office of Commercial Fraud Enforcement at the U.S. Customs Service from 1987-89.

Altenstadter, 44, served as the U.S. Customs Service Assistant Attache in Italy from 1984-87, where she was responsible for overseeing a wide range of criminal investigation activity covering several countries. Before that she was the lead agent for the Financial Task Force in Los Angeles, where she initiated, implemented and managed a multi-agency task force.

She began her career with the Customs Service in 1975 as a Customs inspector in San Ysidro, CA. Altenstadter in 1977 began serving as an import specialist, and from 1978-82 she was a Special Agent in the Office of Enforcement and Internal Affairs.

The U.S. National Central Bureau, or INTERPOL Washington, represents the United States in INTERPOL, the International Criminal Police Organization. INTERPOL's purpose is to ensure and promote the widest possible mutual assistance between all criminal police authorities within the laws of different countries. INTERPOL Washington is a component of the U.S. Department of Justice that serves federal and state law enforcement agencies. By agreement, the selection of the head alternates between Treasury and Justice.

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TREASURY NEWS

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

STATEMENT BY THE HONORABLE
LAWRENCE H. SUMMERS
UNDER SECRETARY FOR INTERNATIONAL AFFAIRS
U.S. TREASURY DEPARTMENT
BEFORE THE COMMITTEE ON FOREIGN RELATIONS
OF THE U.S. SENATE
SEPTEMBER 7, 1993

Multilateral Assistance for Russia and the Other States of the Former Soviet Union

Introduction

Thank you Chairman Pell and Members of the Committee on Foreign Relations. It is a pleasure to testify today on multilateral support for market reform in Russia and the other states of the Former Soviet Union (FSU).

The transformation of the nations of the FSU to market-based democracies is the greatest challenge of our lifetime to secure the fruits of world peace and prosperity. Integrating these nations, with 300 million people and a vast wealth of natural resources, into the world economy could provide an engine of growth for the next generation. The Administration is fully committed to working closely with Congress on a bipartisan basis to ensure that we seize this opportunity, that our assistance advances reform and that it commands the support of the American people. As President Clinton has stated, our support for reform is not an act of charity, it is an investment in America's future.

The Strategy of Reform

The challenge facing the nations of the FSU is unprecedented. It is not a challenge of "re-development" as was faced in Western Europe after World War II. Nor is it one of "under-development" as is faced in African and other less developed countries.

It is a problem of "mis-development." For too many years, the Soviet Union directed excessive resources into its military industrial complex without regard to the aspirations and needs of its people. This factor, coupled with social ownership of the means of production and rigid price controls, led to over-industrialization, inefficiency, and a system based on privilege, not profitability. Industry accounted for nearly half of Soviet output, in comparison with one-fourth in the United States. For every $1 billion of GDP, the Soviet Union consumed six times as much energy and produced 15 times more steel than in the United States.

The multilateral strategy for support was best captured by our German colleagues at the Munich Summit -- "Help for Self-Help." The FSU states must assume the primary responsibility for their transformation. But support from bilateral donors and the international financial community -- both technical assistance and financial -- is also critical.

Technical assistance plays an essential role in establishing the building blocks for a market economy. It is at the core of our assistance efforts. But multilateral financial support has as its chief strength the ability to leverage fundamental reform. It can energize reforming countries in taking the necessary policy changes to facilitate stabilization and structural reform. And it can help catalyze resources from the private sector, which is the key to the needed long term inflow of investment, technology and know-how.

Bold reform, supported by the international financial community, is a sure-fire recipe for success. We should bear in mind that Poland, which unshackled itself from central planning through its "big bang" stabilization program, is this year the most rapidly growing economy in Europe.

Russian Progress toward Reform

The battle for reform is fought every day in the FSU. We should not under-estimate the enormous economic, social, and political complexity of the transformation. Nor should we expect the process to proceed smoothly or to occur overnight. Rather, the transformation will exhibit fits and starts. Success cannot be gauged by week-to-week scrutiny of economic and political tea leaves. We are better advised to compare where we stand now, with where we stood upon the break-up of the Soviet Union.

Russia is still at the beginning of its transformation. Hard work, sweat, and perseverance lies before it. Moreover, it is facing thorny difficulties at this time in formulating a coherent set of macroeconomic policies. Against this background, we should not overemphasize the positive. Nonetheless, we must also recognize that already much has been achieved in a short span of time and that the Russian marketplace is emerging.

Russia freed prices on 90% of retail items and 80% of wholesale goods in January, 1992. Now, price controls only remain for a handful of items such as energy, bread, and housing. What is the upshot of these reforms?

o Where price controls have been kept, problems remain. Energy use in Russia is still highly inefficient -- opening and closing windows remains the thermostat of choice in Moscow winters. The cheapest form of subsidized bread is available in only some 20% of Russian cities. Russia's housing stock is grossly inadequate.

o But where prices have been liberalized, the supply of goods is greatly improved. It is easy to forget that we used to hear about Russian citizens wasting three hours or more per day in lines. Academic studies suggest the cost in wasted time to Russia of long queues in 1985 alone was on the order of 5% of total income and 6% of consumer expenditures. We no longer hear about Russian citizens complaining that goods are not available in stores. Recent Russian reports indicate most food products were available in more than four-fifths of surveyed cities.

o A simple tour of Moscow streets confirms these changes. Throughout the city, small kiosks have sprouted up, where entrepreneurs sell domestic and foreign goods at market prices, interestingly enough, in dollars or in rubles. Now, Russian statistics suggest street vendors account for some 8% of total retail trade. And, most retail stores have a wide variety of high-quality goods.

Market economies can only thrive in a low inflation environment. Savings and investment decisions hinge critically on the expected value of money. Debauching the currency is the best way to destroy confidence in government.

o Last year, the Russian Central Bank pumped out massive credits to Russian state-owned firms in the mistaken belief that it could boost production. Production collapsed, reflecting the legacy of the USSR's command economy -- its tremendous waste of resources, its excessive defense expenditure -- and the collapse in inter-state trade. But what the Central Bank's money printing did achieve was to push Russia to the verge of hyper-inflation. Monthly inflation in Russia reached 25 to 30% from October 1992 through early 1993.

o Russia's current inflation is still excessive, impeding development of a free market economy. But in recent months, Russia has been pulled back from the brink of hyperinflation. Earlier this year, the Russian Finance Ministry secured the Central Bank's agreement on restrained credit targets for the second quarter. These targets were met. And recently, the Finance Ministry played a key role in securing the Central Bank's cooperation to undertake new monetary policy measures that made possible a $1.5 billion IMF loan. Included among these measures, Russia raised its official interest rate from 80% per annum toward 170%, while agreeing to tighten credit targets for the rest of the year.

o These measures have had positive results, showing the virtue of anti-inflationary monetary policy. The free-fall in the ruble has stopped. The ruble, which had fallen from 125 rubles per dollar last July to a low of R1,115 per dollar in June of this year, has since risen some 13% to R985. In addition, reports indicate that the Central Bank has added some $2 billion to its reserves as the ruble has appreciated, suggesting a reversal in the large capital flight from Russia heretofore witnessed.

Sound public finances are necessary to limit the role of government in economic life and to curb inflation. In a country such as Russia where there is virtually no government securities market, deficits must be financed by printing money.

o Last year, Russia's government deficit equalled 20% of GDP, reflecting large and wasteful subsidies, especially for imports, agriculture, and the energy sector. Some two-thirds of the deficit was financed by foreign official inflows. External support on this scale is simply not sustainable.

o As we know in this country, it is not easy to pare deficits. But Russia is making some progress, and a lower deficit should be achieved in 1993. The progress we have witnessed is due to efforts by the Finance Ministry to cut subsidies for imports and grains, to free coal prices, and to sequester across-the-board some 15 to 20% of discretionary spending. The budgetary situation is highly clouded, however, influenced by recent Parliamentary actions, a subject I will return to shortly.

Russia's privatization program has been an extraordinary success, led by the Privatization Ministry and its energetic head, Anatoly Chubais. The pace of privatization has surpassed even that registered in the most reform-minded Eastern European countries. And the public strongly supports the program. It has given every citizen a direct stake in free markets by providing each one with vouchers with which to purchase shares in privatized firms. It has emphasized decentralization and the grass roots.

o In 1991, virtually all small shops were state-owned. Privatization of medium and large firms didn't begin until the very end of 1992.

- Now, over 70 thousand small shops are in private hands, about one-half of all such shops. As of end-July, nearly 3,500 thousand medium and large firms had been privatized, accounting for over 4 million workers, or more than 5% of the labor force. Included among the privatized are such mega-firms as Zil (the huge automobile manufacturer), Uralmash (heavy industry equipment), and Kalashnikov (firearms). By end-year, one-third of the large firms will likely be in private hands.

- The Russian Parliament has tried to stop the privatization program at every turn. But after President Yeltsin's April referendum victory, the pace of privatization was stepped up, and Privatization Minister Chubais has declared that the momentum for privatization is "irreversible." Even Chubais' conservative opponents accept this judgment. Reflecting these developments, voucher prices shot up from a low around 4,000 rubles per voucher in April before the referendum to 9,900 rubles per voucher currently.

Multilateral Support for Russian Reform

At the turn of this year, the prospects for significant market reform in Russia seemed dim. President Yeltsin and the Parliament were locked in an epic struggle over the reins of economic power. True economic reform had stalled, hyper-inflation loomed large, and easy solutions to Russia's complex problems were sought.

President Clinton's first major foreign policy initiative was to call for deepening our engagement with Russia and Russian reformers. He challenged our allies to join us in an effort to support those in Russia advocating democracy and market reform.

The United States can stand proud of the support we have provided and of our leadership in mobilizing multilateral support for Russian reform. We have made a critical difference.

Our approach is based on the reality that neither the United States nor, for that matter, the international community can rebuild Russia with aid. Rather, our support must leverage reform. With this principle in mind, the G-7 recast its multilateral support for Russian reform. We have attempted to offer support at each step of the reform ladder, rather than holding back on support until Russia scales the entire wall.

In early April, the G-7 agreed on a debt rescheduling package which afforded Russia $15 billion in relief from payments that otherwise would have been due this year. This package, which had been under negotiation since July 1992, fulfilled the 1992 Munich Summit commitment to President Yeltsin to provide Russia with breathing space from its debts.

Then, at a historic first joint meeting of G-7 Finance and Foreign Ministers in Tokyo this April, the G-7 developed a $28.4 billion multilateral support package for Russian reform. This package was specially designed to reinforce each step in the reform process.

First, the G-7 package included support for initial Russian steps toward stabilization. At U.S. urging, the IMF created a new Systemic Transformation Facility (STF) to encourage FSU nations to begin undertaking the reform measures needed to move toward full stabilization. Many of Russia's reforms discussed above were taken in conjunction with the IMF's initial $1.5 billion loan under the STF. Another $1.5 billion loan under the STF may be possible.

The World Bank also pledged $1.1 billion in support for initial stabilization through import rehabilitation loans. Last year, it approved a $600 million import rehabilitation loan for Russia toprovide hard currency for essential imports. But by April 1993, only $100 million had been disbursed. At the April G-7 Ministerial in Tokyo, we urged the Bank and Russia to accelerate disbursement of this loan and to reach agreement on a second one. The first loan has now been fully obligated and the Bank's work on the second loan is well advanced.

The second element of the G-7's Tokyo package was support for a full stabilization program. This element included $4.1 billion in support for a full Russian program with the IMF and $6.0 billion in support for activation of the Russian currency stabilization fund once Russia has demonstrated its ability to implement a tough IMF program for several months. The G-7 remains fully committed to backing a full stabilization program for Russia as it takes the necessary steps to merit this support.

The third element included support for structural reforms and essential imports.

At the April G-7 Ministerial, the World Bank expanded its pipeline for Russia to provide support for key sectors such as energy, agriculture, private sector development and infrastructure. Recently, the World Bank Board approved a $610 million oil rehabilitation loan, which catalyzed additional co-financing of $420 million.

Such rehabilitation loans are among the most cost-effective we can make. Some estimates suggest that 20% of Russia's producing oil wells are idle, simply because they need spare parts. Oil production is down by a third from four years ago. Against this background, small rehabilitation investments can have a quick pay-off. For example, there are estimates that a dollar invested this summer in well rehabilitation will generate eighty cents in foreign exchange earnings this winter alone. Others suggest one dollar invested now will generate four dollars of return.

The World Bank is also deepening its support for privatization, the development of a social safety net, financial sector, improvement of the transportation system, and agricultural reform.

Responding to a request from Russian Finance Minister Fedorov, the EBRD is working to create a $300 million small and medium-sized enterprise fund. This multilateral fund is to be modelled after the enterprise funds the United States has created in Eastern Europe. Half of the financing will come from G-7 countries and the other half from the EBRD. The fund will make very small scale loans -- perhaps up to $50,000 -- to Russian entrepreneurs who lack start-up capital.

G-7 export credit agencies will also play a critical role in financing capital imports that are needed to help modernize outdated production processes, especially in the energy sector. The United States Export-Import Bank for its part has negotiated a framework for lending up to $2 billion to Russia's oil and gas sector. The support from our Export-Import Bank will not only help promote a more robust Russian economy, it will also boost U.S. exports and jobs at home.

Finally, there is one aspect of G-7 support not included in the Tokyo package that I wish to bring to your attention -- the $3 billion Special Privatization and Restructuring Program (SPRP). The SPRP was proposed by President Clinton and endorsed by G-7 Heads of State at the Tokyo Summit. It represents a significant initiative to advance the cause of market reform in Russia. You have before you legislation that could permit us to contribute $125 million in bilateral grants for privatization and related technical assistance. In addition, Eximbank will make available $250 million in export credit support.

I have already described Russia's success in privatizing large state-owned firms. But changing ownership from public to private hands alone will not suffice. Unless privatized firms restructure, they will continue to demand large subsidies from the government, which are one of the root causes of Russia's inflation problem.

For restructuring to occur, however, privatized Russian firms will need capital -- both loans and equity -- to modernize obsolete physical plants and to upgrade their production processes. They will need technical assistance to help prepare appropriate financial statements, business plans, and investment programs. And they will need the World Bank's support to spin off many social burdens they now bear -- the costs of running schools, clinics, day-care centers, worker housing, and basic sanitation services -- that are beyond their means in making the transition to a market economy.

The SPRP is being designed to address these needs. The United States is presently leading international negotiations among the G-7, the international institutions (the World Bank, the EBRD, and the IFC) and the Russian Government on the design of the SPRP. We hope to achieve international agreement on the operational structure and modalities of the SPRP shortly.

In the coming weeks, Congress will be considering legislation that includes our contribution to the SPRP. I strongly urge you to support this critical initiative.

The Current Situation

Despite these significant accomplishments, much more remains to be done. Indeed, the battle for economic reform in Russia has now entered a new and critical phase in which many of Russia's accomplishments on the economic front are being put at serious risk. The momentum for Russian reform must be reinvigorated and intensified to ensure sustained multilateral support.

- Averting hyper-inflation in Russia is clearly a welcome development. But the current underlying monthly inflation of 15 to 20% is simply too high. Bold measures are needed now to achieve a decisive breakthrough to a path of sustainable low inflation. Earlier this year, Russia agreed with the IMF on a set of fiscal and monetary policies that would bring inflation down to 5% monthly by the end of this year. We urge Russia to ensure that these policies are implemented.

- But on the fiscal policy front, preliminary indications suggest the Government will face difficulties in meeting its objective of a 1993 deficit of 10% of GDP. It is also not at all clear that the measures recently adopted by the Cabinet will get Russia back on track. These difficulties are being exacerbated by an anti-reformist Parliament, which passed over 400 budget amendments that would have the effect of raising the deficit to 25% of GDP.

- The Central Bank's recent ruble banknote exchange may have undermined public trust in the Government's ability to carry out stability-oriented monetary policies. This action was undertaken without consultation of the IMF, as should have occured when the IMF is providing financial support.

- Russia remains in arrears to the United States and other bilateral creditor nations. It has not moved quickly enough to sign bilateral agreements to implement April's debt rescheduling agreement. If these debt issues are not soon resolved, Russia faces a possible slowdown or cutoff of new credits. We strongly encourage Russia to act urgently and expeditiously as a matter of high priority to normalize its relations with the international financial community.

- The battle for privatization goes on. The United States commends President Yeltsin for his resolute defense of Russia's cutting edge privatization program.

Our task in the West in this unfolding drama is to continue to reinforce reform and its flag bearers. If Russia proceeds along the reform path, we should be ready with our support. But if the momentum toward reform slows, we must resist providing support that cannot be productively used and that will put our taxpayers' money at jeopardy.

The Other States of the FSU

I have focussed on Russia because of its dominant position in the FSU and its impact on reform throughout the region. But we should not, and cannot, lose sight of the other states of the FSU.

The international community stands ready to help these countries advance through the transformation process. Technical assistance is available to help them begin putting in place the necessary building blocks for a market economy. The financial support of the international financial institutions is also available for those nations that are prepared to implement bold -- but essential --reforms.

In surveying the region, the first country I wish to highlight is Kyrgyzstan. It is a small land-locked country that is very poor. But under the bold leadership of its reform-minded President, Askar Akayev, Kyrgyzstan has introduced its own currency and started implementing tough fiscal and monetary policies. It is the only FSU country to have secured IMF loans under a full stabilization program as well as loans under the STF.

Kazakhstan and Belarus are now receiving IMF support under the STF. Kazakhstan, in particular, has perhaps the greatest potential among the FSU states to make a rapid transformation to a strong market economy and improved living standards. It is a stable country with vast mineral wealth and is already able to feed itself. Its leadership has shown a genuine willingness to tackle macroeconomic imbalances, to consult closely with the IMF and World Bank, and to encourage foreign direct investment.

The issue that stands before Kazakhstan on the road to full stabilization is whether to introduce its own currency. So long as Kazakhstan remains in the ruble zone, the question of whether it achieves low inflation will be largely determined in Moscow. If Russia stabilizes, so will Kazakhstan. If Russia does not, neither will Kazakhstan. One central reality is clear. If Kazakhstan wishes to control its own destiny in achieving low inflation and fully utilizing available multilateral support, it must introduce its own currency and implement strong stabilization policies.

Belarus has been able to maintain macroeconomic balance, in part due to continued transfers from Russia. These transfers are now decreasing and adherence to the STF program and further policy reform will be needed to maintain discipline. Progress on structural reform has also not been rapid. Moldova is soon expected to have an STF program approved by the IMF Board.

The economic situation in Ukraine is a matter of serious concern. Ukraine left the ruble zone nearly one year ago. But its economic policies have failed to protect the new currency and to advance necessary structural reforms. As a result, Ukraine is beginning to experience the first stages of hyper-inflation, as evidenced by the recent collapse in its currency.

Turkmenistan and Uzbekistan are countries with great potential due to strong natural resource endowments. But the movement toward reform has been gradual at best and they have not sought to engage the IMF and World Bank in a meaningful dialogue on reform. Other countries in the FSU, especially in the Caucasus, have been beset with domestic instability, sharply limiting their capacity to design reforms or to carry them out.

Conclusion

The nations of the FSU are now well into the second year of their historic transformation to free markets. Much has been accomplished in many of the countries, especially Russia, and the results are clear. However, much more remains to be done.

The United States remains committed as one of its top foreign economic policy priorities to supporting fundamental transformation. In Russia, a critical moment has arrived for the battle of reform. The G-7's multilateral support package for Russian reform has been designed with the goal of being able to encourage Russia to pursue the path of reform in just such an instance. We urge Russia to reinvigorate and intensify it reform process and to secure the support of the international financial community.

We also urge the other nations of the FSU to deepen and accelerate their reform efforts, and we urge the international financial institutions to work with these nations in intensifying international support for market reform. Thank you.

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AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
September 7, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $11,422 million of 13-week bills to be issued September 9, 1993 and to mature December 9, 1993 were accepted today (CUSIP: 912794G81).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	2.93%	2.99%	99.259
High	2.95%	3.01%	99.254
Average	2.95%	3.01%	99.254

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	32,571	32,571
New York	52,120,279	10,127,796
Philadelphia	5,846	5,846
Cleveland	31,501	31,501
Richmond	84,715	36,115
Atlanta	25,960	23,530
Chicago	3,101,420	275,810
St. Louis	10,376	10,376
Minneapolis	5,368	5,368
Kansas City	19,285	19,285
Dallas	12,586	12,586
San Francisco	413,833	41,963
Treasury	799,700	799,700
TOTALS	$56,663,440	$11,422,447
Type		
Competitive	$51,585,795	$6,344,802
Noncompetitive	1,251,225	1,251,225
Subtotal, Public	$52,837,020	$7,596,027
Federal Reserve	2,884,655	2,884,655
Foreign Official Institutions	941,765	941,765
TOTALS	$56,663,440	$11,422,447

An additional $179,735 thousand of bills will be issued to foreign official institutions for new cash.

AUCTION RESULTS

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FOR IMMEDIATE RELEASE
September 7, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $11,249 million of 26-week bills to be issued September 9, 1993 and to mature March 10, 1994 were accepted today (CUSIP: 912794J47).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.01%	3.10%	98.478
High	3.03%	3.12%	98.468
Average	3.03%	3.12%	98.468

Tenders at the high discount rate were allotted 56%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	33,599	33,599
New York	43,460,629	10,131,318
Philadelphia	9,034	9,034
Cleveland	26,342	26,342
Richmond	91,228	49,228
Atlanta	33,976	30,096
Chicago	2,077,965	192,465
St. Louis	10,626	10,626
Minneapolis	9,412	9,412
Kansas City	20,454	20,454
Dallas	6,890	6,890
San Francisco	687,203	149,203
Treasury	580,681	580,681
TOTALS	$47,048,039	$11,249,348
Type		
Competitive	$42,735,835	$6,937,144
Noncompetitive	952,669	952,669
Subtotal, Public	$43,688,504	$7,889,813
Federal Reserve	2,800,000	2,800,000
Foreign Official Institutions	559,535	559,535
TOTALS	$47,048,039	$11,249,348

An additional $106,765 thousand of bills will be issued to foreign official institutions for new cash.

LB-347

TREASURY NEWS

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

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FOR RELEASE AT 2:30 P.M.
September 7, 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 September 16, 1993. This offering will result in a paydown for the Treasury of about $1,275 million, as the maturing weekly bills are outstanding in the amount of $23,668 million.

Federal Reserve Banks hold $5,497 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 $2,076 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

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS TO BE ISSUED SEPTEMBER 16, 1993

September 7, 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 E6 7	912794 J5 4
Auction date	September 13, 1993	September 13, 1993
Issue date	September 16, 1993	September 16, 1993
Maturity date	December 16, 1993	March 17, 1994
Original issue date	December 17, 1992	September 16, 1993
Currently outstanding	$26,806 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

UCTION RESULTS

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SEP [illegible] 0781

FOR RELEASE AT 3:00 PM
September 7, 1993

Contact: Peter Hollenbach
(202) 219-3302

PUBLIC DEBT ANNOUNCES ACTIVITY FOR SECURITIES IN THE STRIPS PROGRAM FOR AUGUST 1993

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

Dollar Amounts in Thousands	
Principal Outstanding (Eligible Securities)	$724,740,321
Held in Unstripped Form	$520,208,255
Held in Stripped Form	$204,532,066
Reconstituted in August	$17,482,200

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.

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TABLE VI—HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, AUGUST 31, 1994

(In thousands) [illegible]

Loan Description	Maturity Date	Principal Amount Outstanding			Reconstituted This Month[1]
		Total	Portion Held in Unstripped Form	Portion Held in Stripped Form	
11-5/8% Note C-1994	11/15/94	$6,658,554	$5,016,954	$1,641,600	$86,400
11-1/4% Note A-1995	2/15/95	6,933,861	5,442,181	1,491,680	125,920
11-1/4% Note B-1995	5/15/95	7,127,086	4,209,806	2,917,280	56,000
10-1/2% Note C-1995	8/15/95	7,955,901	4,929,101	3,026,800	25,200
9-1/2% Note D-1995	11/15/95	7,318,550	3,889,750	3,428,800	10,000
8-7/8% Note A-1996	2/15/96	8,439,720	7,642,920	796,800	75,200
7-3/8% Note C-1996	5/15/96	20,085,643	19,135,243	950,400	9,600
7-1/4% Note D-1996	11/15/96	20,258,810	18,064,410	2,194,400	45,600
8-1/2% Note A-1997	5/15/97	9,921,237	8,563,237	1,358,000	74,400
8-5/8% Note B-1997	8/15/97	9,362,836	8,217,236	1,145,600	17,600
8-7/8% Note C-1997	11/15/97	9,808,329	7,429,129	2,379,200	8,000
8-1/8% Note A-1998	2/15/98	9,159,068	8,474,588	684,480	16,000
9% Note B-1998	5/15/98	9,165,387	6,708,587	2,456,800	64,400
9-1/4% Note C-1998	8/15/98	11,342,646	9,560,246	1,782,400	9,600
8-7/8% Note D-1998	11/15/98	9,902,875	7,552,475	2,350,400	11,200
8-7/8% Note A-1999	2/15/99	9,719,623	9,078,023	641,600	72,000
9-1/8% Note B-1999	5/15/99	10,047,103	7,672,703	2,374,400	44,800
8% Note C-1999	8/15/99	10,163,644	9,301,444	862,200	-0-
7-7/8% Note D-1999	11/15/99	10,773,960	9,356,360	1,417,600	52,800
8-1/2% Note A-2000	2/15/00	10,673,033	9,855,833	817,200	23,200
8-7/8% Note B-2000	5/15/00	10,496,230	7,237,030	3,259,200	432,000
8-3/4% Note C-2000	8/15/00	11,080,646	8,857,766	2,222,880	190,400
8-1/2% Note D-2000	11/15/00	11,519,682	9,708,882	1,810,800	-0-
7-3/4% Note A-2001	2/15/01	11,312,802	10,526,402	786,400	34,400
8% Note B-2001	5/15/01	12,398,083	10,963,858	1,434,225	18,000
7-7/8% Note C-2001	8/15/01	12,339,185	11,499,185	840,000	24,000
7-1/2% Note D-2001	11/15/01	24,226,102	23,966,262	259,840	78,000
7-1/2% Note A-2002	5/15/02	11,714,397	11,205,917	508,480	-0-
6-3/8% Note B-2002	8/15/02	23,859,015	23,775,815	83,200	-0-
6-1/4% Note A-2003	2/15/03	23,562,691	23,560,675	2,016	-0-
5-3/4% Note B-2003	8/15/03	12,932,637	12,932,637	-0-	-0-
11-5/8% Bond 2004	11/15/04	8,301,806	5,892,206	2,409,600	1,288,000
12% Bond 2005	5/15/05	4,260,758	3,238,308	1,022,450	1,045,400
10-3/4% Bond 2005	8/15/05	9,269,713	8,768,913	500,800	1,232,000
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	3,847,984	2,157,600	2,127,200
11-1/4% Bond 2015	2/15/15	12,667,799	5,636,119	7,031,680	2,083,360
10-5/8% Bond 2015	8/15/15	7,149,916	2,580,316	4,569,600	1,030,720
9-7/8% Bond 2015	11/15/15	6,899,859	2,239,059	4,660,800	867,200
9-1/4% Bond 2016	2/15/16	7,266,854	4,593,254	2,673,600	367,200
7-1/4% Bond 2016	5/15/16	18,823,551	18,101,151	722,400	45,600
7-1/2% Bond 2016	11/15/16	18,864,448	17,709,568	1,154,880	-0-
8-3/4% Bond 2017	5/15/17	18,194,169	5,207,129	12,987,040	275,200
8-7/8% Bond 2017	8/15/17	14,016,858	5,208,858	8,808,000	825,600
9-1/8% Bond 2018	5/15/18	8,708,639	2,012,639	6,696,000	249,600
9% Bond 2018	11/15/18	9,032,870	891,870	8,141,000	38,000
8-7/8% Bond 2019	2/15/19	19,250,798	4,580,398	14,670,400	430,400
8-1/8% Bond 2019	8/15/19	20,213,832	14,018,312	6,195,520	362,880
8-1/2% Bond 2020	2/15/20	10,228,868	3,059,268	7,169,600	122,000
8-3/4% Bond 2020	5/15/20	10,158,883	1,777,443	8,381,440	202,400
8-3/4% Bond 2020	8/15/20	21,418,606	3,646,606	17,772,000	751,360
7-7/8% Bond 2021	2/15/21	11,113,373	9,262,173	1,851,200	228,800
8-1/8% Bond 2021	5/15/21	11,958,888	4,140,328	7,818,560	224,320
8-1/8% Bond 2021	8/15/21	12,163,482	6,534,682	5,628,800	253,440
8% Bond 2021	11/15/21	32,798,394	11,122,619	21,675,775	1,453,200
7-1/4% Bond 2022	8/15/22	10,352,790	8,923,190	1,429,600	309,600

TABLE VI—HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, AUGUST 31, 1993—Continued

(In thousands)

Loan Description	Maturity Date	Principal Amount Outstanding			Reconstituted This Month[1]
		Total	Portion Held in Unstripped Form	Portion Held in Stripped Form	
7 5/8% Bond 2022	11/15/22	10,699,626	9,266,026	1,433,600	64,000
7 1/8% Bond 2023	2/15/23	18,374,361	17,329,561	1,044,800	-0-
6 1/4% Bond 2023	8/15/23	11,530,344	11,530,344	-0-	-0-
Total		724,740,321	520,208,255	204,532,066	17,482,200

[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 Table VI will be available after 3:00 pm eastern time on the Commerce Department's Economic Bulletin Board (EBB). The telephone number for more information about EBB is (202) 482-1986. The balances in this table are subject to audit and subsequent adjustments.

TREASURY NEWS

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

Statement

of the

Honorable Frank N. Newman

Under Secretary of the Treasury

before the

Senate Committee on Banking, Housing and Urban Affairs

September 8, 1993

Mr. Chairman and members of the Committee, I am pleased to appear before you today, joining Secretary Cisneros, to discuss further the Administration's program to assist community development financial institutions. Thanks in part to our common efforts these nontraditional financial institutions are widely recognized as having an important part to play in revitalizing economically distressed areas of our country.

Community development financial institutions are driven by public purposes and social values, as well as traditional marketplace factors. They specialize in providing capital, credit, and other financial services to distressed communities and populations. And a large part of their mission involves developing human capital through technical assistance and other means intended to promote community self-sufficiency.

The Administration's community development bank program seeks to strengthen non-traditional financial institutions that have long worked to promote community development.

I. Principles Underlying the Administration's Proposal

The best starting point for discussing our program is to review the principles that have guided the Administration in this effort. Secretary Bentsen outlined these principles in testimony before this Committee on July 15, 1993. First, use private capital to leverage any Federal funds provided. Second, give preference to those institutions that can become self-sustaining. Third, allow program managers the flexibility needed to experiment and develop the most effective programs. Fourth, have the program administered by a separate agency with dedicated funding and a primary focus on revitalizing distressed areas. Fifth, view community development banks as a supplement to, and not a substitute for, active community lending by institutions subject to the CRA.

Private Capital

The success of the community development financial institutions initiative will, to a significant extent, depend on attracting private capital to the effort. Private capital will leverage the assistance provided by the Fund, and thereby amplify CDFIs' overall lending capacity. And raising private capital provides a form of market discipline, requiring any given CDFI to demonstrate its effectiveness and financial viability to prospective donors and investors.

Self-Sustaining Institutions

This program focuses on establishing and strengthening financial intermediaries that have a good chance of becoming self-sustaining. In view of the numerous and conflicting demands for scarce public resources, one cannot realistically expect the program to serve as the primary, permanent source of funding for non-traditional lenders. Nor would one make optimal use of these scarce resources if this program became another source of Federal dollars for state and local governments, much less if those governments could simply repackage their existing efforts. To the maximum extent possible, we want to support those community development financial institutions adept at securing long-term, non-governmental equity and working capital.

Independent Administration

We think the community development initiative is too important simply to be added to some government agency's long list of other responsibilities. A separate entity has the best chance of dedicating its full-time energy and resources to the task of community development, while serving as an institutional voice and focal point for the concerns of the parties affected.

Management Flexibility

In managing the program, the new agency will need flexibility precisely because the program is new and innovative. One cannot say with certainty and in detail what will work and what will not. Hence we generally believe it best to have statutory operating guidelines govern the provision of assistance rather than rigid, mandatory requirements.

II. Major Provisions of S. 1275

The Administration's program would support a wide variety of community development financial institutions. Those institutions' primary mission would be to provide lending, equity investment, and development services to targeted areas and populations. The core of the program involves establishing a Community Development Banking and Financial Institutions Fund (the Fund) to provide financial and technical assistance to newly established and existing CDFIs.[1] The Administration is requesting $382 million through FY 97 to support the Fund.

[1] To qualify for assistance a CDFI must have as its primary mission providing capital, credit, or development services in investment areas or to populations that are low-income, or disadvantaged and underserved by existing financial institutions. The CDFI must also encourage community input through representation on its governing board or otherwise.

The criteria for awarding assistance give priority to applicants that: (1) are likely to become self-sustaining; (2) provide a broad array of services; (3) serve targeted areas or populations of greatest need; (4) provide significant broad-based benefits; (5) demonstrate community support and involve the community in governance; and (6) show legally enforceable matching commitments.

The Fund could provide qualified CDFIs a wide range of assistance in the form of equity investments, loans, deposits or credit union shares, grants, and technical assistance (including training). Through such assistance the Fund could support the formation of new institutions and could enable existing institutions to expand their current activities. Any equity investment must be structured so that the Fund does not control the assisted institution. Limits are placed on the amounts of assistance CDFIs may receive from the Fund and matching requirements apply.[2] Moreover, assistance may be used only for activities consistent with the purposes of the Act.

[2] The Fund may provide up to $5 million of assistance per application to any one qualified insured depository CDFI and up to $2 million per application to any other qualified CDFI. Moreover, insured depository CDFIs must match Fund assistance with at least one dollar of private money for each dollar received from the Fund; the Board will determine matching requirements for other CDFIs. CDFIs are not required to match technical assistance; and insured depository CDFIs need not match assistance in the form of deposits or credit union shares of $100,000 or less.

III. Comments on Certain Outstanding Issues

A number of questions and issues have been raised since the President announced this program on July 15, and I would like to take this opportunity to discuss some of these issues. Most important among the latter are (1) the program's relationship to CRA, (2) the program's relationship to the Bank Enterprise Act, (3) the role of commercial banks, and (4) the governance of the Fund.

Relationship to Community Reinvestment Act

Some bankers and others have advocated giving banks that invest in community development financial institutions a safe harbor from CRA challenges, or the same CRA rating as the CDFI they invest in. However, we view the CDFI initiative as complementary to the CRA, and not as a trade-off for CRA obligations. While the CRA requires banks and thrifts to help meet the credit needs of the entire community in which they do business, the primary market of the typical bank or thrift remains mainstream America, not distressed America.

To make the CRA more responsive to the needs of low- and moderate-income populations, some revisions in its implementation are required. The current CRA system relies too heavily on documentation rather than actual performance. Accordingly, the President has requested that the four bank regulators issue, by the beginning of next year, new CRA regulations emphasizing actual performance in providing lending, investment, and banking services to low- and moderate-income people.

On balance, CRA reform should extend banks' activities deeper into needy sectors of their communities, while, at the same time, the CDFI program strengthens non-traditional lenders, helping to bring distressed communities more into mainstream America.

Relationship to Bank Enterprise Act

Some members of the Committee have expressed an interest in using the Bank Enterprise Act to promote community lending. In brief, the Act would reduce deposit insurance premiums for institutions that make qualified loans and investments in distressed communities. A Community Enterprise Assessment Credit Board would determine the amount of money necessary to provide credits that will induce the desired loans and investments.

We are looking carefully at the steps necessary to implement the BEA, including planning how it would operate and determining what it could achieve in a reasonable period of time. We intend to have more specifics to share with you later.

Role of Commercial Banks

Many bankers and others have advocated expanding the eligibility of institutions that may receive funding under the CDFI program to include commercial banks whose primary mission is not promoting community development. We find this argument difficult to accept for a number of reasons.

The primary intent of the CDFI program is to provide assistance to non-traditional lenders that have long had a primary mission of providing capital, credit, and other financial services to underserved populations and distressed areas. With funding for the program limited, we believe it is important that the program focus on institutions whose primary purpose is community development.

Also, lenders that do not have community development as their primary mission may still take advantage of other public sector programs designed to promote community development through small business and affordable housing financing. Included among these are SBA loan guarantees, low income housing tax credits, HUD loan guarantees for community development activities, and various affordable housing programs, which Secretary Cisneros is making more effective, among others.

Finally, commercial banks' financial capacity to support community development has seldom been greater. Banks as a group have returned to robust financial health following the difficulties of the past decade.[3]

Governance of the Fund

The Banking Committee's staff asked us to comment on an alternative model for the governance of the Fund. Under the alternative, the Fund would be headed by a single Administrator, similar to the Administrator of the Small Business Administration. The Administrator would be appointed by the President, with the advice and consent of the Senate. The Administrator would work with a 15-member Community Development Advisory Board, consisting of the Secretaries of Agriculture, Commerce, Housing and Urban Development, and Treasury; the Administrator of the Small Business Administration; and 10 private citizens, with relevant knowledge and experience, appointed by the President.

[3] The FDIC reports that commercial bank net income for the first quarter 1993 reached a record high $10.9 billion; average ROA rose to 1.24 percent; ROE reached a record 16.2 percent; and equity capital registered its largest quarterly increase since 1973 -- up $10.1 billion to 7.8 percent of total assets. According to the FDIC, the improvement in profitability was widespread: banks in all six regions of the country and in all four size groups had ROA averages exceeding 1 percent.

This structure, although different from that originally proposed by the Administration, accords with our objectives. The Fund remains a separate agency within the Executive Branch. The advisory board would provide the Fund with a balance of viewpoints between public and private interests. Because there would be fewer individuals involved in the direct management of the Fund, the alternative structure might reduce the Fund's administrative expenses without compromising major goals.

IV. Conclusion

As Secretary Bentsen noted in his testimony before this Committee in July, establishing a separate entity focused on community development financing would constitute an important step in responding to a demonstrable and critical need in distressed communities. This Administration is committed to empowering communities and individuals to help themselves. This legislation will help to turn that commitment into action.

Mr. Chairman, I want to take this opportunity to commend you, Senator D'Amato, and other members of the Committee for the seriousness and energy you are bringing to this effort. I want to assure you that the Administration looks forward to working with you to achieve our common objectives on a timely basis.

I would be pleased to respond to any questions you might have.

-30-

FROM RED TAPE TO RESULTS

CREATING A GOVERNMENT THAT WORKS BETTER & COSTS LESS

Report of the National Performance Review

Vice President Al Gore

FROM RED TAPE TO RESULTS

CREATING A GOVERNMENT THAT WORKS BETTER & COSTS LESS

Report of the National Performance Review

Vice President Al Gore

September 7, 1993

For sale by the U.S. Government Printing Office
Superintendent of Documents, Mail Stop: SSOP, Washington, DC 20402-9328

THE VICE PRESIDENT
WASHINGTON

September 7, 1993

The President
The White House
Washington, DC

Dear Mr. President,

The National Performance Review, the intensive, 6-month study of the federal government that you requested, has completed its work. This report represents the beginning of what must be, and — with your leadership — will be, a long-term commitment to change. The title of this report reflects our goals: moving from red tape to results to create a government that works better and costs less.

Many talented federal employees contributed to this report, bringing their experience and insight to a difficult and urgent task. We sought ideas and advice from all across America: from other federal workers, from state and local government officials, from management experts, from business leaders, and from private citizens eager for change. This report benefitted greatly from their involvement, and we intend for them to benefit from the reforms we are proposing here.

It is your vision of a government that works for people, cleared of useless bureaucracy and waste and freed from red tape and senseless rules, that continues to be the catalyst for our efforts. We present this report to you confident that it will provide an effective and innovative plan to make that vision a reality.

Sincerely,

Al Gore

Al Gore
Vice President

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PREFACE

We can no longer afford to pay more for—and get less from—our government. The answer for every problem cannot always be another program or more money. It is time to radically change the way the government operates—to shift from top-down bureaucracy to entrepreneurial government that empowers citizens and communities to change our country from the bottom up. We must reward the people and ideas that work and get rid of those that don't.

Bill Clinton and Al Gore
Putting People First[1]

The National Performance Review is about change—historic change—in the way the government works. The Clinton administration believes it is time for a new customer service contract with the American people, a new guarantee of effective, efficient, and responsive government. As our title makes clear, the National Performance Review is about moving from red tape to results to create a government that works better and costs less.

These are our twin missions: to make government *work better* and *cost less*. The President has already addressed the federal deficit with the largest deficit reduction package in history. The National Performance Review can reduce the deficit further, but it is not just about cutting spending. It is also about closing the *trust* deficit: proving to the American people that their tax dollars will be treated with respect for the hard work that earned them. We are taking action to put America's house in order.

The National Performance Review began on March 3, 1993, when President Clinton announced a 6-month review of the federal government and asked me to lead the effort. We organized a team of experienced federal employees from all corners of the government—a marked change from past efforts, which relied on outsiders.

We turned to the people who know government best—who know what works, what doesn't, and how things ought to be changed. We organized these people into a series of teams, to examine both agencies and cross-cutting systems, such as budgeting, procurement, and personnel. The President also asked all cabinet members to create Reinvention Teams to lead transformations at their departments, and Reinvention Laboratories, to begin experimenting with new ways of doing business. Thousands of federal employees joined these two efforts.

But the National Performance Review did not stop there. From the beginning, I wanted to hear from as many Americans as possible. I spoke with federal employees at every major agency and at federal centers across the country—seeking their ideas, their input, and their inspiration. I visited programs that work: a Miami school that also serves as a community center, a Minnesota pilot program that provides

benefits more efficiently by using technology and debit cards, a Chicago neighborhood that has put community policing to work, a U.S. Air Force base that has made quality management a way of life.

We also heard from citizens all across America, in more than 30,000 letters and phone calls. We sought the views of hundreds of different organizations, large and small. We learned from the experience of state and local leaders who have restructured their organizations. And we listened to business leaders who have used innovative management practices to turn their companies around.

At a national conference in Tennessee, we brought together experts to explore how best to apply the principles of reinventing government to improving family services. In Philadelphia's Independence Square, where our government was born, we gathered for a day-long "Reinventing Government Summit" with the best minds from business, government, and the academic community.

This report is the first product of our efforts. It describes roughly 100 of our most important actions and recommendations, while hundreds more are listed in the appendices at the end of this report. In the coming months, we will publish additional information providing more detail on those recommendations.

This report represents the beginning of what will be—what *must* be—an ongoing commitment to change. It includes actions that will be taken now, by directive of the President; actions that will be taken by the cabinet secretaries and agency heads; and recommendations for congressional action.

The National Performance Review focused primarily on *how* government should work, not on *what* it should do. Our job was to improve performance in areas where policymakers had already decided government should play a role.

We examined every cabinet department and 10 agencies. At two departments, Defense and Health and Human Services, our work paralleled other large-scale reviews already under way. Defense had launched a Bottom-Up Review to meet the President's 1994-1997 spending reduction target. In addition, comprehensive health and welfare reform task forces had been established to make large-scale changes in significant parts of Health and Human Services. Nevertheless, we made additional recommendations in both these departments and passed other findings on to the relevant task force for review.

The National Performance Review recommendations, if enacted, would produce savings of $108.0 billion over 5 years. As the table below indicates, $37 billion of these savings come from specific changes proposed in the agencies and departments of the government.

We also expect that the reinventions we propose will allow us to reduce the size of the civilian, non-postal workforce by 12 percent over the next 5 years. This will bring the federal workforce below two million employees for the first time since 1967. This reduction in the workforce will total 252,000 positions—152,000 over and above the 100,000 already promised by President Clinton.

Most of the personnel reductions will be concentrated in the structures of over-control and micromanagement that now bind the federal government: supervisors, headquarters staffs, personnel specialists, budget analysts, procurement specialists, accountants, and auditors. These central control structures not only stifle the

Clinton/Gore NPR Savings

(FY-1995-1999 $ in Billions)

Agencies	36.4
Streamlining the Bureaucracy through Reengineering	40.4
Procurement 5% annual savings in total procurement spending	22.5
Information Technology Savings due to consolidation and modernization of the information infrastructure	5.4
Intergovernmental Offer fee-for-service option in lieu of existing administrative costs	3.3
Total	**108.0**

(For a fuller description see Appendix A and Appendix B.)

creativity of line managers and workers, they consume billions per year in salary, benefits, and administrative costs. Additional personnel cuts will result as each agency reengineers its basic work processes to achieve higher productivity at lower costs—eliminating unnecessary layers of management and nonessential staff.

We will accomplish as much of this as possible through attrition, early retirement, and a time-limited program of cash incentives to leave federal service. If an employee whose job is eliminated cannot take early retirement and elects not to take a cash incentive to leave government service, we will help that employee find another job offer through out-placement assistance.

In addition to savings from the agencies and savings in personnel we expect that systematic reform of the procurement process should reduce the cost of everything the government buys. Our antiquated procurement system costs the government in two ways: first, we pay for all the bureaucracy we have created to buy things, and second, manufacturers build the price of dealing with this bureaucracy into the prices they charge us. If we reform the procurement system, we should be able to save $22 billion over 5 years.

As everyone knows, the computer revolution allows us to do things faster and more cheaply than we ever have before. Savings due to consolidation and modernization of the information infrastructure amount to $5.4 billion over 5 years.

Finally, by simplifying paperwork and reducing administrative costs, we expect to save $3.3 billion over 5 years in the cost of administering grant programs to state and local governments.

Many of the spending cuts we propose can be done by simplifying the internal organization of our departments and agencies. Others will require legislation. We recognize that there is broad support in Congress for both spending cuts and government reforms, and we look forward to working with Congress to pass this package of recommendations. As President Clinton said when he announced the National Performance Review:

> *This performance review is not about politics. Programs passed by both Democratic presidents and Republican presidents, voted on by members of Congress of both parties, and supported by the American people at the time, are being undermined by an inefficient and outdated bureaucracy, and by our huge debt. For too long the basic functioning of the government has gone unexamined. We want to make improving the way government does business a permanent part of how government works, regardless of which party is in power.*

We have not a moment to lose. President Kennedy once told a story about a French general who asked his gardener to plant a tree. "Oh, this tree grows slowly," the gardener said. "It won't mature for a hundred years."

"Then there's no time to lose," the general answered. "Plant it this afternoon."

Al Gore
Vice President of the United States

INTRODUCTION

Our goal is to make the entire federal government both less expensive and more efficient, and to change the culture of our national bureaucracy away from complacency and entitlement toward initiative and empowerment. We intend to redesign, to reinvent, to reinvigorate the entire national government."

President Bill Clinton
Remarks announcing the National Performance Review
March 3, 1993

Public confidence in the federal government has never been lower. The average American believes we waste 48 cents of every tax dollar. Five of every six want "fundamental change" in Washington. Only 20 percent of Americans trust the federal government to do the right thing most of the time—down from 76 percent 30 years ago.[1]

We all know why. Washington's failures are large and obvious. For a decade, the deficit has run out of control. The national debt now exceeds $4 trillion—$16,600 for every man, woman, and child in America.

But the deficit is only the tip of the iceberg. Below the surface, Americans believe, lies enormous unseen waste. The Defense Department owns more than $40 billion in unnecessary supplies.[2] The Internal Revenue Service struggles to collect billions in unpaid bills. A century after industry replaced farming as America's principal business, the Agriculture Department still operates more than 12,000 field service offices, an average of nearly 4 for every county in the nation—rural, urban, or suburban. The federal government seems unable to abandon the obsolete. It knows how to add, but not to subtract.

And yet, waste is not the only problem. The federal government is not simply broke; it is broken. Ineffective regulation of the financial industry brought us the savings and loan debacle. Ineffective education and training programs jeopardize our competitive edge. Ineffective welfare and housing programs undermine our families and cities.

We spend $25 billion a year on welfare, $27 billion on food stamps, and $13 billion on public housing—yet more Americans fall into poverty every year.[3] We spend $12 billion a year waging war on drugs—yet see few signs of victory. We fund 150 different employment and training programs—yet the average American has no idea where to get job training, and the skills of our workforce fall further behind those of our competitors.[4]

It is almost as if federal programs were *designed* not to work. In truth, few are "designed" at all; the legislative process simply churns them out, one after another, year after year. It's little wonder that when asked if "government always manages to mess things up," two-thirds of Americans say "yes."[5]

To borrow the words of a recent Brookings Institution book, we suffer not only a budget deficit but a performance deficit.[6] Indeed, public opinion experts argue that we are suffering the deepest crisis of faith in government in our lifetimes. In past crises—Watergate or the Vietnam War, for example—Americans doubted their leaders on moral or ideological grounds. They felt their government was deceiving them or failing to represent their values. Today's crisis is different: people simply feel that government doesn't work.[7]

In Washington, debate rarely focuses on the performance deficit. Our leaders spend most of their time debating policy issues. But if the vehicle designed to carry out policy is broken, new policies won't take us anywhere. If the car won't run, it hardly matters where we point it; we won't get there. Today, the central issue we face is not *what* government does, but *how* it works.

We need a federal government that delivers more for less. We need a federal government that treats its taxpayers as if they were customers and treats taxpayer dollars with respect for the sweat and sacrifice that earned them.

Vice President Al Gore
May 24, 1993

We have spent too much money for programs that don't work. It's time to make our government work for the people, learn to do more with less, and treat taxpayers like customers.

President Clinton created the National Performance Review to do just that. In this report we make hundreds of recommendations for actions that, if implemented, will revolutionize the way the federal government does business. They will reduce waste, eliminate unneeded bureaucracy, improve service to taxpayers, and create a leaner but more productive government. As noted in the preface, they can save $108 billion over 5 years if those which will be enacted by the President and his cabinet are added to those we propose for enactment by Congress. Some of these proposals can be enacted by the President and his cabinet, others will require legislative action. We are going to fight for these changes. We are determined to create a government that works better and costs less.

A Cure Worse Than The Disease

Government is not alone in its troubles. As the Industrial Era has given way to the Information Age, institutions—both public and private—have come face to face with obsolescence. The past decade has witnessed profound restructuring: In the 1980s, major American corporations reinvented themselves; in the 1990s, governments are struggling to do the same.

In recent years, our national leaders responded to the growing crisis with traditional medicine. They blamed the bureaucrats. They railed against "fraud, waste, and abuse." And they slapped ever more controls on the bureaucracy to prevent it.

But the cure has become indistinguishable from the disease. The problem is not lazy or incompetent people; it is red tape and regulation so suffocating that they stifle every ounce of creativity. No one would offer a drowning man a drink of water. And yet, for more than a decade, we have added red tape to a system already strangling in it.

The federal government is filled with good people trapped in bad systems: budget systems, personnel systems, procurement systems, financial management systems, information systems. When we blame the people and impose more controls, we make the systems worse. Over the past 15 years, for example, Congress has created within each agency an independent office of the inspector general. The idea was to root out fraud, waste, and abuse. The inspectors general have certainly uncovered important problems. But as we learned in conversation after conversation, they have so intimidated federal employees that many are now afraid to deviate even slightly from standard operating procedure.

Yet innovation, by its nature, requires deviation. Unfortunately, faced with so many controls, many employees have simply given up. They do everything by the book—whether it makes sense or not. They fill out forms that should never have been created, follow rules that should never have been imposed, and prepare reports that serve no purpose—and are often never even read. In the name of controlling waste, we have created paralyzing inefficiency. It's time we found a way to get rid of waste and encourage efficiency.

The Root Problem: Industrial-Era Bureaucracies in an Information Age

Is government inherently incompetent? Absolutely not. Are federal agencies filled with incompetent people? No. The problem is much deeper: Washington is filled with organizations designed for an environment that no longer exists—bureaucracies so big and wasteful they can no longer serve the American people.

From the 1930s through the 1960s, we built large, top-down, centralized bureaucracies to do the public's business. They were patterned after the corporate structures of the age: hierarchical bureaucracies in which tasks were broken into simple parts, each the responsibility of a different layer of employees, each defined by specific rules and regulations. With their rigid preoccupation with standard operating procedure, their vertical chains of command, and their standardized services, these bureaucracies were steady—but slow and cumbersome. And in today's world of rapid change, lightning-quick information technologies, tough global competition, and demanding customers, large, top-down bureaucracies—public or private—don't work very well. Saturn isn't run the way General Motors was. Intel isn't run the way IBM was.

Our people, of course, work hard for their money.... They want quality in the cars they buy. They want quality in their local schools. And they want quality in their federal government and in federal programs.

Senator John Glenn
Remarks introducing a hearing
on federal planning and performance
May 5, 1992

Many federal organizations are also monopolies, with few incentives to innovate or improve. Employees have virtual lifetime tenure, regardless of their performance. Success offers few rewards; failure, few penalties. And customers are captive; they can't walk away from the air traffic control system or the Internal Revenue Service and sign up with a competitor. Worse, most federal monopolies receive their money without any direct input from their customers. Consequently, they try a lot harder to please Congressional appropriations subcommittees than the people they are meant to serve. Taxpayers pay more than they should and get poorer service.

Politics intensifies the problem. In Washington's highly politicized world, the greatest risk is not that a program will perform poorly, but that a scandal will erupt. Scandals are front-page news, while routine failure is ignored. Hence control system after control system is piled up to minimize the risk of scandal. The budget system, the personnel rules, the procurement process, the inspectors general—all are designed to prevent the tiniest misstep. We assume that we can't trust employees to make decisions, so we spell out in precise detail how they must do virtually everything, then audit them to ensure that they have obeyed every rule.

During Vice President Gore's town hall meeting with employees of the Department of Housing and Urban Development (HUD), the following exchange took place:

Participant: *We had an article in our newsletter several months ago that said — the lead story was "I'd rather have a lobotomy than have another idea." And that was reflecting the problem of our Ideas Program here in HUD.*

Many of the employees have wonderful ideas about how to save money and so on, but the way it works is that it has to be approved by the supervisor and the supervisor's supervisor and the supervisor's supervisor's supervisor before it ever gets to the Ideas Program ...

Many of the supervisors feel threatened because they didn't think of this idea, and this money is wasted in their office, and they didn't believe or didn't know it was happening and didn't catch it. So they are threatened and feel that it will make them look bad if they recognize the idea.

Vice President Gore: *So they strangle that idea in the crib, don't they?*

Participant: *And then they strangle the person that had the idea.*

The slightest deviation prompts new regulations and even more audits.

Before long, simple procedures are too complex for employees to navigate, so we hire more budget analysts, more personnel experts, and more procurement officers to make things work. By then, the process involves so much red tape that the smallest action takes far longer and costs far more than it should. Simple travel arrangements require endless forms and numerous signatures. Straightforward purchases take months; larger ones take years. Routine printing jobs can take dozens of approvals.

This emphasis on process steals resources from the real job: serving the customer. Indeed, the federal government spends billions paying people who control, check up on, or investigate others—supervisors, headquarters staffs, budget officers, personnel officers, procurement officers, and staffs of the General Accounting Office (GAO) and the inspectors general.[8] Not all this money is wasted, of course. But the real waste is no doubt larger, because the endless regulations and layers of control consume every employee's time. Who pays? The taxpayer.

Consider but one example, shared with Vice President Gore at a meeting of federal employees in Atlanta. After federal marshals seize drug dealers' homes, they are allowed to sell them and use the money to help finance the war on drugs. To sell the houses, they must keep them presentable, which includes keeping the lawns mowed.

In Atlanta, the employee explained, most organizations would hire neighborhood teenagers to mow a lawn for $10. But procurement regulations require the U.S. Marshals Service to bid out all work competitively, and neighborhood teenagers don't compete for contracts. So the federal government pays $40 a lawn to professional landscape firms. Regulations designed to save money waste it, because they take decisions out of the hands of those responsible for doing the work. And taxpayers lose $30 for every lawn mowed.

What would happen if the marshals used their common sense and hired neighborhood teenagers? Someone would notice—perhaps the Washington office, perhaps the inspector general's office, perhaps even the GAO. An investigation might well follow—hindering a career or damaging a reputation.

In this way, federal employees quickly learn that common sense is risky—and creativity is downright dangerous. They learn that the goal is not to produce results, please customers, or save taxpayers' money, but to avoid mistakes. Those who dare to innovate do so quietly.

This is perhaps the saddest lesson learned by those who worked on the National Performance Review: Yes, innovators exist within the federal government, but many work hard to keep their innovations quiet. By its nature, innovation requires a departure from standard operating procedure. In the federal government, such departures invite repercussions.

The result is a culture of fear and resignation. To survive, employees keep a low profile. They decide that the safest answer in any given situation is a firm "maybe." They follow the rules, pass the buck, and keep their heads down. They develop what one employee, speaking with Vice President Gore at a Department of Veterans Affairs meeting, called "a government attitude."

The Solution: Creating Entrepreneurial Organizations

How do we solve these problems? It won't be easy. We know all about government's problems, but little about solutions. The National Performance Review began by compiling a comprehensive list of problems. We had the GAO's 28-volume report on federal management problems, published last fall. We had GAO's *High-Risk Series*, a 17-volume series of pamphlets on troubled programs and agencies. We had the House Government Operations Committee's report on federal mismanagement, called *Managing the Federal Government: A Decade of Decline.* And we had 83 notebooks summarizing just the tables of contents of reports published by the inspectors general, the Congressional Budget Office, the agencies, and think tanks.

Unfortunately, few of these studies helped us design solutions. Few of the investigating bodies had studied success stories—organizations that had solved their problems. And without studying success, it is hard to devise real solutions. For years, the federal government has studied failure, and for years, failure has endured. Six of every ten major agencies have programs on the Office of Management and Budget's "high-risk" list, meaning they carry a significant risk of runaway spending or fraud.

The National Performance Review approached its task differently. Not only did we look for potential savings and efficiencies, we searched for success. We looked for organizations that produced results, satisfied customers, and increased productivity. We looked for organizations that constantly learned, innovated, and improved. We looked for effective, entrepreneurial public organizations. And we found them: in local government, in state government, in other countries—and right here in our federal government.

At the Air Combat Command, for example, we found units that had doubled their productivity in 5 years. Why? Because the command measured performance everywhere; squadrons and bases competed proudly for the best maintenance, flight, and safety records; and top management had empowered employees to strip away red tape and redesign work processes. A supply system that had once required 243 entries by 22 people on 13 forms to get one spare part into an F-15 had been radically simplified and decentralized. Teams of employees were saving millions of dollars by moving supply operations to the front line, developing their own flight schedules, and repairing parts that were once discarded.[9]

At the Internal Revenue Service, we found tax return centers competing for the best productivity records. Performance on key customer service criteria—such as the accuracy of answers provided to taxpayers—had improved dramatically. Utah's Ogden Service Center, to cite but one example, had more than 50 "productivity improvement teams" simplifying forms and reengineering work processes. Not only had employees saved more than $11 million, they had won the 1992 Presidential Award for Quality.[10]

At the Forest Service, we found a pilot project in the 22-state Eastern Region that had increased productivity by 15 percent in just 2 years. The region had simplified its budget systems, eliminated layers of middle management, pared central headquarters

Americans voted for a change last November. They want better schools and health care and better roads and more jobs, but they want us to do it all with a government that works better on less money and that is more responsive.

President Bill Clinton
Remarks announcing the
National Performance Review
March 3, 1993

staff by a fifth, and empowered front-line employees to make their own decisions. At the Mark Twain National Forest, for instance, the time needed to grant a grazing permit had shrunk from 30 days to a few hours—because employees could grant permits themselves rather than process them through headquarters.[11]

We discovered that several other governments were also reinventing themselves, from Australia to Great Britain, Singapore to Sweden, the Netherlands to New Zealand. Throughout the developed world, the needs of information-age societies were colliding with the limits of industrial-era government. Regardless of party, regardless of ideology, these governments were responding. In Great Britain, conservatives led the way. In New Zealand, the Labor Party revolutionized government. In Australia and Sweden, both conservative and liberal parties embraced fundamental change.

In the United States, we found the same phenomenon at the state and local levels. The movement to reinvent government is as bipartisan as it is widespread. It is driven not by political ideology, but by absolute necessity. Governors, mayors, and legislators of both parties have reached the same conclusion: Government is broken, and it is time to fix it.

Where we found success, we found many common characteristics. Early on, we articulated these in a one-page statement of our commitment. In organizing this report, we have boiled these characteristics down to four key principles.

1. Cutting Red Tape

Effective, entrepreneurial governments cast aside red tape, shifting from systems in which people are accountable for following rules to systems in which they are accountable for achieving results. They streamline their budget, personnel, and procurement systems—liberating organizations to pursue their missions. They reorient their control systems to prevent problems rather than simply punish those who make mistakes. They strip away unnecessary layers of regulation that stifle innovation. And they deregulate organizations that depend upon them for funding, such as lower levels of government.

2. Putting Customers First

Effective, entrepreneurial governments insist on customer satisfaction. They listen carefully to their customers—using surveys, focus groups, and the like. They restructure their basic operations to meet customers' needs. And they use market dynamics such as competition and customer choice to create incentives that drive their employees to put customers first.

By "customer," we do not mean "citizen." A citizen can participate in democratic decisionmaking; a customer receives benefits from a specific service. All Americans are citizens. Most are also customers: of the U.S. Postal Service, the Social Security Administration, the Department of Veterans Affairs, the National Park Service, and scores of other federal organizations.

In a democracy, citizens and customers both matter. But when they vote, citizens seldom have much chance to influence the behavior of public institutions that directly affect their lives: schools, hospitals, farm service agencies, social security offices. It is a sad irony: citizens own their government, but private businesses they do not own work much harder to cater to their needs.

3. Empowering Employees to Get Results

Effective, entrepreneurial governments transform their cultures by decentralizing authority. They empower those who work on the front lines to make more of their own decisions and solve more of their own problems. They embrace labor-management cooperation, provide training and other tools employees need to be effective, and humanize the workplace. While stripping away layers and empowering front-line employees, they hold organizations accountable for producing results.

4. Cutting Back to Basics: Producing Better Government for Less

Effective, entrepreneurial governments constantly find ways to make government work better and cost less—reengineering how they do their work and reexamining programs and processes. They abandon the obsolete, eliminate duplication, and end special interest privileges. They invest in greater productivity, through loan funds and long-term capital investments. And they embrace advanced technologies to cut costs.

These are the bedrock principles on which the reinvention of the federal bureaucracy must build—and the principles around which we have organized our actions. They fit together much like the pieces of a puzzle: if one is missing, the others lose their power. To create organizations that deliver value to American taxpayers, we must embrace all four.

Our approach goes far beyond fixing specific problems in specific agencies. Piecemeal efforts have been under way for years, but they have not delivered what Americans demand. The failure in Washington is embedded in the very systems by which we organize the federal bureaucracy. In recent years, Congress has taken the lead in reinventing these systems. In 1990, it passed the Chief Financial Officers Act, designed to overhaul financial management systems; in July 1993, it passed the Government Performance and Results Act, which will introduce performance measurement throughout the federal government. With Congress's leadership, we hope to reinvent government's other basic systems, such as budget, personnel, information, and procurement.

Principles of the National Performance Review

We will invent a government that puts people first, by:

- Cutting unnecessary spending
- Serving its customers
- Empowering its employees
- Helping communities solve their own problems
- Fostering excellence

Here's how. We will:

- Create a clear sense of mission
- Steer more, row less
- Delegate authority and responsibility
- Replace regulations with incentives
- Develop budgets based on outcomes
- Expose federal operations to competition
- Search for market, not administrative, solutions
- Measure our success by customer satisfaction

Our approach has much in common with other management philosophies, such as quality management and business process reengineering. But these management disciplines were developed for the private sector, where conditions are quite different. In business, red tape may be bad, but it is not the suffocating presence it is in government. In business, market incentives already exist; no one need invent them. Powerful incentives are always at work, forcing organizations to do more with less. Indeed, businesses that fail to increase their productivity—or that tie themselves up in red tape—shrink or die. Hence, private sector management doctrines tend to overlook some central problems of government: its monopolies, its lack of a bottom line, its obsession with process rather than results. Consequently, our approach goes beyond private sector methods. It is aimed at the heart and soul of government.

The National Performance Review also shares certain goals with past efforts to cut costs in government. But our mission goes beyond cost-cutting. Our goal is not simply to weed the federal garden; it is to create a regimen that will *keep* the garden free of weeds. It is not simply to trim *pieces* of government, but to reinvent the way government does everything. It is not simply to produce a more efficient government, but to create a more *effective* one. After all, Americans don't want a government that fails more efficiently. They want a government that *works.*

To deliver what the people want, we need not jettison the traditional values that underlie democratic governance—values such as equal opportunity, justice, diversity, and democracy. We hold these values dear. We seek to transform bureaucracies precisely *because* they have failed to nurture these values. We believe that those who resist change for fear of jeopardizing our democratic values doom us to a government that continues—through its failures—to subvert those very values.

Our Commitment: A Long-Term Investment in Change

This is not the first time Americans have felt compelled to reinvent their government. In 1776, our founding fathers rejected the old model of a central power issuing edicts for all to obey. In its place, they created a government that broadly distributed power. Their vision of democracy, which gave citizens a voice in managing the United States, was untried and untested in 1776. It required a tremendous leap of faith. But it worked.

Later generations extended this experiment in democracy to those not yet enfranchised. As the 20th century dawned, a generation of "Progressives" such as Teddy Roosevelt and Woodrow Wilson invented the modern bureaucratic state, designed to meet the needs of a new industrial society. Franklin Roosevelt brought it to full flower. Indeed, Roosevelt's 1937 announcement of his Committee on Administrative Management sounds as if it were written today:

> *The time has come to set our house in order. The administrative management of the government needs overhauling. The executive structure of the government is sadly out of date .... If we have faith in our republican form of government ... we must devote ourselves energetically and courageously to the task of making that government efficient.*

Through the ages, public management has tended to follow the prevailing paradigm of private management. The 1930s were no exception. Roosevelt's committee—and the two Hoover commissions that followed—recommended a structure patterned largely after those of corporate America in the 1930s. In a sense, they brought to government the GM model of organization.

By the 1980s, even GM recognized that this model no longer worked. When it created Saturn, its first new division in 67 years, GM embraced a very different model. It picked its best and brightest and asked them to create a more entrepreneurial organization, with fewer layers, fewer rules, and employees empowered to do whatever was necessary to satisfy the customer. Faced with the very real threat of bankruptcy, major American corporations have revolutionized the way they do business.

Confronted with our twin budget and performance deficits—which so undermine public trust in government—President Clinton intends to do the same thing. He did not staff the Performance Review primarily with outside consultants or corporate experts, as past presidents have. Instead, he chose federal employees to take the lead. They consulted with experts from state government, local government, and the private sector. But as Vice President Gore said over and over at his meetings with federal employees: "The people who work closest to the problem know the most about how to solve the problem."

Nor did the effort stop with the men and women who staffed the Performance Review. President Clinton asked every cabinet member to create a Reinvention Team to redesign his or her department, and Reinvention Laboratories to begin experimenting immediately. Since April, people all across our government have been working full time to reinvent the federal bureaucracy.

The process is not easy, nor will it be quick. There are changes we can make immediately, but even if all of our actions are enacted, we will only have begun to reinvent the federal government. Our efforts are but a down payment—the first installment of a long-term investment in change. Every expert with whom we talked reminded us that change takes time. In a large corporation, transformation takes 6 to 8 years at best. In the federal government, which has more than 7 times as many employees as America's largest corporation, it will undoubtedly take longer to bring about the historic changes we propose.[12]

Along the way, we will make mistakes. Some reforms will succeed beyond our wildest dreams; others will not. As in any experimental process, we will need to monitor results and correct as we go. But we must not confuse mistakes with failure. As Tom Peters and Robert Waterman wrote in *In Search of Excellence,* any organization that is not making mistakes is not trying hard enough. Babe Ruth, the Sultan of Swat, struck out 1,330 times.

I would invite those who are cynical about the possibility of this change to ask themselves this question: What would your reaction have been 10 years ago if someone had said that in the summer of 1993 American automobile companies would be making the highest quality, most competitively priced cars in the world?

I know my reaction would have been, "No way. I am sorry, but I've bought too many clunkers. They can't do it. The momentum toward mediocrity is just too powerful."

But that change has taken place. And if an industry as large and as stodgy as the automobile industry can undergo that kind of transformation, then the federal government can as well.

Vice President Al Gore
Town Hall Meeting,
Department of Energy
July 13, 1993

With this report, then, we begin a decade-long process of reinvention. We hope this process will involve not only the thousands of federal employees now at work on Reinvention Teams and in Reinvention Labs, but millions more who are not yet engaged. We hope it will transform the habits, culture, and performance of all federal organizations.

Some may say that the task is too large; that we should not attempt it because we are bound to make mistakes; that it cannot be done. But we have no choice. Our government is in trouble. It has lost its sense of mission; it has lost its ethic of public service; and, most importantly, it has lost the faith of the American people.

In times such as these, the most dangerous course is to do nothing. We must have the courage to risk change.

Chapter 1

CUTTING RED TAPE

About 10 years ago, two foresters returned from a hard day in the field to make plans for the coming week. Searching for a detail of agency policy, they found themselves overwhelmed by voluminous editions of policy manuals, reports, and binders filled with thousands of directives. One forester recalled the very first Forest Service manual—small enough to fit into every ranger's shirt pocket, yet containing everything foresters needed to know to do their jobs.

"Why is it that when we have a problem," the other forester asked, "the solution is always to add something—a report, a system, a policy—but never take something away?"

The first replied: "What if... we could just start over?"[1]

The federal government does at least one thing well: It generates red tape. But not one inch of that red tape appears by accident. In fact, the government creates it all with the best of intentions. It is time now to put aside our reverence for those good intentions and examine what they have created—a system that makes it hard for our civil servants to do what we pay them for, and frustrates taxpayers who rightfully expect their money's worth.

Because we don't want politicians' families, friends, and supporters placed in "no-show" jobs, we have more than 100,000 pages of personnel rules and regulations defining in exquisite detail how to hire, promote, or fire federal employees.[2] Because we don't want employees or private companies profiteering from federal contracts, we create procurement processes that require endless signatures and long months to buy almost anything. Because we don't want agencies using tax dollars for any unapproved purpose, we dictate precisely how much they can spend on everything from staff to telephones to travel.

And because we don't want state and local governments using federal funds for purposes that Congress did not intend, we write regulations telling them exactly how to run most programs that receive federal funds. We call for their partnership in dealing with our country's most urgent domestic problems, yet we do not treat them as equal partners.

Consider some examples from the daily lives of federal workers, people for whom red tape means being unable to do their jobs as well as they can—or as well as we deserve.

The district managers of Oregon's million-acre Ochoco National Forest have 53 separate budgets—one for fence maintenance, one for fence construction, one for brush burning—divided into 557 management codes and 1,769 accounting lines. To transfer money between accounts, they need approval from headquarters. They estimate the task of tracking spending in each account consumes at least 30 days of their time every year, days they could spend doing their real jobs.[3] It also sends a message: You are not trusted with even the simplest responsibilities.

Or consider the federal employees who repair cars and trucks at naval bases. Each time they need a spare part, they order it through a central purchasing office—a procedure that can keep vehicles in the shop for a month. This keeps one-tenth of the fleet out of commission, so the Navy buys 10 percent more vehicles than it needs.[4]

Or how about the new Energy Department petroleum engineer who requested a specific kind of calculator to do her job? Three months later, she received an adding machine. Six months after that, the procurement office got her a calculator—a tiny, hand-held model that could not perform the complex calculations her work required. Disgusted, she bought her own.[5]

Federal managers read the same books and attend the same conferences as private sector managers. They know what good management looks like. They just can't put it into practice—because they face constraints few managers in the private sector could imagine.

Hamstrung by rules and regulations, federal managers simply do not have the power to shape their organizations enjoyed by private sector managers. Their job is to make sure that every dollar is spent in the budget category and the year for which it was appropriated, that every promotion is consistent with central guidelines, and that every piece of equipment is bought through competitive bidding. In an age of personal computers, they are asked to write with quill pens.

Never tell people how to do things. Tell them what you want to achieve, and they will surprise you with their ingenuity.

General George S. Patton
1944

This thicket of rules and regulations has layer upon layer of additional oversight. Each new procedure necessitates someone's approval. The result is fewer people doing real work, more people getting in their way. As management sage Peter Drucker once said, "So much of what we call management consists of making it difficult for people to work."[6]

As Robert Tobias, president of the National Treasury Employees Union, told participants at the Philadelphia Summit on Reinventing Government, "The regulations and statutes that bind federal employees from exercising discretion available in the private sector all come about as a response to the humiliations, mistakes, embarrassments of the past." Even though, as Tobias noted, "those problems are 15, 20, 30 years old," and "the regulations and the statutes don't change." The need to enforce the regulations and statutes, in turn, creates needless layers of bureaucracy.

The layers begin with "staff" agencies, such as the General Services Administration (GSA) and the Office of Personnel Management (OPM). These staff agencies were designed originally to provide specialized support for "line" agencies, such as the Interior and Commerce Departments, that do government's real work. But as rules and regulations began to proliferate, support turned into control. The Office of Management and Budget (OMB) which serves the President in the budget process, runs more than 50 compliance, clearance, and review processes. Some of this review is necessary to ensure budget control and consistency of agency actions—with each other and with the President's program—but much of it is overkill.

Line agencies then wrap themselves in even more red tape by creating their own budget offices, personnel offices, and procurement offices. Largely in response to appropriations committees, budget offices divide congressional budgets into increasingly tiny line items. A few years ago, for example, base managers in one branch of the military had 26 line items for housing repairs alone.[7] Personnel offices tell managers when they can and cannot promote, reward, or move employees. And procurement offices force managers to buy through a central monopoly, precluding agencies from getting what they need, when they need it.

What the staff agencies don't control, Congress does. Congressional appropriations often come with hundreds of strings attached. The Interior Department found that language in its 1992 House, Senate, and conference committee reports included some 2,150 directives, earmarks, instructions, and prohibitions.[8] As the federal budget tightens, lawmakers request increasingly specific report language to protect activities in their districts. Indeed, 1993 was a record year for such requests. In one appropriations bill alone, senators required the U.S. Customs Service to add new employees to its Honolulu office, prohibited closing any small or rural post office or U.S. Forest Service offices; and forbade the U.S. Mint and the Bureau of Engraving and Printing from even studying the idea of contracting out guard duties.

Even worse, Congress often gives a single agency multiple missions, some of which are contradictory. The Agency for International Development has more than 40 different objectives, disposing of American farm surpluses, building democratic institutions, and even strengthening the American land grant college system.[9] No wonder it has trouble accomplishing its real mission—promoting international development.

In Washington, we must work together to untangle the knots of red tape that prevent government from serving the American people well. We must give cabinet secretaries, program directors and line managers much greater authority to pursue their real purposes.

As Theodore Roosevelt said: "The best executive is the one who has the sense to pick good men to do what he wants done, and self-restraint enough to keep from meddling with them while they do it."

Our path is clear: We must shift from systems that hold people accountable for process to systems that hold them accountable for results. We discuss accountability for results in chapter 3. In this chapter, we focus on six steps necessary to strip away the red tape that so engulfs our federal employees and frustrates the American people.

First, we will streamline the budget process, to remove the manifold restrictions that consume managers' time and literally force them to waste money.

Second, we will decentralize personnel policy, to give managers the tools they need to manage effectively—the authority to hire, promote, reward, and fire.

Third, we will streamline procurement, to reduce the enormous waste built into the process we use to buy $200 billion a year in goods and services.

Fourth, we will reorient the inspectors general, to shift their focus from punishing those who violate rules and regulations to helping agencies learn to perform better.

Fifth, we will eliminate thousands of other regulations that hamstring federal employees, to cut the final Lilliputian ropes on the federal giant.

Finally, we will deregulate state and local governments, to empower them to spend more time meeting customer needs—particularly with their 600 federal grant programs—and less time jumping through bureaucratic hoops.

As we pare down the systems of over-control and micromanagement in government, we must also pare down the structures that go with them: the oversized headquarters, multiple layers of supervisors and auditors, and offices specializing in the arcane rules of budgeting, personnel, procurement, and finance. We cannot entirely do without headquarters, supervisors, auditors, or specialists, but these structures have grown twice as large as they should be.

Counting all personnel, budget, procurement, accounting, auditing, and headquarters staff, plus supervisory personnel in field offices, there are roughly 700,000 federal employees whose job it is to manage, control, check up on or audit others.[10] *This is one third of all federal civilian employees.*

Not counting the suffocating impact these management control structures have on line managers and workers, they consume $35 billion a year in salary and benefits alone.[11] *If Congress enacts the management reforms outlined in this report,* we will dramatically cut the cost of these structures. We will reinvest some of the savings in the new management tools we need, including performance measurement, quality management, and training. Overall, these reforms will result in the net elimination of approximately 252,000 positions. (This will include the 100,000 position reduction the President has already set in motion.)

A reduction of 252,000 positions will reduce the civilian, non-postal work force by almost 12 percent—bringing it below two million for the first time since the 1966.[12]

This reduction, targeted at the structures of control and micromanagement, is designed to improve working conditions for the average federal employee. We cannot empower employees to give us their best work unless we eliminate much of the red tape that now prevents it. We will do everything in the government's power to ease the transition for workers, whether they choose to stay with government, retire, or move to the private sector.

Our commitment is this: *If an employee whose job is eliminated cannot retire through our early retirement program, and does not elect to take a cash incentive to leave government service, we will help that employee find another job offer, either with government or in the private sector.*

Normal attrition will contribute to the reduction. In addition, we will introduce legislation to permit all agencies to offer cash payments to those who leave federal service voluntarily, whether by retirement or resignation. The Department of Defense (DOD) and intelligence community already have this "buy-out" authority; we will ask Congress to extend it to all agencies. We will also give agencies broad authority to offer early retirement and to expand their retraining, out-placement efforts, and other tools as necessary to accomplish the 12% reduction. Agencies will be able to use these tools as long as they meet their cost reduction targets.

These options will give federal managers the same tools commonly used to downsize private businesses. Even with these investments, the downsizing we propose will save the taxpayer billions over the next 5 years.

None of this will be easy. Downsizing never is. But the result will not only be a smaller workforce, it will also be a more empowered, more inspired, and more productive workforce.

As one federal employee told Vice President Gore at one of his many town meetings, "If you always do what you've always done, you'll always get what you always got." We can no longer afford to get what we've always got.

STEP 1: STREAMLINING THE BUDGET PROCESS

Most people can't get excited about the federal budget process, with its green-eyeshade analysts, complicated procedures, byzantine language, and reams of minutiae. Beyond such elements, however, lies a basic, unalterable reality. For organizations of all kinds, nothing is more important than the process of resource allocation: what goal is sought, how much money they have, what strings are attached to it, and what hurdles are placed before managers who must spend it.

In government, budgeting is never easy. After all, the budget is the most political of documents. If, as the political scientist Harold D. Lasswell once said, politics is "who gets what, when, how," the budget answers that question.[13] By crafting a budget, public officials decide who pays what taxes and who receives what benefits. The public's largesse to children, the elderly, the poor, the middle class, and others is shaped by the budgets that support cities, states, and the federal government.

But if budgeting is inherently messy, such messiness is costly. Optimally, the budget would be more than the product of struggles among competing interests. It also would reflect the thoughtful planning of our public leaders. No one can improve quality and cut costs without planning to do so.

Unfortunately, the most deliberate planning is often subordinated to politics, and is perhaps the last thing we do in constructing a budget. Consider our process. Early in the year, each agency estimates what it will need to run its programs in the fiscal year that begins *almost 2 years later*. This is like asking someone to figure out not only what they will be doing, but *how much it will cost 3 years later*—since that's when the money will be spent. Bureau and program managers typically examine the previous year's activity data and project the figures 3 years out, with no word from top political leaders on their priorities, or even on the total amount that they want to spend. In other words, planning budgets is like playing "pin the tail on the donkey." Blindfolded managers are asked to hit an unknown target.

OMB, acting for the President, then crafts a proposed budget through back-and forth negotiations with departments and agencies, still a year before the fiscal year it will govern. Decisions are struck on dollars—dollars that, to agencies, mean people, equipment, and everything else they need for their jobs. OMB's examiners may question agency staff as they develop options papers, OMB's director considers the options during his Director's Review meetings, OMB "passes back" recommended funding levels for the agencies, and final figures are worked out during a final appeals process.

Early the next year, the President presents a budget proposal to Congress for the fiscal year beginning the following October 1. Lawmakers, the media, and interest groups pore over the document, searching for winners and losers, new spending proposals, and changes in tax laws. In the ensuing months, Congress puts its own stamp on the plan. Although House and Senate budget committees, guide Congress' action, every committee plays a role.

Authorizing committees debate the merits of existing programs and the President's proposals for changes within their subject areas. While they decide which programs should continue and recommend funding levels, separate appropriations committees draft the 13 annual spending bills that actually comprise the budget.

Congressional debates over a budget resolution, authorization bills, and appropriations drag on, often into the fall. Frequently the President and Congress don't finish by October 1, so Congress passes one or more "continuing resolutions" to keep the money flowing, often at the previous year's level. Until the end, agency officials troop back and forth to OMB and to the Hill to make their case. States and localities, organizations and advocates seek time to argue their cause. Budget staffs work non-stop, preparing estimates and projections on how this or that change will affect revenues or spending. All this work is focused on making a budget—not planning or delivering programs.

Ironies riddle the process.

- Uncertainty reigns: Although they begin calculating their budget 2 years ahead, agency officials do not always know by October 1 how much they will have to spend and frequently don't even receive their money until well into the fiscal year.

- OMB is especially prone to question unspent funds—and reduce the ensuing year's budget by that amount. Agency officials inflate their estimates, driving budget numbers higher and higher. One bureau budget director claims that many regularly ask for 90 percent more than they eventually receive.

- Despite months of debate, Congress compresses its actual decision-making on the budget into such a short time frame that many of the public's highest priorities—what to do about drug addiction, for example, or how to prepare workers for jobs in the 21st century—are discussed only briefly, if at all.
- The process is devoid of the most useful information. We do not know what last year's money, or that of the year before, actually accomplished. Agency officials devise their funding requests based on what they got before, not whether it produced results.

In sum, the budget process is characterized by fictional requests and promises, an obsession with inputs rather than outcomes, and a shortage of debate about critical national needs. We must start to plan strategically—linking our spending with priorities and performance. First, we must create a rational budgeting system.

Action: ***The President should begin the budget process with an executive budget resolution, setting broad policy priorities and allocating funds by function for each agency.***[14]

Federal managers should focus primarily on the content of the budget, not on the process. A new executive budget resolution will help them do that. The President should issue a directive in early 1994 to mandate the use of such a resolution in developing his fiscal year 1996 budget. It will turn the executive budget process upside down.

To develop the resolution, officials from the White House policy councils will meet with OMB and agency officials. In those sessions, the administration's policy leadership will make decisions on overall spending and revenue levels, deficit reduction targets, and funding allocations for major inter-agency policy initiatives. The product of these meetings—a resolution completed by August—will provide agencies with funding ceilings and allocations for major policy missions. Then, bureaus will generate their own budget estimates, now knowing their agency's priorities and fiscal limits.

Our own Environmental Protection Agency (EPA) tried a similar approach in the 1970s as part of a zero-based budgeting trial run. Although zero-based budgeting fell short, participants said, two important advantages emerged: a new responsiveness to internal customer needs and a commitment to final decisions. When participants voted to cut research and development funds because they felt researchers ignored program needs, researchers began asking programs managers what kind of research would support their efforts. EPA also found that, after its leaders had agonized over funding, they remained committed to common decisions.

Critics may view the executive budget resolution process as a top-down tool that will stifle creative, bottom-up suggestions for funding options. We think otherwise. The resolution will render top officials responsible for budget totals and policy decisions, but will encourage lower-level

There are two ways to reduce expenditures. There is the intelligent way...going through each department and questioning each program. Then there is the stupid way: announcing how much you will cut and getting each department to cut that amount. I favor the stupid way.

Michel Belanger
Chairman, Quebec National Bank
May 7, 1992

ingenuity to devise funding options within those guidelines. By adopting this plan, we will help discourage non-productive micromanagement by senior department and agency officials.

Action: *Institute biennial budgets and appropriations.*[15]

We should not have to enact a budget every year. Twenty states adopt budgets for 2 years. (They retain the power to make small adjustments in off years if revenues or expenditures deviate widely from forecasts). As a result, their governors and legislatures have much more time to evaluate programs and develop longer-term plans.

Annual budgets consume an enormous amount of management time—time not spent serving customers. With biennial budgets, rather than losing months to a frantic "last-year's budget-plus-X-percent" exercise, we might spend more time examining which programs actually work.

The idea of biennial budgeting has been around for some time. Congressman Leon Panetta, now OMB director, introduced the first biennial budgeting bill in 1977, and dozens have been offered since. Although none have passed, the government has some experience with budget plans that cover 2 years or more. In 1987, the President and Congress drafted a budget plan for fiscal years 1988 and 1989 that set spending levels for major categories, enabling Congress to enact all 13 appropriations bills on time for the first time since 1977.

In addition, Congress directed the Defense Department to submit a biennial budget for fiscal 1988 and 1989 to give Congress more time for broad policy oversight. At the time, Congress asserted that a biennial budget would "substantially improve DOD management and congressional oversight," and that a two-year DOD budget was an important step toward across-the-board biennial budgeting. Administrations have continued to submit biennial budgets for DOD.

The 1990 Budget Enforcement Act and the 1993 Omnibus Budget Reconciliation Act set 5-year spending limits for discretionary spending and pay-as-you-go requirements for mandatory programs. With these multi-year caps in place, neither the President nor Congress has to decide the total level of discretionary spending each year. These caps provide even more reason for biennial budgets and appropriations. In Congress, 7 out of 10 members favor a biennial process with a 2-year budget resolution and multi-year authorizations. The time is ripe.

We recommend that Congress establish biennial budget resolutions and appropriations and multi-year authorizations. The first biennium should begin October 1, 1996, to cover fiscal years 1997 and 1998. After that, bienniums would begin October 1 of each even-numbered year. Such timing would allow President Clinton to develop the first comprehensive biennial federal budget, built on the new executive budget resolution. In off years, the President would submit only amendments for exceptional areas of concern, emergencies, or other unforeseen circumstances.

Biennial budgeting will not make our budget decisions easier, for they are shaped by competing interests and priorities. But it will eliminate an enormous amount of busy work that keeps us from evaluating programs and meeting customer needs.

Action: *OMB, departments, and agencies will minimize budget restrictions such as apportionments and allotments.*[16]

Congress typically divides its appropriations into more than 1,000 accounts. Committee reports specify thousands of other restrictions on using money. OMB apportions each account by quarter or year, and sometimes divides it into sub-accounts by line-item or object class—all to control over-spending. Departmental budget offices further divide the money into allotments.

Thus, many managers find their money fenced into hundreds of separate accounts. In some agencies, they can move funds among accounts. In others, Congress or the agency limits the transfer of funds, trapping the money. When that happens, managers must spend money where they have it, not where they need it. On one military base, for example, managers had no line item to purchase snowplow equipment, but they did have a maintenance account. When the snowplow broke down they leased one, using the maintenance account. Unfortunately, the 1-year lease cost $100,000—the same as the full purchase price.

Such stories are a dime a dozen within the federal bureaucracy. (They may be the only government cost that is coming down.) Good managers struggle to make things work, but, trapped by absurd constraints, they are driven to waste billions of dollars every year.

Stories about the legendary end-of-the-year spending rush also abound. Managers who don't exhaust each line item at year's end usually are told to return the excess. Typically, they get less the next time around. The result: the well-known spending frenzy. The National Performance Review received more examples of this source of waste—in letters, in calls, and at town meetings—than any other.

Most managers know how to save 5 or 10 percent of what they spend. But knowing they will get less money next year, they have little reason to save. Instead, smart managers spend every penny of every line item. Edwin G. Fleming, chief of the Resources Management Division of the Internal Revenue Service's Cleveland District, put it well in a letter to the Treasury Department's Reinvention Team:

> *Every manager has saved money, only to have his allocation reduced in the subsequent year. This usually happens only once, then the manager becomes a spender rather than a planner. Managing becomes watching after little pots of money that can't be put where it makes business sense because of reprogramming restrictions. So managers, who are monitors of these little pots of money, are rewarded for the ability to maneuver, however limitedly, through the baroque and bizarre world of federal finance and procurement.*

Solutions to these problems exist. They have been tested in local governments, in state governments, even in the federal government. Essentially, they involve budget systems with fewer line items, more authority for managers to move money among line items, and freedom for agencies to keep some or all of what they save—thus minimizing the incentive for year-end spending sprees.

Typically, federal organizations experimenting with such budgets have found that they can achieve better productivity, sometimes with less money.

During an experiment at Oregon's Ochoco National Forest in the 1980s, when dozens of accounts were reduced to six, productivity jumped 25 percent the first year and 35 percent more the second. A 1991 Forest Service study indicated that the experiment had succeeded in bringing gains in efficiency, productivity, and morale, but had failed to provide the Forest Service region with a mechanism for complying with congressional intent. After 3 years of negotiations, Washington and Region 6, where the Ochoco Forest is located, couldn't agree. The region wanted to retain the initial emphasis on performance goals and targets so forest managers could shift money from one account to another if they met performance goals and targets. Washington argued that Congress would not regard such targets as a serious measure of congressional intent. The experiment ended in March 1993.[17]

When the Defense Department allowed several military bases to experiment with what was called the Unified Budget Test, base commanders estimated that they could accomplish their missions with up to 10 percent less money. If this experience could be applied to the entire government, it could mean huge savings.

Beginning with their fiscal year 1995 submissions to OMB, departments and agencies will begin consolidating accounts to minimize restrictions and manage more effectively. They will radically cut the number of allotments used to subdivide accounts. In addition, they will consider using the Defense Department's Unified Budget plan, which permits shifts in funds between allotments and cost categories to help accomplish missions.

OMB will simplify the apportionment process, which hamstrings agencies by dividing their funding into amounts that are available, bit by bit, according to specified time periods, activities, or projects. Agencies often don't get their funding on time and, after they do, must fill out reams of paperwork to show that they adhered to apportionment guidelines. OMB will also expedite the "reprogramming" process, by which agencies can move funds within congressionally appropriated accounts. Currently, OMB and congressional subcommittees approve all such reprogrammings. OMB should automatically approve reprogramming unless it objects within a set period, such as five days.

While understandable in some cases, such earmarks hamper agencies that seek to manage programs efficiently. Agencies should work with appropriations subcommittees on this problem.

Action: *OMB and agencies will stop using full-time equivalent ceilings, managing and budgeting instead with ceilings on operating costs to control spending.*[18]

In another effort to control spending, both the executive and legislative branches often limit the number of each agency's employees by using full-time equivalent (FTE) limits. When agencies prepare their budget estimates, they must state how many FTEs they need in addition to how many dollars. Then, each department or agency divides that number into a ceiling for each bureau, division, branch, or other unit. Congress occasionally complicates the situation by legislating FTE floors.

Federal managers often cite FTE controls as the single most oppressive restriction on their ability to manage. Under the existing system, FTE controls are the only way to make good on the President's commitment to reduce the federal bureaucracy by 100,000 positions through attrition. But as we redesign the government for greater accountability, we need to use budgets, rather than FTE controls, to drive our downsizing. FTE ceilings are usually imposed independently of—and often conflict with—budget allocations. They are frequently arbitrary, rarely account for changing circumstances, and are normally imposed as across-the-board percentage cuts in FTEs for all of an agency's units—regardless of changing circumstances. Organizations that face new regulations or a greater workload don't get new FTE ceilings. Consequently, they must contract out work that could be done better and cheaper in-house. One manager at Vice President Gore's meeting with foreign affairs community employees at the State Department in May 1993 offered an example: his FTE limit had forced him to contract out for a junior programmer for the Foreign Service Institute. As it turned out, the programmer's hourly rate equaled the Institute Director's, so the move cost money instead of saving it.

The President should direct OMB and agency heads to stop setting FTE ceilings in fiscal year 1995.

For this transition, the agencies' accounting systems will have to separate true operating costs from program and other costs. Some agencies already have such systems in place; others must develop financial management systems to allow them to calculate these costs. We address this issue in a separate recommendation in chapter 3.

This recommendation fully supports the President's commitment to maintain a reduced federal workforce. Instead of controlling the size of the federal workforce by employment ceilings—which cause inefficiencies and distortions in managers' personnel and resource allocation decisions—this new system will control the federal workforce by dollars available in operating funds.

Action: ***Minimize congressional restrictions such as line items, earmarks, and eliminate FTE floors.***[19]

Congress should also minimize the restrictions and earmarks that it imposes on agencies. With virtually all federal spending under scrutiny for future cuts, Congress is increasingly applying earmarks to ensure that funding flows to favored programs and hometown projects.

Imagine the surprise of Interior Secretary Bruce Babbitt, who a few months after taking office discovered that he was under orders from Congress to maintain 23 positions in the Wilkes-Barre, Pennsylvania, field office of his department's anthracite reclamation program. Or that his department was required to spend $100,000 to train beagles in Hawaii to sniff out brown tree snakes. Edward Derwinski, former secretary of Veteran Affairs, was once summoned before the Texas congressional delegation to explain his plan to eliminate 38 jobs in that state.[20]

Action: ***Allow agencies to roll over 50 percent of what they do not spend on internal operations during a fiscal year.***[21]

As part of its 13 fiscal year 1995 appropriations bills, Congress should permanently allow agencies to roll over 50 percent of unobligated year-end balances in all appropriations for operations. It should allow agencies to use up to 2 percent of rolled-over funds to finance bonuses for employees involved. This approach, which the Defense Department and Forest Service have used successfully, would reward employees for finding more productive ways to work. Moreover, it would create incentives to save the taxpayers' money.

Shared savings incentives work. In 1989, the General Accounting Office (GAO) discovered that the Veterans Administration had not recovered $223 million in health payments from third parties, such as insurers. Congress then changed the rules, allowing the VA to hire more staff to keep up with the paperwork and also to keep a portion of recovered third-party payments for administrative costs. VA recoveries soared from $24 million to $530 million.[22]

If incentives to save are to be real, Congress and OMB will have to refrain from automatically cutting agencies' budgets by the amount they have saved when they next budget is prepared. Policy decisions to cut spending are one thing; automatic cuts to take back savings are quite another. They simply confirm managers' fears that they will be penalized for saving money. Agencies' chief financial officers should intervene in the budget process to ensure that this does not happen.

STEP 2: DECENTRALIZING PERSONNEL POLICY

Our federal personnel system has been evolving for more than 100 years—ever since the 1881 assassination of President James A. Garfield by a disappointed job seeker. And during that time, according to a 1988 Office of Personnel Management publication:

> *...anecdotal mistakes prompted additional rules. When the rules led to new inequities, even more rules were added. Over time...a maze of regulations and requirements was created, hamstringing managers...often impeding federal managers and employees from achieving their missions and from giving the public a high quality of service.*

Year after year, layer after layer, the rules have piled up. The U.S. Merit Systems Protection Board reports there are now 850

Catch-22

Our federal personnel system ought to place a value on experience. That's not always the case. Consider the story of Rosalie Tapia. Ten years ago, fresh from high school, she joined the Army and was assigned to Germany as a clerk. She served out her enlistment with an excellent record, landed a job in Germany as a civilian secretary for the Army, and worked her way up to assistant to the division chief. When the Cold War ended, Tapia wanted to return to the U.S. and transfer to a government job here.

Unfortunately, one of the dictates contained in the government's 10,000 pages of personnel rules says that an employee hired as a civil servant overseas is not considered a government employee once on home soil. Any smart employer would prefer to hire an experienced worker with an excellent service record over an unknown. But our government's policy doesn't make it easy. Ironically, Tapia landed a job with a government contractor, making more money— and probably costing taxpayers more—than a job in the bureaucracy would have paid.

pages of federal personnel law—augmented by 1,300 pages of OPM regulations on how to implement those laws and another 10,000 pages of guidelines from the Federal Personnel Manual.

On one topic alone—how to complete a standard form for a notice of a personnel action—the Federal Personnel Manual contains 900 pages of instructions. The full stack of personnel laws, regulations, directives, case law and departmental guidance that the Agriculture Department uses weighs 1,088 pounds.

Thousands of pages of personnel rules prompt thousands of pages of personnel forms. In 1991, for example, the Navy's Human Resources Office processed enough forms to create a "monument" 3,100 feet tall—six times the height of the Washington Monument.

Costs to the taxpayer for this personnel quagmire are enormous. In total, 54,000 personnel work in federal personnel positions.[23] We spend billions of dollars for these staff to classify each employee within a highly complex system of some 459 job series, 15 grades and 10 steps within each grade.

Does this elaborate system work? No.

After surveying managers, supervisors

and personnel officers in a number of federal agencies, the U.S. Merit Systems Protection Board recently concluded that federal personnel rules are too complex, too prescriptive, and often counterproductive.

Talk to a federal manager for 10 minutes: You likely will hear at least one personnel horror story. The system is so complex and rule-bound that most managers cannot even advise an applicant how to get a federal job. "Even when the public sector finds outstanding candidates," In 1989, Paul Volcker's National Commission on the Public Service explained, "the complexity of the hiring process often drives all but the most dedicated away." Managers who find it nearly impossible to hire the people they need sometimes flaunt the system by hiring people as consultants at higher rates than those same people would earn as federal employees. The average manager needs a year to fire an incompetent employee, even with solid proof. During layoffs, employees slated to be laid off can "bump" employees with less seniority, regardless of their abilities or performance—putting people in jobs they don't understand and never wanted.

Vice President Gore heard many stories of dissatisfaction as he listened to federal workers at meetings in their agencies. A supervisor at the Centers for Disease Control complained that it can take six to eight months and as many as 15 revisions to a job description in order to get approval for a position he needs to fill. A secretary from the Justice Department told the Vice President she was discouraged and overworked in an office where some secretaries were slacking off—with no system in place to reward the hard workers and take action against the slackers.

A worker from the Agency for International Development expressed her frustration at being so narrowly "slotted" in a particular GS series that she wasn't allowed to apply for a job in a slightly different GS series —even though she was qualified for the job. An Air Force lieutenant colonel told the vice president that her secretary was abandoning government for the private sector because she was blocked from any more promotions in her current job series. The loss would be enormous, the colonel told Gore, because her secretary was her "right-hand person". One of the Labor Department's regional directors for unemployment insurance complained that even though he is charged with running a multimillion a year program, he isn't allowed to hire a $45,000-a-year program specialist without getting approval from Washington.

To create an effective federal government, we must reform virtually the entire personnel system: recruitment, hiring, classification, promotion, pay, and reward systems. We must make it easier for federal managers to hire the workers they need, to reward those who do good work, and to fire those who do not. As the National Academy of Public Administration concluded in 1993, "It is not a question of whether the federal government should change how it manages its human resources. It must change."

Action: *OPM will deregulate personnel policy by phasing out the 10,000-page Federal Personnel Manual and all agency implementing directives.*[24]

We must enable all managers to pursue their missions, freed from the cumbersome red tape of current personnel rules. The President should issue a directive phasing out the Federal Personnel Manual and all agency implementing directives. The order will require that most personnel management authority be delegated to agencies' line managers at the lowest level practical in each agency. It will direct OPM to work with agencies to determine which FPM chapters, provisions, or supplements are essential, which are useful, and which are unnecessary. OPM will then replace the FPM and agency directives with manuals tailored to user needs, automated personnel processes, and electronic decision support systems.

Once some of the paperwork burden is eased, our next priority must be to give agency managers more control over who comes to work for them. To accomplish this, we propose to radically decentralize the government's hiring process.

Action: ***Give all departments and agencies authority to conduct their own recruiting and examining for all positions, and abolish all central registers and standard application forms.***[25]

We will ask Congress to pass legislation decentralizing authority over recruitment, hiring, and promotion. Under the present system, OPM controls the examination system for external candidates and recruits and screens candidates for positions that are common to all agencies, with agencies then hiring from among candidates presented by OPM. Under the new system, OPM could offer to screen candidates for agencies, but agencies need not accept OPM's offer.

Under this decentralized system, agencies will also be allowed to make their own decisions about when to hire candidates directly—without examinations or rankings —under guidelines to be drafted by OPM. Agencies able to do so should also be permitted to conduct their own background investigations of potential candidates.

We will make sure the system is fair and easy for job applicants to use, however, by making information about federal job openings available in one place. In place of a central register, OPM will create a government-wide, employment information system that allows the public to go to one place for information about all job opportunities in the federal government.

Next, we must change the classification system, introduced in 1949 to create fairness across agencies but now widely regarded as time-consuming, expensive, cumbersome, and intensely frustrating—for both workers and managers.

After an exhaustive 1991 study of the system, the National Academy of Public Administration recommended a complete overhaul of the system. Classification standards, NAPA argued, are "too complex, inflexible, out-of-date, and inaccurate," creating "rigid job hierarchies that cannot change with organizational structure." They drive some of the best employees out of their fields of expertise and into management positions, for higher pay. And managers seeking to create new positions often fight the system for months to get them classified and filled.[26]

> *First, we must cut the waste and make government operations more responsive to the American people. It is time to shift from top-down bureaucracy to entrepreneurial government that generates change from the bottom up. We must reward the people and ideas that work and get rid of those that don't.*
>
> **President Bill Clinton**
> February 17, 1993

There is strong evidence that agencies given authority to do these things themselves can do better. Using demonstration authority under the 1978 Civil Service Reform Act, several agencies have experimented with simpler systems. In one experiment, at the Naval Weapons Center in China Lake, California, and the Naval Oceans Systems Center, in San Diego, the system was simplified to a few career paths and only four-to-six broad pay bands within each path. Known as the "China Lake Experiment," it solved many of the problems faced by the two naval facilities. It:

- classified all jobs in just five career paths—professional, technical, specialist, administrative and clerical;

- folded all GS (General Schedule) grades into four, five, or six pay bands within each career path;

- allowed managers to pay market salaries to recruit people, to increase the pay of

Recognizing the importance of attracting and retaining highly qualified professionals in government service, one of the demoralizing and frustrating aspects is the fact that we are retained to do a job but not allowed the flexibility to carry it out, assume the responsiblity, and reap the rewards or be accountable for out actions.

Edith Houston
Town Hall Meeting,
U.S. Agency for International Development
May 26, 1993

outstanding employees without having to reclassify them, and to give performance-based bonuses and salary increases;

- automatically moved employees with repeated marginal performance evaluations down to the next pay band; and

- limited bumping to one career path, and based it primarily on performance ratings, not seniority.

Another demonstration at McClellan Air Force Base, in Sacramento, California, involved "gainsharing"—allowing employees to pocket some of the savings they achieved through cooperative labor-management efforts to cut costs. It generated $5 million in productivity savings in four years and saw improved employee performance; fewer grievances; less sick leave and absenteeism; and improved labor-management relations.

A third demonstration at more than 200 Agriculture Department sites tested a streamlined, agency-based recruiting and hiring system that replaced OPM's register process. Under OPM's system, candidates are arrayed and scored based on OPM's written tests or other examinations. In USDA's demonstration, however, the agency grouped candidates by its own criteria, such as education, experience or ability, then picked from those candidates. A candidate might qualify for a job, for example, with a 2.7 college grade point average. Agencies could create their own recruitment incentives, do their own hiring, and extend the probationary period for some new hires. Managers were far more satisfied with this system than the existing one.

Action: ***Dramatically simplify the current classification system, to give agencies greater flexibility in how they classify and pay their employees.***[27]

We will urge Congress to remove all the 1940s-era grade-level descriptions from the law and adopt an approach that is more modern. In addition, Congress should allow agencies to move from the General Schedule system to a broad-band system. OPM should develop such standard banding patterns, and agencies should be free to adopt one without seeking OPM's approval.

When agency proposals do not fit under a standard pattern, OPM should approve them as five-year demonstration projects that would be converted to permanent "alternative systems" if successful. OPM should establish criteria for broad-banding demonstration projects, and agencies' projects meeting those criteria should receive automatic approval.

These changes would give agencies greater flexibility to hire, retain, and promote the best people they find. They would help agencies flatten their hierarchies and promote high achievers without having to make them supervisors. They would eliminate much valuable time now lost to battles between managers seeking to promote or reward employees and personnel specialists administering a classification system with rigid limits. Finally, they would remove OPM from its role as "classification police."

To accompany agencies' new flexibility on classification and pay, they must also be given authority to set standards for their own workers and to reward those who do well.

Action: ***Agencies should be allowed to design their own performance management and reward systems, with the objective of improving the performance of individuals and organizations.*** [28]

The current government performance appraisal process is frequently criticized as a meaningless exercise in which most federal employees are given above-average ratings. We believe that agencies will be able to develop performance appraisals that are more meaningful to their employees. If they succeed, these new approaches will send a message that job performance is directly linked to workers' chances for promotion and higher pay.

Current systems to assess on-the-job performance were designed to serve multiple purposes: to enhance performance, to authorize higher pay for high performers, to retain high performers, and to promote staff development. Not surprisingly, they serve none of these purposes well.

Performance management programs should have a single goal: to improve the performance of individuals and organizations. Agencies should be allowed to develop programs that meet their needs and reflect their cultures, including incentive programs, gainsharing programs, and awards that link pay and performance. If agencies—in cooperation with employees—design their own systems, managers and employees alike should feel more ownership of them.

Finally, if performance measures are to be taken seriously, managers must have authority to fire workers who do not measure up. It is possible to fire a poor worker in the federal government, but it takes far too long. We believe this undermines good management and diminishes workers' incentives to improve.

> *There has to be a clear shared sense of mission. There have to be clearly understood goals. There have to be common values according to which decisions are made. There has to be trust placed in the employees who actually do the work, so that they will feel free to make decisions.*
>
> *They cannot be treated like automatons or children bound up in straightjackets and rules and regulations and told to do the same thing over and over and over again.*
>
> **Vice President Al Gore**
> August 4, 1993

Action: ***Reduce by half the time required to terminate federal managers and employees for cause and improve the system for dealing with poor performers.*** [29]

Agencies will reduce the time for terminating employees for cause by half. For example, agencies could halve the length of time during which managers and employees with unsatisfactory performance ratings are allowed to demonstrate improved performance.

To support this effort, we will ask OPM to draft and Congress to pass legislation to change the required time for notice of termination from 30 to 15 days. This legislation should also require the waiting period for a within-grade increase to be extended by the amount of time an employee's performance does not meet expectations. In other words, only the time that an employee is doing satisfactory work should be credited toward the required waiting period for a pay raise.

STEP 3: STREAMLINING PROCUREMENT

Every year, Washington spends about $200 billion buying goods and services. That's $800 per American. With a price tag like that, taxpayers have a right to expect prudent spending.

The federal government employs 142,000 workers dedicated to procurement.[30] The Federal Acquisition Regulation (FAR) ontrolling procurement runs 1,600 pages, with 2,900 more pages of agency-specific supplements.

These numbers document what most federal workers and many taxpayers already know: Our system relies on rigid rules and procedures, extensive paperwork, detailed design specifications, and multiple inspections and audits. It is an extraordinary example of bureaucratic red tape.

Like the budget and personnel systems, the procurement system was designed with the best of intentions. To prevent profiteering and fraud, it includes rigid safeguards. To take advantage of bulk purchasing, it is highly centralized. But the government wrote its procurement rules when retailing was highly stratified, with many markups by intermediaries. Today the game has changed considerably. Retail giants like Wal-Mart, Office Depot and Price Club are vertically integrated, eliminating the markups of intermediaries. Federal managers can buy 90 percent of what they need over the phone, from mail-order discounters. Bulk purchasing still has its advantages, but it is not always necessary to get the best price.

Our overly centralized purchasing system takes decisions away from managers who know what they need, and allows strangers—often thousands of miles away—to make purchasing decisions. The frequent result: Procurement officers, who make their own decisions about what to buy and how soon to buy it, purchase low-quality items, or even the wrong ones, that arrive too late.

This "secondhand" approach to purchasing creates another problem. When line managers' needs and experiences are not understood by the procurement officer, the government is unable to make decisions that reward good vendors and punish bad ones. As a result, vendors often "game" contracts—exploiting loopholes to require expensive changes. For example, in a major government contract for a computerized data network a few years ago, a vendor used slight underestimates of system demand in the contract specifications as an excuse to charge exorbitant prices for system upgrades. In the private sector, a manager could have used the incentive of future contracts to prevent such gaming; in the government, there is no such leverage.

The symptoms of what's wrong are apparent, too, from stories about small purchases.

One story that Vice President Gore has repeated in Washington over the past six months concerns steam traps. Steam traps remove condensation from steam lines in heating systems. Each costs about $100. But when one breaks, it leaks as much as $50 of steam a week. Obviously, a leaking steam trap should be replaced quickly.

When plumbers at the Sacramento Army Depot found leaking traps, however, their manager followed standard operating procedure. He called the procurement office, where an officer, who knew nothing about steam traps, followed common practice. He waited for enough orders to buy in bulk, saving the government about $10 per trap. There was no rule requiring him to wait— just a powerful tradition. So the Sacramento Depot didn't get new steam traps for a year. In the meantime, each of their leaking traps spewed $2,500 of steam. To save $10, the central procurement system wasted $2,500.

As the Vice President visited government agencies, he heard many more stories of wasteful spending—most of them

"Ash receivers, tobacco (desk type)..."

Our federal procurement system leaves little to chance.

When the General Services Administration wanted to buy ashtrays, it has some very specific ideas how those ashtrays—better known to GSA as "ash receivers, tobacco (desk type)," should be constructed.

In March 1993, the GSA outlined, in nine full pages of specifications and drawings, the precise dimensions, color, polish and markings required for simple glass ashtrays that would pass U.S. government standards.

A Type I, glass, square, $4^{1}/_{2}$ inch (114.3 mm) ash receiver must include several features: "A minimum of four cigarette rests, spaced equidistant around the periphery and aimed at the center of the receiver, molded into the top. The cigarette rests shall be sloped toward the center of the ash receiver. The rests shall be parallel to the outside top edge of the receiver or in each corner, at the manufacturer's option. All surfaces shall be smooth."

Government ashtrays must be sturdy too. To guard against the purchase of defective ash receivers, the GSA required that all ashtrays be tested. "The test shall be made by placing the specimen on its base upon a solid support (a 1 3/4 inch, 44.5mm maple plank), placing a steel center punch (point ground to a 60-degree included angle) in contact with the center of the inside surface of the bottom and striking with a hammer in successive blows of increasing severity until breakage occurs."

Then, according to paragraph 4.5.2., "The specimen should break into a small number of irregular shaped pieces not greater in number than 35, and it must not dice." What does "dice" mean? The paragraph goes on to explain: "Any piece 1/4 inch (6.4 mm) or more on any three of its adjacent edges (excluding the thickness dimension) shall be included in the number counted. Smaller fragments shall not be counted."

Regulation AA-A-710E, (superseding Regulation AA-A-710D).

produced by the very rules we have designed to prevent it. Take the case of government travel.

Because GSA selects a "contract airline" for each route, federal employees have few choices. If Northwest has the Washington-Tampa route, for instance, federal employees get routed through Detroit. If Northwest has the Boston-Washington route, employees have to use Northwest—even if USAir has more frequent flights at more convenient times. Workers told the Vice President of being routed through thousands of miles out of their way even if it cost them a day's worth of time—and a day's worth of taxpayers' money. Others told of being unable to take advantage of cheap "special fares" because they were not "government fares." And one worker showed the National Performance Review a memo from the Resolution Trust Corporation explaining that RTC workers would not be reimbursed for any travel expenses unless they signed their travel vouchers in blue ink!

Beyond travel, at every federal agency the Vice President visited, employees told stories about not getting supplies and equipment they needed, getting them late, or watching the government spend too much for them. At the Department of Health and Human Services, a worker told the Vice President that no matter how much his office needed a FAX machine—and how much time the machine would save workers—the purchase wouldn't be possible "without the signature of everyone in this room." An engineer from the National Institutes of Health added that in his agency, it takes more than a year to buy a computer, not a mainframe, but a personal computer! At the Transportation Department, a hearing-impaired employee told the Vice President of watching with dismay as her agency spent $600 to buy her a Telephone Device for the Deaf (TDD), when she knew she could buy one off the shelf for $300.

Anecdotes like these were documented in January 1993, when the Office of Federal Procurement Policy and the U.S. Merit Systems Protection Board collaborated on a survey of the procurement system's customers: federal managers. More than 1,000 responded. Their message: The system is not achieving what its customers want. It ignores its customers' needs, pays higher prices than necessary, is filled with peripheral objectives, and assumes that line managers cannot be trusted.

A study by the Center for Strategic and International Studies added several other conclusions. The procurement system adds costs without adding value; it impedes government's access to state-of-the-art commercial technology; and its complexity forces businesses to alter standard procedures and raise prices when dealing with the government.[31]

There is little disagreement that federal procurement must be reconfigured. We must radically decentralize authority to line managers, letting them buy much of what they need. We must radically simplify procurement regulations and processes. We must empower the system's customers by ending most government service monopolies, including those of the General Services Administration. As we detailed in Chapter 1, we must make the system competitive by allowing managers to use any procurement office that meets their needs.

As we take these actions, we must embrace these fundamental principles: integrity, accountability, professionalism, openness, competition—and value.

Action: *Simplify the procurement process by rewriting federal regulations—shifting from rigid rules to guiding principles.*[32]

The Federal Acquisition Regulation (FAR), the government's principal set of procurement regulations, contains too many rules. Rules are changed too often and are so process-oriented that they minimize discretion and stifle innovation, according to a Merit Systems Protection Board survey.[33] As one frustrated manager noted, the FAR does not even clearly state the main goal of procurement policy: "Is it to avoid waste, fraud, and abuse? Is it to implement a social-economic agenda? Is it to procure the government's requirements at a fair and reasonable cost?"

This administration will rewrite the 1,600-page FAR, the 2,900 pages of agency supplements that accompany it, and Executive Order 12352, which governs federal procurement. The new regulations will:

- shift from rigid rules to guiding principles;
- promote decision making at the lowest possible level;
- end unnecessary regulatory requirements;
- foster competitiveness and commercial practices;
- shift to a new emphasis on choosing "best value" products;

- facilitate innovative contracting approaches; and

- recommend acquisition methods that reflect information technology's short life cycle.

- develop a more effective process to listen to its customers: line managers, government procurement officers and vendors who do business with the government.

Action: *The GSA will significantly increase its delegated authority to federal agencies for the purchase of information technology, including hardware, software, and services.*[34]

In 1965, when "automated data processing" meant large, mainframe computers —often developed specifically for one customer—Congress passed the Brooks Act. It directed GSA to purchase, lease, and maintain such equipment for the entire federal government. The Act also gave GSA authority to delegate to agencies these same authorities. In 1986, Congress extended the requirement to software and support services.

Today, with most computer equipment commercially available in highly competitive markets, the advantages of centralized purchasing have faded and the disadvantages grown. The federal government takes, on average, more than four years to buy major information technology systems; the private sector takes 13 months. Due to rapidly changing technology, the government often buys computers that are state-of-the-art when the purchase process begins and when prices are negotiated, but which are almost obsolete when computers are delivered. The phenomenon is what one observer calls "getting a 286 at a 486 price."

Currently, the GSA authorizes agencies to make individual purchases up to $2.5 million in equipment and services on their own. The GSA Administrator will raise authorization levels to $50 million, $20 million and $5 million. These levels will be calculated according to each agency's size, the size of its information technology budget, and its management record. In some cases, GSA may grant an agency greater or unlimited delegation.

GSA will also waive requirements that agencies justify their decisions to buy information technology items under $500,000 that are mass-produced and offered on the open market.

Action: *GSA will simplify the procurement process by allowing agencies to buy where they want, and testing a fully "electronic marketplace."*[35]

The government buys everything from forklifts and snowplows to flak jackets and test tubes through a system called the Multiple Award Schedule program, which includes more than one million separate items.

Under this program, GSA negotiates and awards contracts to multiple vendors of comparable products and services, at varying prices. GSA then creates a "supply schedule" for a particular good or service, identifying all vendors that have won contracts as well as the negotiated prices. Of GSA's 154 schedules, civilian agencies must must buy from 117. In ordering from schedules, agencies still must comply—in addition—with the Federal Acquisition Regulation, Federal Information Resources Management Regulation, and Federal Property Management Regulation.

In most cases, we should not limit managers to items on the supply schedules. If they can find the same or a comparable product for less, they should be free to buy it. Mandatory schedules should apply only when required by law, to ensure standardization, or when agencies voluntarily create team pools that buy in bulk for lower prices. In addition, GSA should revise regulations that currently limit agencies from buying more than $300,000 of information technology items on supply schedules, raise them to $500,000 and provide a higher limit for individual items costing more than $500,000.

To make supply schedules more user-friendly, GSA should conduct several pilot tests. One should test an "electronic marketplace," in which GSA would not negotiate prices. Instead, suppliers would list products and prices electronically, and agencies would electronically order the lowest-priced item that met their needs. Suppliers, at any time, would be able to add new products and change prices. Such a pilot would test whether visible price competition will cut prices and give line managers easier access to rapidly changing products.

Action: *Allow agencies to make purchases under $100,000 through simplified purchase procedures.*[36]

Under current law, agencies are allowed to make purchases of less than $25,000 on their own, using simple procurement procedures. These small purchases, on average, take less than a month to complete; purchases of more than $25,000 normally take more than three months. If Congress raised the threshold to $100,000, agencies could use simplified procedures on another 45,550 procurements—with a total value of $2.5 billion.

Congress should keep current rules that reserve small purchases for small businesses and should improve access to information on procurements of more than $25,000. To ensure that small business receives adequate notice of possible procurements, the federal government, with OMB as the lead agency, should adopt an electronic notification system.

Action: *Rely more on the commercial marketplace.*[37]

The government can save enormous amounts of money by buying more commercial products instead of requiring products to be designed to government-unique specifications. Our government buys such items as integrated circuits, pillows, and oil pans, designed to government specifications—even when there are equally good commercial products available.

We recommend that all agency heads be instructed to review and revise internal purchasing procedures and rules to allow their agencies to buy commercial products whenever practical and to take advantage of market conditions.

We will ask the Office of Management and Budget to draft a new federal commercial code with commercial-style procedures, and then ask Congress to adopt the new code and remove impediments to this money-saving approach to procurement.

Action: *Bring federal procurement laws up to date.*[38]

There are four federal labor laws implemented through the federal procurement process. Each was passed because of valid and well founded concerns about the welfare of working Americans. But as part of our effort to make the government's procurement process work more efficiently, we must consider whether those laws are still necessary—and whether the burdens they impose on the procurement system are reasonable ones.

The Davis-Bacon Act of 1931 requires that each repair or construction contract in excess of $2,000 for work on a public building specify that the prevailing area minimum wage be paid to workers on that contract. The law was passed because Congress feared that without it, federal contracts awarded through a sealed bid process could undermine local prevailing wages. While Congress shifted the government's focus to an open bidding process in 1984, we acknowledge that concerns about the impact of government contracts on prevailing wages are still valid.

Recognizing that the original $2,000 threshold in the law was set more than 60 years ago, we recommend that Congress modify the Davis-Bacon Act by raising the threshold for compliance to $100,000, a change similar to that proposed by Senator Kennedy in March 1993.

The Service Contract Act of 1965 has purposes similar to those of the Davis-Bacon Act, and applies to service contracts in excess of $2,500. It requires contractors to pay the minimum prevailing wage and specified fringe benefits. To keep contractors from "locking in" their wage agreements at low levels, the law imposes a five-year limit on service contracts and requires new wage determinations every two years.

We suggest that the five-year limit is inconsistent with the government's interest in entering into long-range contracts. We will urge Congress to increase the limit up to 10 years while retaining the two-year wage adjustment requirement.

The Copeland Anti-Kickback Act of 1934 regulates payroll deductions on federal and federally assisted construction. The law prohibits anyone from inducing employees to give up any part of their compensation and requires contractors to submit weekly statements of compliance and detailed weekly payroll reports to the Labor Department.

We suggest that such detailed reporting is an unreasonable burden on federal contractors, and we will urge Congress to modify the act. We suggest eliminating requirements for weekly reports and requiring contractors instead to certify with each payment that they have complied with the law. Contractors would also be required to keep records to prove their compliance for three years.

The Walsh-Healey Public Contracts Act requires contractors that supply materials to the federal government through contracts in excess of $10,000 to pay all workers the federal minimum wage, to agree that no employee is required to work more than 40 hours a week, and to avoid using convict labor or workers under the age of 16.

Over time, each of the requirements of the Walsh-Healey Act—with the exception of the provision relating to convict labor—has been superseded by other federal legislation. We therefore urge Congress to remove the burden of certifying compliance with redundant laws from federal contractors. Within 30 days of the repeal of that law, the President should amend Executive Order 11755 to include the convict labor provisions of the Walsh-Healey Act.

STEP 4: REORIENTING THE INSPECTORS GENERAL

Responding to growing concern about waste, fraud, and abuse in government, Congress passed the Inspector General Act in 1978. This act and subsequent amendments created the 60 Inspectors General offices that today employ 15,000 federal workers, including postal inspectors.

The act was broad in scope, requiring IGs to promote the efficiency, economy and integrity of federal programs with auditing program expenditures, and investigating possible fraud and abuse.

The inspectors general, who are independent of the agencies in which they operate, report to Congress twice a year. These reports detail how much money IG audits have recovered or put to better use and the number of convictions resulting from their criminal investigations. The IGs also send the audit reports to the heads of their agencies and forward investigations for criminal prosecution to the U.S. Attorney General.

The Inspector General Act's two central mandates, combined with the last two administrations' eagerness to highlight "waste, fraud and abuse," have shaped the evolution of the IG offices. The standard by which they are evaluated is finding error or fraud: The more frequently they find mistakes, the more successful they are judged to be. As a result, the IG staffs often develop adversarial relations with agency managers—who, in trying to do things better, may break rules.

At virtually every agency he visited, the Vice President heard federal employees complain that the IGs' basic approach inhibits innovation and risk taking. Heavy-handed enforcement—with the IG watchfulness compelling employees to follow every rule, document every decision, and fill out every form—has had a negative effect in some agencies.

Action: ***Broaden the focus of the Inspectors General from strict compliance auditing to evaluating management control systems.***[39]

In a government focused on results, the Inspectors General can play a key role not only in controlling managers' behavior by monitoring it, but in helping to improve it. Today, they audit for strict compliance with rules and regulations. In the future, they should help managers evaluate their management control systems. Today, they look for "waste, fraud, and abuse." In the future, they should also help improve systems to prevent waste, fraud and abuse, and ensure efficient, effective service.

Many IGs have already begun to help their agencies this way. At the Justice Department, for example some offices were inefficient in completing background and security clearances. The Inspector General's office examined the problem, then recommended setting up a central database to manage the clearance process and warn officials automatically when they are about to miss deadlines for completing investigations. Similarly, the Inspector General of the Department of Health and Human Services has long been engaged in program evaluations to help agencies uncover inefficiencies. While the Inspector General's office retains the right to conduct formal audits and criminal investigations, it also uses its role as a neutral observer to collaborate on making programs work better.

Congress need pass no legislation to make this happen. Promoting the efficiency and integrity of government programs was part of the IGs' original mandate. But such change will require a cultural revolution within many IG offices, and we recommend two steps to help guide such a change. First-line managers, who are the IG front-line customers, should be surveyed periodically to see whether they believe the IGs are helping them improve performance. Second, criteria should be established for judging IG performance.

STEP 5: ELIMINATING REGULATORY OVERKILL

Reinventing our budget, personnel and procurement systems will strip away much—but not all—of the red tape that makes our governing processes so cumbersome. Thousands upon thousands of outdated, overlapping regulations remain in place. These regulations affect the people inside government and those who deal with it from the outside. Inside government, we have no precise measurement of how much regulation costs or how much time it steals from productive work. But there's no disagreement that the costs are enormous. And on the matter of external regulation, a 1993 study concluded that the cost to the private sector of complying with regulations is at least $430 billion annually—9 percent of our gross domestic product! [40]

We must clear the thicket of regulation by undertaking a thorough review of the regulations already in place and redesigning regulatory processes to end the proliferation of unnecessary and unproductive rules. We have worked closely with administration officials responsible for developing a new approach to regulatory review, and incorporated that work into the following action.

Action: ***The President should issue a directive requiring all federal agencies to review internal government regulations over the next 3 years, with a goal of eliminating 50 percent of those regulations.***[41]

Can regulations be eliminated? The answer is yes, as evidenced by promising experiments in several federal agencies.

In the Management Efficiency Pilot Program (MEPP) in five of the Department of Veterans' Affairs regional benefits offices, the offices were encouraged to do away with red tape.[42] At several benefits offices, 895 of 1,969 regulations were dropped, saving the staff more than 3,000 hours and $640,000 in one year. And productivity at MEPP centers increased by 35 percent in one year (1988-89), more than double the increase at other centers. A similar effort by five VA medical centers redirected $13.1 million to much-needed funding for acute care centers.

An even more sweeping example of a fresh start in internal regulations comes from the Air Force, where the Chief of Staff has established a servicewide program to streamline the organization and cut out bureaucracy. Under the Policy Review Initiative begun in 1992, the Air Force is replacing 1,510 regulations with 165 policy directives and 750 sets of instructions. This effort will cut 55,000 pages of intermingled policy and procedure to about 18,000 pages clearly separating policy from procedure. This deregulation effort, managed by a staff of 10, is expected to be completed in fiscal year 1994.

Over the next 3 years, each federal agency will undertake a thorough and systematic review of its internal regulations. Agencies may choose their own strategies for reaching the goal of reducing internal regulations by 50 percent.

Action: ***Improve inter-agency coordination of regulations to reduce unnecessary regulation and red tape.***[43]

In 1981, frustrated at the inconsistencies and duplication among federal regulatory efforts and their burden on government and the private sector, President Reagan required the Office of Management and Budget specifically, the Office of Information and Regulatory Affairs (OIRA) to review all regulations proposed by executive agencies.

With a limited staff, many of whom are also involved with paperwork reduction issues, the review process for proposed regulations can be lengthy. And while a lengthy review process may be appropriate for significant rules, it is a waste of time for others.

> *We can lick gravity, but sometimes the paperwork is overwhelming.*
>
> **Wernher von Braun**

In early 1993, Vice President Gore convened an informal working group to recommend changes in the regulatory review process. The working group and the National Performance Review coordinated their efforts closely. We endorse the recommendations of the working group and the President's executive order, which will implement those changes and streamline the regulatory review process.

The order will enhance the planning process and encourage agencies to consult with the public early in that process. In addition, in an effort to coordinate the regulatory actions of all executive agencies, the Vice President will meet annually with agency heads, and the Administrator of OIRA will hold quarterly meetings with representatives of executive agencies and the administration.

Improving the regulatory review process also means being selective in reviewing regulations. Through this order, the President will instruct OIRA to review only *significant* regulations—not, as under the current process, *all* regulations. The new review process, which will take into account a broad range of costs and benefits, will be more useful and realistic.

To ease the adverse effects of regulation on citizens, businesses, and the economy as a whole, the executive order also will require an ongoing review of existing regulations. Agencies will identify regulations that are cumulative, obsolete, or inconsistent, and, where appropriate, eliminate or modify them. They will also identify legislative mandates that require them to impose unnecessary or outdated regulations.

Action: *Establish a process by which agencies can more widely obtain waivers from regulations.*[44]

With the advent of the Government Performance and Results Act, which Congress passed in July 1993, we have begun to acknowledge the important principle of "flexibility in return for accountability."

Under the act, some agencies may apply for waivers from federal regulations if they meet specific performance targets. In other words, they will be exempt from some administrative requirements if they do their jobs better. The law applies only to internal regulations and government agencies, but it also urges wider waivers authority to test the potential benefits. In the spirit of that legislation, we seek to expand the concept of greater flexibility for greater accountability.

The President should direct each federal agency to establish and publish,in a timely manner, an open process through which other federal agencies can obtain waivers from that agency's regulations—with an expedited appeals process.

Rules adopting this new waiver process would state that all future agency regula-tions would be subject to the waiver process unless explicitly prohibited. We will also ask Congress to specify that legislation would be subject to waivers unless explicitly prohibited.

Action: *Reduce the burden of congressionally mandated reports.*[45]

Woodrow Wilson was right. Our country's 28th president once wrote that "there is no distincter tendency in congressional history than the tendency to subject even the details of administration" to constant congressional supervision.

One place to start in liberating agencies from congressional micromanagement is the issue of reporting requirements. Over the past decades, we have thrown layer upon layer of reporting requirements on federal agencies, creating an almost endless series of required audits, reports, and exhibits.

Today the annual calendar is jammed with report deadlines. On August 31 of each year, the Chief Financial Officers (CFO) Act requires that agencies file a 5-year financial plan and a CFO annual report. On September 1, budget exhibits for financial management activities and high risk areas are due. On November 30, IG reports are expected, along with reports required by the Prompt Payment Act. On January 31, reports under the Federal Civil Penalties Inflation Report Adjustment Act of 1990 come due. On March 31, financial statements are due and on May 1 annual single-audit reports must be filed. On May 31 another round of IG reports are due. At the end of July and December, "high-risk" reports are filed. On August 31, it all begins again. And these are just the major reports!

In fiscal year 1993, Congress required executive branch agencies to prepare 5,348 reports.[46] Much of this work is duplicative. And because there are so many different sources of information, no one gets an integrated view of an agency's condition—least of all the agency manager who needs accurate and up to date numbers. Meanwhile, trapped in this blizzard of paperwork, no one is looking at results.

We propose to consolidate and simplify reporting requirements, and to redesign them so that the manager will have a clear picture of the agency's financial condition, the condition of individual programs, and the extent to which the agency is meeting its objectives. We will ask Congress to pass legislation granting OMB the flexibility to consolidate and simplify statutory reports and establishing a sunset provision in any reporting requirements adopted by Congress in the future.

STEP 6: EMPOWER STATE AND LOCAL GOVERNMENTS

What we usually call "government" is, in fact, a tangle of different levels of government agencies—some run from Washington, some in state capitals, and some by cities and towns. In the United States, in fact, some 80,000 "governments" run everything from local schools and water supply systems to the Defense Department and overseas embassies. Few taxpayers differentiate among levels of government, however to the average citizen, a tax is a tax—and a service a service—regardless of which level of government is responsible. To reinvent government in the public's eyes, we must address the web of federal-state-local relations.

Washington provides about 16 percent of the money that states and localities spend and shapes a much larger share of such spending through mandates. Much of Washington's domestic agenda, $226 billion to be precise, consists of programs actually run by states, cities, and counties. But the federal government doesn't always distribute its money—or its mandates—wisely.

For starters, Washington allocates federal money through an array of more than 600 different grant programs. Many are small: 445 of them distribute less than $50 million a year nationwide; some 275 distribute less than $10 million. Through grants, Congress funds some 150 education and training programs, 100 social service programs, and more than 80 health care programs.

Considered individually, many categorical grant programs make sense. But together, they often work against the very purposes for which they were established. When a department operates small grant programs, it produces more bureaucracy, not more services. Thousands of public employees—at all levels of government—spend millions of hours writing regulations, writing and reviewing grant applications, filling out forms, checking on each other, and avoiding oversight. In this way, professionals and bureaucrats siphon money from the programs' intended customers: students, the poor urban residents and others. And states, and local governments find their money fragmented into hundreds of tiny pots, each with different, often contradictory rules, procedures, and program requirements.

Henry Cisneros, Secretary of Housing and Urban Development, likens federal grants to a system of pipelines spreading out across the country. The "water," says Cisneros, reaches states and localities through hundreds of individual pipelines. This means there is little chance for the water to be mixed, properly calibrated to local needs, or concentrated to address a specific problem, geographic area, or population.

Were we directed from Washington when to sow and when to reap, we should soon want for bread.

Thomas Jefferson
1826

In employment and training, for example, Washington funds training programs, literacy programs, adult education programs, tuition grant programs, and vocational education programs. Different programs are designed for different groups—welfare recipients, food stamp recipients, displaced homemakers, youth in school, drop-outs, "dislocated workers," workers displaced by foreign trade, and on and on.

At a plant in Pittsfield, Massachusetts, General Electric recently laid off a large group of workers. Some workers could get Trade Adjustment Assistance benefits, because their jobs were lost to foreign competition. Others could not; their jobs fell to defense cutbacks. Because they have a union, people working in one area began exercising their seniority rights and bumping people in other areas. Some workers bumped from trade-affected jobs to defense contracting jobs, then lost those a few weeks later. Under federal regulations, they could no longer get Trade Adjustment Assistance. Thus, friends who had spent years working side by side found themselves with very different benefits. Some got the standard 6 months of unemployment checks. Others got 2 years of unemployment checks and extensive retraining support. Try explaining that to people who have lost the only jobs they've ever held!

People who run such programs struggle to knit together funds from three, four, or five programs, hoping against hope that workers get enough retraining to land decent new jobs. But the task is difficult; each program has its own requirements, funding cycles, eligibility criteria, and the like. One employment center in Allegheny County, New York, has tried hard to bring several programs together and make them appear as seamless as possible to the customers. At the end of the day, to accommodate reporting requirements, the staff enters information on each customer at four different computer terminals: one for Job Training Partnership Act (JTPA) programs, one for the JOBS program, one for the Employment Service, and one for tracking purposes.

When Congress enacted JTPA, it sought to avoid such problems. It let local areas tailor their training programs to local needs. But federal rules and regulations have gradually undermined the good intentions. Title III, known as the Economic Dislocation and Worker Adjustment Assistance Act (EDWAA), helps states respond immediately to plant closings and large layoffs. Yet even EDWAA's most flexible money, the "national reserve fund," has become so tangled in red tape that many states won't use it. As Congress's Office of Technology Assessment put it, "the process is simply too obstacle ridden. ... many state EDWAA managers cannot handle the complexities of the grant application, and those that do know how are too busy responding to clients' urgent needs to write demanding, detailed grant proposals."

When Congress amended JTPA in 1993, targeting more funds to those with "multiple barriers" to employment, homeless advocates thought the change would help their clients. After all, who has more barriers to employment than someone without an address or phone number? But the new JTPA formula also emphasized training over job search assistance. So a local program in Washington, D.C. that had won a Labor Department award for placing 70 percent of its clients in jobs—many of them service sector jobs paying more than the minimum wage—lost its JTPA funding. Why? It didn't offer training. It just helped the homeless find jobs.[47]

But federal programs rarely focus on results. As structured by Congress, they pay more attention to process than outcomes—in this case, more to training than to jobs. Even in auditing state and local programs, federal overseers often do little more than check to see whether proper forms are filed in proper folders.

The rules and regulations behind federal grant programs were designed with the best of intentions—to ensure that funds flow for the purposes Congress intended. Instead, they often ensure that programs don't work as well as they could—or don't work at all.

Virtually every expert with whom we spoke agreed that this system is fundamentally broken. No one argued for marginal or incremental change. Everyone wants dramatic change—state and local officials, federal managers, congressional staff. As in managing its own affairs, the federal government must shift the basic paradigm it uses in managing state and local affairs. It must stop holding programs accountable for process and begin holding them accountable for results.

- The task is daunting; it will take years to accomplish. We propose several significant steps on the journey:

- Establish a Cabinet-level Enterprise Board to oversee new initiatives in community empowerment;

- Cut the number of unfunded mandates that Washington imposes;

- Consolidate 55 categorical grants into broader "flexible grants;"

- Increase state and local flexibility in using the remaining categorical grants;

- Let all agencies waive rules and regulations when they conflict with results; and

- Deregulate the public housing program.

The likely benefits are clear: administrative savings at all levels; greater flexibility to design solutions; more effective concentration of limited resources; and programs that work for their customers.

Action: ***The President should establish a Cabinet-level Enterprise Board to oversee new initiatives in community empowerment.***[48]

The federal government needs to better organize itself to improve the way it works with states and localities. The President should immediately establish a working group of cabinet-level officials, with leadership from the Vice President, the Domestic Policy Council, and the National Economic Council.

The Board will look for ways to empower innovative communities by reducing red tape and regulation on federal programs. This group will be committed to solutions that respect "bottom-up" initiatives rather than "top-down" requirements. It will focus on the administration's community empowerment agenda, beginning with the 9 Empowerment Zones and 95 Enterprise Communities that passed Congress as part of the President's economic plan.

> *Sometimes we need to start out with a blank slate and say, "hey, we've been doing this for the last 40, 50 years. It doesn't work." Let's throw out everything, clear out minds...Let's have as a goal doing the right thing for the right reasons, even if it entails taking risks.*
>
> **Vincent Lane,**
> Chairman, Chicago Housing Authority,
> Reinventing Government Summit
> Philadelphia, June 25, 1993

In participating communities, for example, federal programs could be consolidated and planning requirements could be simplified; waivers would be granted to assure maximum flexibility; federal funding cycles would be synchronized; and surplus federal properties could be designated for community use.

Action: ***The President should issue a directive limiting the use of unfunded mandates by the administration.***[49]

As the federal deficit mounted in the 1980s, Congress found it more and more difficult to spend new money. Instead, it often turned to "unfunded mandates"—passing laws for the states and localities to follow, but giving them little or no money to implement those policies. As of December 1992, there were at least 172 separate pieces of federal legislation in force that imposed requirements on state and local governments. Many of these, such as clean water standards and increased public access for disabled citizens, are unquestionably noble goals.

But the question remains: How will state and local governments pay to meet those goals? We recommend that Congress refrain from this practice and that the President's directive establish that the executive branch will similarly limit its use of unfunded mandates in policies, legislative proposals and regulations.

The directive would narrow the circumstances under which departments and agencies could impose new unfunded burdens on other governments. It also would direct federal agencies to review their existing regulations and reduce the number of mandates that interfere with effective service delivery. OMB's Office of Information and Regulatory Affairs (OIRA) should review all major regulations or legislation proposed by the executive branch for possible adverse impacts on states and localities. Finally, OIRA's director should create a forum in which federal, state, and local officials could develop solutions to problems involving unfunded mandates.

Action: ***Consolidate 55 categorical grant programs with funding of $12.9 billion into six broad "flexible grants"—in job training, education, water quality, defense conversion, environmental management, and motor carrier safety.***[50]

This proposal came from the National Governors Association (NGA) and National Conference of State Legislatures (NCSL), which describe it as "a first step toward broader, more ambitious reforms." It would consolidate some 20 education, employment and training programs, with a combined $5.5 billion in fiscal year 1993 spending; roughly 10 other education programs ($1.6 billion); 10 small

How Much Do You Get for a 1983 Toyota?

What does the price of a used car have to do with the federal government's family policies?

More than it should. Caseworkers employed by state and local government to work with poor families are supposed to help those families become self-sufficient. Their job is to understand how federal programs work. But as it turns out, those caseworkers also have to know something about used cars. Used cars? That's right. Consider this example, recounted to Vice President Gore at a July 1993 Progressive Foundation conference on family policy in Nashville, Tennessee:

Agencies administering any of the federal government's programs for the poor must verify many details about people's lives. For instance, they must verify that a family receiving funds under Aid to Families with Dependent Children (AFDC) does not own a car worth more than $1,500 in *equity value.* To give a poor family food stamps, it must verify that the family doesn't own a car worth more than $4,500 in *market value.* Medicaid specifies a range that it allows for the value of a recipient's car, depending on the recipient's Medicaid category. But under food stamp rules, the car is exempt if it is used for work or training or transporting a disabled person. And under AFDC, there is no exemption for the car under any circumstances.

Recounting that story to a meeting of the nation's governors, the Vice President asked this simple question: "Why can't we talk about the same car in all three programs?"

environmental programs ($392 million); six water quality programs ($2.66 billion); and six defense conversion programs ($460 million).

Action: ***Congress should allow states and localities to consolidate separate grant programs from the bottom up.***[51]

Recognizing the political and administrative obstacles to wholesale reform of more than 600 existing categorical grants in the short term, the National Performance Review focused on an innovative solution to provide flexibility and to encourage result-oriented performance at the state and local levels.

Our proposal calls for Congress to authorize "bottom-up" grant consolidation initiatives. Localities would have authority to mix funding from different programs, with simple notification to Washington, when combining grants smaller than $10 million each. For a consolidation involving any program funded at more than $10 million, the federal awarding office (and state, if applicable), would have to approve it before implementation. In return for such consolidation, the state and local governments will waive all but one of the programs' administrative payments from the federal government.

When different grants' regulations conflict, the consolidating agency would select which to follow. States and localities that demonstrated effective service integration through consolidation would receive preference in future grant awards. Each of the partners in the intergovernmental system must work collaboratively with others—federal, state, and local—to refine this recommendation.

The details of this proposal will be negotiated with important state and local organizations, such as the NGA, the NCSL, U.S. Conference of Mayors, and the National League of Cities, before legislation is drafted. Bottom-up consolidation will be given a high priority by the administration. It represents a way to improve state and local performance without tackling the thorny political problem involved in consolidating 600 grant programs, reconciling thousands of rules and regulations, and anticipating every possible instance when flexibility might be necessary. It puts the burden of identifying obstacles and designing the best solution where it belongs—on those who must make the programs work.

Action: ***Give all cabinet secretaries and agency heads authority to grant states and localities selective waivers from federal regulations or mandates.***[52]

> *The National Performance Review is not intended to be the final word on reinventing government but rather a first step. This long overdue effort will require continuing commitment from the very top to truly change the way government does business.*
>
> **U.S. Rep. John Conyers (D. Mich.)**
> August 28, 1993

For federal grant programs to work, managers must have flexibility to waive rules that get in the way. Some departments have this authority; others don't. Federal decisions on most waivers come very slowly, and states often must apply to a half-dozen agencies to get the waivers they need. Florida, for example, has a two-year waiver allowing it to provide hospice care to AIDS patients under Medicaid. Its renewal takes 18 months. So state officials have to reapply after only six months. Waiver legislation should grant broad waiver authority, with the exception of fair housing, non-discrimination, environmental, and labor standards. We will ask Congress to grant such authority to Cabinet officers. These waivers, should be granted under limited circumstances, however. They must be time-limited and designed to include performance measures. When each experiment is concluded, the granting agency should decide whether the new way of doing things should be included in standard practice.

Action: *Give control of public housing to local public housing authorities with histories of excellent management and substantially deregulate the rest.*[53]

Public housing is a classic story of good intentions gone awry. When the program began in the 1930s, it was hailed as an enlightened response to European immigrants' squalid living conditions in cities across the country. Through an enormous bureaucracy stretching from Washington into virtually every city in America, the public housing program brought clean, safe, inexpensive living quarters to people who could not afford them otherwise.

Now, however, public housing is even more troubled than our categorical grant programs. With its tight, centralized control, it epitomizes the industrial-era program: hierarchical, rule-bound, and bureaucratic. HUD's Washington, regional, and local offices rigidly control local public housing authorities, who struggle to help the very poor.

Frustrated by the failure of public housing, innovative state and local governments began to experiment with new models of developing, designing, financing, managing, and owning low-income housing. Successful efforts tailored the housing to the characteristics of the surrounding community. Local public housing authorities began to work with local governments and non-profit organizations to create innovative new models to serve low-income people.

HUD recognizes that local authorities with proven records of excellence can serve their customers far better if allowed to make their own decisions. We and the secretary recommend that Congress give HUD authority to create demonstration projects in which local housing authorities would continue to receive operating subsidies as long as they met a series of performance targets, but would be free from other HUD control. Individual demonstrations could vary, but all federal rules would be open for waivers as long as HUD could measure performance in providing long-term, affordable housing to those poor enough to be eligible for public housing.

In addition, HUD should work closely with local housing authorities, their national organizations, public housing tenant organizations, and state and local officials to eliminate unnecessary rules, requirements, procedures, and regulations. In particular, HUD should replace its detailed procurement and operating manuals and design and site selection requirements with performance measures, using annual ranking of local housing authorities to encourage better service and greater accountability. It should eliminate the annual budget review, an exercise in which HUD field staff spend thousands of hours reviewing and approving detailed budgets from local housing authorities —even though the reviews do not influence federal funding decisions. And it should work with Congress to change current rent rules, which create strong incentives for people to move from public housing as soon as they find jobs.

Conclusion

The changes described above are ambitious. They will take enormous effort and enormous will. It will be many years before all of them take root. But if they succeed, the American people will have a government capable of attacking their problems with far more energy, and far less waste, than they can today imagine.

We must move quickly because the bureaucracy, by its nature, resists change. As Tom Peters wrote in Thriving on Chaos, "Good intentions and brilliant proposals will be dead-ended, delayed, sabotaged, massaged to death, or reversed beyond recognition or usefulness by the overlayered structures...."[54]

But the changes we propose will produce their own momentum to overcome bureaucratic resistance. As the red tape is being cut, federal workers will become more and more impatient with the red tape that remains. They will resist any reversal of the process. And they will be strengthened in their resistance by the steps we propose in the next chapters.

Chapter 2

PUTTING CUSTOMERS FIRST

We are going to rationalize the way the federal government relates to the American people, and we are going to make the federal government customer friendly. A lot of people don't realize that the federal government has customers. We have customers. The American people.

Vice President Al Gore
Town Meeting,
Department of Housing
and Urban Development,
March 26, 1993

All of us—bureaucrat or business owner, cabinet secretary or office clerk—respond to incentives. We do more of what brings us rewards and recognition, less of what brings us criticism. But our government, built around a complex cluster of monopolies, insulates both managers and workers from the power of incentives.

We must change the system. We must force our government to put the customer first by injecting the dynamics of the marketplace.

The best way to deal with monopoly is to expose it to competition. Let us be clear: this does *not* mean we should run government agencies exactly like private businesses. After all, many of government's functions are public responsibilities precisely because the private sector cannot, should not, or would not manage them. But we *can* transplant some aspects of the business world into the public arena. We can create an environment that commits federal managers to the same struggle to cut costs and improve customer service that compels private managers. We can imbue the federal government—from top to bottom—with a driving sense of accountability.

Is it really possible to reinvent government in this way? Horror stories about government waste are so abundant that many doubt its ability to change. For some, the only solution is to cut or abolish programs wholesale. In some instances those cuts make sense and we are recommending them. But alone they do not address the problem we face or move us decidedly toward a government that works better and costs less.

We propose a different approach. We must make cuts where necessary; we also must make our government effective and efficient. Some programs clearly should be eliminated, others streamlined. We will offer many proposals to do both in chapter 4. But reinventing government isn't just about trimming programs; it's about fundamentally changing the way government does business. By forcing public agencies to compete for their customers—between offices, with other agencies, and with the private sector—we will create a permanent pressure to streamline programs, abandon the obsolete, and improve what's left.

This process will be neither quick nor easy. But as it unfolds, a very different type of government will emerge, one that is accountable to its true customers—the public.

We propose four specific steps to empower customers, break federal monopolies, and provide incentives for federal employees to better serve their customers.

First, we will require that all federal agencies put customers first by regularly asking them how they view government services, what problems they encounter, and how they would like services improved. We will ensure that all customers have a voice, and that every voice is heard.

Second, we will make agencies compete for their customers' business. Wherever feasible, we will dismantle government's monopolies, including those that buy goods and services, acquire and maintain office space, and print public documents. These internal monopolies serve their customers—government workers—so poorly, it's no wonder those workers have such trouble serving customers *outside* government.

Third, where competition isn't feasible, we will turn government monopolies into more businesslike enterprises—enterprises in closer touch with both customers and market incentives.

Fourth, we will shift some federal functions from old-style bureaucracies to market mechanisms. We will use federal powers to structure private markets in ways that solve problems and meet citizens' needs—such as for job training or safe workplaces—without funding more and bigger public bureaucracies.

Together, these strategies will enable us to create a responsive, innovative, and entrepreneurial government. If we inject market mechanisms into federal agencies as we are cutting red tape, we will create new dynamics—and a new dynamism—throughout the federal government.

STEP 1: GIVING CUSTOMERS A VOICE—AND A CHOICE

Setting Customer Service Standards

Long lines, busy signals, bad information, and indifferent workers at front counters—these are all too common occurrences when customers come in contact with their government. Quite simply, the quality of government service is below what its customers deserve.

We propose to set a goal of providing customer services *equal to the best in business.*

Too many agencies have learned to overlook their customers. After all, most of government's customers can't really take their business elsewhere. Veterans who use veterans' hospitals, companies that seek environmental permits, or retirees applying for social security benefits must deal with public agencies that hold monopolies. And monopolies, public or private, have little sensitivity to customer needs.

So government agencies must do what many of America's best businesses have done: renew their focus on customers. Some are already trying. The Internal Revenue Service (IRS) and Social Security Administration (SSA) have taken major steps to improve their telephone services to customers. SSA, the U.S. Postal Service (USPS), and the Department of Veterans Affairs are developing a combined government services kiosk, providing a single point of access for services offered by the three agencies. The Library of Congress, the Energy Department, the National Aeronautics and Space Administration, the

National Science Foundation, and other federal agencies have placed their materials on Internet, a worldwide computer network.[1]

Good service means giving people what they need. To do that, however, one must first find out what they want—a step few federal agencies have taken. In the future, federal agencies will ask their customers what they want, what problems they have, and how the agencies can improve their services.

Knowing what customers want, public agencies must set clear and specific customer service standards. When Federal Express promises to deliver a package the next day by 10:30 a.m., both customers and employees understand precisely what that means. Similarly, when the Air Force's Tactical Air Command discarded its thick set of specifications about living quarters for visiting pilots and adopted a simple standard—equivalent to "a moderately priced hotel, like Ramada"—employees understood exactly what it meant.[2]

Several federal agencies that frequently interact with citizens have launched aggressive customer service initiatives. We endorse strengthening these initiatives—described below—and expanding them across the federal government.

Internal Revenue Service. The IRS, the federal agency most citizens prefer to avoid, might seem the least likely to develop a customer focus. But it's working hard to do just that.

Four years ago, the General Accounting Office (GAO) discovered that IRS staff gave a wrong answer to one of every three taxpayers who called with a question. Since then, the agency has improved its accuracy rate to 88 percent.[3] And—in a switch that signals a basic change in attitude—agency employees now refer to taxpayers as customers.

In IRS pilot projects across the country, employees now have authority to change work processes on their own in order to improve productivity. Front-line workers also have more authority to resolve issues one-on-one with individual taxpayers. The agency is fostering competition among its tax return centers, based on customer service levels and efficiency at handling the 1.7 billion pieces of paper the IRS receives each year. Centers that perform better get higher budgets and workloads, and employees get promotion opportunities. The IRS was among the first government agencies to use 800 numbers and automated voice mail systems to increase customer access to information. Today, the IRS is beginning to survey its customers.

Customer Service Standards: IRS

As part of the National Performance Review, the IRS is publishing customer service standards, including these:

- If you file a paper return, your refund due will be mailed within 40 days.
- If you file an electronic return, your refund due will be sent within 14 days when you specify direct deposit, within 21 days when you request a check.
- Our goal is to resolve your account inquiry with one contact; repeat problems will be handled by a Problem Resolution Office in an average of 21 days.
- When you give our tax assistors sufficient and accurate information and they give you the wrong answers, we will cancel related penalties.
- With your feedback, by 1995 IRS forms and instructions will be so clear that 90 percent of individual tax returns will be error-free.

In addition, some centers are serving customers in truly astonishing ways. One anecdote makes the point. At the Ogden, Utah Service Center—a winner of the Presidential Award for Quality—a down-

Customer Service Standards: Social Security Administration

As part of its participation in the National Performance Review, the Social Security Administration will publish nationally, and post in each of its offices, these performance standards:

- You will be treated with courtesy every time you contact us.
- We will tell you what benefits you qualify for and give you the information you need to use our programs.
- We will refer you to other programs that may help you.
- You will reach us the first time you try on our 800 number.

on-his-luck man hitchhiked from out of state to get his refund check. As it turns out, this center doesn't issue checks. But IRS employees there discovered that a disbursing center had sent a check to the hitchhiker's old address and that it had been returned. They ordered a new check sent to Ogden and helped the hitchhiker make ends meet until the check arrived.

In the end, the IRS's efforts could affect all of us, not only as filers of tax returns but as taxpayers. If IRS forms are easier to understand and use, more taxpayers might file on time. If the IRS develops an image as a more effective, user-friendly agency, more taxpayers might decide to file in the first place. A mere 1-percent increase in voluntary compliance would add $7 billion in government revenue each year.[4]

Social Security Administration. Every year, more than 47 million Americans come in contact with the Social Security Administration, which administers old-age pensions, survivors' and disability insurance, and the supplemental security income (SSI) program. The agency has 1,300 field offices and receives 60 million calls a year on its toll-free lines. As the nation's population ages, the agency faces an ever-increasing workload. Recently, an inspector general's report showed that customer satisfaction had fallen 4 years in a row due to longer waiting times in offices and increasing problems in reaching someone on the phone.[5]

Fortunately, the Social Security Administration is strengthening its customer orientation. When Hurricane Andrew struck South Florida, where 367,000 people collect social security and SSI, agency workers took steps to ensure that senior citizens would know how to get their checks despite the devastation. Local offices used television, radio, and loudspeaker trucks touring the area with messages in English, Spanish, and Creole. The agency also hired an airplane to tow a banner with SSA's toll-free 800 telephone number over the hard-hit Homestead area.

More generally, the Social Security Administration recently adopted a customer-oriented strategic plan, which includes objectives such as issuing social security numbers orally within 24 hours of an application. Besides pinpointing some of their objectives as standards to reach today, SSA is publishing all 34 of its objectives and seeking customer feedback on whether it set the right targets for service.

U.S. Postal Service. The Postal Service, which delivered 166 billion pieces of mail in 1992, has begun improving customer service for a good reason: It has competition. While most people still use the Postal Service to deliver first class mail, the use of private delivery services and electronic mail is rising quickly.

The Postal Service has decided to meet its competition head-on. Using focus groups, the agency identified service areas where its customers wanted improvement. It found that people wanted shorter waiting lines at counters, better access to postal information, and better responses to their complaints. Using these standards to measure performance, the agency set a long range goal of "100-percent satisfaction" and developed a customer satisfaction index to measure progress toward it.

The agency also is providing incentives for employee performance: In cooperation with two postal unions, managers now use customer satisfaction data to help determine employee bonuses.

Customer Service Standards: USPS

As part of its participation in the National Performance Review, the USPS will expand its plans to display these standards in post offices:

- Your first class mail will be delivered anywhere in the United States within 3 days.

- Your local first class mail will be delivered overnight.

- You will receive service at post office counters within 5 minutes.

- You can get postal information 24 hours a day by calling a local number.

Action: ***The President should issue a directive requiring all federal agencies that deliver services to the public to create customer service programs that identify and survey customers. The order will establish the following standard for quality: Customer service equal to the best in business.***[6]

The President's directive will lay out principles to govern the provision of customer services. For example, organizations should:

- survey their customers frequently to find out what kind and quality of services they want;

- post standards and results measured against them;

- benchmark performance against "the best in business";

- provide choices in both source of service and delivery means;

- make information, services, and complaint systems easily accessible;

- handle inquiries and deliver services with courtesy;

- provide pleasant surroundings for customers; and

- provide redress for poor services.

The order will direct all federal agencies that deal with the public to:

- immediately identify who their customers are;

- survey their customers on services and results desired, and on satisfaction with existing services;

- survey front-line employees on barriers to, and ideas for, matching the best in business;

- in 6 months, report results on these three steps to the President; and

- develop and publish a customer service plan—including an initial set of customer service standards—within 1 year.

The customer service plans will address the need to train front-line employees in customer service skills. They will also identify companies that agencies will use to judge how they compare to the "best in business." The directive will ask cabinet secretaries and agency heads to use improvement in customer satisfaction as a primary criterion in judging the performance of agency managers and front-line employees.

Action: ***For voluntary customer surveys, the Office of Management and Budget will delegate its survey approval authority under the Paperwork Reduction Act to departments that are able to comply with the act.***[7]

The public's input is crucial to improving customer service. But current law gives the Office of Management and Budget (OMB) power to decide on virtually all agency requests to solicit information from the public (OMB can delegate this authority). This law was designed to minimize onerous paperwork burdens the federal government imposes on businesses and citizens. But it also minimizes the number of times agencies ask customers about their needs. It often slows agencies down so much that they abandon the idea of doing a survey altogether.

For many agencies, customer surveys are the single most useful way to measure performance. If OMB has to approve every request for a customer survey, however, neither the directive described above nor the Government Performance and Results Act, which the President signed in August 1993, will work. Citizens do not like to be forced to fill out forms by their government. But most Americans would be pleased to receive a *voluntary* survey asking how their post office or social security office could improve its customer service.

We propose to delegate approval of voluntary customer surveys to departments with the ability to comply with the law, and ensure that they create rapid approval processes so bottlenecks don't develop at lower levels.

Customer-driven programs rarely cost more than others; indeed, productivity gains in past federal experiments have more than offset cost increases. At the Ogden Service Center, the IRS office's new approach helped workers process 5 percent more tax returns. When organizations shift their focus to customers, they act like Avis—they try harder.

Crossing Agency Boundaries

Unfortunately, even agencies that try harder find very real obstacles in the way of putting their customers first. Perhaps the worst is Washington's organizational chart. Time and again, agencies find it impossible to meet their customers' needs, because organizational boundaries stand in the way.

Sometimes, programs housed in the same agency are only tangentially related. While most Agriculture Department programs relate to food, for instance, its customers range from farmers who grow it to poor children whose families use food stamps. At other times, programs dealing with the same customers are located in a dozen different agencies. Rather than make people jump over organizational boundaries on their own, we must remove the boundaries at the point of customer contact. We must make the delivery of services "seamless."

The traditional solution is to shuffle the organizational chart. But in Washington, such proposals set off monumental turf wars between agencies in the executive branch, and between committees in Congress. After years of struggle, one or two agencies are reorganized — or a new department is created. Meanwhile, the nation's problems keep changing, so the new structure is soon out of date.

In a rapidly changing world, the best solution is not to keep redesigning the organizational chart; it is to melt the rigid boundaries between organizations. The federal government should organize work according to customers' needs and anticipated outcomes, not bureaucratic turf. It should learn from America's best-run companies, in which employees no longer work in separate, isolated divisions, but in project- or product-oriented teams.

To do so, the government must make three changes. It must give federal workers greater decision making authority, allowing them to operate effectively in cross-cutting ventures. It must strip federal laws of prohibitions against such cooperation. And it must order agencies to reconsider their own regulations and tradition-bound thinking. For example, the Forest Service found that 70 percent of its regulatory barriers to new, creative ways of doing business were self-imposed.[8]

Despite these barriers, some noteworthy initiatives are underway. Rural Development Councils, under the Agriculture Department's direction, work with several federal departments as well as states and localities to better coordinate rural aid programs. At the Federal Aviation Administration (FAA), a systems manager helps coordinate the activities of the FAA, Defense Department, international aviation organizations, and various private interests on matters involving satellites, data links, and traffic flow management.[9]

We should bring the same approach to other parts of government. The following examples illustrate the problems we face and the solutions we must create.

Action: *Create a system of competitive, one-stop, career development centers open to all Americans.*[10]

Our nation's economic future depends on the quality of our workforce. Our individual futures, too, depend on whether we have marketable, flexible skills with which to adapt to the changing demands of new technologies. In a country where the average worker changes jobs seven times in a lifetime, those skills are more than desirable; they are crucial.

Our government invests heavily in education and training. Together, 14 separate government departments and agencies invest $24 billion a year, through 150 employment and training programs.[11] But we do not invest this money well enough. For one thing, our system is organized for the convenience of those who deliver services, not those who use them. For another, the system lacks competition and incentives for improvement.

"The United States has a worldwide reputation for providing its youth extensive opportunity to attend college," the General Accounting Office noted recently. "However, our country falls short in employment preparation of many noncollege-youth." Unlike our competitors, GAO said, we have no national policy to systematically prepare non-college educated youth for jobs.[12]

Our system is badly fragmented. Each service — from job referral to retraining — is designed for different people, with different rules, regulations, and reporting requirements. Bewildered, often dispirited, job seekers must trudge from office to office, trying to fit themselves into a program. When they find a program, they may find that they aren't eligible, that it's all filled up, or that the classroom is across town.

American workers deserve a better deal. Nowhere on the government reinvention front is action more urgently needed or are potential rewards greater. We envision a new workforce development system, focused on the needs of workers and employers. We will organize it around the customer — whether an individual or a business — then provide that customer with good information about the performance of different providers and plenty of choices. If we do this, career centers and training providers will have to compete for their customers' business, based on the quality of their services.

Specifically, we propose one-stop career management centers across the country, open to all Americans — regardless of race, gender, age, income, employment experience, or skills. (One-stop centers are also a key feature of the Workforce Investment Strategy the Labor Department is developing.) Our centers would offer skills assessment, information on jobs, access to education and training — everything people needed to make career decisions. The centers would be linked to all federal, state, and local workforce development programs, and to many private ones (which are, after all, the source of most job-training money). Core services such as labor market information and job search help would be offered free. Some centers might offer other services, from comprehensive testing to career counseling and workshops, on a fee-for-service basis.

These centers would help their customers get access to funds from any of the 150 programs for which they qualified. To make this possible, the federal government would eliminate or waive many rules and regulations that keep our workforce development programs separate. The centers would also be allowed to generate their own revenues, including fees collected from employers and employees would could afford to pay. Any organization, public or private, would be allowed to seek a charter to operate one or more one-stop career centers. The process would be performance-driven, with contracts renewed only if centers met customers' demands. The federal government would establish national chartering standards for the centers, but states and local employment boards would decide which organizations met the standards.

Today, local organizations such as U S Employment Service and Service Delivery Areas get most of their federal funds almost as a matter of entitlement. They account for the money, but we do not hold them accountable for whether they spend it effectively. We would make funding for these new centers more competitive, opening the process to public and private, nonprofit and for-profit, entities.

We would judge these centers in part by how many people sought help at them — on the theory that centers attracting the most customers were clearly doing something right. But we would focus as well on what happened after the customers left. Did they enroll in meaningful training programs? Did they find jobs? Did they keep their jobs? Did they increase their incomes? Finally, we would give customers the necessary information to decide the same thing for themselves: Which training program would meet their needs best?

We believe that the central problem in the Employment Service is not the line workers, but the many rules and regulations that prevent them from doing their jobs. Waiver of these antiquated rules will free up these workers to perform well. In order for state Employment Services to compete on a level playing field — particularly after the negative effects of the last decade of spending cuts and over-regulation — line workers must be given the opportunity to retool. The Labor Department should ensure that they receive the necessary training to enable them to participate in the process.

The biggest single barrier to creating an integrated system of one-stop career centers is the fragmented nature of federal funds. The 150 federal programs have different rules, different reporting requirements, even different fiscal years. To synchronize these — and to break down the walls between categorical programs — the National Economic Council should convene a Workforce Development Council, with members from the Departments of Labor, Education, and Health and Human Services; the Office of Management and Budget; and other departments and agencies with employment and training programs. This council should standardize fiscal and administrative procedures, develop a standard set of terms and definitions between programs, develop a comprehensive set of results-oriented performance standards, and improve the qualitative evaluation of program performance.

Action: ***The President shoud issue a directive that requires collaborative efforts across the government to empower communities and strengthen families.***[13]

At Vice President Gore's recent conference on family policy in Nashville, experts agreed that effective family policy requires new approaches at the federal, state, and local levels. We should stop dividing up families' needs into health, education, welfare, and shelter, each with its own set of agencies and programs, many of which contradict one another and work at cross-purposes. Instead, across all levels of government, we need collaborative, community-based, customer-driven approaches through which providers can integrate the full network of services.

For instance, we spend about $60 billion a year on the well-being of children. But we have created at least 340 separate programs for families and children, administered by 11 different federal agencies and departments.[14] Thus, a poor family may need to seek help from several departments—Agriculture for food stamps, Housing and Urban Development for rental support, Health and Human Services for health care and chasing down dead-beat parents. For each program, they will have to visit different offices, learn about services, fill out forms to establish eligibility—and wait.

The system is fragmented and illogical. In Texas, where the immunization rate among poor children is about 30 percent, the state Health Department sought permission to have nurses who run the Agriculture Department's Women, Infants and Children supplemental food program also give immunization. The Agriculture Department said no—unless Texas developed an elaborate cost allocation plan. Consequently, mothers and children will have to continue visiting more than one agency.[15]

A few years ago, *Governing* magazine described a teenage girl who was pregnant, had a juvenile record and was on welfare. Between the three problems, she had more than six caseworkers—each from a different agency. As one put it: "The kid has all these people providing services, and everybody's doing their own thing and Tasha's not getting better. We need to have one person who says, 'Now look, let's talk about a plan of action for Tasha.'"[16] President Clinton's directive will help remove obstacles that agencies face in trying to serve Tasha and others like her.

Action: ***The President should issue a directive and propose legislation to reconstitute the Federal Coordinating Council for Science, Engineering, and Technology as the National Science and Technology Council, giving it a broader role in setting science and technology policy.***[17]

Progress in science and technology is a key ingredient of national economic success. President Clinton's A Vision of Change for America, released in February, cites studies showing that "investments in research and development (R&D) tend to be the strongest and most consistent positive influence on productivity growth."[18] In an increasingly competitive world economy, the American people need the best possible return on federal R&D investments.

The Federal Coordinating Council for Science, Engineering, and Technology (FCCSET) is a White House-managed team that helps set policy for technology development. With representatives from more than a dozen agencies, it develops interagency projects, such as biotechnology research and the high-performance computing initiative. Unfortunately, FCCSET lacks the teeth to set priorities, direct policy, and participate fully in the budget process. It can't compel agencies to participate in its projects, nor can it tell agencies how to spend funds. Its six funded projects will account for just 16 percent of Washington's $76 billion R & D budget in 1994. At a time of declining federal resources, experts in business, academia, and government recognize the need for one-stop shopping for science and technology policy.

A new National Science and Technology Council would direct science and technology policy more forcefully, and would streamline the White House's advisory apparatus by combining the functions of FCCSET, the National Space Council, and the National Critical Materials Council.

Action: *The President should issue a directive to give the Trade Promotion Coordinating Committee greater authority to control federal export promotion efforts.*[19]

Unlike most of our economic competitors, the United States has no national export strategy. Our export programs are fragmented among 19 separate organizations—including the Agriculture and Commerce Departments and the Small Business Administration. The U.S. and Foreign Commercial Service, in Commerce's International Trade Administration, is the lead agency for trade promotion overseas. But dozens of other entities—many within Commerce—also have trade promotion roles.

Our export programs provide little benefit to all but our nation's largest businesses. The economic implications of such selective assistance are serious. Exports are among our most effective job-creating tools. They create about 20,000 new jobs for every $1 billion in exports. Thousands of small and mid-sized companies make products attractive for overseas markets, but are discouraged by high transaction costs and a lack of information. According to trade experts, the United States may be the "world's biggest export underachiever."[20]

The President's directive will give the Trade Promotion Coordinating Committee (TPCC), chaired by the Commerce Secretary and including representatives from 19 departments, agencies, and executive offices, broader authority to create performance measures and set allocation criteria for the nation's export promotion programs. Working with the National Economic Council, TPCC will ensure that such programs better serve the exporting community.

Action: *The President should issue a directive to establish ecosystem management policies across the government.*[21]

"For too long, contradictory policies from feuding agencies have blocked progress, creating uncertainty, confusion, controversy, and pain throughout the region," President Clinton declared at the Forest Conference held in Portland, Oregon in April 1993. Shortly thereafter, the President announced his Forest Plan—a proactive approach to ensuring a sustainable economy and a sustainable environment through ecosystem management. We recommend extending the concept of ecosystem management across the federal government.

Although economic growth has strained our ecological systems, our government lacks a coordinated approach to ecosystem management. A host of agencies have jurisdiction over individual pieces of our natural heritage. The Bureau of Land Management oversees more than 60 percent of all public lands; the Forest Service manages our national forests and grasslands; the Fish and Wildlife Service manages our National Wildlife Refuge System; the National Park Service oversees the national parks; the Environmental Protection Agency implements laws to regulate air and water quality; the National Oceanic and Atmospheric Administration (NOAA) manages marine resources; and various other agencies run programs that affect the environment. Different agencies, with jurisdictions over the same ecosystem, do not work well together. Even within the same agency, bureaus fight one another.

At the local level, a hodge podge of government agencies control activities that affect the environment. Consider, for instance, the San Francisco Bay delta estuary One of the most human-altered estuaries on the west coast of North or South America, it is governed by a complex array of agencies, plans, and laws. One mile of the delta may be affected by decisions of more than 400 agencies.[22]

The White House Office on Environmental Policy has convened an interagency task force of appropriate assistant secretaries to develop and implement cross-agency ecosystem management projects. The Office of Management and Budget will review the plans as part of the fiscal 1995 budget process. In 1994, the assistant secretaries will establish cross-agency teams to develop initial ecosystem management plans for implementation in fiscal year 1995. Also in 1994, the President should issue a directive that will declare sustainable ecosystem management across the federal government.

Action: *The President should create a Federal Coordinating Council for Economic Development.*[23]

The federal government has no coherent policy for regional development and community dislocation. Instead, it offers a fragmented and bureaucratic system of seven programs to assist states and localities. The major programs are the Commerce Department's Economic Development Administration, the Housing and Urban Development Department's Community Development Block Grant Program, and the Agriculture Department's Rural Development Administration and Rural Electrification Administration. The Defense Department, Tennessee Valley Authority, and Appalachian Regional Commission run smaller programs. Thus, states and communities must turn to many different agencies and programs, rather than a single coordinated system. Communities find it hard to get help, and the dispersion of effort limits overall funding.

Washington's economic and regional development activities should be reconfigured to suit its customers—states and communities. We propose a Federal Coordinating Council for Economic Development, comprising the appropriate cabinet secretaries and agency heads, to coordinate such activities and provide a central source of information for states and localities. The council will provide a unifying framework for economic and regional development efforts, develop a governmentwide strategic plan and unified budget to support the framework, prevent duplication in the various programs, and assess appropriate funding levels for the agencies involved.

Action: *Eliminate statutory restrictions on cross-agency activities that are in the public interest.*[24]

A series of legislative restrictions make it particularly difficult to pursue solutions to problems that span agency boundaries. For instance, to put together a working group on an issue that cuts across agency lines, one agency has to fund all costs for the group. Several agencies cannot combine their funds to finance collaborative efforts. Rather than discourage cross-agency operations, the federal government should encourage them. Congress should repeal the restrictions that stand in the way of cross-agency collaboration, and refrain from putting future restrictions in appropriations bills. In addition, Congress should modify the Intergovernmental Personnel Act to give cabinet members and those working for them greater authority to enter into cooperative agreements with other federal, state, and local agencies.

STEP 2: MAKING SERVICE ORGANIZATIONS COMPETE

While our federal government has long opposed private monopolies, it has deliberately created public ones. For instance, most federal managers must use monopolies to handle their printing, real estate, and support services. Originally, this approach was supposed to offer economies of scale and protect against profiteering and corruption. In an earlier time—of primitive

The Air Combat Command—Flying High With Incentives and Competition

The military: the most conservative, hierarchical and traditional branch of the government and the bureaucracy least likely to behave like a cutting-edge private company, right? Wrong.

One of Washington's most promising reinvention stories comes from the Air Combat Command. With 175,000 employees at 45 bases across the country, the ACC owns and operates all of the Air Force's combat aircraft. Says its commander, General John Michael Loh, "We manage big, but we operate small."

How? The ACC adopted overall performance standards, called quality performance measures. Each ACC unit decides for itself how to meet them. General Loh then provides lots of incentives and a healthy dose of competition.

The most powerful incentive is the chance to do creative work, General Loh told the National Performance Review's Reinventing Government Summit in Philadelphia. For instance, the Air Combat Command allows maintenance workers to fix parts that otherwise would have been discarded or returned to the depot for repair "under the thesis that our people aren't smart enough to repair parts at the local level." The results have been astonishing. Young mechanics are taking parts from B-1s, F-15s, and F-16s—some of which cost $30,000 to $40,000—and fixing them for as little as $10. The savings are expected to reach $100 million this year. ACC managers have an incentive, too: Because they control their own operating budgets, these savings accrue to their units.

General Loh instilled competition by using benchmarking, which measures performance against the ACC standard and shows commanders exactly how their units compare to others. The ACC also compares its air wings to similar units in the Army, Navy, and Marine Corps; units in other Air forces; and even the private sector. Before competition, the average F-16 refueling took 45 minutes. With competition, teams cut that time to 36 minutes, then 28.

The competition is against a standard, not a fellow ACC unit. "If you meet the standard, you win," says General Loh. "There aren't 50 percent winners and 50 percent losers. We keep the improvement up by just doing that—by just measuring. If it doesn't get measured, it doesn't get improved."

recordkeeping, less access to information, and industrial-era retail systems—it may have offered some advantages.

But not today. Economists don't agree on much, but they do concur that monopolies provide poorer service at higher prices than competitive companies. Our public monopolies have brought us higher costs, endless delays, and reduced flexibility.

Monopolies don't suffer the full costs of their inefficiency. With nowhere else to go, customers absorb them. A monopoly's managers don't even know when they are providing poor service or failing to take advantage of new, cost-cutting technologies, because they don't get signals from their customers. In contrast, competitive firms get instant feedback when customers go elsewhere. No wonder the bureaucracy defends the status quo, even when the quo has lost its status.

As for economies of scale, the realities have changed. The philosophy when these procurement systems were set up was that if the government bought in bulk, costs would be lower, and taxpayers would get the savings. But it no longer works that way.

As we discuss more fully in chapter 1, we no longer need to buy in bulk to buy cheaply. The last decade has brought more and more discount stores, which sell everything from groceries to office supplies to electronic equipment at a discount. The Vice President heard story after story from federal workers who had found equipment and supplies at discount stores—even local hardware stores—at two-thirds the price the government paid.

Not all federal operations should be forced to compete, of course. Competition between regulatory agencies is a terrible idea. (Witness the regulation of banks, which can decide to charter with the state or federal government, depending on where they can find the most lenient regulations.) Nor should policy agencies compete. In the development of policy, cooperation between different units of government is essential. Competition creates turf wars, which get in the way of creating rational policies and programs. It is in *service delivery* that competition yields results—because competition is the one force that gives public agencies *no choice* but to improve.

> *"It is better to abolish monopolies in all cases than not to do it in any."*
>
> **Thomas Jefferson**
> Letter to James Madison, 1788

The Government Printing Office

Perhaps the oddest federal monopoly is the Government Printing Office.

In 1846, Congress established a Joint Committee on Printing (JCP) to promote efficiency and protect agencies from profiteering and abuse by commercial printers. The JCP sets standards for all agency activities—including printing, photocopying, and color and paper quality. When the Naval Academy wants to use parchment paper for graduation certificates, for instance, the JCP must approve the decision.

The JCP also supervises the Government Printing Office, the mandatory source of most government printing—a whopping $1 billion a year. Along with printing federal publications, the GPO must approve all privately contracted government printing jobs. This even includes printing orders less than $1,000—of which there were 270,000 in 1992. Simply for processing orders to private companies, GPO charges 6 to 9 percent.

Such oversight doesn't work in an age of computers and advanced telecommunications. Desktop publishing has replaced the traditional cutting and pasting with computer graphics and automated design. In private business, in-house printing flourishes. Small printing companies specialize in strategic market niches.

The "government look"

Here's a sad story about the Government Printing Office, multiple signatures, and $20,000 of wasted taxpayer money.

Vice President Gore heard it from an employee at the Transportation Department's National Highway Traffic Safety Administration, which promotes highway safety. Hoping to convey safety messages to young drivers, her office tries to make its materials "slick"—to compete with sophisticated advertising aimed at that audience. Sound simple? Read on.

After the agency decides what it wants, it goes through multiple approvals at the GPO and the Department of Transportation. In the process, the material can change substantially. Orders often turn out far differently than NHTSA wanted. But under the GPO's policy, agencies must accept any printing order that the GPO deems "usable."

"I can cite one example where more than $20,000 has been spent and we still do not have the product that we originally requested," the employee explained, "because GPO decided on its own that it did not have a `government' look. We were not attempting to produce a government look. We were trying to produce something that the general public would like to use."

Action: *Eliminate the Government Printing Office's monopoly.*[25]

For all executive branch printing, Congress should end the JCP's oversight role. Congressional control of executive branch printing may have made sense in the 1840s, when printing was in its infancy, the government was tiny, there was no civil service, and corruption flourished. But it makes much less sense today. We want to encourage competition between GPO, private companies, and agencies' in-house publishing operations. If GPO can compete, it will win contracts. If it can't, government will print for less, and taxpayers will benefit.

The General Services Administration

Among government's more cumbersome bureaucracies is the General Services Administration (GSA), which runs a host of federal support services—from acquiring and managing 250 million square feet of office space to managing $188 billion of real estate, from brokering office furniture and supplies to disposing of the government's car and truck fleets.

With its monopoly, GSA can pass whatever costs it wants on to tenants and customers. Often it rents the cheapest space it can find, then orders federal agencies tooccupy it—regardless of location or quality. (Occasionally an agency with enough clout refuses, and GSA ends up paying to rent empty space.) And this is not all GSA's fault. Frequently, the agency is hemmed in by federal budget and personnel rules. GSA admits that many of its customers are unhappy. It has already permitted some agencies to make their own real estate deals. We propose to open that door farther.

Action: ***The President should end GSA's real estate monopoly and make the agency compete for business. GSA will seek legislation, revise regulations, and transfer authority to its customers, empowering them to choose among competing real estate management enterprises, including those in the private sector.***[26]

Specifically, GSA will create one or more property enterprises, with separate budgets. The enterprises will compete with private companies—real estate developers and rental firms—to provide and manage space for federal agencies. Agencies, in turn, will lease general purpose space and procure, at the lowest cost, real property services—acquisition, design, management, and construction. Such competition should lower costs for federal office space.

All other federal agencies with real estate holdings, including the Defense and Veterans Affairs Departments, will adopt similarly competitive approaches.

Dialing for Dollars: How Competition Cut the Federal Phone Bill

In the mid 1980s, a long-distance call on the federal system, which the General Services Administration manages, cost 30 to 40 cents a minute, the "special government rate." AT&T's regular commercial customers normally paid 20 cents a minute. The Defense Department, citing GSA's rates, would not use the government-wide system.

Spurred by complaints about high costs and the loss of customers, GSA put the government's contract up for bid among long-distance phone companies. It offered 60 percent of the business to the winner, 40 percent to the runner up.

Today, the government pays 8 cents a minute for long-distance calls. More agencies—including the Defense Department—are using the system. And taxpayers are saving a bundle.

Competition in Support Services

Every federal agency needs "support services"—accounting, property management, payroll processing, legal advice, and so on. Currently, most managers have little choice about where to get them; they must use what's available in-house. But no manager should be confined to an agency monopoly. Nor should agencies provide services in-house unless the services can compete with those of other agencies and private companies.

Over the past decade, a few federal entrepreneurs have created support service enterprises, which offer their expertise to other agencies for a fee. Consider the Center for Applied Financial Management, in the Treasury Department's Financial Management Service. A few years ago, Treasury officials realized that many agencies reporting to their central accounting system had problems meeting the Treasury's reporting standards. Rather than send nasty letters, they decided to offer help.

The Treasury established a consulting business. The center includes a small group of people who offer training, technical assistance, and even a system for accounting programs so that agencies need not own the software. The center markets its services to government agencies, aggressively and successfully, competing with accounting and consulting firms for agency business and dollars. Its clients include the Small Business Administration and the Nuclear Regulatory Commission. Already, the center's work has reduced the errors in reports submitted to the Treasury and reduced agencies' accounting costs. Opened 2 years ago, the center plans to be profitable by 1995; if not, the Treasury will close it.

Action: ***The administration should encourage operations of one agency to compete for work in other agencies.***[27]

We want to expand the approach exemplified by Treasury's Center for Applied Financial Management throughout government. Just as in business, competition is the surest way to cut costs and improve customer service.

Competing with the Private Sector

Forcing government's internal service bureaus to compete to please their customers is one strategy. Forcing government's external service organizations to do the same is another. In a time of scarce public resources, we can no longer afford so many service monopolies. Many federal organizations should begin to compete with private companies. Consider the National Oceanic and Atmospheric Administration.

Action: ***The National Oceanic and Atmospheric Administration (NOAA) will experiment with a program of public-private competition to help fulfill its mission.***[28]

NOAA, a part of the Commerce Department, maintains a fleet of ships to support its research on oceans and marine life and its nautical charting. But its fleet is reaching the end of its projected life expectancy. And even with the fleet, NOAA has consistently fallen far short of the 5,000 days at sea that it claims to need each year to fulfill its mission. NOAA faces a basic question—whether to undertake a total fleet replacement and modernization plan, estimated to cost more than $1.6 billion in the next 15 years, or charter some privately owned ships.

The experience of the U.S. Army Corps of Engineers, which contracts out 30 to 40 percent of its ocean floor charting to private firms, shows that the private sector can and will do this kind of work. Competition among private companies for these services also might reduce costs.

Action: ***The Defense Department will implement a comprehensive program of competitive contracting non-core functions competitively.***[29]

The Defense Department is another agency in which necessity is becoming the mother of invention. Facing a swiftly falling budget, the department literally can't afford to do things in its usual way—especially when private firms can perform DOD's non-core functions better, cheaper, and faster. Functions such as command, deployment, or rotation of troops cannot be contracted, of course. But data processing, billing, payroll, and the like certainly can.

Private firms—including many defense contractors—contract out such functions. General Dynamics, for instance, has contracted with Computer Services Corporation to provide all its information technology functions, data center operations, and networking. But at the Pentagon, a bias against out-sourcing remains strong. Only a commitment by senior leaders will overcome that bias.

In addition to the cultural barriers at the Pentagon, numerous statutory roadblocks exist. In section 312 of the fiscal year 1993 DOD Authorization Act, for example, Congress stopped DOD from shifting any more in-house work to contractors. Another law requires agencies to obtain their construction and design services from the Army Corps of Engineers or Naval Facilities Engineering Command. The administration should draft legislation to remove both of these roadblocks. It will also make contracting easier by rescinding its orders on the performance of commercial activities and issuing a new order, to establish a policy supporting the acquisition of goods and services in the most economical manner possible. OMB will review Circular A-76, which governs contracting out, for potential changes that would simplify the contracting process and increase the flexibility of managers.

Action: ***Amend the Job Training Partnership Act to authorize public and private competition for the operation of Job Corps Civilian Conservation Centers.***[30]

The Labor Department's Employment and Training Administration (ETA) supervises 108 Job Corps Centers, which provide training and work experience to poor youth. The ETA contracts with for-profit and non-profit corporations to operate 78 of the centers. The department has long sought to contract out the other 30, now run by the Agriculture and Interior Departments as Civilian Conservation Centers. But Congress under the Job Training Partnership Act, has passed legislation barring such action.

Because they are insulated from competition, CCC managers have few incentives to cut costs and boost quality. For the past 5 years, average per-trainee costs at a CCC have run about $2,000 higher than at centers run by contractors. Competition would force the Interior and Agriculture Departments to operate the rural centers more efficiently—or risk losing their operations to private competitors.

Truth in Budgeting

If federal organizations are to compete for their customers, they must do so on a level playing field. That means they must include their full costs in the price they charge customers. Businesses do this, but federal agencies hide many costs in overhead, which is paid by a central office. Things like rent, utilities, staff support, and the retirement benefits of employees are often assigned to the overall agency rather than the unit that incurred them. In this way, governmental accounting typically understates the true cost of any service.

With a new accounting system that recognizes full costs—and assigns rent, utilities, staff support, retirement benefits, and all other costs to the unit that actually incurs them—we can determine the true costs of what government produces. At that point, we can compare costs across agencies, make agencies compete on a level playing field, and decide whether we are getting what we pay for.

Action: ***By the end of 1994, the Federal Accounting Standards Advisory Board will issue a set of cost accounting standards for all federal activities. These standards will provide a method for identifying the true unit cost of all government activities.***[31]

Some government agencies have already moved in this direction. Others have gone even further. The Defense Department is experimenting with what it calls a Unit Cost Budget. It calculates the costs of delivering a unit of service, then budgets for the desired service levels.

The Defense Logistics Agency (DLA) began this experiment, hoping to ease pressures to contract out its supply depots to private companies. DLA.examined the cost of receiving and delivering shipments, then attached a dollar figure to each item received and another to each item delivered. All money was then appropriated according to the number of items shipped or received. Line items disappeared, incentives grew. The more boxes a depot shipped or received, the more money that depot brought in. For the first time, DLA could calculate its true costs, compare those of various installations, and pinpoint problems. This approach, which enables managers to set productivity targets, is now spreading to other military installations.

STEP 3: CREATING MARKET DYNAMICS

Not all public activities should be subject to competition, as noted above. In some cases, even service delivery operations are better off as monopolies. In the private sector, we call these utilities and regulate them to protect the consumer. They are run in a businesslike fashion, and they respond to the market. (For instance, they have stockholders and boards, and they can borrow on the capital markets.) They simply don't face competition.

Many governments, including our federal government, do something very similar. They create government-owned corporations to undertake specific tasks. The Postal Service and Tennessee Valley Authority are two examples. Such corporations are free from many restrictions and much of the red tape facing public agencies, but most of them remain monopolies—or, as with the Postal Service, partial monopolies.

At other times governments subject public organizations to market dynamics, stimulate the creation of private enterprises, or spin off public enterprises to the private sector. To get the best value for the taxpayer's dollar, the federal government needs to use these options more often.

Consider the National Technical Information Service (NTIS), a once-failing agency in the Commerce Department that turned itself around in a brief year's time. Established to disseminate federally funded scientific and technical information, NTIS was, until recently, not meeting its mission. The agency, which receives no congressional appropriations, was suffering serious financial problems, selling fewer documents each year to its mostly private sector customers, and charging higher and higher prices on those it did sell.

Commerce—not surprisingly—considered abolishing the agency. A year earlier, the department's inspector general had concluded that NTIS's reported earnings of $3.7 million were vastly overstated, that it suffered $674,000 in additional operating losses in 1989, and that its procedures in handling such losses and cash shortfalls violated government accounting principles and standards.

Commerce instead decided to turn the agency around. The effort worked. NTIS's revenues and sales are both up. Why? Because the agency was forced to respond to its customers' unhappiness. NTIS reduced the turnaround time on its orders, cut complaints about incorrect orders, and dramatically slashed the percentage of unanswered phone calls. Consequently, most business customers who turned away in the 1980s have returned. NTIS's turnaround shows what can happen when public organizations face the pressure of customer demands.[32]

Other agencies may require a structural change to enhance their customer service. Because it's run as a public agency, for instance, the Federal Aviation Administration's air traffic control (ATC) system is constantly hamstrung by budget, personnel, and procurement restrictions. To ensure the safety of those who fly, the FAA must frequently modernize air traffic control technology. But this has been virtually impossible, because the FAA's money comes in annual appropriations. How can the FAA maintain a massive, state-of-the-art, nationwide computer system when it doesn't know what its appropriation for next year or the years beyond will be?

As a result, the 10-year National Airspace Plan, begun in 1981, is now 10 years behind schedule and 32 percent over budget. Federal personnel rules aggravate the problems: The FAA has trouble attracting experienced controllers to high-cost cities. With no recent expansion, the system lacks the capacity to handle all air travel demands. Consequently, airlines lose about $2 billion annually in costs for additional personnel, equipment, and excess fuel. Passengers lose an estimated $1 billion annually in delays.

America needs one seamless air traffic control system from coast to coast. It should be run in a businesslike fashion—able to borrow on the capital markets, to do long-term financial planning, to buy equipment it needs when it needs it, and to hire and fire in reasonable fashion. The solution is a government-owned corporation.

Action: *Restructure the nation's air traffic control system into a corporation*[33]

"There is an overwhelming consensus in the aviation community that the ATC system requires fundamental change if aviation's positive contribution to trade and tourism is to be sustained," one study concluded earlier this year.[34]

The ATC's problems can't be fixed without a major reorganization. Under its current structure, the system is subject to federal budget, procurement, and personnel rules designed to prevent mismanagement and the misuse of funds. The rules, however, prevent the system from reacting quickly to events, such as buying the most up-to-date technology. In its recent report, Change, Challenge, and Competition, the National Commission to Ensure a Strong Competitive Airline Industry, (chaired by former Virginia Governor Gerald Baliles), recommended the creation of an independent federal corporate entity within the Transportation Department. We agree.

We should restructure the ATC into a government-owned corporation, supported by user fees and governed by a board of directors that represents the system's customers. As customer use rises, so will revenues, providing the funds needed to answer rising customer demands and finance new technologies to improve safety. Relieved of its operational role, the FAA would focus on regulating safety. With better, safer service, we all would benefit. This approach has already worked in Great Britain, New Zealand, and other countries.

Action: *The General Services Administration will create a Real Property Asset Management Enterprise, separating GSA's responsibility for setting policy on federally owned real estate from that of providing and managing office space.*[35]

In asset management, too, government could take a few lessons from business. We must begin to manage assets based on their rates of return. A good place to start is in the General Services Administration.

The federal government owns assets—land, buildings, equipment—that are enormous in number and value. But it manages them poorly. Like several other agencies, GSA wears two hats: with one, it must provide office space to federal agencies. With the other, it serves as manager and trustee of huge real estate holdings for American taxpayers. It cannot do both—at least not well. Should it maximize returns for taxpayers by selling a valuable asset? Or, as the office space provider, should it require an agency to occupy one of its own buildings when less expensive leased space is available?

GSA will create a Real Property Asset Management Enterprise, solely responsible for managing federally owned real .estate to optimize the highest rate of return for taxpayers, while competing with the private sector and better serving tenants' needs.

Action: *The Department of Housing and Urban Development will turn over management of its "market rate" rental properties and mortgage loans to the private sector.*[36]

The Department of Housing and Urban Development has a growing workload of problem multi-family loans and foreclosed properties. In addition, restrictive rules and outdated practices hamper its management of these assets. Rather than more staff, HUD needs a new approach.

HUD, which oversees the Federal Housing Administration, owns many loans and properties it acquired from the FHA when owners defaulted on their loans.

These "market-rate" assets—which were never set aside for low-income people—have fewer restrictions on disposal than most HUD-subsidized properties. But in trying to sell the assets, HUD still faces a variety of legal and political pressures. If the department entered into limited partnerships with real estate firms, it could retain most profits from any sales and let a private business entity perform the sales in the most economically beneficial way.

STEP 4: USING MARKET MECHANISMS TO SOLVE PROBLEMS

Government cannot create a program for every problem facing the nation. It cannot simply raise taxes and spend more money. We need more than government programs to solve our problems. We need *governance.*

Governance means setting priorities, then using the federal government's immense power to steer what happens in the private sector. Governance can take many forms: setting regulations, providing financial incentives, or ensuring that consumers have the information they need to drive the market.

When the Roosevelt administration made home ownership a national priority, the government didn't build millions of homes or distribute money so families could buy them. Instead, the Federal Housing Administration helped to create a new kind of mortgage loan. Rather than put down 50 percent, buyers could put down just 20 percent; rather than repay mortgages in 5 years, borrowers could stretch the payments over 30 years. The government also helped to create a secondary market for mortgages, helping even more Americans buy homes.

As we reinvent the federal government, we, too, must rely more on market incentives and less on new programs.

Worker Safety and Health

Today, 2,400 inspectors from the Occupational Safety and Health Administration (OSHA) and approved state programs try to ensure the safety and health of 93 million workers at 6.2 million worksites. The system doesn't work well enough. There are only enough inspectors to visit even the most hazardous workplace once every several years. And OSHA has the personnel to follow up on only 3 percent of its inspections.

Action: ***The Secretary of Labor will issue new regulations for worksite safety and health, relying on private inspection companies or non-management employees.***[37]

Government should assume a more appropriate and effective role: setting standards and imposing penalties on workplaces that don't comply. In this way, OSHA could ensure that all workplaces are regularly inspected, without hiring thousands of new employees. It would use the same basic technique the federal government uses to force companies to keep honest financial books: setting standards and requiring periodic certification of the books by expert financial auditors. No army of federal auditors descends upon American businesses to audit their books; the government forces them to have the job done themselves. In the same way, no army of OSHA inspectors need descend upon corporate America. The health and safety of American workers could be vastly improved—without bankrupting the federal treasury.

The Labor Secretary already is authorized to require employers to conduct certified self-inspections. OSHA should give employers two options with which to do so: They could hire third parties, such as private inspection companies; or they could authorize non-management employees, after training and certification, to conduct inspections. In either case, OSHA would set inspection and reporting standards and conduct random reviews, audits, and inspections to ensure quality.

Within a year or two of issuing the new regulations, OSHA should establish a sliding scale of incentives designed to encourage workplaces to comply. Worksites with good health, safety, and compliance records would be allowed to report less frequently to the Labor Department, to undergo fewer audits, and to submit less paperwork. OSHA could also impose higher fines for employers whose health and safety records worsened or did not improve.

Environmental Protection

As governments across the globe have begun to explore better ways to protect the environment, they have discovered that market mechanisms—fees on pollution, pollution trading systems, and deposit-rebate systems—can be effective alternatives to regulation. But while the idea of "making the polluter pay" is widely accepted in this country, our governments have not widely applied it. Many federal, state, and local regulations rely on an earlier approach to environmental control: stipulating treatment, not outcomes. Their wholesale shift to a new approach will take time.

Action: *Encourage market-based approaches to reduce pollution.*[38]

Many federal agencies, lawmakers, and environmental groups endorse using market-based incentives to meet environmental goals. We propose that both EPA and Congress use administrative and legislative measures, for example, the Clean Water Act, to promote market mechanisms to stop pollution.

One route is allowing polluters to "trade" pollution rights. This would reward companies that not only meet legal requirements–but for the extra mile to reduce pollution by more than the law requires.

Rather than dictating exactly which technologies industry should use to reduce pollution, the government would set standards and let the market handle the details. The government could also assess fees based on the amount and nature of pollution emissions or discharges. Fees could reflect the quality, toxicity, and other adverse characteristics of pollutants.

The federal government has used this approach before. In the 1970s, the Environmental Protection Agency (EPA) distributed credits to companies that cut air pollution and let them trade credits between different sources of their own pollution or sell them to other companies located nearby. In the 1980s, the EPA used a similar approach as it forced industry to remove lead from gasoline. Both efforts were successful: industry met its targets, while spending billions of dollars less than otherwise would have been required. Then, as part of the 1990 Clean Air Act, the President and Congress agreed to give credits to coal-burning electric power plants for their allowable emissions of sulfur dioxide, to cut down on acid rain. Power plants that cut their emissions below a certain level can sell unused credits to other plants. Experts estimate that this will cut the cost of reducing sulfur dioxide emissions by several billion dollars a year.[39]

Public Housing

Public housing is a classic story of good intentions gone awry. When the program began in the 1930s, it was hailed as an enlightened response to European immigrants' squalid living conditions in cities across the nation. Through an enormous bureaucracy stretching from Washington into virtually every city in America, the public housing program brought clean, safe, inexpensive living quarters to people who could not otherwise afford them.

For two decades, public housing was a success. But by the 1970s, it had come to symbolize everything wrong with the "liberal" approach to social problems.

Inflexible federal standards, an overly centralized administrative structure, and local political pressures combined to produce cookie-cutter high-rise projects in our worst urban areas. Over time, many projects degenerated into hopeless concentrations of welfare families beset by violence and crime.

We spend $13 billion a year on public housing, but we create few incentives for better management. In local housing agencies, managers are hamstrung by endless federal regulations that offer little flexibility. Any savings they generate are simply returned to the government.

Tenants enjoy even less flexibility. With housing subsidies attached to buildings, not people, the program's clients have no choice about where to live. They, therefore, have absolutely no leverage—as customers—over the managers.

Action: ***Authorize the Department of Housing and Urban Development to create demonstration projects that free managers from regulations and give tenants new market powers, such as freedom of choice to move out of old public housing buildings.***[40]

We want to let public housing authorities, through not-for-profit subsidiaries, compete for new construction and modernization funds that they would use to create market-rate housing. The managers would manage this new housing free of most regulations, provided they met performance standards set by HUD. They would rent to a mix of publicly subsidized and market-rate tenants. The rents of unsubsidized tenants would help to finance the subsidies of assisted tenants.

With portable subsidies, publicly assisted tenants could look for housing wherever they could find it. Rather than dependent beneficiaries, forced to live where the government says, they would become "paying customers," able to choose where to live. Thus, public housing managers would no longer have guaranteed tenants in their buildings; they would have to compete for them.

Conclusion

We know from experience that monopolies do not serve customers well. It is an odd fact of American life that we attack monopolies harshly when they are businesses, but embrace them warmly when they are public institutions. In recent years, as fiscal pressures have forced governments at all levels to streamline their operations, this attitude has begun to break down. Governments have begun to contract services competitively; school districts have begun to give their customers a choice; public managers have begun to ask their customers what they want.

This trend will not be reversed. The quality revolution sweeping through American businesses—and now penetrating the public sector—has brought the issue of customer service front and center. Some federal agencies have already begun to respond: the IRS, the Social Security Administration, and others. But there is much, much more to be done. By creating competition between public organizations, contracting services out to private organizations, listening to our customers, and embracing market incentives wherever appropriate, we can transform the quality of services delivered to the American people.

In our democratic form of government, we have long sought to give people a voice. As we reinvent government, it is time we also gave them a choice.

Chapter 3

EMPOWERING EMPLOYEES TO GET RESULTS

Take two managers and give to each the same number of laborers and let those laborers be equal in all respects. Let both managers rise equally early, go equally late to rest, be equally active, sober, and industrious, and yet, in the course of the year, one of them, without pushing the hands that are under him more than the other, shall have performed infinitely more work.

George Washington

When Nature has work to be done, she creates a genius to do it.

Ralph Waldo Emerson

Two hundred years ago, George Washington recognized the common sense in hiring and promoting productive managers—and taking authority away from unproductive ones. One hundred years ago, Emerson observed that we all share a common genius, ignited simply by the work at hand. These American originals defined the basic ingredients of a healthy, productive work environment: managers who innovate and motivate, and workers who are free to improvise and make decisions.

Today, our federal government's executive branch includes 14 cabinet departments, 135 agencies and hundreds of boards and commissions. These entities employ more than 2.1 million civilians (not counting the Postal Service), and 1.9 million members of the military, spend $1.5 trillion a year, and, directly or indirectly, account for one third of our national economy[1]. Their tasks are both massive and difficult. As the National Academy of Public Administration wrote not long ago, "The federal government now manages ... some of the most important and complex enterprises in the world."[2] But it does not manage them well.

Admittedly, "management" is a fuzzy concept, hard to recognize or define. But poor management has real consequences. Money is wasted. Programs don't work. People aren't helped. That's what taxpayers and customers see.

Inside government, bad management stifles the morale of workers. The "system" kills initiative. As Vice President Gore, responding to the concerns of Transportation Department employees, put it:

> *One of the problems with a centralized bureaucracy is that people get placed in these rigid categories, regulations bind them, procedures bind them, the organizational chart binds them to the old ways of the past... The message over time to...employees becomes: Don't try to do something new. Don't try to change*

established procedures. Don't try to adapt to the new circumstances your office or agency confronts. Because you're going to get in trouble if you try to do things differently."[3]

Cutting red tape, organizing services around customers, and creating competition will start to generate an environment that rewards success. Now, we must encourage those within government to change their ways. We must create a culture of public entrepreneurship.

> ***Our long-term goal is to change the very culture of the federal government... A government that puts people first, puts its employees first, too. It empowers them, freeing them from mind-numbing rules and regulations. It delegates authority and responsibility. And it provides for them a clear sense of mission.***
>
> **Vice President Al Gore**
> Speech to National Performance Review members
> May 24, 1993

But changing culture is a lot harder than changing rules and regulations. An attitude of powerlessness and complacency pervades the federal workplace. As one veteran of many government reform initiatives observed, "Changing government is a bit like moving the town cemetery. It's much harder to deal with the feelings it arouses than with the relocation itself."

The Quality Imperative

Of course, many thought that turning General Motors around would be impossible. If you talked to their employees, the same undoubtedly was true of General Electric, Motorola, Harley-Davidson, and scores of leading corporations before they embraced a new management philosophy. In the 1970s and 1980s, as technology began to revolutionize everything and global competitors began to take away market share, firms that had grown fat and happy had to face the facts: This wasn't the 1950s anymore.

These firms quickly discovered that economists can be wrong: *More* isn't always better: *better* is better. One by one, they began to pursue a new goal—*quality*—and to reorganize their entire businesses around it.

The quality imperative is simple: *Do everything smarter, better, faster, cheaper.* It is not simple, however, to obey. It means dismantling the old ways of doing business. The same tired command hierarchies that continue to bind government are being scrapped daily by companies on the rise. In their place, firms seek new ways to manage and organize work that develop and use the full talents of every employee. They want everyone to contribute to the bottom line—that is, to produce goods and services that match customer needs at the lowest cost and fastest delivery time.

The quality movement has spawned many proven methods and mantras, each with its loyal fans: management by results; total quality management; high-performance organization; business process reengineering. But the quest for quality—in performance, product, and service—unifies them all.

Government has recognized the quality imperative. In 1987, the U.S. Department of Commerce instituted the Malcolm Baldrige National Quality Award. Now the object of fierce competition, it recognizes private firms that achieve excellence by pursuing quality management. In 1988, the Federal Quality Institute began awarding the Presidential Award for Quality to federal agencies that do the same. The Presidential Award criteria, modeled on Baldrige, set new standards for federal government performance. The President should encourage all department and agency heads to manage with these criteria in mind.

Changing the Culture: Power and Accountability

Companies do not achieve high quality simply by announcing it. Nor can they get to quality by hiring the services of the roving bands of consultants who promise to turn businesses around overnight. They do it by turning their entire management systems upside down—shedding the power to make decisions from the sedimentary layers of management and giving it to the people on the ground who do the work. This rewrites the relationship between managers and the managed. The bright line that separates the two vanishes as everyone is given greater authority over how to get their job done.

But with greater authority comes greater responsibility. People must be accountable for the results they achieve when they exercise authority. Of course, we can only hold people accountable if they know what is expected of them. The powerless know

The Federal Quality Imperative

The Presidential Quality Award sets forth seven principles to identify excellent government agencies:

- ***Leadership:*** Are your top leaders and managers personally committed to creating and sustaining your organization's vision and customer focus? Does your effort extend to the management system, labor relations, external partnerships, and the fulfillment of public responsibilities?

- ***Information and Analysis:*** Do your data, information, and analysis systems help you improve customer satisfaction, products, services, and processes?

- ***Strategic Quality Planning:*** Do you have short-term and long-term plans that address customer requirements; the capabilities necessary to meet key requirements or technological opportunities; the capacities of external suppliers; and changing work processes to improve performance, productivity improvement, and waste reduction?

- ***Human Resource Development and Management:*** Is your agency's entire workforce enabled to develop its full potential and to pursue performance goals? Are you building and maintaining an environment for workforce excellence that increases worker involvement, education and training, employee performance and recognition systems, and employee well-being and satisfaction?

- ***Management of Process Quality:*** Does your agency systematically and continually improve quality and performance? Is every work unit redesigning its process to improve quality? Are internal and external customer-supplier relationships managed better?

- ***Quality and Operational Results:*** Are you measuring and continuously improving the trends and quality of your products and services, your business processes and support services, and the goods and services of your suppliers? Are you comparing your data against competitors and world-class standards?

- ***Customer Focus and Satisfaction:*** Do you know what your customers need? Do you relate well to your customers? Do you have a method to determine customer satisfaction?

they are expected only to obey the rules. But with many rules swept away, what is expected from the empowered?

The answer is *results*. Results measured as the customer would—by better and more efficiently delivered services. If the staff in an agency field office are given greater voice over how their workplace and their work are organized, then the customer deserves to spend less time waiting in line, to receive a prompt answer—and everything else we expect from a responsive government.

Our bedrock premise is that ineffective government is not the fault of people in it. Our government is full of well-intentioned, hard-working, intelligent people—managers and staff. We intend to let our workers pursue excellence.

Vice President Al Gore
Reinventing Government Summit
Philadelphia, June 25, 1993

So how do we change culture? The answer is as broad as the system that now holds us hostage. Part of it, outlined in chapter 1 , lies in liberating agencies from the cumbersome burden of over-regulation and central control. Part of it, detailed in chapter 2 , hinges on creating new incentives to accomplish more through competition and customer choice. And part of it depends on shifting the focus of control: empowering employees to use their judgment; supporting them with the tools and training they need; and holding them accountable for producing results. Six steps, described in this chapter, will start us down that road:

First, we must give decisionmaking power to those who do the work, pruning layer upon layer of managerial overgrowth.

Second, we must hold every organization and individual accountable for clearly understood, feasible outcomes. Accountability for results will replace "command and control" as the way we manage government.

Third, we must give federal employees better tools for the job—the training to handle their own work and to make decisions cooperatively, good information, and the skills to take advantage of modern computer and telecommunications technologies.

Fourth, we must make federal offices a better place to work. Flexibility must extend not only to the definition of job tasks but also to those workplace rules and conditions that still convey the message that workers aren't trusted.

Fifth, labor and management must forge a new partnership. Government must learn a lesson from business: Change will never happen unless unions and employers work together.

Sixth, we must offer top-down support for bottom-up decisionmaking. Large private corporations that have answered the call for quality have succeeded only with the full backing of top management. Chief Executive Officers—from the White House to agency heads—must ensure that everyone understands that power will never flow through the old channels again. That's how GE did it; that's how we must do it as well.

STEP 1: DECENTRALIZING DECISIONMAKING POWER

To people working in any large organization—public or private—"headquarters" can be a dreaded word. It's where cumbersome rules and regulations are created and good ideas are buried. Headquarters never understands problems, never listens to employees. When the Office of Personnel Management (OPM) surveyed federal employees, fewer than half expressed any confidence in supervisors two layers above them—or any confidence at all in their organization's overall structure.[4]

Yet everyone knows the truth: Management too often is happily unaware of what occurs at the front desk or in the field. In fact, it's the people who work closest to problems who know the most about solving them. As one federal employee asked Vice President Gore, "If *we* can't tell what we're doing right and wrong, who better can?"

The Social Security Administration's Atlanta field office has shown the wisdom of empowering workers to fulfill their mission. Since 1990, disability benefit claims have risen 40 percent, keeping folks in the Atlanta office busy. So workers created a reinvention team. They quickly realized that if they asked customers to bring along medical records when filing claims, workers could reduce the time they spent contacting doctors and requesting the records. That idea alone saved 60 days on the average claim. Even better, it saved taxpayers $351,000 in 1993, and will save half a million dollars in 1994. The same workers also found a better, cheaper way to process disability claims in cases reviewed by administrative law judges. Instead of asking judges to send them written decisions, they created a system for judges to send decisions electronically. It's quicker, and it eliminates paperwork, too.[5]

Now here's the other side of the coin. A *Denver Post* reporter recently uncovered this bureaucracy-shaking news: It takes 43 people to change a light bulb.

> *An internal memo written by a manager at the U.S. Department of Energy {Rocky Flats} plant recommended a new safety procedure for "the replacement of a light bulb in a criticality beacon." The beacon, similar to the revolving red lamp atop a police car, warns workers of nuclear accidents. The memo said that the job should take at least 43 people over 1,087.1 hours to replace the light. It added that the same job used to take 12 workers 4.15 hours.*
>
> *The memo called for a planner to meet with six others at a work-control meeting; talk with other workers who have done the job before; meet again; get signatures from five people at that work-control meeting; get the project plans approved by separate officials overseeing safety, logistics, waste management and plant scheduling; wait for a monthly criticality-beacon test; direct electricians to replace the bulb; and then test and verify the repair.*[6]

> ***I had seven teams of people each restructure our business... After the third presentation, my executive assistant...said to me, "Bill, this stuff is fabulous. In fact, we never would have thought of these things.***
>
> ***But you've got to trust. People don't come to work with the intent of screwing it up every day. They come here to make it better.***
>
> **Bill Goins, President**
> Xerox Integrated Systems Operations,
> Reinventing Government Summit,
> June 25, 1993

This example drives the point home: Too many rules have created too many layers of supervisors and controllers who, however well-intentioned, wind up "managing" simple *tasks* into complex *processes*. They waste workers' time and squander the taxpayers' money.

Decentralizing the power to make decisions will energize government to do everything smarter, better, faster, and cheaper—if only because there will be more hands and heads on the task at the same time. Vice President Gore likens the effect of decentralization to the advent of "massive parallelism"—the technology used in the world's fastest supercomputers. Standard computers with central processors solve problems in sequence: One by one, each element of information travels back and forth from the machine's central processor. It's like running six errands on Saturday, but going home between each stop. Even at the speed of light, that takes time. In massively parallel computers, hundreds of smaller processors solve different elements of the same problem simultaneously. It's the equivalent of a team of six people each deciding to take on one of the Saturday errands.

Roam on the Range

Ranchers, allowed to graze their cattle in Missouri's Mark Twain National Forest, regularly must move their herds to avoid overgrazing any plot of land. Until recently, ranchers had to apply at the local Forest Service office for permits to move the cattle. Typically, the local office sent them on to the regional office for approval, which, in some cases, sent them on to the national office in Washington. Approval could take up to 60 days—long enough, in a dry season, to hurt the forest, leave the cows hungry, and annoy the rancher.

Thanks to an employee suggestion, the local staffer now can settle the details of moving the herd directly with the rancher. If the rancher comes in by 10 a.m., the cattle can be on the move by noon. Ranchers are happier, cattle are fatter, the environment is better protected—all because local workers now make decisions well within their judgment.

America's best-run businesses are realizing enormous cost savings and improving the quality of their products by pushing decisions down as far as possible and eliminating unnecessary management layers. The federal government will adopt this decentralized approach as its new standard operating procedure. This technique can unearth hundreds of good ideas, eliminate employee frustration, and raise the morale and productivity of an entire organization.

If offered greater responsibility, will employees rise to the task? We are confident they will. After all, few people take up federal work for the money. Our interviews with hundreds of federal workers support what survey after survey of public service workers have found: People want challenging jobs.[7] Yet, that's exactly what our rule-bound and over-managed system too often denies them.

Action: ***Over the next five years, the executive branch will decentralize decisionmaking, and increase the average span of a manager's control.***[8]

Currently, the federal government averages one manager or supervisor for every seven employees.[9] Management expert Tom Peters recommends that well-performing organizations should operate in a range of 25 to 75 workers for every one supervisor.[10] One "best company" puts Peters' principle to shame: "Never have so many been managed by so few," Ritz-Carlton Vice President Patrick Mene told Vice President Gore at the Philadelphia Summit. "There's only about 12 of us back in Atlanta for 11,500 employees. And it really starts with passionate leadership."[11]

Working toward a quality government means reducing the power of headquarters vis-à-vis field operations. As our reinvented government begins to liberate agencies from over-regulation, we no longer will need 280,000 separate supervisory staff and 420,000 "systems control" staff to support them.[12] Instead, we will encourage more of our 2.1 million federal employees to become managers of their own work.

Put simply, all federal agencies will delegate, decentralize, and empower employees to make decisions. This will let front-line and front-office workers use their creative judgment as they offer service to customers and solve problems.

As part of their performance agreements with the President, cabinet secretaries and agency CEOs will set goals for increasing the span of control for every manager. (See Step 3.) The federal government should seek to double its managerial span of control in the coming years.

Some employees may view such pruning as threatening—to their jobs or their chances for promotion. It is true that the size of the federal workforce will decrease. But our goal is to make jobs meaningful and challenging. Removing a layer of oversight that adds no value to customers does more than save money: It demonstrates trust in our workers. It offers employees in dead-end or deadly dull jobs a chance to use all their abilities. It makes the federal government a better place to work—which will in turn make federal workers more productive.

As private companies have found, the key to improving service while redeploying staff and resources is thinking about the organization's staffing and operating needs from the perspective of customer needs. What does each person's task add in value to the customer? The Postal Service has developed a single criterion: It asks, "Do they touch the mail?" Where possible, other agencies should develop similar simple, easy-to-understand criteria.

Pioneering federal offices have used the full variety of quality management techniques to decentralize. Many focus on passing decisions on to the work teams that deal directly with the customer. Some have produced impressive results, both in productivity and management delayering.

The Internal Revenue Service's Hartford district office slashed the time required to process a form on "currently non-collectible" taxes from 14.6 days to 1.4 days. Then it replaced time-consuming case reviews with an automated case management system and began using the manager's time to upgrade employees' skills. Delinquent tax dollars collected rose by 22 percent. The office chose not to fill vacant management positions, investing part of its staff savings in new technology to boost productivity further. Eventually, it cut overall case processing time from 40 to 21.6 weeks.[13]

At the Robins Air Force Base, the 1926th Communications-Computer Systems Group cut its supervisory staff in half by organizing into teams.[14] An Agriculture Department personnel office that converted to self-managed work teams beefed up customer satisfaction and now uses only one manager for every 23 employees. At the Defense Logistics Agency, self-managing teams in the Defense Distribution Region Central eliminated an entire level of management, saving more than $2.5 million a year.[15] In 1990, the Airways Facilities Division of the Federal Aviation Administration maintained approximately 16,000 airspace facilities, with roughly 14,000 employees. Today its workforce is organized in self-managed teams instead of units with supervisors. They now maintain more than 26,000 facilities with only 9,000 employees.[16]

Other decentralization and delayering plans are in the works. After a successful pilot program in 11 field service sites, the Department of Veterans Affairs is recommending an agencywide effort.[17] Over the next 5 years, the Department of Housing and Urban Development (HUD) plans to convert HUD's field structure from three to two levels, eliminating the regional offices. HUD will free its five assistant secretaries to organize their own functions in the field. It will transfer many of its application and loan processing functions to private firms. While letting staff attrition dictate staff reductions—HUD promises no layoffs—HUD plans to retrain and redeploy people into more interesting jobs, with better career ladders and better access to managers. HUD believes its restructuring effort will improve customer service while saving $157.4 million in personnel and overhead costs.[18]

STEP 2: HOLD ALL FEDERAL EMPLOYEES ACCOUNTABLE FOR RESULTS

It's easy to understand why federal employees—including the hundreds who aired their deep frustrations to the National Performance Review—would care about empowerment. It adds new, positive dimensions to their jobs.

But why should taxpayers or social security recipients care? Taxpayers aren't interested in what rules bureaucracy follows. But they do care, deeply, about how well government serves them. They want education programs to give young people basic skills and teach them how to think, anti-poverty programs that bring the unemployed into the economic mainstream for good, anti-crime programs that keep criminals off the streets, and environmental programs that preserve clean air and water. In other words, they want programs that work.

But management in government does not judge most programs by whether they work or not. Instead, government typically measures program activity—how much it spends on them, or how many people it has assigned to staff them. Because government focuses on these "inputs" instead of real results, it tends to throw good money after mediocre. It pours more dollars into the old education programs even as student performance sinks. It enrolls jobless people in training programs that teach by the book, but places few graduates in well-paid jobs.

A recent management survey of the largest 103 federal agencies sketches in stark relief this lack of focus on real results. Two-thirds of the agencies reported that they had strategic plans. But only nine said they could link those plans to intended results.[19] In other words, many had planned, but few knew where they were going. That's a bit like trying to steer a ship by looking at its wake. As a result, some of our worst examples of "waste" are not rooted in corruption or incompetence, but rather in the simple lack of knowing what we are actually trying to accomplish. As one despairing federal employee told us, "Process is our most important product."

Recommendations by the National Performance Review aim to revolutionize our method of navigation. "Today," Vice President Gore told one departmental meeting, "all we measure is inputs. We don't measure outputs—and that's one of the things we're going to change throughout the federal government."

Measuring outputs is easy in principle. It means measuring how many unemployed people get jobs, not how many people look for help at local Employment Service offices. Or it means measuring how many people received their social security checks on time, not how many checks were sent out from a local office. "Outputs" are, quite simply, measures of how government

What you do thunders so loudly, I cannot hear what you say to the contrary.

Ralph Waldo Emerson

programs and policies affect their customers. The importance of pursuing the correct measures cannot be underestimated. As Craig Holt, an Oregon Department of Transportation employee who has worked with the ground-breaking Oregon Progress Board—our nation's first statewide experiment in comprehensive performance accountability—cautions: "Our focus has occurred through our *indicators*, not through our strategic plans."[20]

Implementing the Government Performance and Results Act

To its credit, Congress has begun to recognize this need. In July 1993, it passed the Government Performance and Results Act—a pivotal first step toward measuring whether federal programs are meeting their intended objectives. The act requires that at least 10 federal agencies launch 3-year pilot projects, beginning in fiscal 1994, to develop measures of progress. Each agency pilot will develop annual performance plans that specify measurable goals. They then must produce annual reports showing how they are doing on those measures. At least five pilots will also test "managerial flexibility waivers"—which exempt them from some administrative regulations—to help them perform even better. In exchange for greater flexibility, they must set higher performance targets. This is exactly the process of measured deregulation—"we agree to deregulate you if you agree to be held accountable"—that must be the basis of an empowered and accountable government.

At the beginning of fiscal 1998, after learning from the pilot programs, all federal agencies must develop 5-year strategic plans—linked, this time, to measurable outcomes! By the next year, every agency will be crafting detailed annual performance plans—that is, plans that describe what they intend to achieve, not plans that detail how many pencils they will buy or people they will hire. And they will have to report their successes and failures in meeting those goals. The Office of Managenent and Budget may exempt very small agencies, and those agencies that cannot easily measure their outcomes will use qualitative rather than quantitative goals and measurements. After all, any agency can, at the very least, survey their customers and report the rating they are given.

It may seem amazing to say, but like many big organizations, ours is primarily dominated by considerations of input—how much money do we spend on a program, how many people do you have on the staff, what kind of regulations and rules are going to govern it; and much less by output—does this work, is it changing people's lives for the better?

President Bill Clinton
Remarks at the signing of the Government
Performance And Results Act
August 3, 1993

Setting goals is not something that agencies do once. It is a continual process in which goals are raised higher and higher to push agency managers and staff harder and harder to improve. As the old business adage states, "If you're standing still, you're falling behind."

That is why we strongly support the act. But agencies should not wait until fiscal 1999 to start integrating performance measurement into their operations. Nor should they limit themselves to the minimum mandates of the new law. The President, through OMB, is encouraging every federal program and agency to begin strategic planning and performance measurement, whether it is selected as a pilot or not.

If government is to become customer-oriented, then managers closest to the citizens must be empowered to act quickly. Why must every decision be signed-off on by so many people? If program managers were instead held accountable for the results they achieve, they could be given more authority to be innovative and responsive.

Senator William V. Roth, Jr.
Congressional Record, July 30, 1993

Action: *All agencies will begin developing and using measurable objectives and reporting results.*[21]

In early 1994—in time to prepare the fiscal 1996 budget—OMB will revise the budget instructions it gives agencies to incorporate performance objectives and results, to the greatest extent possible. Agencies will start measuring and reporting on their past goals and performance as part of their 1996 budget requests. The OMB instructions, along with executive office policy guidance, will guide agencies as they develop full-fledged goal-setting and performance-monitoring systems for the first time.

At the outset, managers may feel unprepared to set reasonable performance targets. Some will lack any program data worth its salt on which to base any future goals or performance projections. Others, overwhelmed with "input" indicators about program staffing and spending, will find it difficult to figure out whether—or how—those measures directly relate to achieving desired outcomes. Agencies will start preparing themselves by reallocating enough resources toward performance planning and measurement over the long term.

OMB will help. Its budget analysts will be trained to provide feedback and broad oversight to help craft an effective system, and encourage agencies to improve measures that are clearly ineffective. OMB will negotiate stronger goals for agencies that set their sights too low or perform poorly against their indicators.

Agencies will gradually build performance information into their own budget guidance and review procedures, into their strategic and operational plans, and into revised position descriptions for their budget, management, and program analysts. Nothing, however, will replace peer pressure as agencies vie for performance awards or seek public recognition for their achievements.

Action: *Clarify the objectives of federal programs.*[22]

Many agencies will be unable to set clear measurable goals until Congress simplifies their responsibilities. Programs are bound by multiple, often conflicting, legislative objectives. The complex politics of passing enabling legislation and then negotiating annual appropriations forces some programs to be all things to all people.

For example, a training program targeted at unemployed steel workers soon is required to serve unemployed farm workers, the disabled, and displaced homemakers. Originally, the program's purpose may have been to refer people to jobs. But congressional maneuvers first force it to offer them training; then to help them find transportation and daycare. All these are important activities. But, by now, the original appropriation is hopelessly inadequate, reporting requirements have multiplied geometrically along with the multiplicity of goals, and the program is not simply unmanaged—it's unmanageable. If agencies are to set measurable goals for their programs, Congress must demand less and clarify priorities more.

In the private sector, leaders do not simply drop goals on their organizations from above. Hewlett-Packard, Microsoft, Xerox, and others involve their full workforces in identifying a few goals that have top priority, and then demand smaller work teams to translate those overall goals into specific team measures. This process enables the people directly responsible for meeting the goals to help set them. It also ensures that every part of an organization aims at the same goals, and that everyone understands where they fit in. It may seem a time consuming process, but boats travel much faster when everyone is pulling their oar in the same direction.

With a new joint spirit of accountability, the executive branch plans to work with Congress to clarify program goals and objectives, and to identify programs where lack of clarity is making it difficult to get results.

Holding Top Management Accountable

When General Eisenhower took command of the Allied Expeditionary Force in World War II, he was given a mission statement that clearly delineated goals for his vast organization of more than a million and a half men and women: "You will enter the continent of Europe and, in conjunction with the other united nations, undertake operations aimed at the heart of Germany and the destruction of her armed forces."

In 1961, President Kennedy gave NASA an even clearer mission: Put a man on the moon and return him safely to earth by the end of the decade. As Vice President Al Gore told his audience at a meeting with Veterans Affairs Department employees: "There has to be a clear, shared sense of mission. There have to be clearly understood goals. There have to be common values according to which decisions are made. There has to be trust placed in the employees who actually do the work."

In Great Britain, Australia, and New Zealand, many department and agency heads are appointed for limited terms and given performance agreements. Their reappointments depend on achieving measurable outcomes. Senior officials from these countries say that these agreements have improved organizational performance more than any other aspect of their reinventing government efforts. In the United States, many local governments do much the same: In Sunnyvale, California, managers can earn bonuses of up to 10 percent if their agencies exceed performance targets.

Action: ***The President should develop written performance agreements with department and agency heads.***[23]

Past efforts to institute management by objectives have collapsed under the weight of too many objectives and too much reporting. The President should craft agreements with cabinet secretaries and agency heads to focus on the administration's strategy and policy objectives. These agreements should not "micro-manage" the work of the agency heads. They do not row the boat. They should set a course.

These agreements will begin with the top 24 agency heads. In fact, Secretaries Mike Espy at the Agriculture Department and Henry Cisneros at the Department of Housing and Urban Development, as well as Roger Johnson at the General Services Administration (GSA), and Administrator J. Brian Atwood of the Agency for International Development are already working with their top managers on agreements.

Not everyone will welcome outcome measures. People will have trouble developing them. Public employees generally don't focus on the outcomes of their work. For one thing, they've been conditioned to think about process; for another, measures aren't always easy to develop. Consequently, they tend to measure their work volume, not their results. If they are working hard, they believe they are doing all they can. Public organizations will need the several years envisioned under the Government Performance and Results Act to develop useful outcome measures and outcome reporting.

Measuring Outcomes

Outcome-based management is new in the public sector. Some U.S. cities have developed it over the past two decades; some states are beginning to; and foreign countries such as Great Britain, Australia, and New Zealand are on their way.

Sunnyvale, California, a city of 120,000 in the heart of the Silicon Valley, began the experiment 20 years ago. In each policy area, the city defines sets of "goals," "community condition indicators," "objectives," and "performance indicators." "In a normal political process, most decisionmakers never spend much time talking about the results they want from the money they spend," says City Manager Tom Lewcock. "With this system, for the first time they understand what the money is actually buying, and they can say yes or no."[24]

Sunnyvale measures performance to reward successful managers. If a program exceeds its objectives for quality and productivity, its manager can receive a bonus of up to 10 percent. This generates pressure for ever-higher productivity. The result: average annual productivity increases of four percent. From 1985 to 1990, the city's average cost of service dropped 20 percent, in inflation-adjusted dollars. According to a 1990 comparison, Sunnyvale used 35 to 45 percent fewer people to deliver more services than other cities of similar size and type.

At least a half-dozen states hope to follow in Sunnyvale's footsteps. Oregon has gone farthest. In the late 1980s, Governor Neil Goldschmidt developed long term goals, with significant citizen input. He set up the Oregon Progress Board, comprising public and private leaders, to manage the process. The board developed goals and benchmarks through 12 statewide meetings and written materials from over 200 groups and organizations. "Oregon," the board stated, "will have the best chance of achieving an attractive future if Oregonians agree clearly on where we want to go and then join together to accomplish those goals."[25]

The legislature approved the board's recommended 160 benchmarks, measuring how Oregon is faring on three general goals: exceptional individuals; outstanding quality of life; and a diverse, robust economy. Seventeen measures are deemed short-term "lead" benchmarks, related to urgent problems on which the board seeks progress within 5 years. They include reducing the teen pregnancy rates, enrolling people in vocational programs, expanding access to basic health care, and cutting worker compensation costs.

Another 13 benchmarks are listed as "key"—fundamental, enduring measures of Oregon's vitality and health. These include improving basic student skills, reducing the crime rate, and raising Oregon's per capita income as a percentage of the U.S. average.

Barbara Roberts, today's governor, has translated the broad goals and benchmarks into specific objectives for each agency. This year, for the first time, objectives were integrated into the budget—giving Oregon the first performance-based budget among the states.

Great Britain has instituted performance measurement throughout its national government. In addition, the government has begun writing 3-year performance contracts, called "Framework Agreements," with about half its agencies. These agencies are run by chief executive officers, many from the private sector, who are hired in competitive searches and then negotiate agreements specifying objectives and performance measures. If they don't reach their objectives, the CEOs are told, their agencies' services may be competitively bid after the 3 years.

Ultimately, no one can generate results without knowing how the "bottom line" is defined. Without a performance target, managers manage blindly, employees have no guidance, policymakers don't know what's working, and customers have no idea where they may be served best. If, for example, jobless people know how well graduates of local training programs fare when looking for work, they can better choose which new careers and programs offer the best prospects. Informed consumers are the strongest enforcers of accountability in government.

Action: ***The administration will issue one set of Baldrige Awards for quality in the federal government.***[26]

For years, the executive branch has taken steps to recognize and support good performance. In typical fashion, however, we have created three different award systems, each administered by a different organization. The Federal Quality Institute (FQI) administers the Presidential Award for Quality; the President's Council on Management Improvement administers the Award for Management Excellence; and the Office of Personnel Management awards the Presidential Quality and Management Improvement Awards for tangible savings to the government of more than $250,000.

The administration will issue one set of presidential awards for quality. The Baldrige Award Office of the National Institute for Standards and Technology will combine the existing awards into a new set of Baldrige Awards for public service—to go along with its private sector award. The new award will recognize agency and work unit quality initiatives and ideas, based on program performance, cost savings, innovation, and customer satisfaction.

STEP 3: GIVING FEDERAL WORKERS THE TOOLS THEY NEED TO DO THEIR JOBS

Americans today demand a more responsive, more humane government that costs less. Their expectations are neither irrational nor whimsical. Over the past 20 years, the entire way we do things, make things, even contact one another, has changed around us. Businesses have no guarantees, no captive markets. To compete, they must make things and deliver service better and faster, and get their message out sooner. No one benefits more than customers. It's no wonder these same people now turn to government and ask, "Why can't you do things better too?"

Transforming our federal government to do better will mean recasting what people do as they work. They will turn from bosses into coaches, from directors into negotiators, from employees into thinkers and doers. Government has access to the same tools that have helped business make this transformation; it's just been slower to acquire and use them. We must change that. We must give workers the tools they need to get results—then make sure they use them.

Employee Training

After two decades of organizing for quality, business knows one thing for sure: Empowered people need new skills—to work as teams, use new computer software, interpret financial and statistical information, cooperate with and manage other people, and *adapt.* Indeed, business talks about a new breed of "knowledge worker"—people who understand that, throughout their careers, their most important task is to continue learning and applying new knowledge to the challenge at hand. Knowledgeable workers are our most important source of progress. They are, quite simply, the currency of 21st century commerce.

Business teaches us that ongoing training for every worker is essential for organizations to work well. Not surprisingly, the federal government under-spends on training and education, just as it does on most other productivity-enhancing investments. In 1989, the National Commission on the Public Service, headed by Paul Volcker, estimated that while leading private firms spend 3 to 5 percent of their budgets on training, retraining, and upgrading employee skills, the federal government spends less than one percent.[27]

And the little we do spend is not always allocated wisely. A well-promoted 4-day training seminar packaged to appeal to federal agency managers may seem like a good deal. It is not, however, always what the agency needs. The Volcker Commission concluded:

> *Federal training is suffering from an identity crisis. Agencies are not sure what they should train for (short term or long term), who should get the lion's share of resources (entry level or senior level)...and whether mid-career education is of value... Career paths are poorly designed, executive succession is accidental and unplanned, and real-time training for pressured managers is virtually non-existent. At both the career and presidential level, training is all-too-often ad hoc and self-initiated.*[28]

Perhaps most striking is the paucity of career training for people on the lowest rungs of the civil service ladder, or for people without the leg-up of university degrees. These valued employees may have the most tenure in an office. They may see and know everything. Frequently, they are indispensable, because only they know how the system works—and how to work the system. Unfortunately, their abilities are rarely rewarded, despite their desire to advance.

One staffer in the Justice Department's Civil Division alerted Vice President Gore to her quandary:

> *I'm watching the role of our legal secretaries change. Less and less of the typical secretarial duties are being performed, simply because the attorneys do a lot of their own drafting of documents... However, for a secretary to start to move into a legal assistant position... or into a paralegal role, is frowned upon... As far as training goes it's impossible... That prevents a lot of people from...moving into new jobs that are going to be of more benefit to the department... We've lost a good number of secretaries who have moved elsewhere, because they cannot go any further here.*[29]

Employees at the top rung, too, must keep learning. Managers and executives face the same hurdles in keeping up with technology as do front-line workers. Technicians must stay up to date with system advances and new techniques. The growing band of federal export and trade personnel must learn more than foreign languages—they need to master the language of negotiation as well. Indeed, employees in the Office of the U.S. Trade Representative currently receive no systematic training in negotiation skills or the cross-cultural styles and patterns they are likely to encounter in their work—a situation the office is now planning to correct.[30]

Perhaps most important, training is the key that unlocks the power of bottom-up decisionmaking. At the Reinventing Government Summit, General Electric Executive Vice President Frank Doyle detailed the GE experience: "We had to educate our entire workforce to give them the tools to become meaningfully involved in all aspects of work. Empowerment...is a disorderly and almost meaningless gesture unless people doing the actual work are given the tools and knowledge that self-direction demands."[31]

During the National Performance Review process, almost every one of the agency teams identified a specific learning need critical to their agency's quality improvement and mission. In addition, several common training concerns demand governmentwide action.

Action: *The administration will grant agencies the flexibility to finance training needs.*[32]

Leading corporations view training as a strategic resource, an *investment.* Federal managers tend to view it as a cost. So in government, worker training isn't even included in most budget estimates for new systems or programs. This is puzzling and quite short-sighted, since new workplace innovations, like advanced software, won't transform employee productivity unless those employees know how to use them. Although training may be the best and least costly way to improve worker performance, government executives view it as a "quick fix," unworthy of any planning effort.

Perceptions are changing, however. Today's management literature is full of talk about the value of on-the-job-training, computer-based instruction, expert systems, work exchange, mentors and other tools for learning. Since 1992, OPM has been steering agencies toward more comprehensive training initiatives.

We will grant agencies a substantial portion of the savings they realize from decentralizing staff and reducing operating costs (see chapter 1) to invest in worker training, performance measurement, and benchmarking.

Budget directives further complicate an agency's ability to train workers effectively, particularly when its own budget office, OMB, or Congress cut line items for employee training. Such over-specified reductions deny employees the access to skills they need to be productive, to advance in their careers, and to adapt to new technology.

Action: *The federal government will upgrade information technology training for all employees.*[33]

Every year, more and more federal workers must use computer-based information technology in their jobs. If business is any guide, our government reinvention efforts will only quicken the trend. Pen and paper exercises keep moving to the screen. Lateral files now form database records. Video- and computer-based courses make learning possible anytime, anywhere. Money no longer changes hands; it's transmitted digitally. People not only talk, they "message." A meeting of the minds can take place without the bodies present.

Other chapters discuss how we will speed the procurement process for technology and how we will deploy technology to alter what we do and how well we do it. Here, we want to stress that much of the federal workforce lacks the training and background to use advanced information technologies.

Compared to the private sector, the federal government invests few dollars and scant time in technology training.[34] Federal agencies provide insufficient incentives to motivate their workforce to seek technology training, scarce opportunities to obtain training—even when it's desired and necessary—and rarely incorporate technology training in the strategic planning process. The longer we wait, the farther behind we fall.

This foot-dragging costs the taxpayer dearly. We do things the old way, not the cheaper, more efficient way. Or we start doing things the new way, but we don't go far enough: We buy computers for our workers, but not the training to use them properly, so the software and hardware investments are wasted. We invest in new systems, and our people can't make them work.

Training should begin with top nontechnical managers, to help them focus on uses, management, planning, and acquisition of state-of-the-art information technology. By May 1994, OPM and GSA will jointly develop and administer information technology training for non-technical managers and presidential appointees. The New York City Department of Personnel, already in the technology training business, offers a useful model of monthly half-day sessions for executives covering ten topics: strategic planning, reengineering, implementing systems, electronic mail, video conferencing, voice-enhanced technologies, geographic information systems, database management, imaging, and multi-agency complaints and inspection systems. Our effort will help every senior manager earn a certificate that signifies his or her level of technology competency. Parallel training and certification efforts will target Senior Executive Service members and information resource managers.

Anyone who has grappled with computers—from the basics of word processing to the complexity of expert systems—knows that we often learn best how to use software by finding a technology "pal": someone who knows the ins and outs of a particular software application and is willing to share that knowledge. To spread information technology training and use in the entire federal workforce, the existing Federal Information Resources Management Policy Council will help motivated agencies set up a program of collegial assistance for a wide range of technology applications. We will tap the cadre of techno-proficient individuals spread across the federal government to provide occasional on-line help or personal assistance on demand to their struggling colleagues.

Finally, starting late in 1993, new contracts for technology acquisition—or those in early stages—must include a provision for training. If agencies work together, they can cut such training costs dramatically. When Texas contracted with four statewide technology training firms to train state employees, it cut the price to $60 to $110 a day per worker for a wide range of skills. An even larger customer, the federal government should be able to land an even better bargain.

Action: *Eliminate narrow restrictions on employee training to help develop a multiskilled workforce.*[35]

The Government Employees Training Act (GETA), which authorizes agencies to manage and determine their training needs, defines training as a tool for "increasing economy and efficiency in government." The rules written behind this 1958 wording severely limit how agencies can use training today. Training too often is ad hoc and seldom linked to strategic or human resource planning. Managers generally are not able to get the information to determine the return on their training investment. Even worse, existing restrictions dictate that any training be related to an employee's official duties—thus ensuring that our Justice Department secretary does not become a paralegal. These rules keep federal employees single-skilled in a multiskilled world.

By early 1994, OPM will draft legislation to amend GETA on three fronts. OPM will redefine the objective of federal training as the "improvement of individual and organizational performance." It will relate the use of training to achieving an agency's mission and performance goals, not to a worker's official duties. And OPM will seek to end the distinction between government and nongovernment training, giving public employees access to the best training services available, no matter who provides them.

Clarifying the purpose of training in GETA will reinforce the need to use training to improve performance and produce results. Removing the distinction between government and non-government training will deregulate the in-government training monopoly, introducing competition that will improve the quality of learning opportunities for federal employees. And linking training to an agency's mission will ease employees' efforts to become adept at all the skills they need as empowered workers. We urge Congress to join in the quality effort by passing these important amendments early in 1994.

Management Information Systems

Management isn't about guessing, it's about *knowing*. Those in positions of responsibility must have the information they need to make good decisions. Good managers have the right information at their fingertips. Poor managers don't.

Good information comes from good information systems. Management information systems have improved in lockstep with every advance in the telecommunications revolution. New management information systems are transforming government, just as they have business, in two ways. They can make government more productive—the benefit we discuss in this chapter—and let us deliver services to customers in new ways, which we take on in chapter 4. Indeed, today's systems have enabled businesses to slim down data processing staffs, while giving more employees access to more accurate data. This shows up on the bottom line. If federal decisionmakers are given the same type of financial and performance information that private managers use, it too will show up on the bottom line—and cut the cost of government.

Sheer size alone would make the federal government difficult to manage, even under the best of conditions. Unfortunately, federal employees don't work under the best of conditions. Indeed, when it comes to financial information, many are flying blind. It's not for lack of staffing: Some 120,000 workers—almost 6 percent of non-postal service civilian employees—perform budget, accounting, auditing, and financial management tasks.[36] But when OMB surveyed agency financial reporting systems last year, it found that one-third were more than a decade old, and only 6 percent were less than 2 years old. One-third failed to meet Treasury and OMB reporting standards. Two-fifths did not meet their own in-house reporting standards—meaning they did not provide the information managers wanted. And more than half simply lacked the computer power to process the data being entered.[37]

We all know the potential costs of lagging systems: They contributed to the $300 billion savings and loan bailout,[38] $47 billion in nontax delinquent debt, $3.6 billion in student loan defaults, and so on.

Fortunately, the process of updating our management information systems has begun. In 1990, Congress passed the Chief Financial Officers (CFO) Act.[39] It designated an OMB deputy director as the federal government's chief financial management officer. The Office of Federal Financial Management was charged with establishing financial management policies across the government and monitoring agency audits. The act also created chief financial officers in 23 agencies. The OMB deputy chairs a CFO Council to deal with improving financial management across government.

But we need to do more—and quickly.

Action: ***The executive branch will create a coherent financial management system, clarify responsibilities, and raise the standards for financial officers.***[40]

Vastly improved financial management is critical to the overall effort to reform government. First, it will save taxpayers money. Trillions of dollars flow through the federal government in any year; even a small improvement in managing those funds could recover billions. Second, we need accurate and timely financial information if managers are to have greater authority to run federal agencies, and decisionmaking moves to the front lines. Greater responsibility requires greater accountability, or the best-intentioned reforms will only create new problems. Finally, better financial management will present a more accurate picture of the federal budget, enabling the President, Congress, and agency leaders to make better policy decisions.

By the end of 1993, OMB and Treasury will sign a formal agreement to clarify their respective policymaking and implementation roles, to eliminate regulatory confusion and overlap for their governmental customers. OMB, working with Treasury and the CFO Council, will charter a governmentwide Budget and Financial Information Steering Group to oversee the stewardship of financial planning and management data for the federal government. In addition, by Spring, 1994, OMB will work with the existing Joint Financial Management Improvement Program, which currently develops and publishes financial system requirements, and consult with Treasury and the agencies to define exactly what constitutes an integrated budget and financial system. At the same time, working with Treasury and the CFO Council, OMB will develop a long-range strategic plan for linking broad budget and financial information needs to the work of agency managers and achieving performance goals.

Finally, we will insist on higher qualifications for chief financial officers. After all, many federal agencies are larger than Fortune 500 companies. Americans deserve financial officers with qualifications that match those in our best companies. By March 1994, working with accounting and banking groups, the CFO Council will create a continuing education program for federal financial managers. At the same time, OMB guidelines will clarify the precise financial functions the CFO should oversee, trimming responsibilities like personnel or facilities management that lie outside the CFO's main mission.

Action: ***Within 18 months the Federal Accounting Standards Advisory Board will issue a comprehensive set of credible accounting standards for the federal government.*** [41]

A recent GAO audit of the Internal Revenue Service unearthed $500,000 of overpayments to vendors in just 280 transactions and a video display terminal that cost only $752 listed at $5.6 million on the IRS books. Other GAO efforts found the Army and Air Force guilty of $200 billion in accounting mistakes, NASA of $500 million, and widespread recordkeeping problems across government.[42] In 1990, Congress concluded that "current financial reporting standards of the federal government do not accurately disclose the current and probable future cost of operating and investment decisions including the future needs for cash and other resources." In other words, if a publicly-traded corporation kept its books the way the federal government does, the Securities and Exchange Commission would close it down immediately.

It's not that we have no accounting procedures and standards. It's that we have too many, and too many of them conflict. Even worse, some budget and accounting practices obscure the amount and type of resources managers might leverage to produce savings and increase productivity.

We must agree on stricter accounting standards for the federal books. We require corporations to meet strict standards of financial management before their stocks can be publicly traded. They must fully disclose their financial condition, operating results, cash flows, long-term obligations, and contingent liabilities. Independent certified public accountants audit their accounts. But we exempt the $1.5 trillion federal government from comparable standards.

Currently, the Federal Accounting Standards Advisory Board (FASAB), established in October 1990, develops and recommends federal accounting standards for OMB, Treasury, and GAO—which together must approve them. Although we need almost a dozen sets of standards, only one has been approved using this process in more than two and a half years. We need to quicken the pace.

The administration will give the Federal Accounting Standards Advisory Board an 18-month deadline to release and get approval of all 11 sets of standards. If it fails, the administration will replace it with a new, independent board with greater powers.

Action: ***The Administration should issue an Annual Accountability Report to the Citizens.***[43]

The ultimate consumer of information about the performance of federal organizations should be the American public. As agencies develop output and outcome measures, they should publish them. The customer service standards required by the President's directive on improving customer service, outlined in chapter 2, will be a first step.

A second step will be a new report card on the financial condition of the federal government. For the last 20 years, our government has issued "prototype" financial statements, but no one can assure their accuracy. Put simply, they would never pass an audit. We believe Americans deserve numbers they can trust. By 1997, we will require the Department of the Treasury to provide an audited consolidated annual report on federal finances—including tax expenditures, hidden subsidies, and hidden contingent liabilities such as trust funds and government-sponsored enterprises.[44]

The Treasury and OMB will develop a simplified version of the government's financial condition, to be published for public consumption in 1995. Rather than a detailed, unreadable financial account, it will be a straightforward description of the money spent and its effects on achieving goals. We will call this the *Annual Accountability Report to the Citizens.*

Information Technology

A few years ago in Massachusetts, a disabled veterans caseworker who worked to match veterans with available jobs took some initiative. He decided to abandon his sole reliance on the state's central office mainframe computer and take his personal laptop, loaded with readily available software, on the road. Suddenly, he was able to check a database, make a match, and print a resume all during his first contact with an employer. Quickly, he started beating the mainframe. His state administrator took notice, and managed to squeak through a request to the Department of Labor's Veterans Employment and Training Service for grant funding and permission to reprogram dollars in the fall of 1990. Soon after, 40 Massachusetts caseworkers were working with laptops. In just one year, Massachusetts jumped from 47th in the nation for its veterans job placement rate to 23rd.

Although this story screams success, it is unfortunately the exception, not the rule. Normally, the Labor Department has to approve the purchase of something as small as a $30 modem in the field. Massachusetts got the funding only because it was the end of the fiscal year and money had to be spent.[45]

The point stands: When workers have current and flexible technology to do their jobs, they improve performance. We need to get more computers off the shelf and into the hands of federal employees.

Action: ***The administration will develop a strategic plan for using information technology throughout the federal government.***[46]

Transforming the federal government is an enormous, complex undertaking that begins with leadership, not technology. Yet,

> *In short, it's time our government adjusted to the real world, tightened its belt, managed its affairs in the context of an economy that is information-based, rapidly changing, and puts a premium on speed and function and service, not rules and regulations.*
>
> **President Bill Clinton**
> Remarks announcing the
> National Performance Review
> March 3, 1993

in helping to break down organizational boundaries and speed service delivery, information technology can be a powerful tool for reinvention. To use that tool, government employees must have a clear vision of its benefits and a commitment to its use.

Washington's attempts to integrate information technology into the business of government have produced some successes but many costly failures. Many federal executives continue to overlook information technology's strategic role in reengineering agency practices. Agency information resource management plans aren't integrated, and their managers often aren't brought into the top realm of agency decisionmaking. Modernization programs tend to degenerate into loose collections of independent systems solving unique problems. Or they simply automate, instead of improve, how we do business.

The President should expand the work of the existing Information Infrastructure Task Force to include a Government Information Technology Services Working Group. This working group will develop a strategic vision for using government information services and propose strategies to improve information resource management. Also beginning in October 1993, OMB will convene interagency teams to share information and solve common information technology problems. In addition, OMB will work with each agency to develop strategic plans and performance measures that tie technology use to the agency's mission and budget.

STEP 4: ENHANCING THE QUALITY OF WORKLIFE

When it comes to the quality of worklife, as measured by employee pay, benefits, schedule flexibility, and working conditions, the federal government usually gets good marks. Uncle Sam is a family-friendly employer, offering plenty of options that help employees balance their life and work responsibilities. Flextime, part-time, leave-sharing, and unpaid family and medical leave are all available. Pilot projects in telecommuting allow some workers who travel long distances to work at locations closer to home.

The federal government would be smart to keep abreast of workplace trends. Our increasingly diverse workforce struggles to manage child care, elder care, family emergencies, and other personal commitments, while working conditions become ever more important. Recent studies suggest that our ability to recruit and retain the best employees—and motivate them to be productive—depends on our ability to create a satisfying work environment. Johnson & Johnson, for example, reported that its employees who used flextime and family leave were absent 50 percent fewer days than its regular workforce. Moreover, 71 percent of those workers using benefits said that the policies were "very important" to their decision to stay with the company, as compared to 58 percent of the employees overall.[46]

The federal government must maintain its "model employer" status and keep the workplace a humane and healthy place. It must also ensure that, as we move toward improving performance and begin to rely on every worker for valuable ideas, we create a workplace culture in which employees are trusted to do their best.

Action: *The federal government will update and expand family-friendly workplace options.*[47]

Even under current workplace policies, federal workers still encounter some problems. Many agencies do not fully advocate or implement flexible work policies. For example, only 53 percent of our employees with dependent care needs believe their agencies understand and support family issues, according to OPM. Thirty-eight percent indicated that their agencies do not provide the full range of dependent-care services available. As one example, OPM concluded that "...certain agencies may have internal barriers that make supervisors reluctant to approve employee requests to work part-time."[48]

The President should issue a directive requiring that all agencies adopt compressed/flexible time, part-time, and job-sharing work schedules. Agencies will also be asked to implement flexiplace and telecommuting policies, where appropriate. Starting next year, we will allow federal employees to use accrued sick leave to care for sick or elderly dependents or for adoptions.[49] We will also give credit for all sick leave to employees who have been separated from and then rejoin federal employment, no matter how long they were out of government service.

Congress has written into law some barriers to improving the federal workplace. It should lift them. By January 1994, OPM will submit legislation to remove limitations on dependent-care programs and give agencies more authority to craft employee-friendly programs, such as employee benefit packages. By March 1994, OPM and GSA will propose legislation to enable flexiplace and telecommuting arrangements.

Finally, we urge Congress to reauthorize the Federal Employees Leave Sharing Act which expires October 31, 1993 with a few changes to improve program operations and allow interagency transfers of annual leave. Voluntary leave enables employees with family medical emergencies, who have exhausted all their available annual leave, to receive donated annual leave from their fellow federal workers. In just the last two years, voluntary leave served more than 23,000 federal employees with more than 3,742,600 hours of donated annual leave. The dependent-care needs of more than 96 percent of federal employees are met by the leave-sharing program.[50]

One of the things we learned... is that there's a strong correlation between employee satisfaction and customer satisfaction. If your employees are unhappy and worried about the various baseline, basic needs, you know, of the quality of their work life, they won't worry about customers.

Rosetta Riley
Director of Customer Satisfaction
General Motors

Action: ***The executive branch will abolish employee time sheets and time cards for the standard work week.***[51]

In a productive workplace, where employees clearly understand their agency's mission, how they fit into it, and what they must accomplish to fulfill it, everyone is a professional. The work culture must send this message in every way possible. One easy way is to put an end—once and for all—to meaningless employee sign-ins and sign-outs on time sheets.

Many may consider this a trivial matter. But consider the salaried Health and Human Services (HHS) employee who must still sign in at a central location in her office every morning—and sign out exactly $8^1/_2$ hours later. She must do this no matter how many more hours she really works, and every employee in her branch must sign the same list, in order of appearance.

Occasionally, when she gets caught up in a meeting or lost in concentration at her desk, she forgets to sign the book at her appointed hour. Supervisors have "guided" her to avoid this problem. She tells her supervisor, who agrees that the practice is senseless, that it discourages her from working longer hours. "What about us overachievers?" she asks him. "You lose," he answers.

The truth is, we all lose. Yet HHS continues to spend dollars training timekeepers.[52]

The Department of Labor, by contrast, listened to complaints from its employees about the needless paper-pushing and use of administrative time that repetitive timekeeping required. Under the leadership of Secretary Robert Reich, and with full backing of union presidents who represent department employees, Labor has begun to dump the standard time card. After realizing that nearly 14,000 of its 18,000 employees work a standard 40-hour week, department leaders decided to trust their workers to report only exceptions, such as overtime and sick and annual leave. Since only one third of Labor's workforce reports any exception in the average week, the department is already saving paper and time—and money. Standard time records are now submitted electronically, without bothering employees.[56]

The President should encourage all departments and agencies to follow the Department of Labor's lead. The new policy will allow for exceptions—for example, when labor contracts or matters of public safety require them. But if we truly seek the highest productivity from our workers, we must treat them like responsible adults. In today's work environment, time cards are a useless annoyance.

Action: *The President should issue a directive committing the administration to greater equal opportunity and diversity in the federal workforce.*[54]

President Clinton launched his administration by appointing cabinet and senior officials who, in his words, "look like America." In doing so, he sent a clear message: A government that strives for the best must continue to break down stubborn barriers that too often keep us from employing, training, or promoting the best people.

While the President has set the stage, the current federal workforce does not reflect the nation's diverse working population. Overall, the federal government has yet to successfully eliminate some discriminatory barriers to attracting and retaining underrepresented groups at every civil service grade level, or advancing them into senior positions. A glass ceiling still hangs over the employment and career prospects for women, minorities and people with disabilities who work in the federal service. Women account for only 12 percent of the top tier of the federal employment ladder—the Senior Executive Service—and minorities, nine percent.[55] Serious disparity persists for both in promotion rates to professional and administrative levels that serve as the gateway to further advancement. The numbers for Americans with disabilities are even worse.

Much can be done to make equal opportunity an integral part of each agency's mission and strategic plan. The President should issue a directive in 1993, committing the administration to attaining a diverse federal workforce and increasing the representation of qualified minorities, women, and people with disabilities at all career levels. The order should instruct agency heads to build equal employment opportunity and affirmative employment elements into their agency strategic plans and performance agreements. In turn, agency leaders should require managers and teams throughout their agencies to build the same goals into their own performance plans—and should publicly recognize those who succeed.

STEP 5: FORMING A LABOR-MANAGEMENT PARTNERSHIP

> *We want to be full partners. We want to work. We want government to work better.*
>
> *We want to be there in partnership to help identify the problems. We want to be there in partnership to help craft the solution. We want to be there in partnership to help implement together the solution that this government needs.*
>
> *And we're prepared to work in partnership to make some bold leaps to turn this government around and make it work the way it should work.*
>
> **John Sturdivant, President**
> American Federation of Government Employees
> Reinventing Government Summit,
> Philadelphia June 25, 1993

The federal workforce is changing. While the number of employees has remained constant for a decade, the workforce is much more diverse, with more minorities and women. It is better educated and more mobile. And more employees work in professional, scientific, and highly technical jobs than ever before.

Today, more than 125 federal unions represent about 60 percent of the federal workforce. That's 1.3 million civilian, non-postal employees, or 80 percent of the workforce eligible to participate in federal unions. The three largest federal employee unions are the American Federation of Government Employees (AFGE), the National Treasury Employees Union (NTEU), and the National Federation of Federal Employees (NFFE).

Federal employees and their unions are as aware of the quality revolution as are federal managers. Consistent with the quality push, federal employees want to participate in decisions that affect their work. Indeed, GAO estimates that 13 percent of federal workers already are involved in formal quality management processes.[56] At the IRS, for example, a Joint Quality Improvement Process with the NTEU has spread throughout the agency—saving money, producing better service, and improving labor-management relations.

Corporate executives from unionized firms declare this truth from experience: No move to reorganize for quality can succeed without the full and equal participation of workers and their unions. Indeed, a unionized workplace can provide a leg up because forums already exist for labor and management exchange. The primary barrier that unions and employers must surmount is the adversarial relationship that binds them to noncooperation. Based on mistrust, traditional union-employer relations are not well-suited to handle a culture change that asks workers and managers to think first about the customer and to work hand-in-hand to improve quality.

The current context for federal labor-management relations, title VII of the 1978 Civil Service Reform Act, presents such a barrier. In 1991, the GAO concluded after an exhaustive survey of union leaders, government managers, federal employees and neutral experts, that the federal labor-management relations program embodied in title VII "is not working well." GAO characterized the existing bargaining processes as too adversarial, bogged down by litigation over minute details, plagued by slow and lengthy dispute resolution, and weakened by poor management. One expert interviewed by GAO summed up the prevailing view: "We have never had so many people and agencies spend so much time, blood, sweat, and tears on so little. In other words, I am saying I think it is an awful waste of time and money on very little results." Indeed, the cost of handling unfair labor practice disputes using this system runs into tens of millions of dollars every year.[57]

We can only transform government if we transform the adversarial relationship that dominates federal union-management interaction into a partnership for reinvention and change.

Action: ***The President should issue a directive that establishes labor-management partnership as an executive branch goal and establishes a National Partnership Council to help implement it.***[58]

The President's executive order will articulate a new vision of labor-management relations. It will outline the roles of managers and unions in creating a high-performance, high-quality government. It will call for systematic training in alternative dispute resolution and other joint problem-solving approaches for managers, supervisors and union officials. And it will call for agencies to form their own internal councils.

By October, 1993, the President should appoint the National Partnership Council and charge it with the task of championing these efforts and developing the next steps. The council will include appropriate federal cabinet secretaries, deputy secretaries, and agency directors; the presidents of AFGE, NTEU, and NFFE; and a representative of the Public Employee Department of the AFL-CIO. Federal agencies and unions will assign existing personnel to staff the council.

Action: ***The National Partnership Council will propose the statutory changes needed to make labor-management partnership a reality.***[59]

GAO cited the need for a new labor-management relations framework that "motivates labor and management to form productive relationships to improve the public service."[60] The Federal Labor Relations Authority, The Federal Mediation and Conciliation Service, and several agencies have been encouraging and facilitating new labor-management cooperation efforts. However, their efforts are being hampered by legal restrictions that focus on the traditional adversarial models. The council will recommend legislation to the President to create a better framework.

STEP 6: EXERTING LEADERSHIP

Despite the federal government's solid core of capable employees, it lacks effective leadership and management strategies. In 1992, GAO delivered a stark diagnosis of the situation. Our government, GAO reported, lacks the "processes and systems fundamental to a well-run organization. Most agencies have not created a vision of their futures, most lack good systems to collect and use financial information or to gauge operational success and accountability, and many people do not have the skills to accomplish their missions." This situation, GAO concluded in a burst of understatement, was "not good."[61]

The sweeping change in work culture that quality government promises won't happen by itself. Power won't decentralize of its own accord. It must be pushed and pulled out of the hands of the people who have wielded it for so long. It will be a struggle.

We must look to the nation's top leaders and managers to break new ground. The President, the Vice President, cabinet secretaries, and agency heads are pivotal to bringing about governmentwide change. It is they who must lead the charge. Under President Clinton's leadership they are determined to make it happen.

If we want to make the federal government a better place, our current leadership must make it clear by *what we do* that, when we offer change, we mean business. That is a promise we must make to the entire community of hardworking, committed federal workers. It is a promise we must keep.

Action: *The President should issue a directive detailing his vision, plan, and commitment to creating quality government.*[62]

Graham Scott, who as Secretary of Treasury for New Zealand helped shepherd reinvention of that country's government, cautioned Vice President Gore, "Our experience is that government won't change unless the chief executive is absolutely 100 percent committed to making it change."[63] CEOs of corporations the world over echo Scott's call.

The first directive issued along with this report will clarify the President's vision of a quality federal government. It will commit the administration to the principles of reinventing government, quality management, and perpetual reengineering, as well as the National Performance Review's other recommendations. In addition, it will detail the strategic leadership roles of the cabinet and agencies in implementing them.

Action: *Every federal department and agency will designate a chief operating officer.*[64]

Transforming federal management systems and spreading the culture of quality throughout the federal government is no small task. To accomplish it, at least one senior official with agencywide management authority from every agency will be needed to make it happen.

Every cabinet-level department and federal agency will designate a chief operating officer (COO). In addition to ensuring that the President's and agency heads' priorities are implemented, COOs will be responsible for applying quality principles in transforming the agencies' day-to-day management cultures, for improving performance to achieve agencies' goals, for reengineering administrative processes, and for implementing other National Performance Review recommendations.

The COO will not add an additional position in the secretary's or director's staff. Secretaries and agency directors should designate the deputy secretary or under secretary with agencywide authority as the COO. The COO will report directly to the agency's top official.

Action: *The President should appoint a President's Management Council to lead the quality revolution and ensure the implementation of National Performance Review plans.*[65]

A new President's Management Council (PMC) will be the President's chief instrument to retool management systems throughout the executive branch. It will act as the institutional lever to drive management and cultural changes throughout the bureaucracy. The PMC will ensure that quality management principles are adopted, processes are reengineered, performance is assessed, and other National Performance Review recommendations are implemented.

> *Unless everyone understands what a work process is, how to map it, how to analyze and quantify its essential elements, no organization will be able to reap the enormous gains in performance that come with an involved and empowered workforce.*
>
> **Frank Doyle**
> Executive Vice President, General Electric
> Reinventing Government Summit, Philadelphia
> June 25, 1993

The President should appoint the Deputy Director for Management of OMB to chair the PMC, and its progress will be overseen by the Vice President. The council will include the COOs from 15 major agencies and three other agencies designated by the chairperson, the heads of GSA and OPM, and the President's Director of Cabinet Affairs (ex officio). Its agenda will include setting priorities, identifying and resolving cross-agency management issues; establishing interagency task forces to transform governmentwide systems such as personnel, budget, procurement, and information technology; and soliciting feedback from the public and government employees. It will secure assistance from the CEOs, officials and consultants who have helped transform major American corporations, states and local governments, and non-profit organizations. In addition, the PMC will conduct an annual performance review of the federal government and issue an annual report to the public on its findings.

Working together, the President, Vice President, PMC and every agency head will carry the quality message into the sleepiest corners of the bureaucracy. Successful and innovative agencies will be cheered; slower moving organizations will be prodded and encouraged until change occurs.

Action: ***The President's Management Council will launch quality management "basic training" for all employees, starting with top officials and cascading through the entire executive branch.***[66]

However pressing the need, we cannot expect leaders, managers and employees caught up in old ways to change overnight. To nurture a quality culture within government, we must help the entire workforce understand the President's vision. Unless we train everyone in the new skills they need—and help them understand the new roles they are expected to play—they can, through passive or active resistance, frustrate well-intentioned attempts to progress. So first and foremost, everyone will need to learn what working and managing for quality is all about.

The President and agency heads must send a clear message about their commitment by becoming directly involved in the design and delivery of quality training in their agencies. Therefore, the PMC, working with the Federal Quality Institute, will begin quality training with the cabinet secretaries and agency heads. Training sessions will focus on defining a shared vision, developing a strategy to embed that vision in the each department, committing participants to lead and be responsible for change, and establishing a process for training the next level of management.

Even as agencies reorganize around quality and customers, their staff may need training to fulfill expanded job responsibilities. Line staff may need to learn budget and procurement processes. Managers may need help in becoming coaches rather than commanders. We will pursue the goal of reaching the entire federal workforce with quality training.

It is worth noting that some cabinet secretaries already are up on the quality learning curve. During the past few months, more than 60 top field managers, contract lab directors, and assistant secretaries have joined Energy Secretary Hazel O'Leary for 6 days of total quality management training at Motorola University in Chicago. They've agreed on a mission statement, set the department's core values, and put strategic planning in motion. In the process, skeptics have become energized, egos have been subsumed, hidden agendas unearthed and dispensed. In the words of one participant, "Everyone is working as a team. We're incredibly excited about doing better. In just 6 days of quality training, we have moved from 'I' to 'we'."[67]

Other departments are hot on Energy's heels. Such agency leadership is pivotal to moving quality forward. As quality innovator Dr. Joseph Juran told Vice President Gore, "As we go at it energetically in the federal government... we're still going to see some of the agencies step out in front and everybody else is going to watch. And as they get results and nobody's hurt in the process, others will be stimulated to do the same thing."[68]

Conclusion

To change the employee culture in government, to bring about a democracy of leadership within our bureaucracies, we need more than a leap of faith. We need a leap of *practice.* We must move from control to collaboration, from headquarters to every quarter. We must allow the people who face decisions to make decisions. We must do everything we can to make sure that when our federal workers exercise their judgment, they are prepared with the best information, the best analysis, and the best tools we have to offer. We must then trust that they will do their best—and measure the results.

Indeed, we must let our managers and workers fail, rather than hold them up to public ridicule when they do. Only if they fail from time to time on their way to success will we be sure they are even trying to succeed. Someone once asked an old man known for his wisdom why he was so smart. "Good judgment comes from experience," he said. And experience? "Well, that comes from *bad* judgment."

To transform the culture of our government, we must learn to let go. When we do, we will release the same kind of creativity, energy, productivity, and performance in government service that was unleashed 200 years ago, and that continues to guide us today.

Chapter 4

CUTTING BACK TO BASICS

I feel like that person in the old movie who writes in lipstick on bathroom mirrors, "Stop me before I kill again." However, in my case, the legend should be, "Stop me before I steal some more."

Letter from Bruce Bair of Schoenchen, Kansas,
to Vice President Al Gore, May 24, 1993

Bruce Bair admitted to "stealing" from the federal government—at a rate of about $11 an hour. His job was checking the weather in Russell, Kansas, every hour, and reporting to the Federal Aviation Administration. The FAA used his information to warn planes in the area about bad weather. But Russell isn't a busy flight station any more. Bair saw just two landings in more than a year during his night shift. Days were only slightly busier. Before the advent of automated weather gathering devices, human weather watchers at Russell and at other small stations throughout the Midwest were vital for aircraft safety. Today, they could be replaced with machines. "From my experience with the machine," wrote Bair, "it is very adequate to protect the air space over Russell." In fact, Russell has had a machine for some time, but the FAA had not yet eliminated the human staff.

Bair concluded his letter to Vice President Gore with these words: "I feel there is very little doubt among professionals that we are basically useless here." A few months later, he quit. Now he says, "I'm no longer stealing from the government."[1]

Bruce Bair's story tells us much about our federal government: its entrenchment in old ways, its reluctance to question procedures, and its resistance to change. Its inflexibility has preserved scores of obsolete programs. This is not news to most of us—obsolescence is part of our stereotype of government.

Why is it so difficult to close unneeded programs? Because those who benefit from them fight to keep them alive. While the savings from killing a program may be large, they are spread over many taxpayers. In contrast, the benefits of keeping the program are concentrated in a few hands. So special interests often prevail over the general interest.

That's why we can't eliminate unnecessary programs simply by making lists. Politicians, task forces, commissions, and newspaper articles have been ridiculing wasteful programs for as long as we have enjoyed democratic government. But most programs survive attack. After a decade of tight budget talk, for example, federal budget expert Allen Schick says he can identify just three major nondefense programs eliminated since 1980: general revenue sharing, urban development action grants, and the fast breeder reactor program.[2]

To shut down programs, therefore, we must change the underlying culture of government. As we described in the preceding chapters, we will do this by introducing market dynamics, sharing savings from cuts with agencies, exposing unnecessary programs to the spotlight of annual performance measures, and giving customers the power to reject what they do not need. As government begins operating under these new rules, we are confident that agencies will request the consolidation and elimination of programs. Billions of dollars will be returned to taxpayers or passed on to customers.

We will begin this process today.

First, we will eliminate programs we do not need—the obsolete, the duplicative, and those that serve special, not national interests.

Second, we will collect more—through imposing or increasing user fees where pricing makes economic sense, and by collecting what the government is owed in delinquent debt or fraudulent overpayment of benefits.

Third, we will reengineer government activities, making full use of computer systems and telecommunications to revolutionize how we deliver services.

The actions and recommendations described in this Chapter are the first dividend on what we can earn from streamlining government. They won't be the last—or even the largest. The strategy of the National Performance Review differs from that of previous budget cutting efforts. Our recommendations have been discussed thoroughly with agency heads to determine which cuts are warranted, feasible, and can be done quickly. We are ready to act with the full force of the cabinet.

STEP 1: ELIMINATE WHAT WE DON'T NEED

After World War II, a British commission on modernizing government discovered that the civil service was paying a full-time worker to light bonfires along the Dover cliffs if a Spanish Armada was sighted. The last Spanish Armada had been defeated some years before—in 1588, to be precise.

This story may be apocryphal. But not all such stories are. In Brooklyn, New York, there is a Federal Tea Room where a federal employee sips imported tea to test its quality.[3] For one hundred years, taxpayers paid for the position. It was not until press coverage angered enough members of Congress that things were changed: now, tea importers pay to have their tea tested—although the taster remains a government employee.

These stories capture an essential truth about governments; they rarely abandon anything. Like the FAA that employed Bruce Bair to check the weather, federal agencies do many things not because they make sense, but because they have always been done that way. They become like the furniture: They are simply there.

Other programs are not so much obsolete as duplicative. When confronted with new problems, we instinctively create new programs. But we seldom eliminate the old programs that have failed us in the first place. Still other programs were never needed in the first place. They were created to benefit influential industries or interest groups. The National Performance Review has targeted several programs in each of these categories for immediate elimination.

Although we make specific recommendations in the pages that follow, we believe the government must tackle the problem systematically. The single best method would be to give the President greater power to eliminate pork that creeps into federal budgets.

Action: *Give the President greater power to cut items from spending bills*[4]

Today, the President's powers to cut spending are limited—more limited than most of the nation's fifty governors. He can either sign or veto appropriations bills; he can't veto individual items—a power most governors have. For the President to cut wasteful spending, he needs the power of what is called, in Washington, "expedited rescission." Under current law, the President can submit proposed rescissions to Congress, which then has 45 legislative days to act. If Congress does not act, proposals are rejected. The President should have greater authority to reject individual items.

Broader rescission powers were envisioned in HR 1578, which the House passed in late April 1993. This bill would force Congress to vote on the President's proposals to cancel funding, rather than let it kill those requests by ignoring them, as under current procedures. If enacted, the new procedure would, as President Clinton wrote in a letter to House Speaker Thomas S. Foley, "provide an effective means for curbing unnecessary or inappropriate expenditures without blocking enactment of critical appropriations bills."

Eliminate the Obsolete

Not all employees of useless programs act with Bruce Bair's forthrightness. But that doesn't mean their offices or programs are any more useful. The vast nationwide network of 30,000 federal government offices, for example, reflects an era when America was a rural country and the word "telecommunications" was not yet in the dictionary. While circumstances have changed, the government hasn't. As a result, workloads are unevenly distributed—some field offices are underworked, others are overworked, some are located too far from their customers to serve them well, and few are connected to customers through modern communications systems.

Action: *Within 18 months, the President's Management Council will review and submit to Congress a report on closing and consolidating federal civilian facilities*[5]

All agencies will develop strategies to cut back or consolidate their field office systems in ways that are compatible with our principle of better services to customers. The President's Management Council will submit the report to Congress within 18 months showing which offices may be closed, which can be consolidated and which can be slimmed. We urge Congress to act quickly on this package.

> *This is a precious opportunity to make fundamental change in government. I look forward to working together on areas of mutual agreement.*
>
> **U.S. Rep. William F. Clinger (R. Penn.)**

We are confident that the savings will be large because several agencies are already committed to far-reaching reforms in their field office systems. Their efforts will be models for those that haven't moved as quickly as they prepare their plans for the President's Management Council.

Action: *The Department of Agriculture will close or consolidate 1,200 field offices.*[6]

The Department of Agriculture (USDA) operates the most elaborate and extensive set of field offices—more than 12,000 across the country. Under Secretary Mike Espy's leadership, the department is planning dramatic reforms. USDA runs 250 programs in such vital but diverse areas as farm productivity, nutrition, food safety, and conservation. Its focus has shifted dramatically since the 1930s, when its present structure evolved: 60 percent of its budget now deals with nutrition; less than 30 percent with agriculture.

As the basis for reorganization, USDA will concentrate its activities on six key functions: commodity programs, rural development, nutrition, conservation, food quality, and research. This focus will allow it to consolidate from 42 to 30 agencies and from 14 to six support staffs, cutting administrative costs by more than $200 million over five years.

As part of this process, USDA will consolidate or close about 1,200 field offices within the Agricultural Stabilization and Conservation Service, the Soil Conservation Service, the Farmers Home Administration, the Cooperative Extension System, and the Federal Crop Insurance Corporation. Some of these offices now serve suburban counties, others have few rural customers left. In 1991, the General Accounting Office reported that in Gregg County, Texas, the Agricultural Stabilization and Conservation Service office served only 15 farmers; in Douglass County, Georgia, two USDA programs served a total of 17 farmers.[7]

Field office closings will be determined by a six-part scoring system developed to evaluate each office. Once in place, this restructuring will save more than $1.6 billion over five years and eliminate the equivalent of 7,500 full time employees. Customers will be better served because operations will be combined in multi-purpose USDA field service offices.

Action: *The Department of Housing and Urban Development will streamline its regional office system.*[8]

The Department of Housing and Urban Development (HUD) has also developed a strategy to close offices without cutting customer services. Roughly 10,000 of HUD's 13,500 employees work in field offices, but their workloads vary: the New York regional office monitors 238,000 federal public housing units, the Seattle office only 30,000 units. Management restructuring, described in the previous chapter, will streamline HUD's field operations.[9] Under a five-year plan, HUD will eliminate all regional offices, pare down its 80-field office system, and cut its field staff by 1,500 people.

Action: *The Department of Energy will consolidate and redirect the mission of its laboratories, production, and testing facilities to meet post-Cold War national priorities.*[10]

For the first time in 50 years, the United States is not engaged in producing or testing nuclear weapons. Significant reductions in funding for these programs are already underway—$1.25 billion in fiscal year 1994 alone. Yet, the Department of Energy's weapons laboratories and production plants represent an irreplaceable investment in world-class research and development, intellectual, and computing capabilities, carefully cultivated over five decades. As the department redirects its facilities, the challenge is to eliminate unnecessary activities, while shifting appropriate resources to meet non-defense objectives.

Under Secretary of Energy Hazel O'Leary's leadership, DOE will review its labs, weapons production facilities, and testing sites in the context of its mission—and will recommend the phased consolidation or closure of obsolete or redundant facilities. The secretary will also identify facilities that other government agencies may find useful, encourage laboratory managers to bid on contracts with other agencies, and increase cooperation with the private sector.

Action: *The U.S. Army Corps of Engineers will reduce the number of regional offices.*[11]

The U.S. Army Corps of Engineers, too, has a plan: it will cut its divisional offices from 11 to 6. It cannot, however, close district offices because Congress prevented such actions by law—an example of costly congressional micro-managing. The Corps has carried out the nation's largest civil works projects. But its role is changing: Fewer large projects, more complex environmental projects.

Action: *The Small Business Administration will reduce the number of field offices and consolidate services.*[12]

The Small Business Administration is developing criteria for consolidating field offices based on the customer load. It has already demonstrated in pilot programs how to cut local office staff by providing routine loan servicing for several local SBA offices and by adopting automated procedures for processing applications for the agency's many different loan programs.

Action: *The U.S. Agency for International Development will reduce the number of its overseas missions.*[13]

With the dramatic changes in U.S. foreign policy, agencies with overseas operations are rethinking their responsibilities. J. Brian Atwood, administrator for the U.S. Agency for International Development (AID), believes the number of countries in which his agency operates missions can be cut from 105 to perhaps 50. Cuts will be made in the number of missions in developed countries so that the agency's efforts can focus on those nations that can't absorb or manage assistance or on truly underdeveloped countries.

Action: *The United States Information Agency will cut the number of libraries and reference centers it pays for overseas.*[14]

Savings are also possible in overseas facilities maintained by the United States Information Agency. USIA maintains libraries and other facilities in many developed countries, as well as in emerging countries. While facilities in the latter are often crowded, those in developed countries attract few customers: In Canada, for example, a USIA library attracted only 568 walk-in visitors in a year. Eliminating some of these facilities or turning them over to their host countries could save an estimated $51.5 million through 1999.[15]

> *We'll challenge the basic assumptions of every program, asking does it work, does it provide quality service, does it encourage innovation and reward hard work. If the answer is no, or it there's a better wav to do it or if there's something that the federal government is doing, it should simply stop doing, we'll try to make the changes needed."*
>
> **President Bill Clinton**
> Announcement of initiative to streamline government
> March 3, 1993

Action: *The Department of State will reduce by 11 the number of Marine Guard detachments it employs.*[16]

By consolidating the storage of top secret documents in overseas missions, the Department of State can reduce the need for Marine Guard detachments. The Bureau of Diplomatic Security has identified 11 posts where the Marine Security Guard program could be eliminated simply by moving documents to other places.

Action: *Pass legislation to allow the sale of the Alaska Power Administration.*[17]

The federal government once played a crucial role in financing, developing and operating the Alaska Power Administration (APA). No longer. APA was created to encourage economic development in Alaska by making low-cost hydro-power available to industry and to residential customers. The project has succeeded and can now be turned over to local ownership.

The federal government retains four other Power Marketing Administrations (PMAs) which own hydropower facilities and sell the power they generate to public, private, and cooperative utilities at cost. These PMAs serve customers spread throughout many states, so the facilities cannot easily be sold to a local entity. APA, on the other hand, is unique: Its facilities and customers are located in a single state. Various public agencies have already urged the federal government to sell the APA facilities. APA signed purchase agreements to do so before 1993.

The sale is supported by state and local officials, Alaska's congressional delegation, the Energy Department, the Office of Management and Budget and the House Appropriations Committee. But Congress has yet to pass the necessary authorizing legislation. We urge it to do so. The sale would bring $52.5 million into the U.S. Treasury and save millions more in yearly operating costs.

Action: *Terminate federal grant funding for Federal Aviation Administration higher education programs.*[18]

Success has rendered two FAA federal subsidies obsolete. They have met the objectives for which they were established and can now be terminated. For example, in 1982, the Federal Aviation Administration (FAA) launched a program to improve the development and teaching of aviation curricula at universities and other post-secondary schools. The goal was to produce graduates better prepared for jobs in the industry.

So far, the FAA has spent about $4 million on consultants to upgrade schools' programs and another $100 million was appropriated—most at Congress' insistence not at FAA's request—to be given out in grants so that the schools could buy better facilities and equipment. Many schools now offer high quality aviation training programs without support from the FAA. Since $45 million of the appropriation remains unspent, stopping the program now can save this money.

Another program we no longer need is the Collegiate Training Initiative for Air Traffic Controllers. It was set up to determine whether other institutions could offer the same quality training for controllers as the FAA Academy does. If they could, it would save the government the $20,000 it costs to train each new controller at the academy. The answer is clearly yes. Five schools participating in the program are producing well-qualified controllers, although only two are receiving government subsidies. It is now time to phase out these remaining subsidies.

Action: *Close the Uniformed Services University of the Health Sciences.*[19]

The Department of Defense once faced shortages of medical personnel, particularly of physicians. So, in 1972, Congress created the Uniformed Services University of the Health Sciences (USUHS). Today, USUHS provides less than 10 percent of the services' physicians at a cost much higher than other programs: USUHS physicians cost the federal government $562,000 each, while subsidies under the Health Professionals Scholarship Program cost only $111,000 per physician. Closing the facility and relying on the scholarship program and volunteers would save DOD $300 million over five years.

Action: *Suspend the acquisition of new federal office space.*[20]

Over the next 5 years, the federal government is slated to spend more than $800 million a year acquiring new federal office space and courthouses. Under current conditions, however, those acquisitions don't make sense.

The federal workforce is being reduced, the Resolution Trust Corporation is disposing of real estate once held by failed savings and loans at 10 to 50 cents on the dollar, commercial office vacancy rates are running in the 10 to 25 percent range, and U.S. military bases are being closed. All of these factors suggest that the government has many potential sources for office space without buying any more buildings.

The GSA administrator will place an immediate hold on GSA's acquisition—through construction, purchase, or lease—

of net new office space. The administrator will begin aggressive negotiations for existing and new leases to further reduce costs. And GSA will reevaluate and reduce the costs of new courthouse construction. These actions should save at least $2 billion over the next 5 years.

Eliminate Duplication

Government programs accumulate like coral reefs—the slow and unplanned accretion of tens of thousands of ideas, legislative actions, and administrative initiatives. But, as a participant at the Vice President's HUD meeting told us, "There isn't always a rational basis for the way we are set up in this organization. Over the years, branches have developed; they have been taken over by divisions; and we don't look at the organization as a whole." Now we must clear our way through these reefs.

The National Performance Review has looked at government as a whole. We have identified many areas of duplication. What follow are recommendations for the first round of cuts and consolidations.

Action: *Eliminate the President's Intelligence Oversight Board.*[21]

No branch of government—including the Executive Office of the President—is free of duplication. We will begin the streamlining process in the EOP, where there are two groups intended to oversee intelligence—tripping over each other and allowing some issues to fall through jurisdictional cracks. The President, by directive, should terminate the President's Intelligence Oversight Board and assign its functions to a standing committee of the President's Foreign Intelligence Advisory Board.

Action: *Consolidate training programs for unemployed people.*[22]

Government's response to changing circumstance often creates duplication. As the economy has evolved, for example, we have created at least four major programs to help laid-off workers: the Economic Dislocation and Worker Adjustment Assistance Act (EDWAA), which spends $517 million annually for those who lose their jobs through plant closings or major layoffs; the Trade Adjustment Assistance program (TAA), which distributes $170 million through State Employment Security Agencies for those who lose jobs due to increased imports; the Defense Conversion Adjustment program, which dispenses $150 million for those unemployed because of defense cuts; and a program that allocates $50 million for those unemployed due to the enforcement of new clean air standards. Even more programs are in the pipeline.

But multiple programs aimed at common goals don't work well. Administrative overhead is doubled and services suffer. Because each training program is intended to help people rendered jobless for different reasons, people seeking work must wait for help until the government determines which program they are eligible for. The process is slow. The General Accounting Office estimates that less than one-tenth of TAA-eligible workers receive any benefits within 15 weeks of losing their jobs, for example.[23]

The unemployed care less about why they lost their jobs than about enrolling in training programs or finding other jobs. Labor Secretary Robert Reich is proposing legislative changes to consolidate programs for workers who lose their jobs, regardless of the cause. His bill would also allow more funds to be used before workers lose their jobs. In Chapter 1, we recommend the consolidation of 20 education, employment, and training programs. We urge Congress to support both initiatives.

Action: *Consolidate the Veterans' Employment and Training Service and the Food Stamp Training Program into the Employment and Training Administration.*[24]

Several training programs offer similar services through the same offices—sometimes even using the same employees—but requiring separate management and reporting systems. We can cut bureaucracy and paperwork while improving services to the customer by merging these programs.

Consider the case of the Veterans' Employment and Training Service (VETS) in the Department of Labor (DOL). Another operation in DOL, the Employment and Training Administration (ETA), funds local Employment Services, which, in turn, house staff dedicated to providing veterans with advice on training programs. But these staff are legally prohibited from serving non-veterans. So, if a local office is crowded with non-veterans, these specialists cannot help out—even if they have no veterans to serve. Moving VETS into the ETA will generate much greater efficiency in the use of staff, leading to shorter lines and better service.

We also recommend moving the Food Stamp Training Program into the ETA. Most training under the program is already performed under contract by ETA staff, by the Employment Service, or by local education institutions. Overall, ETA can offer poor people a much more comprehensive range of job-search and training services than can the Food Stamp Training Program.

Action: *Reduce the number of Department of Education programs from 230 to 189.*[25]

The nation's concern with education has led to an explosion of programs at all levels of government. The Education Department now funds 230 programs, many of which overlap. Since many are grants to state and local governments, we face duplication in triplicate—multiple administrative systems at all levels of government.

Of these 230 programs, 160 will award money through 245 different national competitions this year. The cumbersome administrative systems divert money from activities more central to the department's mission. These programs should be reduced in number and their procedures streamlined.

The department has begun reforming and streamlining programs, particularly those under the Elementary and Secondary Education Act. This will make it easier for schools to get the money without jumping through so many bureaucratic hoops. We propose to eliminate and consolidate more programs that have served their original purpose or would be more appropriately funded through non-federal sources. The savings, as much as $515 million over 6 years, can be better used for other departmental priorities. For example:

- The department administers two programs—the National Academy of Space, Science, and Technology program and the National Science Scholars program—that give scholarships to post-secondary math, science, and engineering students. These two should be combined.

- State Student Incentives Grants were created to encourage states to develop needs-based student aid programs. Since all states now have their own programs, the federal program is no longer needed.

- The Research Libraries' program funds research libraries to build their collections. University endowments could and should support these efforts, without federal subsidy.

Action: *Eliminate the Food Safety and Inspection Service as a separate agency by consolidating all food safety responsibilities under the Food and Drug Administration.*[26]

Sometimes duplication among federal programs can make us ill—even kill us. Take the way we inspect food for contamination. Several agencies are involved, each operating under separate legislation, with different standards, and with staff trained in different procedures. In 1992, the Food and Drug Administration (FDA)—part of the Department of Health and Human Services—devoted about 255 staff years to inspecting 53,000 food stores, while the Food Safety and Inspection Service (FSIS)—part of the Department of Agriculture—devoted 9,000 staff years to inspecting 6,100 food processing plants.

But this duplication doesn't mean that we cover all sources of contamination thoroughly. Meat and poultry products must be inspected daily, while shellfish, which have the same risk of causing food borne illness, are not required by law to be federally inspected. Too many items fall through the bureaucratic cracks. Not only that, enforcement powers vary among the different agencies. If the FDA finds unsanitary plant conditions or contaminated products, compliance is usually voluntary because the agency lacks FSIS's powers to close plants or seize or detain suspect or known contaminated products. And if one agency refers a problem to another, follow up is at best slow and at worst ignored.[27]

With no fewer than 21 agencies engaged in research on food safety, often duplicating each other's efforts, we aren't progressing fast enough in understanding and overcoming life-threatening illness. As recent and fatal outbreaks of food-borne illness attest, multiple agencies aren't adequately protecting Americans.

Under our recommended streamlining, the FDA would handle all food safety regulations and inspection, spanning the work of the many different agencies now involved. The new FDA would have the power to require all food processing plants to identify the danger points in their processes on which safety inspections would focus. Where and how inspections are carried out, not the number or frequency of inspections, determines the efficiency of the system.

The FDA would also develop rigorous, scientifically based systems for conducting inspections. Today, we rely, primarily, on inspection by touch, sight, and smell. Modern technology allows more reliable methods. We should employ the full power of modern technology to detect the presence of microbes, giving Americans the best possible protection. Wherever possible, reporting should be automated so that high-risk foods and high-risk food processors can be found quickly. Enforcement powers should be uniform for all types of foods, with incentives built in to reward businesses with strong safety records.

Action: *Consolidate non-military international broadcasting.*[28]

The U.S. government funds several overseas broadcasting services—including those operated by the United States Information Agency's Bureau of Broadcasting, which accounts for one-third of the agency's $1.2 billion budget, and services such as Radio Free Europe and Radio Liberty, which have budgets totalling $220 million a year. All non-military international broadcasting services should be consolidated under the USIA. Part of this was propsed in the President's budget request for fiscal year 1994.

Action: *Create a single civilian polar satellite system.*[29]

Collecting temperature, moisture, and other weather and environmental information from polar satellites is a vital task, both for weather forecasting and for global climate studies. But we have two different systems, one run by the Department of Defense and the other by the National Oceanic and Atmospheric Administration. On top of this, the National Aeronautics and Space Administration is planning a third. Over the next ten years these three systems will cost taxpayers about $6 billion. Congress should enact legislation requiring these agencies to consolidate their efforts into a single system, saving as much as $1.3 billion over the same period.

Action: *Transfer the functions of the Railroad Retirement Benefits Board to other agencies*[30]

The government can operate with fewer pension management systems. In 1934, Congress set up the Railroad Retirement Board to protect railroad workers in the face of financial problems, to allow workers to transfer among railroads, and to encourage early retirement to create jobs for the millions of younger workers. In those days, the huge national public pension system, Social Security, was not yet in place; neither were the state-federal unemployment insurance systems nor Medicare.

Today, it makes no sense for a separate agency to administer benefits for a single industry. Social Security Administration can administer social security benefits for railroad workers as it administers them for everyone else; unemployment insurance systems can serve unemployed railroad workers as well as it serves other unemployed people; and the Health Care Financing Administration can incorporate railroad workers' health care benefits into the Medicare system.[31]

Action: *Transfer law enforcement functions of the Drug Enforcement Administration and the Bureau of Alcohol, Tobacco, and Firearms to the Federal Bureau of Investigation.*[32]

More than 140 federal agencies are responsible for enforcing 4,100 federal criminal laws. Most federal crimes involve violations of several laws and fall under the jurisdiction of several agencies; a drug case may involve violations of financial, firearms, immigration and customs laws, as well as drug statutes. Unfortunately, too many cooks spoil the broth. Agencies squabble over turf, fail to cooperate, or delay matters while attempting to agree on common policies.

The first step in consolidating law enforcement efforts will be major structural changes to integrate drug enforcement efforts of the DEA and FBI. This will create savings in administrative and support functions such as laboratories, legal services, training facilities, and administration. Most important, the federal government will get a much more powerful weapon in its fight against crime.

When this has been successfully accomplished, we will move toward combining the enforcement functions of the Bureau of Alcohol, Tobacco and Firearms (BATF) into the FBI and merge BATF's regulatory and revenue functions into the IRS. BATF was originally created as a revenue collection agency but, as the war on drugs escalated, it was drafted into the law enforcement business. We believe that war would be waged most successfully under the auspices of a single federal agency.

Eliminate Special Interest Privileges

Some programs were never needed. They exist only because powerful special interest groups succeeded in pushing them through Congress. Claiming to pursue national objectives, Congress, at times, funds programs that guarantee profits to specific industries by restricting imports, raising prices, or paying direct and unnecessary subsidies.

Special interest groups come in all shapes and sizes and their privileges are as diverse. Producers of crops, residents of certain areas, and holders of some occupations have all succeeded in persuading Congress that their needs are special and their claim on special treatment is deserving.

Action: *Eliminate federal support payments for wool and mohair.*[33]

During World War II and the Korean conflict, the U.S. was forced to import about half the wool needed for military uniforms. To cut dependence on foreign suppliers, Congress in 1954 passed the National Wool Act, providing direct payments to American wool producers. The more wool a producer sold, the greater the government subsidy. In 1960, the Pentagon removed wool from its list of strategic materials. But the Wool Act remained in effect—a tribute to adept lobbying.

Between 1994 and 1999, wool subsidies will cost an estimated $923 million. About half the payments will go to ranchers who raise Angora goats for mohair—a product that is 80 percent exported. So American taxpayers will subsidize the price of mohair sweaters overseas! In some years, subsidies provide more income than sales. The 1990 mohair checks, for example, totalled $3.87 for every dollar's worth of mohair sold.

Today, about half the beneficiaries receive only $44 a year each. But the top one percent of sheep raisers capture a quarter of the money—nearly $100,000 each. The national interest does not require this program. It provides an unnecessary subsidy for the wealthy.

Action: *Eliminate federal price supports for honey.*[34]

World War II also brought us federal subsidies for honey production. During the war, honey was declared essential because the military used bees' wax to wrap ammunition, and citizens replaced rationed sugar with honey. When honey prices dropped after the war, the federal government began subsidizing honey production.

The program was intended to be temporary—to last until there were enough honeybees available for pollination. But more than 40 years later, every bee keeper in the U.S. is eligible for federal loans. In 1992, the federal government paid 7 cents a pound more to borrow money than it charged bee keepers. Taxpayers paid the difference. If it were to scrap the program, Congress would save taxpayers $15 million over the next six years.

Action: *Rescind all unobligated contract authority and appropriations for existing highway demonstration projects.*[35]

The practice of directing federal highway funds toward spending on specific demonstration projects—and away from regular state-level allocations—is increasing. This is not, for several reasons, a good trend.

In 1991, the General Accounting Office (GAO) examined the contributions of demonstration projects—which range from paving a gravel road to building a multi-lane highway—to the nation's overall highway needs. Looking specifically at the $1.3 billion authorized to fund 152 projects under the 1987 Surface Transportation and Uniform Relocation and Assistance Act, GAO found that "most of the projects...did not respond to states' and regions' most critical federal-aid needs." Indeed, in more than half the cases, the projects weren't even included in regional and state plan—typically because officials believed the projects would provide only limited benefits. GAO also discovered that 10 projects—worth $31 million in demonstration funds—were for local roads not even entitled to receive federal highway funding. In other words, many highway demonstration projects are little more than federal pork.

Perhaps even worse, there's no guarantee that all these highway demonstration projects, once started, will ever be finished. GAO noted that project completion costs will greatly exceed authorized federal and state contributions, and that state officials are uncertain where they will find more funding. Further, only 36 percent of the project funds GAO reviewed had even been obligated by the beginning of fiscal year 1991, even though they were authorized in 1987. Some projects with no activity since

1987 may never use their funds. Finally, no federal provisions allow for canceling or redirecting funds, nor can states redirect demonstration funds to other transportation projects.[36]

We urge Congress to rescind all unobligated authority and appropriations for highway demonstration projects. Some of the savings would go to the taxpayers. We recommend that all highway projects be forced to compete for any remaining savings through the normal allocation and planning processes set up in more recent legislation.

Action: *Cut Essential Air Service subsidies.*[37]

Sometimes, to push through controversial changes, Congress grants affected groups special privileges. This was the case when airlines were deregulated in 1978. Because people living in small towns feared the loss of air service, Congress created the Essential Air Service program. The program guaranteed continue services for a decade—with federal subsidies if necessary. The purpose was to allow these communities to learn to live in a deregulated environment. But the program didn't end in 1988 as scheduled. Quite the opposite. Congress extended it for another ten years and its budget has grown—from $30.6 million in 1988 to $38.6 million in 1993.

The program is unneeded: 25 subsidized communities are less than 75 miles from hub airports. It is also costly: nine locations, receiving $3 million in subsidies in 1992, carried five or fewer passengers a day—one community, only 60 miles from a hub airport, received subsidies averaging $433 per passenger.

Opposition to the program is rising. The Transportation Department's Inspector General has concluded that the program's costs outweigh its benefits. And after many years of resistance, a Congressional subcommittee agreed this year that the program lacks merit-based criteria. It's time to prune these subsidies. We recommend eliminating subsidies to locations in the 48 contiguous states within 70 miles of a hub airport; limiting subsidies to no more than $200 a passenger, and giving the Transportation Department authority to establish more restrictive criteria over time. This would save $13 million a year.

STEP 2: COLLECTING MORE

Given the size of the federal deficit, government must find better, more efficient, and more effective ways to pay for its activities. In Chapter 2, we showed how government could become more businesslike. In this section, we propose three ways to increase federal revenues: introducing or increasing market-based user fees, collecting what is due the government in delinquent loans and in accidental or fraudulent overpayment of benefits, and refinancing debt at lower interest rates.

Some people take advantage of government's largesse. They default on loans, or they double claim for health insurance benefits. Government has made it far too easy for people to get away with such actions. As a result, honest people are subsidizing their less scrupulous neighbors. Their actions raise the costs of federal programs, divert money from where it was intended, and discredit our system of governance. Here are the first steps we will take to end these practices.

Raising User Fees

Congress and federal agencies have shied away from charging for federal services. But government surely produces many goods and services for which consumers could, and should, pay." User fees can serve exactly the same function as prices do—providing federal managers with invaluable information about their customers. If customers like the services they are paying for—if they find the experience of visiting a particular national park enjoyable, for example—revenues will increase. If the agency can keep some of its additional revenues, it will be able to pay the increased operating costs associated with its rising number of customers. It will, as a result, learn to care about satisfying those customers.

Paying for the services you receive also is an issue of fairness. Why should taxpayers subsidize concessionaires or visitors to National Parks, or pay the cost of determining whether a business should dump sludge into the nation's waterways? Many services government provides because they are in the national interest or because we do not expect people to pay for them. But the customers of some government activities could and should pay. Many agencies, including the Food and Drug Administration, The Patent and Trademark Office, the National Technical Information Service, and the Securities and Exchange Commission already charge their customers fees. In some cases, these fees cover the full cost of operations. Taxpayers are not called upon to pay for the services that others receive. But, most agencies aren't allowed to keep the fees—the revenues are sent to the Treasury. Under these circumstances, agencies have no incentive to increase fees if market conditions merit it.

Where fees are allowed, Congress often limits them—removing any discretion from local managers. The National Park Service, for example, cannot charge more than $5 per car or $3 a visitor at many parks. At busy Yellowstone, Grand Teton, and the Grand Canyon, fees are limited to $10 a vehicle and $5 a visitor. Ending subsidies to concessionaires and moderately increasing fees would let the National Park Service invest more in its crumbling infrastructure, and spend more to protect America's priceless natural heritage.

Two-thirds of all the National Park Services facilities charge no admission fee at all. Yet the Park Service suffers from a multi-billion dollar backlog in infrastructure repair and rehabilitation projects for the National Park System. One-third of NPS primary paved roads are in poor or failing condition; a tenth of employee housing is obsolete or deteriorated; and 4,700 planned natural and cultural resource projects are on the waiting list for funding. Meanwhile, demands on the parks are rising sharply as the number of visitors—both American and foreign—grows each year.[38]

Action: ***Allow all agencies greater freedom in setting fees for services and in how the revenues from these fees may be used.***[39]

Even with a modest increase in fees, a family of four will pay less to spend a week in Yellowstone National Park than they would to see a first-run movie. The National Park Service should be allowed to keep 50 percent of revenues from fees to pay for vital services and projects.

The natural fear is that federal facilities are monopolies and, unless their pricing policies were regulated, they would become price-gauging profiteers. The concern is appropriate, but the policies it has led to are not. We would not recommend that national parks or documents repositories, for example, become federal profit centers—but they could, certainly, cover a larger part of their costs. They cannot charge exorbitant prices—after all, parks are in competition with each other, and with many privately owned recreation areas. The market will control the revenues they can realistically collect.

Pricing policy is an important management tool, and we recommend that Congress place it in the hands of many more federal managers. The National Performance Review recommends increasing the use of user fees for many activities. For example:

- The FDA must ensure that 1.5 million food products imported each year meet the same safety and labeling standards as domestic products. It also certifies the safety of exported foods. Taxpayers, not manufacturers, pay for these inspections. User fees could save taxpayers as much as $1.4 billion over 5 years.[40] The agency should also have the power to collect fees for conducting inspections and reviews, processing petitions and applications, analyzing samples and issuing device reports for food, drugs, devices, and radiological products.

- The Department of Veterans Affairs runs a program to guarantee home loans for veterans. It lets them borrow at lower costs and make smaller down payments than would be possible without assistance, because the guarantee protects lenders in the event of foreclosure by reducing their potential loss. The department collects fees for this service, yet they are set very low. A modest increase in fees costing an extra $6 per month, for example, would still provide homebuyers with better-than-market terms. Yet it would generate an additional $811.4 million over 6 years.[41]

- Under the Clean Water Act, the Army Corps of Engineers issues permits for discharges of dredged or filled materials into rivers, lakes and streams. The Corps has processed 15,000 applications at a total cost of $86 million. Yet it has charged only token fees for its services, collecting only $400,000 annually. This amounts to a $12 million annual subsidy for commercial customers, according to Defense Department estimates. Higher fees would help not only taxpayers but Corps customers, because additional revenues could pay for faster processing of applications.[42]

- The Small Business Administration should have the power to establish user fees for the services they provide through the nationwide Small Business Development Center (SBDC) program. SBDC customers like the services they get, so the revenues from fees will enable the centers to expand successful programs.

Action: ***Increase revenues by refinancing debt or raising federal hydropower rates to cover full operating costs.***[43]

The Power Marketing Administrations (PMAs), such as Alaska Power, were mandated in 1944 to sell their power at low rates to help promote development in sparsely populated areas. Rates are still low today; in fact, the PMAs sell power to their public, private and cooperative utility customers at below market rates. Thus, the low electricity rates enjoyed by customers in some areas are subsidized by American taxpayers in others. Taxpayers subsidize PMA utility customers through low-interest loans. The interest rates most PMAs pay the government are artifically low. As the interest on the Treasury's long-term debt climbed in the 1960s, 1970s, and 1980s, the differential between those rates and rates on PMA loans created federal subsidies for these projects.

The Energy Department will take immediate steps to increase revenues from hydropower operations. The department will set a new rate policy for specified PMAs to seek recovery of full operating costs. As an alternative, the Energy Department may attempt to restructure the financing of the Bonneville Power Administration's debt, allowing Bonneville to issue bonds at market rates and repay its low-interest Treasury loans. The department will attempt to achieve such a refinancing with minimal effects on the near-term rates paid by its customers by seeking favorable bond interest rates and lengthening terms of repayment.

Collecting Debt

At the end of last year the federal government was owed $241 billion by former students, small businesses, farmers, companies developing alternative energy sources—even foreign companies and governments. This makes the federal government the nation's largest lender. Of this total, a shocking $47 billion—20 percent of the total—was delinquent.[44]

To some extent, the federal government's unpaid debts reflect the fact that some of its loan programs operate more like grant programs. They are designed to meet national policy goals such as increasing the number of physicians in rural areas and supporting democratic governments overseas. But in other cases agencies have done a poor job in collecting what they are owed. After all, agencies are rarely held accountable for unpaid loans. All too frequently, neither are delinquent borrowers.

If agencies were to put a higher priority on pursuing delinquent debt and if Congress were to grant them greater flexibility in their debt collection operations, the federal government could collect more of what it is owed. The Office of Management and Budget will work with each agency to develop debt collecting strategies that employ the following expanded powers.

Action: *Give agencies the flexibility to use some of the money they collect from delinquent debts to pay for further debt collection efforts, and to keep a portion of the increased collections.*[45]

Small investments in debt collecting can yield high returns. In 1989, the GAO discovered that the Veterans Administration had not recovered $223 million in health payments from third parties, such as insurers. Congress then changed the rules, allowing the VA to keep a portion of recovered third-party payments for administrative costs. With this incentive, the VA increased its recovery effort. The result: a four-fold increase in collections since 1989.

The VA, now called the Department of Veterans Affairs, wants to go even further by expanding its cost recovery efforts into its loan programs and establishing cost-sharing, performance incentives. Local hospitals, for example, might be allowed to keep some of the revenues they generate to buy new medical equipment. Overall, VA believes it could pull in another $500 million through 1999.

Opportunities like this occur throughout the federal government. The Education Department, for example, wants to use the additional repayments it would collect to pay for further collections of Higher Education Act debts. Budget offices tend to oppose the idea of sharing new earnings with the agency in question, because they want 100 percent of the earnings to meet deficit reduction targets. But unless the agencies have incentives to generate the earnings, they rarely produce them in the first place.

The solution is twofold. First, Congress should allow agencies to use some of the money they now collect from delinquent debts to pay for further debt collection efforts. Second, it should increase the incentives agencies have to pursue debt collections, by letting them use a small portion of their increased collections to invest in improving their overall operations.

Action: *Eliminate restrictions that prevent federal agencies from using private collection agencies to collect debt.*[46]

In addition to sharing in their earnings, agencies would benefit from being able to use private debt collectors, as the Department of Education has done. While we know how cost-effective private collection agencies are, many agencies—including the Farmers Home Administration, Social Security, the IRS, and the Customs Service—are statutorily prohibited from using private agencies for the job, even on a contingency-fee basis. Congress should lift those restrictions.

Action: ***Authorize the Department of Justice to retain up to one percent of amounts collected through civil debt collections to cover costs.***[47]

When borrowers default on their federal loans, the first step is for the lending agency to try to collect—or, if permissible, to use a private debt collection agency. If these measures fail, agencies refer claims to the Department of Justice. While the Department handles the larger claims itself, it refers those under $500,000—which constitute 90 percent of all claims—to local U.S. attorneys' offices. In overworked U.S. Attorney's offices, debt collection is often a low priority.

To encourage the Department of Justice to collect debts, Congress should allow the department to retain 1 percent of everything it collects through litigating civil debt cases under $500,000. These retained funds should be used for paying staff working on debt collection, for paying case-related costs, and for paying for training and other investments to improve local debt collection programs.

Action: ***The Royalty Management Program will increase the royalty payments it collects by developing new computer programs to analyze and cross-verify data.***[48]

The federal government collects royalty payments from mining companies recovering minerals from federal land. The Interior Department's Minerals Management Service (MMS), the agency charged with the job, collects $4.7 billion annually. But its auditing system is limited and focuses heavily on the companies paying the largest royalties—so smaller companies don't always pay their share. The Department of the Interior will increase its collections—by as much as $28 million over five years—by developing better accounting and auditing systems. To make sure MMS can collect its dues, the Interior Department will ask Congress for permission to assess penalties on substantial underpayments and to impose fees on a broader range of administrative costs.

Action: ***HUD should offer incentive contracts to private companies to help federally subsidized home owners refinance their mortgages at lower rates.***[49]

HUD has succeeded in extending the dream of home ownership to many people. But the program does not take advantage of lower interest rates because the assisted owners do not have enough incentive to go through the work and bother of refinancing.

We recommend that HUD offer incentive contracts to private companies to let them share a percentage of the savings to the government of refinancing the mortgages. They could work with the home owners to arrange refinancing, doing the necessary leg work and make cost effective payments to home owners to induce them to refinance. Projected savings from this program could exceed $210 million over five years. Yet program beneficiaries would continue to receive exactly the same benefits.

Eliminating Fraud

While many think government steals from people, the reverse is also true: People steal from government. And, unlike private companies, some government agencies aren't very good at finding and prosecuting thieves. Moreover, the bureaucracy does too little to deter dishonest people.

Action: ***Make it a felony to knowingly lie on an application for benefits under the federal Employees' Compensation Act and amend Federal law so individuals convicted of fraud are ineligible for continued benefits.***[50]

The federal government manages many programs that provide benefits to people injured or taken sick. Not all the recipients are legitimate. When agencies discover fraud, however, they are often hamstrung in their ability to terminate benefits—so they keep paying fraudulent claims. For example, under the Federal Employees' Compensation Act (FECA), the Office of Workers' Compensation Programs cannot terminate benefits even after finding that someone made false statements about a disability or an illness.

In one case, a former federal employee collected almost $200,000 in benefits under the FECA disability program while working. When a witness told the government about the fraud, the employee hired someone to kill him. The employee was convicted of falsifying his application for FECA benefits, but the government could not cut off his compensation on the basis of his original false statements alone.[51]

Action: *Improve processes for removing people who are no longer disabled from disability insurance rolls.*[52]

The Social Security Administration serves more than 10 million people through two disability programs, Disability Insurance and Supplemental Security Income. But the General Accounting Office has estimated that 30,000 of these recipients are no longer eligible. Overpayments from the trust funds to ineligible people are projected to reach $1.4 billion by 1997.[53] The Social Security Administration faces a dual problem: overpayment to unlawful claimants and lengthy delays in providing benefits to legitimate claimants. Using present management practices, the agency lacks the staff to review its rapidly escalating caseload. The backlog of 700,000 pending claims is taking priority over reviewing continuing cases.

The agency is working to create a single disability claims processing system, but it needs greater budget flexibility to invest in hardware and software and to redeploy staff to meet growing demands.[54]

Action: *Create a clearinghouse for the reporting and disclosure of death data.*[55]

Obviously, no federal agency should continue paying benefits after recipients have died. But stopping payments is not easy because sharing death information among different levels of government is restricted and not always reliable. The Social Security Administration regularly obtains death information from states under agreements with each of them (except Virginia). But most agreements restrict SSA's disclosure of death data, so the information the SSA collects cannot always be shared with those running other federally- and state-administered benefits programs. The result is millions of dollars in overpayments. For Americans living overseas, the problem is even worse. SSA gives benefit checks to overseas embassies to deliver. The State Department claims that SSA must check that the recipients are still alive; SSA says that it's the State Department's job.

We need not serve customers who are no longer alive. Congress should amend the Social Security Act to allow SSA to share death information with other programs.[56]

STEP 3: INVESTING IN GREATER PRODUCTIVITY

One of the greatest obstacles to innovation in government is the absence of investment capital. The appropriations for most federal agencies last only one year: anything left over at the end of the year disappears. So it's difficult for organizations to scrape together enough money to make even small investments in training, technology, new work processes, or program innovations. We have recommended that agencies be allowed to keep half of any savings they can generate. In addition, we propose a source of innovation funds from which they can borrow. When managers and their employees are allowed to borrow for long-term investments, they have a real incentive to implement creative new ideas.

The IRS and Interior Department already have innovation funds.[57] Treasury and Justice operate working capital funds that finance specific innovations, such as modernizing information technology and computer systems. And the Commerce Department has a Pioneer Fund that gives employees cash grants (rather than loans) of up to $50,000 to finance quality and productivity improvements. The money can be used for supplies, equipment, or expert services. Some funds have financed projects related to advanced technology, such as the development of public information on CD-ROMs.

State and local governments use this approach quite often. Many cities have long had some form of innovation fund. In Florida, Governor Lawton Chiles cut departmental budgets by five percent across the board, then gave half back to agencies that developed plans to invest in higher

The Productivity Bank: Paying Big Interest in Philadelphia

Mayor Ed Rendell says it's not hard to change incentives so that public employees save money.

"We tell a department, 'You go out there and do good work,' " Rendell told the National Performance Review's Reinventing Government Summit in his city. "'You produce more revenue. You cut waste. And we'll let you keep some of the savings of the increased revenue.'"

Traditionally, the mayor said, "every nickel that they would have saved would have gone right back to the general fund... They would have gotten a pat on the back, but nothing else." Now, city employees save because their departments can keep some of the savings for projects to help them perform better.

When the Department of License and Inspection beefed up collection and enforcement efforts and generated $2.8 million more than expected in 1992, Rendell said, the city let the department keep $1 million of the savings to hire more inspectors and, in turn, exceed the $2.8 million in 1993.

The city also opened a Productivity Bank, from which departments can borrow for investment-type projects—that is, capital equipment—to produce either savings or enough revenues to repay the loan in five years. To ensure that departments don't apply frivolously, the city subtracts loan payments from annual departmental budgets.

Successes already abound. The Public Property Department repaid a $350,000 loan to buy energy efficient lamps in one year—after saving $700,000 in energy costs.

productivity and effectiveness.

At the federal level, one important use for such funds would be technology investments. These are often considered too expensive for agencies' operating budgets, even though they save money in the future. The Agency for International Development, for instance, needs a centralized information management system to coordinate its central office with its international field offices. Because its information systems lack essential data and are not coordinated, they provide inconsistent, inaccurate, and incomplete reporting that managers frequently do not trust. Agencies such as AID should have authority to create innovation funds for capital investment loans to reduce future operating costs.

Action: ***Allow all agencies and departments to create innovation funds***[58]

Congress should authorize a two tier system of innovation funds: small loan funds within agencies; larger funds at the departmental level. These would be capitalized through retained savings from operational appropriations. For the new system to work well, Congress should allow all new and existing innovation funds to invest in joint projects with other agency funds, with state or local governments, or with industry.

If managed according to market principles, innovation funds would produce measurable improvements in agency efficiency and significant taxpayers savings. Strict repayment schedules, with interest, would discourage careless borrowing.

Action: ***The government should ensure that there is no budget bias against long-term investments.***[59]

Part of straightening out the government's books will involve adopting some financial distinctions that business uses. Federal bookkeeping rules discourage government investments in productive fixed assets, like computer systems. Right now, we count a $5 million investment to purchase a Local Area Network computer system in exactly the same way as we count $5 million spent on staff salaries. American businesses do it differently. Business depreciates fixed assets over time: If the $5 million computer system has a useful life of five years, then its $5 million acquisition costs will be spread out over five years. Poor choices of capital investment and the acquisition methods are currently costing the taxpayer millions of dollars each year.

Listen to Eleanor Travers, the director of Pathology and Laboratory Medicine for the Veterans Hospital Administration. She told the National Performance Review meeting at the Department of Veterans Affairs in August 1993:

> *Procurement of equipment is held up because capital dollars to purchase equipment are frozen. And you asked what dumb rules there were we could change. Allow our hospital directors and our top managers to use operating dollars when they find it's necessary to do leasing rather than purchasing . . . Please help us loosen up the capital fund so that we don't have to go to Congress and wait two and a half years for this line item to change.*

The budget should recognize the special nature and long-term benefits of investments in fixed assets through a separate capital budget, operating budget, and cash budget. The separate capital budget will explicitly show expenditures on fixed assets, and will help to steer our scarce resources toward the most economical means of acquisition of the most needed assets. The cash budget reflects the effect of both the capital and the operating budget on the economy. Therefore, the discipline of the cash outlay caps in the Budget Enforcement Act must be maintained.

STEP 4: REENGINEERING PROGRAMS TO CUT COSTS

In the past turbulent decade, many companies have been forced to recognize that they weren't organized in the right way to do what they were doing. Their organization structure reflected history, not current needs. Reform wasn't easy—too many people had vested interests in preserving their particular part of the organization. As a result, most attempts at reorganization were reduced to shifting things among different boxes on organizational charts. Businesses found that the only way to break the mold was to reengineer—to forget how they were organized, decide what they needed to do, and design the best structure to do it. An obvious insight? Perhaps. But the best ideas are always the ones that seem obvious—after their discovery.

> *We are determined to move from an industrial age government to information age government, from a government pre-occupied with sustaining itself to a government clearly focused on serving the people.*
>
> **Vice President Al Gore**
> May 24, 1993

We will reengineer the work of government agencies in two ways. First, we will expand the use of new technologies. With computers and telecommunications, we need not do things as we have in the past. We can design a customer-driven electronic government that operates in ways that, 10 years ago, the most visionary planner could not have imagined.

Second, we will speed up the adoption of new ways to improve federal operations. Most of this work will be done by the federal agencies themselves. An outside performance review could never learn enough about internal agency work processes to redesign them intelligently. But we can begin to redesign several broad government-wide processes: The way we design programs, develop regulations, and resolve disputes.

Electronic Government

The history of the closing decade of this century is being written on computer. You wouldn't know it if you worked for many federal agencies, however. While private businesses have spent the past two decades either getting rich by developing new computer technologies or frantically trying to keep up with them, government is still doing things our parents—perhaps even our grandparents—would recognize.

Offshoots of the unexpected and fertile marriage between computers and telephones have changed just about everything we do—how we work, where we work, the design of the workplace, and the skills we need to continue working.

Organizations don't need as many people collecting information because computers can do much of it automatically. They don't need as many people processing that information because clever software programs can give managers what they need at the press of a button.

Factories don't need to stockpile large inventories because smart machines on the assembly lines order components from equally smart machines working for suppliers. Yet government agencies stand guard over warehouses of unused office furniture. Retailers ship the right size of clothing to customers as soon as they receive a telephone order and a credit card number. Yet we can't pay our taxes that way.

Computer companies give technical advice for our computers and software over the telephone 24 hours a day by fax, modem, or voice. Yet, the Social Security Administration can't do the same.

Failure to adapt to the information age threatens many aspects of government. Take the State Department, a globe-spanning organization dependent on fast and accurate communications. Its equipment is so old-fashioned that the Office of Management and Budget says "worldwide systems could suffer from significant downtime and even failure."[60] According to OMB, its systems are so obsolete and incompatible that employees often have to re-enter data several times. These problems jeopardize our ability to meet our foreign policy objectives.

Or think about the way our government sends out checks. For 15 years, electronic funds transfers have been widely used. They cost only 6 cents per transfer, compared with 36 cents per check. Yet each year, Treasury's Financial Management Service still disburses some 100 million more checks than electronic funds transfers.

We still pay about one federal employee in six by check and reimburse about half of travel expenses by check. Only one-half of Social Security payments—which account for 60 percent of all federal payments—are made electronically, making SSA the world's largest issuer of checks. Only 48 percent of the Veterans Affairs Department's payments are made electronically. Fewer than one in five Supplemental Security Income payments and one in ten tax refunds are transferred electronically.[61] We have only begun to think about combining electronic funds transfers for welfare, food stamps, subsidies for training programs, and many other government activities.

Private financial transactions have become a lot easier in the past decade: bank cash machines are open 24 hours a day, credit cards let us avoid carrying cash, and we can buy goods over the telephone. This saves many of us a lot of time and money. It could save the Government a lot of time and money, too. Consider the paper chase involved in running the welfare system. The Food Stamp Program, alone, involves billions of bits of paper that absorb thousands of administrative staff years. More than 3 billion food stamps will be printed this year and distributed to more than 10 million households. Each month, 210,000 authorized food retailers receive these coupons in exchange for food. These retailers carry stacks of coupons to 10,000 participating financial institutions, which then exchange them with Federal Reserve Banks for currency. The Federal Reserve Banks count the coupons—although they already have been counted more than a dozen times—and destroy them. The administrative cost of this system—shared equally by federal and state governments—is almost $400 million a year.

We will support Agriculture's commitment to the goal of issuing food stamps electronically by 1996. Electronic benefits transfer could eliminate the paper chase, improve services to customers, and reduce fraud. At the same time, it could be used to authorize Medicaid payments, distribute welfare payments, infant nutrition support, state general assistance, and housing assistance. It could eliminate billions of checks, coupons, and all the other paperwork, record keeping and eligibility forms that clutter the welfare system.

Why has business moved faster than government into the electronic marketplace? In the first place, government is a monopoly. Public organizations don't go out of business if they don't have the latest and smartest machines or the best approach to managing resources. In the second, employees who do want to modernize management have their hands tied with red tape—detailed budgets and cumbersome procurement procedures—that deter investment. Finally, there is a natural inclination, familiar to private and public managers alike, to do things as they've always been done.

What can we do to help our federal bureaucracy catch up?

Action: *Support the rapid development of a nationwide system to deliver government benefits electronically.*[62]

OMB has already begun the process. The electronic benefits transfer steering committee, which OMB oversees, will develop an implementation plan for electronic benefits transfer by March 1994.

The system is workable with today's technology. For cash programs such as federal retirement, social security, unemployment insurance, or AFDC, benefits would be electronically deposited directly into recipient bank accounts electronically. If people didn't have bank accounts, these could be created once the individual enrolled in a program. For "non-cash" programs such as food stamps, participants would have accounts through which they could make purchases at approved food stores—analogous to credit cards with credit limits. Stores would debit accounts as eligible items were purchased. The entire system could operate on or be compatible with the existing commercial infrastructure through which private funds are transferred electronically.

Agencies have begun experiments with electronic benefits transfers. Welfare checks, food stamps, and state-collected child support, for example, are distributed electronically in Maryland. There are test sites in Iowa, Minnesota, New Mexico, Ohio, Pennsylvania, Texas, and Wyoming. We know that a joint federal-state effort to transfer welfare benefits electronically works—and works well. The system is strongly supported by recipients, the state welfare agencies, food retailers, banks, and participating commercial networks. We also know that direct federal delivery of funds by electronics is cost-effective. We can't yet project with certainty what the savings might be, but preliminary estimates suggest $1 billion over five years once electronic benefits transfer of food stamps is fully implemented.

In the future, the concept of electronic government can go beyond transferring money and other benefits by issuing plastic, "smart" benefit cards. With a computer chip in the card, participants could receive public assistance benefits, enroll in training programs, receive veterans services, or pay for day care. The card would contain information about participants' financial positions and would separately track their benefit accounts—thus minimizing fraud. Electronic government will be fairer, more secure, more responsive to the customer, and more efficient than our present paper based systems.

Barriers still stand in the way. Agencies will have to work together to develop a comprehensive nationwide strategy for implementation; it will do no good for each agency to develop its own process. We will need to strengthen the partnership between state and federal governments in developing and operating the system. We will have to eliminate some regulations that would prevent this radical change in how government operates. And the National Institute of Standards and Technology will have to issue final standards and protocols for electronic signatures to facilitate electronic funds transfers and the electronic approval of budget and financial documents.

Action: *Federal agencies will expand their use of electronic government.*[63]

Opportunities abound for cutting operating costs by using telecommunications technologies. The National Performance Review has identified several projects that would improve government's productivity and reduce the burden of reporting on individuals and businesses.

The IRS is introducing an efficient computer system, automating tax returns, and creating a wholly new work environment for its 115,000 full-time personnel. The agency currently operates a computer system put together in the 1960s—not the tool our principal revenue collector should be using. To make the new system work, the agency will need to figure out how to train its staff to operate in a reengineered agency. We will support the agency's investments in new hardware and training, as discussed in Chapter 3.

The IRS will also manage the creation of an integrated electronic system for financial filing, reporting, and tax payment by 1996. The system will serve federal, state, and local taxpayers. It will allow the electronic filing of tax returns by individuals and companies, the electronic reporting of wages and withholding information, and other data required by all levels of government. In addition, the inter-agency Wage Reporting Simplification Project (WRSP) will be in place quickly—allowing businesses to file information once to serve many different purposes. The savings from fully implementing this program over the life of the system have been projected at $1.7 billion for government agencies and $13.5 billion for private employers. Individuals will be able to file federal and state income taxes simultaneously through an Electronic Data Interchange, with their privacy protected and fraud prevented through digital signature standards. Electronic filing alone will save the IRS and state agencies from having to mail out the equivalent of 75 boxcars of forms.

Working together, the Labor Department and IRS will develop an automated system all employers can use to file electronically the pension plan forms employers required by the Employee Retirement Income Security Act.[64] At present, it costs the Internal Revenue Service more than $10 million a year to enter all these forms into its data base.

The Labor Department will develop computer programs to determine quickly the appropriate wages on federal service contracts.[65] Currently, all federal agencies contracting for services—from cleaning services to building management—must apply to the department for a determination of appropriate wages. The process is supposed to ensure that federal contracts don't undermine local prevailing wages. The process takes an average of 57 days and, with a growing number of service contracts, more and more are subject to delays.

We will continue investing in the Social Security Administration's massive project to create a single nationwide disability processing system.[66] This will require considerable investments in new telecommunications and computer systems as well as in staff retraining. It will also mean that the SSA will have to work cooperatively with state-run disability determination offices, set performance standards, and take over those that don't meet standards. Many of the system's worst processing bottlenecks are in the state offices that approve individual claims.

Money for Numbers

The National Technical Information Service runs a large and complex information collection and marketing operation. It is the nation's largest clearinghouse for scientific and technical information. Yet it covers the costs of its operations without receiving a penny in federal appropriations. Its customers pay — and their numbers are growing every year.

NTIS's archives contain about 2 million documents (from research reports to patents), more than 2,000 data files on tape, diskette, or CD-ROM, and 3,000 software programs. This resource is growing at the rate of about 70,000 items each year. NTIS's press releases, on-line services, and CD-ROMs serve 70,000 customers, three-quarters of whom are from business and industry.

In 1991, NTIS collected $30.7 million in revenues — 77 percent from its clearinghouse activities, the rest from other government agencies that reimburse NTIS for patent licensing services, and from billing other agencies for producing and distributing documents. NTIS is required by law to be self-sufficient.

Some of these investments will require Congressional appropriations. But some can be financed through the innovation funds, described above, and some will become possible to pay for as soon as rigid budget regulations are relaxed.

Action: *Federal agencies will develop and market data bases to business.*[67]

Federal agencies must treat the data they compile and process as potentially valuable resources. Congress alerted the bureaucracy to the value of information in 1991 by passing the American Technology Preeminence Act. The act required federal agencies to transfer to the National Technical Information Service copies of federally funded research. At NTIS, the information is organized and made available to research scientists in academia and in industry. NTIS has developed an aggressive marketing strategy and pricing policy that have greatly increased its revenues.

The Census Bureau has pioneered the use of computer technology such as CD-ROM technology to make federal data available. By 1992, the Bureau sold census data to 380,000 customers on tape or disc directly, and served another 1.1 million customers indirectly.

Unfortunately, some federal agencies lag behind private data retailers in the services they offer their customers. People buying Census data must order it through paper order forms or by telephone during business hours—only 9 hours a day, 5 days a week. If private software companies offer 24-hour a day technical support, so should the Census Bureau.

Other agencies will begin to exploit the potential of the information they collect. The Commerce Department, for example, will develop a manufacturing technology data bank that brings together information residing in the National Institute of Standards and Technology, the Defense Department, federal research laboratories, and other organizations. Commerce will also use its climate data as the basis for developing a National Environmental Data Index. Good data will be vital in solving the problems associated with global climate changes. The U.S. must be a leader in developing these information resources.

Action: *In partnership with state and local governments and private companies, we will create a National Spatial Data Infrastructure.*[68]

Dozens of agencies collect spatial data—for example, geophysical, environmental, land use, and transportation data. They spend $1 to 3 billion a year on these efforts. The administration will develop a National Spatial Data Infrastructure, (NSDI) to integrate all of these data sources into a single digital resource accessible to anyone with a personal computer. This resource will help land developers and conservationists, transportation planners and those concerned with mineral resources, and farmers and city water departments.

Because of the value of the data, it will be possible to attract private sector funding for its collection, processing, and distribution. The Federal Geographic Data Committee, which operates under the auspices of OMB, plans to raise enough non-federal funding to pay for at least 50 percent of the project's cost. It will set the standards for data collection and processing by all agencies to ensure that NSDI can be developed as economically as possible.

Action: *The Internal Revenue Service will develop a system that lets people pay taxes by credit card.*[69]

The Customs Service lets people pay duties on imported goods by credit card. Americans should have the same convenient way to pay taxes. It will save time and cut the IRS's collection costs.[70] There is one hitch: Those who pay by credit card could avoid paying back taxes simply by filing for personal bankruptcy. This escape mechanism can't be employed today because back taxes are, under bankruptcy law, a "non-dischargeable" debt—that is, they are a debt that remains even after someone becomes insolvent. Therefore, the use of credit cards for tax payments should be delayed until Congress has amended the bankruptcy statute to prevent taxes paid by credit card from becoming a dischargeable debt. Our goal is to increase customer convenience, not to open up another loophole through which people can dodge paying delinquent taxes.

Reengineering to Use Cost-Cutting Tools

Our reinvented government will be able to cut further costs by using new ways to carry out traditional duties. To begin with we will have to get a lot smarter about how we design government programs. The President's Management Council will play a lead role in helping government learn from its past failures and successes to design better programs. In addition new approaches to regulation—such as negotiated rule making—can reduce conflict and produce better results. Finally, alternative techniques for resolving disputes can avoid many of the costs of traditional litigation.

Action: *The President's Management Council will help agencies design and redesign better programs.*[70]

As taxpayers and customers we have been, time and time again, victims of the thoughtless expansion of government. When new programs were introduced or old ones retargeted, little thought was given to what economists blandly label "second order effects"—the unintended and unwanted consequences of actions. These unintended consequences are the collateral damage responsible for so much of the waste documented in this report. When we placed limits on crop deficiency payments, we didn't realize how easy it would be to establish eligible shell-corporations. When we added new procurement standards, we didn't anticipate the difficulties caused by centralized decision making. When we tried to target training programs on dislocated workers, we didn't anticipate the bureaucratic hassles involved in establishing eligibility.

But the fact that we *did not* anticipate consequences does not mean that we *could not* have done so. Many different programs have been tried—by federal agencies, by state and local agencies, and by governments overseas. We have built up what lawyers would call "case law": lots of useful precedents about what works and what doesn't. The trouble is that, unlike case law, these precedents aren't easy to find. Congressional staff or agency employees designing new programs have no systematic way to find out what has been tried before and how well it has worked. The result? Endless reinvention of third rate or failed programs.

In 1981, for example, the chairman of the House Banking Committee asked the Congressional Budget Office if it knew of any studies evaluating government loans as an effective policy tool. CBO did not. Yet the federal government had lent hundreds of billions of dollars—and it continues to do so today. The price we pay for this ignorance is a mountain of delinquent debt and a raft of discredited government initiatives. Too many policies and programs are built on equally feeble foundations.

In 1988, Congress recognized this dilemma and provided for the establishment of a National Commission on Executive Organization, patterned after the first Hoover Commission. Its charter would have included a requirement to "establish criteria for use by the President and Congress in evaluating proposals for government corporations and government-sponsored enterprises and subsequently overseeing their performance."[71] The new commission could have been activated by directive. It was not.

To begin our attack on ignorance, the President should direct the President's Management Council to make program design a formal discipline throughout the federal government. The PMC will commission the preparation and publication of a program design handbook and establish pilot efforts within agencies to strengthen their ability to design programs. These pilot programs will help senior management design new programs, evaluate current programs, and create models for many different types of programs (research contracts, loan programs, tax preferences, and insurance programs to name just a few.)

Since many programs originate in Congress, the Legislative branch should also work to improve staff capacity. We urge the Offices of the Legislative Counsel, the Congressional Research Service, and the General Accounting Office to fill this role. As both the legislative and executive branches elevate the discipline of program design, we will get better programs and less contentious relations between the two branches of government.

But we need more than good programs. We need better rules and more efficient rulemaking. Federal agencies administer tens of thousands of laws, rules, and regulations—and the number is growing quickly. For better or worse, government's rulemaking, even more than its appropriations, shapes our lives.

Costs, for the most part, are offset by benefits. Our system of laws and rules is the foundation for our economic success. It defines and protects personal and property rights and provides the framework for the orderly conduct of social and business affairs.

But some aspects of rulemaking don't work well. As rules extend into increasingly complex areas of our environment, workplace safety, health, and social rights, their consequences—both deliberate and unintended—also grow. As this happens, we introduce more and more safeguards into the rulemaking process. The result is not always what we want. Hearings, reviews, revisions, more reviews, more hearings, and even more reviews are cumbersome, costly, and time consuming. For example, because the Department of Health and Human Services has been slow to issue regulations on such vital areas as the allocation of funds for the elderly and for children, states have had to introduce their own regulations without the benefit of federal guidance. Some of these state regulations have later been overturned after federal regulations were eventually issued, leaving states financially liable.

New rules and regulations can also generate costly litigation—a bonanza for lawyers. Agencies writing the rules to implement environmental laws, according to one expert, often find "too frequently that their proceedings become a battleground for interest groups and other affected parties—in effect little more than the first round of the expected litigation."[72]

There are better ways to make rules. A small group of federal agencies has pioneered a process called negotiated rulemaking. In 1990, Congress recognized and encouraged the process with passage of the Negotiated Rulemaking Act. We believe negotiated rulemaking—colloquially referred to as "reg neg"—is a process every rulemaking agency should use more frequently.[73]

Action: *Agencies will make greater use of negotiated rule making.*[74]

The "reg neg" process brings together representatives of the agencies and affected groups before draft regulations are issued and before all sides have formally declared war. The group meets with a mediator or "facilitator." The negotiators reach consensus on the regulation by evaluating their own priorities and making trade-offs. The negotiating process allows informal give and take that can never happen in court or in a public hearing. If agreement is reached, the agency can publish the proposed rule, accompanied by a discussion of the issues raised during negotiations. Even if both sides are too far apart to reach consensus, agency staff learn a lot during the process that helps them improve the regulations. When the parties do reach consensus, regulations are issued faster and costly litigation is avoided.

When EPA applied reg neg techniques the issue of emission standards for wood burning stoves, it was able to put standard into effect two years faster, and with much better factual input, than it could have without negotiations. Manufacturers of stoves, in turn, were able to begin retooling to meet standards without another two years of uncertainty.

Action: *Agencies will expand their use of alternative dispute resolution techniques.*[75]

Federal agencies also need better and cheaper ways to resolve disputes. Enforcing thousands of difficult and sometimes controversial rules—however carefully they are designed—leads to disagreements. State and local governments, businesses, and citizens challenge Washington's right to regulate certain issues, or they challenge the the enforcement of specific regulations.

Solving these disputes can be expensive. It involves high-priced lawyers, it clogs the courts, and it delays action. Each year, 24,000 litigation matters reach the 530 full-time attorneys and 220 support staffers employed by the Labor Department alone. It often takes years to resolve these disputes, postponing the implementation of important programs and preventing a lot of people from doing what they are paid to do.

In some cases, litigation is important: it interprets the law, sets important precedents, and serves as a deterrent to future wrongdoing. But in many cases, no one really wins—and the taxpayer loses. It is often cheaper to resolve conflicts through new techniques known collectively as Alternative Dispute Resolution (ADR).

Alternative Dispute Resolution (ADR) includes mediation (a neutral third party helps the disputants negotiate), early neutral evaluation (a neutral, often expert, person evaluates the merits of both sides), factfinding (a neutral expert resolves disputes that arise over matters of fact, not interpretation), settlement judges (a mediator settles disputes coming before tribunals), mini-trials (a structured settlement process), and arbitration (an arbitrator issues a decision on the dispute).

Overcrowded courts are already encouraging private litigants to use ADR. Private contracts often specify the use of ADR to resolve disagreements among signatories. In 1990, Congress passed the Alternative Dispute Resolution Act, authorizing every federal agency to develop its own ADR policy. Some have, but some have dragged their feet.

Those that have used ADR have saved time and money and avoided generating ill will. The Labor Department started a pilot program last year for OSHA and Wage and Hour cases and found it much quicker and cheaper. The Federal Deposit Insurance Corporation saved more than $400,000 with a single, small pilot program. The Farmers' Home Administration has used ADR on foreclosure cases—not only saving money but actually avoiding foreclosure on several families. This type of innovation should spread faster and further across the federal government.

Conclusion

If we follow these steps, we will move much closer to a government that costs less and works better for all of us. It will be leaner, more effective, fairer, and more up-to-date. It will be a government worth what we pay for it.

We do not deny that many groups will oppose the actions we propose to take. We all want to see cuts made, but we want them elsewhere. Eliminating or cutting programs hurts. But it hurts less, at least in the long run, than the practice of government as usual. Writing about Britain's monarchy in the eighteenth century, Samuel Pepys once observed that it was difficult for the king to spend a million pounds and get his money's worth. Fawning courtiers, belligerent Lords and hundreds of other claimants each demanded their share. The same is true today. The money spigot in Washington is much easier to turn on than to turn off—and too little of the funds that gush from it irrigate where water is scarce. That is why we have not simply offered a list of cuts in this report. Instead, we have offered a new process—a process of incentives that will imbue government with a new accountability to customers and a new respect for the public's money.

CONCLUSION

Though I do not believe that a plant will spring up where no seed has been, I have great faith in a seed. Convince me that you have a seed there, and I am prepared to expect wonders.

Henry David Thoreau

Unlike many past efforts to change the government, the National Performance Review will not end with the publication of a report. We have identified what we must do to make government work better and cost less: We must serve our customers, cut red tape, empower employees to get results, and cut back to basics. Now, we will take action.

The task is immense. The federal government has 2.1 million civilian employees, 800,000 postal workers, 1.8 million military personnel, and a $1.5 trillion budget—more than the entire gross domestic product of Germany, the world's third largest economy.

The National Performance Review has identified the problems and defined solutions. The President will issue directives, cabinet secretaries will change administrative practices, and Office of Management and Budget will issue guidance. We will work with Congress for legislation where it's needed. Senseless regulations will be repealed; mechanisms to enhance customer service will be created; change will begin.

But we do not pretend to have solved every problem. We will transform the federal government only if our actions—and the Reinvention Teams and Labs now in place in every department—succeed in planting a seed. That seed will sprout only if we create a process of ongoing change that branches outward from the work we have already done.

This performance review will not produce another report just to gather dust in some warehouse. We have enough of them already.

President Bill Clinton
Remarks announcing the National Performance Review,
March 3, 1993

How we proceed will be as important as what we have done to date. We must avoid the pull of implementation models that are familiar and comfortable but poorly suited to today's world. We must avoid creating new bureaucracies to reform the old. We must actively involve government leaders at all levels. We must seek the guidance of those who have successfully transformed large organizations in both the private and public sectors.

The nature of our strategies will no doubt cause discomfort. They will be unfamiliar. They will not look like business as usual. They will challenge the current federal culture. And they will demand risk-taking.

If we are to bring about true change, however, some discomfort is inevitable. Our strategies are not untested; they have been used successfully by both public and private organizations throughout the country.

To succeed where others have failed, the President and Vice President have committed to specific initiatives that will create a culture capable of sustaining fundamental change. This shift in culture will not occur overnight. To bring it about, we will continue:

- a cascading process of education, participation, and ownership at the highest levels of the executive branch;
- two-way communication with federal employees and organizations;
- bi-partisan partnership with Congress;
- processes to listen to and use feedback from customers and citizens; and
- government-wide mechanisms to monitor, coordinate, and facilitate plans for reinvention.

The administration has already taken a number of steps to bring about the changes we are recommending.

First, we have launched Reinvention Teams and Reinvention Labs in every department to continue seeking ways to improve the government and put these ideas in practice.

Second, we have begun to work—and will continue to expand relationships—with leaders and representatives of federal employees from throughout the government. Indeed, the National Performance Review is the first government-wide change initiative to be run and staffed by federal employees. Our actions will make employees' jobs better, and their participation will make our actions better.

Third, the President and Vice President have begun to work with the cabinet to develop performance agreements that will institutionalize a commitment to and establish accountability for change.

Fourth, we have developed a mechanism to spread our basic principles throughout the government. The President will meet with the cabinet to develop strategies reflecting these principles and ideas, committing all involved to take responsibility for changing the way we do business. Cabinet members will then go through the same process with their senior managers, who will go through it with the senior managers, and so on.

Fifth, the President is establishing a management council to monitor change

> *What we're trying to do is to create a large number of changes, simultaneously, in the federal government. Because if you just change one thing without changing some of the other things that need to be changed, we won't get anywhere.*
>
> *We can bring the quality revolution, for example, into the federal workforce as well as it could possibly be done, and if we didn't fix some of the other problems, it wouldn't amount to much. We could fix the personnel system, but if we didn't fix the budgetary system and the procurement system, then we would still be mired in a lot of the difficulties that we encounter today. We are trying to do a lot of things at the same time.*
>
> **Vice President Al Gore**
> Town Hall Meeting,
> Department of Veterans Affairs
> August 4, 1993

and provide guidance and resources to those working to bring it about. The President's Management Council will be charged with responsibility for changing the culture and management of the federal government.

Sixth, the Federal Quality Institute will help agencies with access to information, education, research, and consultation on quality management. Like our other initiatives, this models a basic tenet of the behavior we recommend—encouraging managers to define their own missions and tasks, but providing the support they need to do a good job.

Seventh, we will launch future reviews of the federal government, targeted at specific problems. The National Performance Review was a learning experience; we learned what we could do in six months, and what we still need to do. We focused heavily on the basic systems that drive federal agencies: the budget, personnel, procurement, financial management, accountability, and management systems. In subsequent reviews, we will narrow our focus. For example, we plan a review of the antiquated federal field office structure, which dates from the 1930s and contains some 30,000 field offices. (See Chapter 4.) Other targets might include the abandonment of obsolete programs; the elimination of unproductive subsidies; the redesign of failed programs; the redefinition of relationships between the federal government and state and local governments; and the reinvigoration of relationships between the executive and legislative branches.

Finally, the National Performance Review will continue to rely on its greatest asset: the federal employees who made it happen. They have all worked hard for change, and many will continue to work on reinvention in their own agencies. They constitute a network that will reach out to other employees, sharing their enthusiasm, energy, and ideas.

During this process, a vision of change will emerge beyond that which is contained in this report. Leadership and management values will, over time, change—not in response to a mandate, but because people are working together to change their government. If we have done our job well, the next generation of changes will be built on the foundation we have laid with this report. We are merely initial planners; the President, the Vice President, the cabinet, federal managers and employees will be the architects and builders.

Our task is not to fix the blame for the past, but to fix the course for the future.

President John F. Kennedy

Despite all the horror stories and years of scorn heaped on federal employees, our government is staffed by people committed to their jobs, qualified to do them better, and hungry for the opportunity to try. The environment and culture of government have discouraged many of these people; the system has undermined itself. But we can—and will—change that environment and culture.

Over time, it will become increasingly obvious that people are not the problem. As old ways of thinking and acting are replaced by a culture that promotes reinvention and quality, a new face of government will appear—the face of employees newly empowered and newly motivated, and of customers newly satisfied.

What Reinventing Government Means for You

We have talked enough of what we will do and how we will change. The more important question is how life will change for *you,* the American people.

If we succeed—if the administration can implement our recommended actions and Congress can pass our legislative package—you will begin to see a different government. Your mail will be delivered more rapidly. When you call a Social Security office, you'll get through. When you call the Internal Revenue Service, you'll get accurate answers—and if you don't, you will no longer be penalized.

If you lose your job, a local career center will help you find a new one. If you want retraining, or you want to go back to school, you'll find counselors who can help you sort out your options, pick the best program, and pay for it. If you run a small business, you will have fewer forms to fill out.

Make no little plans; they have no magic to stir men's blood, and probably themselves will not be realized. Make big plans; aim high in hope and work,. remembering that a noble logical diagram, once recorded, will never die, but long after we are gone will be a living thing, asserting itself with ever-growing insistency.

Daniel Burnham
1907

If you live in public housing, your apartment complex might get cleaner and safer. Perhaps you'll even be able to move your family to a safer, quieter, more stable neighborhood.

Our workplaces will get safer because they are inspected more often. Our water will get cleaner. Your local government will work better because it is no longer hamstrung by silly federal regulations.

And perhaps the federal debt—that $4 trillion albatross around the necks of our children and grandchildren—will slow its rampage. Our federal agencies will begin to figure out, bit by bit by bit, how to cut spending, eliminate the obsolete, and provide better service for less money.

You will begin to feel, when you walk into a post office or social security office or employment service or veterans' hospital, like a valued customer. We will begin to spend more money on things you want and need—health care, training, education, environmental protection—and less on bureaucracy. One day you will be able to conclude that you are getting a dollar of value for every dollar of taxes you pay.

This is our vision of a government that works better and costs less. We know it will not come to be overnight, but we believe it is a vision we *can* bring to life. We believe this because we have already seen this vision come to life—in local governments, in state agencies, even in a few federal agencies. We believe it is the *right* vision for government as we approach the 21st century.

It will take more than a dedicated President and Vice President to make this vision a reality, however. It will take more than dedicated employees. It will take dedicated citizens, willing to work long and hard to improve their government.

It will take citizens willing to push their social security offices and unemployment offices to treat them like customers—and to demand that their voices be heard when they don't get satisfaction. It will take citizens willing to demand information about the performance of their federal organizations. And it will take citizens willing to act on the basis of that information.

As our President has said so often, the future is ours—if we have the courage to create it.

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APPENDIX A

National Performance Review Major Recommendations By Agency

		Fiscal Impact, 1994-99* (Millions of Dollars)	
Recommendation		Change in Spending	Change in Revenues
AGENCY FOR INTERNATIONAL DEVELOPMENT			
AID01	**Redefine and Focus AID's Mission and Priorities** With the end of the Cold War, AID must rethink how it will operate. NPR recommends steps to plan for this new mission and proposes new authorizing legislation to define its post-Cold War mission and priorities.	cbe	cbe
AID02	**Reduce Funding, Spending and Reporting Micromanagement** Eliminate AID's outdated or unduly burdensome reporting requirements and reduce legislative earmarks to provide greater operating flexibility.	cbe	cbe
AID03	**Overhaul the AID Personnel System** Recommendations include changes in AID's personnel system to integrate its multiple systems and review benefits.	na	na
AID04	**Manage AID Employees and Consultants as a Unified Work Force** Lift some current personnel restrictions and give managers authority to manage staff resources more efficiently and effectively.	cbe	cbe
AID05	**Establish an AID Innovation Capital Fund** Create a capital investment fund to improve information and financial management systems and customer service.	na	na
AID06	**Reengineer Management of AID Projects and Programs** AID should use pilot programs and new approaches to emphasize flexibility, innovation, customer service and program results.	cbe	cbe
AID07	**Consolidate or Close AID Overseas Missions** AID should regionalize missions and staff services overseas and close nonessential missions. It should establish "graduation" criteria for countries receiving U.S. assistance.	cbe	cbe
DEPARTMENT OF AGRICULTURE			
USDA01	**End the Wool and Mohair Subsidy** The subsidy is no longer needed since wool is no longer a strategic commodity.	-$923.0	$0.0
USDA02	**Eliminate Federal Support for Honey** Eliminate the honey subsidy because the program does not serve the intended purpose of ensuring the availability of honeybees for crop pollination.	-15.0	0.0
USDA03	**Reorganize the Department of Agriculture to Better Accomplish Its Mission, Streamline Its Field Structure and Improve Service to Its Customers** USDA should streamline its field operations to eliminate unnecessary offices, reduce costs and better serve farmers.	-1,673.6	0.0
USDA04	**Implement a Consolidated Farm Management Plan** The farm management plan proposed by Secretary Espy provides an opportunity to simplify regulations for farm management and is a good way to consolidate competing requirements into a single plan for each farm.	cbe	cbe
USDA05	**Administer the Employment and Training Requirements for Food Stamp Recipients More Effectively and Efficiently** Redirect funds from an ineffective training program for food stamp recipients and allow them to participate in programs with proven results.	-1,041.1**	0.0
USDA06	**Encourage Better Food Package Management Practices and Facilitate Multi-State Contracts for Infant Food and Formula Cost Containment in the WIC Program** The recommendation encourages increased competition among infant formula vendors and manufacturers of other items in the UDSDA's Special Supplemental Food Program for Women, Infants and Children (WIC). Savings accrue to program.	-500.0**	0.0

* Fiscal estimates were made for 1994 only where action could impact spending in that year. Most estimates cover 1995-99. Estimates shown are for cumulative budget authority changes. Negative numbers indicate reduced spending.

** The NPR recommends that these savings be redirected to alternative uses. Savings totals exclude these amounts.

*** Savings will be invested in the program to serve additional customers.

cbe = cannot be estimated (due to data limitations or uncertainties about implementation time lines).

na= not applicable—recommendation improves efficiency or redirects resources but does not directly reduce budget authority.

		Fiscal Impact, 1994-99 (Millions of Dollars)	
Recommendation		Change in Spending	Change in Receipts
USDA07	**Deliver Food Stamp Benefits Via Electronic Benefits Transfer to Improve Service to Customers While Remaining Cost Effective** Use electronic technology to distribute food stamp benefits, thereby improving service and reducing the need for current paper stamps.	cbe	cbe
DEPARTMENT OF COMMERCE			
DOC01	**Reinvent Federal Economic and Regional Development Efforts** Improve coordination of federal economic development efforts with the goals of eliminating duplication and better directing federal resources to improve business conditions.	na	na
DOC02	**Provide Better Coordination to Refocus and Leverage Federal Export Promotion** This recommendation is designed to improve federal services to U.S. businesses competing in the world export markets.	na	na
DOC03	**Reform the Federal Export Control System for Commercial Goods** To help ensure leading U.S. industries are competitive in the global marketplace, changes should be made in the export control system.	na	na
DOC04	**Strengthen the Tourism Policy Council** Revitalize the Tourism Policy Council and give it greater authority to coordinate federal tourism promotion efforts.	na	na
DOC05	**Create Public / Private Competition for the NOAA Fleet** A pilot program is recommended to open the National Oceanic and Atmospheric Administration fleet to public and private competition to bolster the aging fleet.	cbe	cbe
DOC06	**Improve Marine Fisheries Management** To help protect fishing resources and provide new income to the government, NOAA should collaborate with Congress and fishing industry representatives to establish appropriate user fees to help offset management costs for national fishery zones.	0.0	375.0
DOC07	**Provide EDA Public Works Loan Guarantees for Infrastructure Assistance** This recommendation would provide the Economic Development Administration with authority to use part of its funding as a reserve for loan guarantees for various public economic development projects.	na	na
DOC08	**Establish a Manufacturing Technology Data Bank** To help U.S. manufacturing firms increase their technical capabilities, Commerce should create a new database to provide technical information and contacts.	na	na
DOC09	**Expand the Electronic Availability of Census Data** To increase access to and use of census data, the Census Bureau should create a computerized census information center.	na	na
DOC10	**Amend the Omnibus Trade and Competitiveness Act to Increase the Data Quality of the National Trade Data Bank** This recommendation outlines improvements needed in the quality and quantity of data in this business-oriented data bank.	na	na
DOC11	**Eliminate Legislative Barriers to the Exchange of Business Data Among Federal Statistical Agencies** Eliminate legislative barriers to the exchange of business data among federal agencies (the Census Bureau, Bureau of Labor Statistics, and Bureau of Economic Analysis) to reduce the reporting burden on American business.	na	na
DOC12	**Establish a Single Civilian Operational Environmental Polar Satellite Program** To reduce duplication and save taxpayers a billion dollars over the next decade, various current and proposed polar satellite programs should be consolidated under NOAA.	-300.0	0.0
DOC13	**Use Sampling to Minimize Cost of the Decennial Census** Use sampling rather than more costly methods of counting nonrespondents to next deciennial census. (Savings will occur but are beyond the time frame of this analysis.)	cbe	cbe

cbe = cannot be estimated (due to data limitations or uncertainties about implementation time lines).

na= not applicable—recommendation improves efficiency or redirects resources but does not directly reduce budget authority.

		Fiscal Impact, 1994-99 (Millions of Dollars)	
Recommendation		Change in Spending	Change in Receipts
DOC14	**Build a Business and Economic Information Node for the Information Highway** To assist in the distribution of government information to private citizens, Commerce should build a business and economic information node to the "information highway."	cbe	cbe
DOC15	**Increase Access to Capital for Minority Businesses** Commerce and SBA should provide the President with recommendations to improve SBA and Minority Business Development Administration programs.	na	na
DEPARTMENT OF DEFENSE			
—	**The Bottom-Up Review** This is a general summary of the Bottom-Up Review of DOD's force structure and requirements and its part in the National Performance Review effort. A total of $79 billion in savings through 1997 are already incorporated into the President's 1994 budget. These savings are not included in the NPR analysis.	—	—
—	**Acquisition Reform** The DOD acquisition system is large and extraordinarily complex. It needs to enable DOD to take advantage of the technological advances and efficient procurement practices of the commercial marketplace.	—	—
DOD01	**Rewrite Policy Directives to Include Better Guidance and Fewer Procedures** DOD should clarify policy directives and procedures to reduce administrative burden and unnecessary regulatory controls.	cbe	cbe
DOD02	**Establish a Unified Budget for the Department of Defense** Give commanders greater flexibility to set priorities, solve funding problems, and resolve unplanned requirements at the lowest appropriate operating level.	cbe	cbe
DOD03	**Purchase Best Value Common Supplies and Services** Allow managers and commanders to purchase the best value common supplies and services from public, private, or nonprofit sources.	cbe	cbe
DOD04	**Outsource Non-core Department of Defense Functions** By contracting out non-core functions (from towing services to certain information technology functions), DOD will be better able to focus on its core responsibilities.	cbe	cbe
DOD05	**Create Incentives for the Department of Defense to Generate Revenues** This recommendation proposes giving managers and commanders the ability to generate income at the installation level by allowing the Corps of Engineers to recover its costs for processing certain commerical applications and by establishing goals for solid waste reduction and recycling.	-500.0	60.0
DOD06	**Establish and Promote a Productivity-Enhancing Capital Investment Fund** DOD should be authorized to expand its capital investment fund manage its operations in a more business-like manner.	-110.3	0.0
DOD07	**Create a Healthy and Safe Environment for Department of Defense Activities** To create a safe environment, DOD must take action in the areas of clean-up of hazardous wastes, use of environmental technology, and pollution prevention.	na	na
DOD08	**Establish a Defense Quality Workplace** This is an internal department recommendation to encourage the use of quality management concepts at all levels of DOD.	cbe	cbe
DOD09	**Maximize the Efficiency of DOD Health Care Operations** Use emerging technology to upgrade care at DOD health care facilities.	350.0	0.0
DOD10	**Give Department of Defense Installation Commanders More Authority and Responsibility Over Installation Management** By giving DOD installation commanders more authority over installation management, DOD will be better able to manage its resources, provide services to its employees and move toward more entrepreneurial management.	cbe	cbe

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na= not applicable—recommendation improves efficiency or redirects resources but does not directly reduce budget authority.

		Fiscal Impact, 1994-99 (Millions of Dollars)	
Recommendation		Change in Spending	Change in Receipts
DOD11	**Reduce National Guard and Reserve Costs** This recommendation makes two changes in the current costs for reservists: (1) to limit compensation of federal employees on reserve duty to the greater of civilian or reserve compensation or to allow the reservist to take annual leave; and (2) to limit the basic allowance for quarters only to reservists who actually bring their dependents on short-term duty assignments when quarters are not provided to dependents.	-900.0	0.0
DOD12	**Streamline and Reorganize the U.S. Army Corps of Engineers** NPR recommends implementing a 1992 reorganization proposal that would reduce the number of division offices from 11 to six and would allow the Corps to work with OMB and other agencies to make maximum use of Corps' engineering and technical capabilities.	-68.0	0.0
DEPARTMENT OF EDUCATION			
ED01	**Redesign Chapter 1 of Elementary and Secondary Education Act** Recommendations focus education funds on the neediest students and simplify requirements on schools receiving federal education aid. Existing funds are redirected.	-$3,000.0*	$0.0
ED02	**Reduce the Number of Programs the Department of Education Administers** Eliminate or consolidate more than 40 existing education grant programs and free up funds for use in other educational programs.	-515.0*	0.0
ED03	**Consolidate the Eisenhower Math and Science Education Program with Chapter 2** NPR proposes combining this teacher training program, which is largely consumed with short-term training, with other ED programs to create a new program with a more coherent national focus on teacher training and professional development.	na	na
ED04	**Consolidate National Security Education Act Programs** The NSEA trust fund, administered by the Department of Defense, should be consolidated with the Center for International Education in ED to strengthen foreign language study and eliminate duplication of effort.	na	na
ED05	**Streamline and Improve the Department of Education's Grants Process** Statutory restrictions on the department's rulemaking process should be removed, flexibility added to certain procedures, and unnecessary requirements eliminated to shorten the grant award process.	cbe	cbe
ED06	**Provide Incentives for the Department of Education's Debt Collection Service** This recommendation would allow ED to use a portion of revenues collected from defaulted student loans to pay for collections costs, thereby providing an incentive for increased collections.	na	na
ED07	**Simplify and Strengthen Institutional Eligibility and Certification for Participation in Federal Student Aid** NPR recommends developing ways of measuring default indicators, creating profiles of high-risk institutions, and removing elgibility of institutions to participate in federal financial aid programs once the schools have become ineligible to receive federal student loan funds.	-175.0	0.0
ED08	**Create a Single Point of Contact for Program and Grant Information** ED should create an electronic system that can be used by students, parents, researchers and administrators to learn about department programs, funding opportunities, best practices and other information.	1.8	0.0
ED09	**Improve Employee Development Opportunities in Department of Education** ED should create a full spectrum of activities which can contribute to career development, including conducting a departmentwide assessment of training and development needs.	na	na

* The NPR recommends that these savings be redirected to alternative uses. Savings totals exclude these amounts.

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		Fiscal Impact, 1994-99 (Millions of Dollars)	
Recommendation		Change In Spending	Change In Receipts
ED10	**Eliminate the Grantback Statutory Provision of the General Education Provisions Act** NPR recommends repealing this provision which permits the department to return to a grantee a percentage of funds recovered from the grantee as a result of an audit.	0.0*	0.0
ED11	**Build a Professional, Mission-Driven Structure for Research** NPR recommends establishing a research advisory board, consolidating and targeting research and development efforts, and establishing an office to translate research findings into education reform assistance.	na	na
ED12	**Develop a Strategy for Technical Assistance and Information Dissemination** ED should develop a strategy for its $290 million technical assistance efforts designed to promote the National Goals 2000 themes.	na	na

DEPARTMENT OF ENERGY

DOE01	**Improve Environmental Contract Management** NPR proposes improvements in DOE environmental clean-up contracts to achieve efficiency.	cbe	cbe
DOE02	**Incorporate Land Use Planning in Cleanup** NPR recommends that DOE incorporate land use planning into the nuclear facilities clean-up process.	cbe	cbe
DOE03	**Make Field Facility Contracts Outcome-Oriented** This recommendation would modify the current DOE contract process at field facilities to make the contracts more outcome-oriented to improve efficiency and contractor performance.	-570.0	0.0
DOE04	**Increase Electrical Power Revenues and Study Rates** NPR proposes increasing federal income by allowing the Power Marketing Administrations to recover a larger portion of their operating costs through rate increases or by changing the financing of Bonneville Power Administration.	0.0	3,601.0
DOE05	**Strengthen the Federal Energy Management Program** NPR recommends a number of improvements to this program, designed to better management of federal energy use.	na	na
DOE06	**Redirect Energy Laboratories to Post-Cold War Priorities** This recommendation provides guidance for use of the DOE energy labs, focusing on defining new missions, consolidating or eliminating unneeded facilities, and making their services of greater benefit in the post-Cold War era.	-2,150.0	0.0
DOE07	**Save Costs Through Private Power Cogeneration** This would allow the private sector to cogenerate power at DOE labs as a means of saving money. DOD has similar authority at this time.	-112.0	0.0
DOE08	**Support the Sale of the Alaska Power Administration** The federal government should divest its interests in the Alaska Power Administration.	-20.5	-52.5

ENVIRONMENTAL PROTECTION AGENCY

EPA01	**Improve Environmental Protection Through Increased Flexibility for Local Government** EPA should amend the regulations it determines are most troublesome for local governments pursuant to the Regulatory Flexibility Act of 1980. The goal is to provide alternative, flexible approaches to meeting environmental mandates.	na	na
EPA02	**Streamline EPA's Permit Program** Streamlining efforts include establishing a permit clearinghouse to serve as a single point of contact and piloting a cross-program permit tracking system.	-22.5	0.0

*This recommendation saves an estimated $18.5 million in expenditures but makes no change in budget authority.

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		Fiscal Impact, 1994-99 (Millions of Dollars)	
Recommendation		Change in Spending	Change in Receipts
EPA03	**Shift EPA's Emphasis Toward Pollution Prevention and Away from Pollution Control** EPA needs to emphasize pollution prevention by implementing an effective pollution prevention strategy that includes amending regulations and motivating the private sector to invest in cleaner, less polluting technologies and practices.	cbe	cbe
EPA04	**Promote the Use of Economic and Market-Based Approaches to Reduce Water Pollution** EPA should work with Congress to propose language amending the Clean Water Act to explicitly encourage market-based approaches to reduce water pollution. EPA should also identify wastewater discharge fees that could be included in the Clean Water Act reauthorization.	cbe	cbe
EPA05	**Increase Private Sector Partnerships to Accelerate Development of Innovative Technologies** NPR recommends that EPA develop an action plan with specific milestones for improving the regulatory and statutory climate for innovative technologies.	na	na
EPA06	**Stop the Export of Banned Pesticides** EPA should work with Congress to develop legislation to stop the exportation of banned pesticides from the U.S. by June 1994.	na	na
EPA07	**Establish Measurable Goals, Performance Standards and Strategic Planning within EPA** EPA should draft measurable environmental goals for the range of environmental problems the U.S. faces. The agency should also draft internal goals to provide direction for assessing and redirecting existing EPA strategies.	na	na
EPA08	**Reform EPA's Contract Management Process** NPR recommends reforms in EPA's contract management process by implementing performance standards and by maximizing competition in the contracting process.	cbe	cbe
EPA09	**Establish a Blueprint for Environmental Justice Through EPA's Operations** EPA should develop a blueprint of actions that will incorporate environmental justice consideration into all aspects of EPA operations.	na	na
EPA10	**Promote Quality Science for Quality Decisions** Improvements include establishing guidelines for professional development of EPA's scientific and technical staff and expanding the use of peer-review and quality assurance procedures.	na	na
EPA11	**Reorganize EPA's Office of Enforcement** EPA should initiate a reorganization of its headquarter's enforcement organization by October 1, 1993.	-10.5	0.0
EXECUTIVE OFFICE OF THE PRESIDENT			
NOTE:	**White House Office and Office of the Vice President** The White House Office and the Office of the Vice President are regularly "reinvented" with each change of administration. This analysis focuses on the other portions of the Executive Office of the President.	—	—
EOP01	**Delegate Routine Paperwork Review to the Agencies and Redeploy OMB' Resources More Effectively** These recommendations outline improvements to streamline the government's paperwork review process and reduce unnecessary burdens on agencies.	cbe	cbe
EOP02	**Modify the OMB Circular System** OMB should reinvigorate the process for the review, updating, and consolidation of management circulars. It should also develop uniform processes for developing circulars and for obtaining input during their development.	na	na
EOP03	**Strengthen the Office of U.S. Trade Representative's Coordination with State and Local Governments** The Trade Representative's Office should examine the trade policy needs of state and local governments and work with them on relevant issues.	0.5	0.0

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		Fiscal Impact, 1994-99 (Millions of Dollars)	
Recommendation		Change in Spending	Change in Receipts
EOP04	**Improve Federal Advisory Committee Management** Discontinuing the "anti pass the hat" language annually inserted into appropriations acts would allow appropriate pooling of executive resources for certain multi-agency projects.	-1.4	0.0
EOP05	**Reinvent OMB's Management Mission** NPR recommends a series of actions by OMB to redirect resources to provide better management information for Presidential decision making.	0.1	0.0
EOP06	**Improve OMB's Relationship with Other Agencies** This recommendation outlines methods by which OMB can work more effectively with agencies and with states.	na	na
EOP07	**Strengthen the Office of the U.S. Trade Representative's Trade Policy Coordination Process** These recommendations outline ways to improve the interagency trade policy coordination process.	na	na
EOP08	**Strengthen the Office of the U.S. Trade Representative's Negotiation Process** The Office of the USTR should implement various techniques for upgrading the negotiating skills of its employees and the analysis of the negotiation process itself.	cbe	cbe
EOP09	**Establish a Customer Service Bureau in the EOP** Using available resources, EOP management should establish a small, one-stop customer service bureau within the EOP.	na	na
EOP10	**Conduct Qualitative Self-Reviews of Critical Administrative Processes** The Assistant to the President for Management and Administration should establish a formal program of ongoing, internal quality reviews of administrative processes in the EOP to save money and improve service.	cbe	cbe
EOP11	**Improve the Presidential Transition Process** Past difficulties with the Presidential transition should be corrected by amendment of the Presidential Transition Act and related actions.	cbe	cbe
EOP12	**Improve Administrative Processes** This recommendation outlines a series of steps to improve internal administrative processes within the EOP, including mail processing, paperwork flow, and supply management.	na	na

FEDERAL EMERGENCY MANAGEMENT AGENCY

FEMA01	**Shift Emphasis to Preparing for and Responding to the Consequences of All Disasters** FEMA's early focus was on preparedness for nuclear war. The current world situation and recent natural disasters highlight the need for FEMA to continue to shift its resources to respond to all hazards.	na	na
FEMA02	**Develop a More Anticipatory and Customer-Driven Response to Catastrophic Disasters** These recommendations should make FEMA respond faster and more effectively to catastrophic disasters.	na	na
FEMA03	**Create Results-Oriented Incentives to Reduce the Costs of a Disaster** The Midwest floods, Hurricanes Hugo and Andrew and the Loma Prieta Earthquake all illustrate the enormous costs of disaster to society. These recommendations will move toward reducing that cost.	cbe	cbe
FEMA04	**Develop A Skilled Management Team Among Political Appointees and Career Staff** Leadership has been the weak link in FEMA's mission as the federal government's emergency management coordinator. These recommendations strive to improve FEMA leadership to successfully implement its new, all-hazards mission.	na	na

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		Fiscal Impact, 1994-99 (Millions of Dollars)	
	Recommendation	Change in Spending	Change in Receipts
	DEPARTMENT OF HEALTH AND HUMAN SERVICES		
NOTE:	**Treatment of Health Care and Welfare Reform Issues by the NPR** Two primary concerns of the Department of Health and Human Services are the delivery of health and welfare services to individuals. Since the Administration has special, ongoing efforts dealing with these areas, they are not covered by the National Performance Review.		—
HHS01	**Promote Effective, Integrated Service Delivery for Customers by Increasing Collaborative Efforts** These recommendations outline a number of steps needed to better integrate and deliver social services to communities and families.	cbe	cbe
HHS02	**Reengineer the HHS Process for Issuing Regulations** HHS should improve the timeliness and quality of regulations issued and should involve stakeholders in the development of regulations.	cbe	cbe
HHS03	**Develop a National, Uniform Inspection System to Ensure a Safe Food Supply** Responsibility for food safety should be consolidated into a single agency, and policies and inspection systems should be implemented on an objective, scientific basis.	cbe	cbe
HHS04	**Reconfigure Support for Health Professions Education** Existing programs should be consolidated and/or eliminated.	na	na
HHS05	**Restructure the Management of Railroad Industry Benefit Programs** Railroad Retirement Board functions should be integrated into existing programs administered by federal, state, and private sector service providers.	cbe	cbe
HHS06	**Improve Social Security Administration Disability Claims Processing to Better Serve People with Disabilities and Safeguard Trust Fund Assets** SSA should apply resources and management tools needed to reduce backlogs and to avoid paying benefits to individuals who are no longer disabled.	-4,010.0*	0.0
HHS07	**Protect Social Security, Disability and Medicare Trust Fund Assets by Removing Barriers to Funding Productive Oversight Activities** HHS should aggressively pursue options to assure that adequate investments are made to avoid unnecessary payments from trust funds.	na	na
HHS08	**Coordinate Collection and Dissemination of Social Security Administration Death Information to Protect Federal Program Assets** SSA's clearinghouse for death information and "best practices" can be used by dozens of federal and state agencies to reduce federal program outlays.	cbe	cbe
HHS09	**Take More Aggressive Actions to Collect Outstanding Debts Owed to the Social Security Trust Fund** SSA should be given the authority to use a full range of debt collection tools available under the Debt Collection Act of 1982 to collect debts owed by individuals who are no longer on benefit rolls.	-335.0*	0.0
HHS10	**Institute and Collect User Fees on FDA's Inspection and Approval Processes** Food, drug and medical device manufacturers, processors and suppliers should be required to pay for FDA services.	-1,439.8	0.0
HHS11	**Redesign SSA Service Delivery and Make Better Use of Technology to Provide Improved Access and Services to Customers** SSA's organizational structure needs to be updated to reflect changing customer needs and to take full advantage of emerging technologies.	na	na
HHS12	**Strengthen Departmentwide Management** The department should conduct a review of its organizational structure and management systems to determine an appropriate balance between centralized and decentralized functions.	na	na
HHS13	**Review the Field and Regional Office Structure of the HHS and Develop a Plan for Shifting Resources to Match Workload Demands** The review should emphasize customer service, results and increased accountability.	cbe	cbe

*Savings will be realized in the Social Security Trust Funds and will not affect discretionary spending levels.
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		Fiscal Impact, 1994-99 (Millions of Dollars)	
Recommendation		Change in Spending	Change in Receipts
HHS14	**Amend the Health Care Financing Administration's Contracting Authority to Allow for Competitive Contracting** HCFA should be authorized to fully and openly compete Medicare claims processing contracts to reduce costs and eliminate inefficiencies and conflicts of interest.	-985.0	0.0
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
HUD01	**Reinvent Public Housing** HUD should create pilot programs to devolve greater authority over housing funds to sound local agencies. It should create demonstrations of mixed-income public housing with portable subsidies. HUD should also streamline public housing rules and take other steps to improve public housing management.	cbe	cbe
HUD02	**Improve Multi-Family Asset Management and Disposition** HUD should use public-private partnerships to manage and sell HUD-held loans and real estate for non-subsidized housing projects. Congress should reduce restrictions on HUD sale of multi-family properties, including use of portable subsidies for tenants when the Secretary determines that to be best for tenant needs.	na	na
HUD03	**Improve Single-Family Asset Management and Disposition** HUD should use a combination of early assistance to borrowers having financial difficulties, contract loan servicing, contract mortgage assistance programs and public-private partnerships to streamline and improve management of HUD-assigned single-family mortgages.	na	na
HUD04	**Create an Assisted-Housing/Rent Subsidy Demonstration Project** HUD should be authorized to experiment in negotiated restructuring of privately owned assisted-housing projects to improve management, promote mixed-income housing and save taxpayer funds.	na	na
HUD05	**Establish a New Housing Production Program** HUD should stimulate housing production through FHA risk-sharing arrangements with housing finance agencies, stimulate a secondary market for multi-family properties, improve access to FHA insurance for first-time home buyers, provide special FHA programs to revitalize neighborhoods and improve FHA management.	na	na
HUD06	**Streamline HUD Field Operations** HUD should streamline its Washington, regional and field office structure and consolidate and reduce its size over time.	-167.0	0.0
HUD07	**Refinance Section 235 Mortgages** HUD should use incentive contracts to speed savings from refinancing expensive old mortgages subsidized by HUD.	-210.0	0.0
HUD08	**Reduce Section 8 Contract Rent Payments** HUD should modify its process to reduce unjustified increases in annual payments to Section 8 projects.	-225.0	0.0
HUD09	**Consolidate Section 8 Certificates and Vouchers** This recommendation would consolidate two overlapping projects to eliminate duplication.	cbe	cbe
HUD10	**Reduce Operating Subsidies for Vacancies** This recommendation would encourage public housing agencies to make better use of their assets by reducing subsidies paid for unjustifiably vacant units.	cbe	cbe
INTELLIGENCE COMMUNITY			
INTEL01	**Enhance Intelligence Community Integration** The end of the Cold War and the constrained fiscal environment in the U.S. create an imperative for the 13 components of the Intelligence Community to act more effectively and more efficiently as a team.	*	*

*The Intelligence Community budget is classified. Savings from these recommendations cannot be shown in this report.
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Recommendation		Fiscal Impact, 1994-99 (Millions of Dollars) Change in Spending	 Change in Receipts
INTEL02	**Enhance Community Responsiveness to Customers** A 40-year emphasis on the Soviet Union allowed the Intelligence Community to develop a repertoire which was not dependent on a close relationship with its customers. That is no longer the case today, and NPR makes recommendations for improvements in this area.	*	*
INTEL03	**Reassess Information Collection to Meet New Analytical Challenges** The analytical issues the Intelligence Community faces are far more diverse and complex today, requiring new focus and new techniques to meet the intelligence needs of policymakers.	*	*
INTEL04	**Integrate Intelligence Community Information Management Systems** The Intelligence Community lacks the connectivity and interoperability in its information systems to do its job efficiently and effectively.	*	*
INTEL05	**Develop Integrated Personnel and Training Systems** This recommendation focuses on organizational development and training issues within the Intelligence Community.	*	*
INTEL06	**Merge the President's Intelligence Oversight Board with the President's Foreign Intelligence Advisory Board** The roles of these two oversight bodies are sufficiently similar that small savings and some efficiencies can be achieved by combining them.	*	*
INTEL07	**Improve Support to Ground Troops During Combat Operations** Numerous studies of intelligence support during the Gulf War focused on agency or service-specific support issues. This issue outlines a reinvention lab effort which proposes an integrated approach to studying support to ground forces during combat operations.	*	*
DEPARTMENT OF THE INTERIOR			
DOI01	**Establish a Hard Rock Mine Reclamation Fund to Restore the Environment** To address health and safety threats and environmental damage caused by toxic metal and chemical leaching from abandoned mines, the federal government should establish a hard-rock mine reclamation fund.	cbe	cbe
DOI02	**Redefine Federal Oversight of Coal Mine Regulation** To overcome organizational problems that inhibit an effective state-federal relationship, federal oversight of coal mine regulations should be redefined.	-28.0	0.0
DOI03	**Establish a National Spatial Data Infrastructure** By supporting a cross-agency coordinating effort, the federal government can develop a coherent vision for the national spatial data infrastructure (NSDI). (Spatial, or geographic, data refers to information that can be placed on a map.) This will allow greatly improved information analysis in a wide range of areas, including the analysis of environmental information and the monitoring of endangered animals and sensitive land areas.	36.0	0.0
DOI04	**Promote Entrepreneurial Management of the National Park Service**** The Park Service should be allowed to raise additional revenues from appropriate sources and to use a portion of the money for investment in park infrastructure. This proposal would increase selected park entry fees and would increase fees on park concessionaires.	332.0	993.0
DOI05	**Obtain a Fair Return for Federal Resources** The federal government should institute reforms to guarantee a fair return for federal resources such as livestock grazing and hard-rock mining. Some of the programs regulating the commercial sale and use of natural resources on federal lands operate at a loss to the taxpayers and fail to provide incentives for good stewardship practices. The administration should also develop a new fee schedule for communications sites on DOI and Department of Agriculture lands.	132.4	549.7

*The Intelligence Community budget is classified. Savings from these recommendations cannot be shown in this report.

**NPR recommends redirecting half of increased park income to investment in park infrastructure.

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		Fiscal Impact, 1994-99 (Millions of Dollars)	
Recommendation		**Change in Spending**	**Change in Receipts**
DOI06	**Rationalize Federal Land Ownership** DOI needs to reinvent the way it manages and acquires federal lands. Due to historical patterns of settlement and development of this country, adjoining federal lands often fall under the jurisdiction of several federal agencies. To the degree possible, this should be corrected based on the principle of ecosystem management.	na	na
DOI07	**Improve the Land Acquisition Policies of the DOI** The Secretaries of Interior and Agriculture and the Director of OMB should modify the process for determining land acquisition priorities and procedures. The new system should reflect major objectives of federal land acquisition, including outdoor recreation resources, resource protection, and resource and cultural heritage protection.	na	na
DOI08	**Improve Mineral Management Service Royalty Collections** Better management of DOI's royalty collection program would increase revenues and improve efficiency.	0.0	28.0
DOI09	**Establish a System of Personnel Exchanges in DOI** A change in management philosophy is needed to address bureaucratic barriers at DOI. This recommendation outlines various approaches to this problem.	na	na
DOI10	**Consolidate Administrative and Programmatic Functions in DOI** To manage its bureaus effectively, DOI needs to reduce duplicative services. By consolidating administrative and programmatic functions, DOI can improve customer service, promote efficiency, and reduce costs.	-17.5	0.0
DOI11	**Streamline Management Support Systems in DOI** To create a quality management culture, the department should streamline its management support systems, including telecommunications, procurement, financial management, and paperwork control.	cbe	cbe
DOI12	**Create a New Mission for the Bureau of Reclamation** The Bureau of Reclamation needs to redefine its mission toward new environmental priorities and clarify its role in water management. . The original mission to develop water resources and provide for economic development of the West—is almost complete.	-184.1	0.0
DOI13	**Improve the Federal Helium Program** The federal government needs to reexamine its role in the federal helium program. The program can be run more efficiently, reducing outlays by federal helium customers and increasing revenue. To obtain maximum benefit from helium operations, the government should cancel the helium debt, reduce costs, increase efficiencies in helium operations, and increase sales of crude helium as market conditions permit.	-12.0	35.0
DOI14	**Enhance Environmental Management by Remediating Hazardous Material Sites** The time is right to integrate skills across bureau boundaries in the remediation of DOI's hazardous materials sites. The high cost of remediation requires DOI to make maximum use of existing resources.	18.7	0.0
DEPARTMENT OF JUSTICE			
DOJ01	**Improve the Coordination and Structure of Federal Law Enforcement Agencies*** NPR recommends the designation of the Attorney General as the Director of Law Enforcement to coordinate federal law enforcement efforts. It also recommends changes in the alignment of federal law enforcement responsibilities.	**-$187.0**	**$0.0**
DOJ02	**Improve Border Management*** Federal border management should be significantly improved. NPR recommends a series of actions to be taken by Customs and INS to make these improvements.	**cbe**	**cbe**
DOJ03	**Redirect and Better Coordinate Resources Dedicated to Interdiction of Drugs*** This recommendation outlines changes that can be made to better coordinate federal programs directed at the air interdiction of drugs.	**na**	**na**

*Issue corresponds to an identical issue in the Department of Treasury report; fiscal impact is for Justice only.

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		Fiscal Impact, 1994-99 (Millions of Dollars)	
Recommendation		Change in Spending	Change in Receipts
DOJ04	**Improve Department of Justice Debt Collection Efforts** This recommendation would make improvements in the Justice debt collection effort, including giving the department the ability to retain a small percentage of debts collected and allowing Justice to credit its working capital fund with a percentage of debt collections to be used for the creation of a centralized debt tracking and information system.	cbe	cbe
DOJ05	**Improve the Bureau of Prisons Education, Job Training, and Financial Responsibilities Programs** NPR makes a series of recommendations for improving prison education, training, and inmate financial responsibility policies.	0.0	13.5
DOJ06	**Improve the Management of Federal Assets Targeted for Disposition*** Improvements are needed in the methods by which the federal government disposes of various assets.	cbe	cbe
DOJ07	**Reduce the Duplication of Drug Intelligence Systems and Improve Computer Security*** NPR recommends several changes to eliminate duplication in the federal drug intelligence system.	cbe	cbe
DOJ08	**Reinvent the Immigration and Naturalization Service's Organization and Management** NPR recommends a number of changes in INS organization and management processes to provide an improved management structure and a strategic vision for the agency.	-48.0	0.0
DOJ09	**Make the Department of Justice Operate More Effectively as the U.S. Government Law Firm** Justice should undertake several improvements in the way it manages its litigation functions to improve service to its customers and better manage its case load.	na	na
DOJ10	**Improve White Collar Fraud Civil Enforcement** Civil fraud recovery should be established as a priority and the department should take steps to improve its white collar fraud enforcement.	14.0	111.0
DOJ11	**Reduce the Duplication of Law Enforcement Training Facilities** Overlap and duplication in the provision of federal law enforcement training facilities should be examined. Multi-agency training needs should be accommodated through existing facilities in lieu of the construction of new facilities by individual agencies.	cbe	cbe
DOJ12	**Streamline Background Investigations for Federal Employees** The current method of completing background examinations on federal employees is time-consuming and inefficient. This recommendation outlines improvements to streamline the process without sacrificing thoroughness.	-60.0	0.0
DOJ13	**Adjust Civil Monetary Penalties to the Inflation Index** Civil monetary penalties have not been adjusted to keep up with inflation. Under this recommendation, a "catch-up" adjustment would be made and the need for additional inflation adjustments would be automatically reassessed every four years.	0.0	193.0
DOJ14	**Improve Federal Courthouse Security** This recommendation is intended to address concerns of the U.S. Marshals Service concerning security at federal courthouses.	24.0	0.0
DOJ15	**Improve the Professionalism of the U.S. Marshals Service** U.S. Marshals should be selected based on merit by the Director of the U.S. Marshal Service and reduce some positions.	-36.0	0.0
DOJ16	**Develop Lower Cost Solutions to Federal Prison Space Problems** This recommendation describes approaches to solving existing prison space problems.	cbe	cbe
DEPARTMENT OF LABOR			
DOL01	**Enhance Reemployment Programs for Occupationally Disabled Federal Employees** These recommendations would help occupationally disabled federal employees return to productive careers by expanding DOL's return-to-work program. This saves money by reducing long-term benefit costs to the government.	-$125.7	$0.0

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		Fiscal Impact, 1994-99 (Millions of Dollars)	
Recommendation		Change in Spending	Change in Receipts
DOL02	**Develop a Single Comprehensive Worker Adjustment Strategy** Improve services to the unemployed—and those at risk of dislocation—and make better use of resources available for assistance by developing a new worker adjustment strategy.	na	na
DOL03	**Expand Negotiated Rulemaking and Improve Up-front Teamwork on Regulations** DOL should provide administrative guidance more quickly and cheaply through negotiated rulemaking and a streamlined team approach to the rules development process.	cbe	cbe
DOL04	**Expand the Use of Alternative Dispute Resolution by the Department of Labor** The increased use of alternative dispute resolution could reduce litigation and produce significant long-term savings.	cbe	cbe
DOL05	**Automate the Processing of ERISA Annual Financial Reports (Forms 5500) to Cut Costs and Delays in Obtaining Employee Benefit Plan Data** Automating the filing and processing of annual financial reports required of pension and benefit plan administrators (ERISA Forms 5500) would reduce costs and delays.	-49.7	0.0
DOL06	**Amend the ERISA Requirement for Summary Plan Descriptions** The filing of summary plan descriptions by employee benefit plan administrators with DOL is intended to make the plans more readily available for participants and beneficiaries. Since requests for copies are received on only about one percent, the cost to maintain the system and the administrative burden on employers far outweighs the public benefit.	-0.6	0.0
DOL07	**Redirect the Mine Safety and Health Administration's Role in Mine Equipment Regulation** Shifting the Mine Safety and Health Administration's regulatory role from one of in-house testing to one of on-site quality assurance would provide increased economic benefits to the mining industry and would allow DOL to redirect resources.	na	na
DOL08	**Create One-Stop Centers for Career Management** Establishing one-stop centers for career management would create a customer-driven work force system, empowering Americans to make informed career choices and providing the means to achieve those goals.	cbe	cbe
DOL09	**Create a Boundary-Spanning Work Force Development Council** Because the greatest barriers to creating an integrated work force development system are the categorical nature of federal funds and structural fragmentation of various federal programs, this issue proposes to coordinate work force development efforts by convening a multi-agency Work Force Development Council and implementing "bottom-up grant consolidation" for states and localities.	na	na
DOL10	**Refocus the Responsibility for Ensuring Workplace Safety and Health** This recommendation proposes to shift responsibility for workplace safety and health to employers by issuing regulations requiring self-inspections and implementing a sliding scale of incentives and penalties to ensure safety standards are met.	cbe	cbe
DOL11	**Open the Civilian Conservation Centers to Private and Public Competition** A long-term reduction in costs is possible through expanded competition for contracts to operate Job Corps Civilian Conservation Centers.	cbe	cbe
DOL12	**Partially Fund Mine Safety and Health Enforcement Through Service Fees** Charge for services to put the mining industry on a comparable footing with other industries which bear the cost of their regulation. This proposes to partially fund enforcement of mine safety regulations through service fees.	-44.4	0.0
DOL13	**Integrate Enforcement Activities within the Department of Labor** Introduce greater coordination and flexibility in the DOL enforcement agencies to project a consistent message to customers and integrate approaches to common issues.	cbe	cbe
DOL14	**Apply Information Technology to Expedite Wage Determinations for Federal Contracts** Developing an electronic data interchange/data mapping system which is integrated into the Service Contract Act process should eliminate delays both in the delivery of wage determinations and in procurement when caused by determination delays.	0.1	0.0

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na = not applicable—recommendation improves efficiency or redirects resources but does not directly reduce budget authority.

		Fiscal Impact, 1994-99 (Millions of Dollars)	
Recommendation		Change in Spending	Change in Receipts
DOL15	**Provide Research and Development Authority for the DOL's Mine Safety and Health Program** Granting the Mine Safety and Health Administration authority to procure services and goods directly would improve the mine safety program by expediting the acquisition process for new and improved technology.	na	na
DOL16	**Increase Assistance to States in Collecting Delinquent Unemployment Insurance Trust Fund Contributions** This recommendation outlines ways of improving state collections of delinquent unemployment insurance contributions.	na	na
DOL17	**Revise and Update the Consumer Price Index** The consumer price index has important consequences for both public and private decisions. This important measure should be updated to reflect recent inflation trends.	56.0	0.0
DOL18	**Improve the Delivery of Legal Services by the Office of the Solicitor in the Department of Labor** The delivery of legal services by the Office of the Solicitor can be improved by using cooperative agreements, coordinated budgeting and better use of resources.	na	na
DOL19	**Transfer the Veterans' Employment and Training Service to the Employment and Training Administration** The DOL can improve service delivery to veterans and save money by consolidating administration of this function.	-66.0	0.0
DOL20	**Reduce Federal Employees' Compensation Act Fraud** Congress needs to amend several sections of the United States Code to enable DOL to eliminate benefits to persons who have been convicted of defrauding the program.	-22.6	0.0
DOL21	**Change the Focus of the Unemployment Insurance Benefits Quality Control Program to Improve Performance** Re-examining the present mix of systems to shift the focus of this program from error measurement to a constructive use of the results would allow DOL to improve benefit payment quality and more effectively achieve the program's goals.	na	na
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
NASA01	**Improve NASA Contracting Practices** This recommendation outlines several steps NASA can take to improve its contracting procedures, including greater use of performance standards, contracting out for data instead of hardware whenever appropriate, and using cooperative research agreements to more quickly exploit high performance computing techniques.	cbe	cbe
NASA02	**Increase NASA Technology Transfer Efforts and Eliminate Barriers to Technology Development** NASA should expand its technology transfer efforts and promote the development of new technologies.	na	na
NASA03	**Increase NASA Coordination of Programs with the U.S. Civil Aviation Industry** NASA should develop a closer relationship with the U.S. civil aviation industry to ensure industry input is received early and throughout the technology development process.	na	na
NASA04	**Strengthen and Restructure NASA Management** NASA program management should be aggressively overhauled. This recommendation outlines a number of steps the agency should take, both in overall management and in the management of the space station program.	-1,982.0	0.0
NASA05	**Clarify the Objectives of the Mission to Planet Earth Program** This recommendation suggests a number of steps needed to improve the management and performance of the Mission to Planet Earth program.	na	na

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na = not applicable—recommendation improves efficiency or redirects resources but does not directly reduce budget authority.

		Fiscal Impact, 1994-99 (Millions of Dollars)	
Recommendation		Change in Spending	Change in Receipts
NATIONAL SCIENCE FOUNDATION/OFFICE OF SCIENCE AND TECHNOLOGY POLICY			
NSF01	**Strengthen Coordination of Science Policy** NPR recommends modifying the current structure of the Federal Coordinating Council for Science, Engineering, and Technology (FCCSET) to strengthen its role in science policy.	na	na
NSF02	**Use a Federal Demonstration Project to Increase Research Productivity** NPR recommends using a demonstration project structured between several universities and five federal agencies as a model for a program to reduce administrative overhead on research grants.	na	na
NSF03	**Continue Automation of NSF Research Support Functions** NSF should push forward with efforts to implement advanced information technology in the proposal submission, review, award, and information dissemination areas.	na	na
SMALL BUSINESS ADMINISTRATION			
SBA01	**Allow Judicial Review of the Regulatory Flexibility Act** Allow access to the courts when federal agencies develop rules that fail to properly examine alternatives that will lessen the burden on small businesses.	cbe	cbe
SBA02	**Improve Assistance to Minority Small Businesses** This proposal recommends a complete review of all federal minority business assistance programs and the establishment of a Small Disadvantaged Business Set-Aside program for civilian agencies to provide increased opportunities for minority small business.	na	na
SBA03	**Reinvent the U.S. Small Business Administration's Credit Programs** Identify ways to improve SBA's credit programs to make SBA more responsive to those industries with the potential for creating a higher number of jobs, those involved in international trade, and those providing critical technologies. It will also enable the agency to operate more efficiently.	na	na
SBA04	**Examine Federal Guidelines for Small Business Lending Requirements** The federal government should examine the guidelines bank regulators set for small business lending by financial institutions to ensure that capital is available without undue barriers while maintaining the integrity of the financial institutions.	na	na
SBA05	**Manage the Microloan Program to Increase Loans for Small Business** Allowing SBA to guarantee loans made by banks to nonprofit intermediaries, who could, in turn, make small loans to low-income individuals, women, minorities and other small businesses unable to obtain credit through traditional lending sources would increase private sector participation and lessen administrative burdens linked to direct government lending.	na	na
SBA06	**Establish User Fees for Small Business Development Center Services** Authorize Small Business Development Centers to charge a nominal fee for their services to reduce federal outlays and require the direct beneficiaries of the assistance to pay a share of the cost.	0.0	102.0
SBA07	**Distribute SBA Staff Based on Workload and Administrative Efficiency** Reallocating staff based on administrative efficiency and objective workload measures to allow the SBA to better serve its customers by shifting resources from its central and regional offices into its district offices.	na	na
SBA08	**Improve Federal Data on Small Businesses** The quality of information made available to shape federal legislative and regulatory actions affecting small and large businesses will be increased if federal household and employer surveys include a "size of firm" question.	na	na

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Recommendation		Fiscal Impact, 1994-99 (Millions of Dollars)	
		Change in Spending	Change in Receipts
DEPARTMENT OF STATE/U.S. INFORMATION AGENCY			
DOS01	**Expand the Authority of Chiefs of Mission Overseas** This recommendation proposes a pilot program to expand the management authority of Chiefs of Mission overseas in the allocation of fiscal and staffing resources.	cbe	cbe
DOS02	**Integrate the Foreign Affairs Resource Management Process** NPR recommends specific reforms of the interagency foreign policy resource management process to improve coordination. The recommendation also covers specific improvements within the Department of State.	na	na
DOS03	**Improve State Department Efforts to Promote U.S. Business Overseas** International trade is an important responsibility of U.S. missions overseas in the post-Cold War world. This recommendation outlines several improvements that can be made in State Department efforts in this area.	cbe	cbe
DOS04	**Provide Leadership in the Department's Information Management** The Department of State should make significant changes in the way it manages information technology policy. Several improvements are recommended.	cbe	cbe
DOS05	**Reduce Mission Operating Costs** Several recommendations are made for reducing U.S. costs to operate missions overseas, including eliminating certain facilities, reducing security costs and considering altogether new forms of overseas representation.	-57.8	0.0
DOS06	**Consolidate U.S. Nonmilitary International Broadcasting** This recommendation supports the Administration's decision to consolidate U.S. international broadcasting under USIA and outlines ways of extending the benefits of this change.	na	na
DOS07	**Relocate the Mexico City Regional Administrative Management Center** NPR recommends moving this administrative support office to the U.S. to save money and recommends examining the need for similar offices now in Paris and Bangkok.	-0.1	0.0
DOS08	**Improve the Collection of Receivables** The State Department should do a better job collecting debts, such as medical expenses and others, owed to the department.	-9.8	0.0
DOS09	**Change UN Administrative and Assessment Procedures** This recommendation outlines several changes in the U.S.'s fiscal relationship with the United Nations, including recommending an oversight office for the organization and tax law changes to reduce costs to the federal government.	-36.2	0.0
DEPARTMENT OF TRANSPORTATION			
DOT01	**Measure Transportation Safety** NPR recommends the development of common, government-wide measures of transportation safety.	na	na
DOT02	**Streamline the Enforcement Process** NPR recommends pilot programs in the U.S. Coast Guard, the Federal Aviation Administration, and the Federal Highway Administration, designed to offer greater flexibility in enforcement methods.	cbe	cbe
DOT03	**Use a Consensus-Building Approach to Expedite Transportation and Environmental Decisionmaking** DOT should conduct two demonstration projects to apply a problem-solving approach to transportation planning, development and decisionmaking as a means of reducing costs and improving the efficiency of agency decisionmaking.	na	na
DOT04	**Establish a Corporation to Provide Air Traffic Control Services** NPR recommends development of a detailed action plan and statutory language for changes in air traffic control management to make it more business-like.	0.0	0.0

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		Fiscal Impact, 1994-99 (Millions of Dollars)	
Recommendation		Change in Spending	Change in Receipts
DOT05	**Permit States to Use Federal Aid as a Capital Reserve** This recommendation would allow federal transportation grant recipients to use grant funds capital reserve to back debt financing to construct eligible transportation projects.	na	na
DOT06	**Encourage Innovations in Automotive Safety** NPR recommends allowing the National Highway Traffic Safety Administration to grant more exemptions from highway safety standards to develop new safety systems.	na	na
DOT07	**Examine User Fees for International Over-Flights** DOT should conduct a cost allocation study to determine whether foreign air carriers passing over U.S. air space are paying their fair share and whether direct user fees should be imposed.	0.0	9.0
DOT08	**Increase FAA Fees for Inspection of Foreign Repair Facilities** To ensure full cost recovery, increase the fees charged for certification and surveillance of foreign aircraft repair stations.	0.0	8.0
DOT09	**Contract for Level I Air Traffic Control Towers** NPR recommends converting 99 Level I (low-use) air control towers to contract operation and reviewing the remaining Level I towers for possible decommissioning.	-3.1	0.0
DOT10	**Establish an Aeronautical Telecommunications Network to Develop a Public-Private Consortium** FAA should pursue the creation of a public-private consortium under a cooperative agreement with industry to develop an Aeronautical Telecommunications Network.	na	na
DOT11	**Improve Intermodal Transportation Policy Coordination and Management** DOT should institute a strategic planning process to promulgate national, integrated transportation policies.	na	na
DOT12	**Develop an Integrated National Transportation Research and Development Plan** DOT should examine the nation's transportation-related research and development portfolio and develop an integrated national transportation plan that considers specific transportation research needs as well as intermodal transportation plans.	na	na
DOT13	**Create and Evaluate Telecommuting Programs** DOT should implement a telecommuting plan within the agency and should evaluate transportation-related behavior and other topics requiring research in this area.	na	na
DOT14	**Improve DOT Information Technology Management** The department should develop an information management strategy which will enable the sharing of data among its component agencies and reduce costs.	-224.5	0.0
DOT15	**Provide Reemployment Rights for Merchant Mariners** Guarantee reemployment rights to U.S. seafarers at their private sector jobs if called to serve during a war or national emergency.	na	na
DOT16	**Establish an Independent Commission to Review U.S. Maritime Industry** NPR recommends a detailed examination of the future of the maritime industry in the U.S. and the benefits derived by the taxpayers from maritime industry subsidies and related issues.	na	na
DOT17	**Eliminate Funding for Highway Demonstration Projects** Rescind funding for existing highway demonstration projects. These demonstration projects should compete at the state level for the limited highway resources available and not be singled out for special treatment at the federal level.	-7,853.0	0.0
DOT18	**Reduce Spending for the U.S. Merchant Marine Academy** As an economy measure, federal funding for the U.S. Merchant Marine Academy should be cut by half. The Academy should be given the ability to charge tuition to cover a portion of its operations.	-45.16	0.0
DOT19	**Rescind Unobligated Earmarks for the FTA New Starts and Bus Program** Rescind unobligated balances for fiscal year 1992 and prior earmarked funding under this FTA program that remain unobligated after three years.	-131.5	0.0

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		Fiscal Impact, 1994-99 (Millions of Dollars)	
Recommendation		Change in Spending	Change in Receipts
DOT20	**Reduce the Annual Essential Air Service Subsidies** This recommendation would set new, more restrictive criteria for small airports to qualify for essential air service subsidies.	-65.0	0.0
DOT21	**Terminate Grant Funding for Federal Aviation Administration Higher Education Programs** To reduce costs, eliminate federal grant funding of two FAA post-secondary education programs.	-45.4	0.0
DOT22	**Assign Office of Motor Carriers (OMC) Field Staff to Improve Program Effectiveness and Reduce Costs** OMC should develop a resource allocation model so that regional managers will be able to optimize geographic assignment of staff, schedule carrier reviews in an efficient manner, and eliminate unnecessary travel requirements.	cbe	cbe
DOT23	**Automate Administrative Requirements for Federal Aid Highway Projects** NPR recommends improvements in the flow of information on Federal Aid Highway projects that will reduce paperwork and reduce staff time in completing certain forms and other current requirements.	na	na
DEPARTMENT OF TREASURY/RESOLUTION TRUST CORPORATION			
TRE01	**Improve the Coordination and Structure of Federal Law Enforcement Agencies*** NPR recommends the designation of the Attorney General as the Director of Law Enforcement to coordinate federal law enforcement efforts. It also recommends changes in the alignment of federal law enforcement responsibilities.	$-92.9	$0.0
TRE02	**Improve Border Management*** Federal border management should be significantly improved. NPR recommends a series of actions to be taken by Customs and INS to make these improvements.	cbe	cbe
TRE03	**Redirect and Better Coordinate Resources Dedicated to the Interdiction of Drugs*** This recommendation outlines changes that can be made to better coordinate federal programs directed at the air interdiction of drugs.	-186.6	0.0
TRE04	**Foster Federal-State Cooperative Initiatives by the IRS** Cooperative relationships between the IRS and state tax administrations, including joint filing of data, should improve taxpayer service as well as collection activity while reducing costs.	cbe	cbe
TRE05	**Simplify Employer Wage Reporting** The administrative burden caused by our current employer wage-reporting requirements could be reduced while maintaining or improving the effectiveness of government operations by developing and implementing a simplified wage reporting system.	cbe	cbe
TRE06	**Establish Federal Firearms License User Fees to Cover Costs** The current fee for a retail dealer's firearms license (authorized in 1968) does not cover the cost of license processing and is low enough to encourage applications from individuals wishing to occasionally purchase firearms at reduced cost. Increased fees would recover the cost of operating the firearms program.	0.0	132.5
TRE07	**Improve the Management of Federal Assets Targeted for Disposition*** Improvements are needed in the methods by which the federal government disposes of various assets.	cbe	cbe
TRE08	**Reduce the Duplication of Drug Intelligence Systems and Improve Computer Security*** NPR recommends several changes to eliminate duplication in the federal drug intelligence system.	na	na
TRE09	**Modernize the IRS** The IRS Tax System Modernization (TSM) initiative, currently in its initial stages, would ease taxpayer burdens due to manual return processing and inaccessible information, and enable IRS to provide a level of service comparable to private sector financial institutions.	cbe	cbe

*Issue corresponds to an identical issue in the Department of Justice report; fiscal impact is for Treasury only.

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na = not applicable—recommendation improves efficiency or redirects resources but does not directly reduce budget authority.

Recommendation		Fiscal Impact, 1994-99 (Millions of Dollars)	
		Change in Spending	Change in Receipts
TRE10	**Modernize the U.S. Customs Service** NPR recommends a number of changes in Customs' organization and management processes to provide an improved management structure and strategic vision.	0.0	450.0
TRE11	**Ensure the Efficient Merger of Resolution Trust Corporation into the FDIC** The merger of the RTC and the FDIC should ensure the transfer of RTC expertise not currently held by the FDIC in order to provide the most efficient administration of these asset-disposition functions.	na	na
TRE12	**Reduce the Duplication of Law Enforcement Training Facilities*** Overlap and duplication in the provision of federal law enforcement training facilities should be examined. Multi-agency training needs should be accommodated through existing facilities in lieu of the construction of new facilities by individual agencies.	cbe	cbe
TRE13	**Streamline Background Investigations for Federal Employees*** The current method of completing background examinations of federal employees is time-consuming and inefficient. This recommendation outlines improvements to streamline the process without sacrificing thoroughness.	cbe	cbe
TRE14	**Adjust Civil Monetary Penalties to the Inflation Index*** Civil monetary penalties have not been adjusted to keep up with inflation. Under this recommendation, a "catch-up" adjustment would be made and the need for additional inflation adjustments would be automatically reassessed by the government every four years.	0.0	126.0
TRE15	**Increase IRS Collections Through Better Compliance Efforts** NPR supports the current efforts of the IRS under Compliance 2000 to improve voluntary compliance and other efforts to collect taxes already owed to the federal government.	cbe	cbe
TRE16	**Improve Agency Compliance with Employment Tax Reporting Requirements** Many federal agencies do not fully comply with federal tax reporting requirements. Responsibilities for compliance should be more fully communicated and enforced.	cbe	cbe
TRE17	**Authorize Federal Tax Payment by Credit Card** Legislation should be enacted to allow certain taxpayers to make tax payments with a credit card.	cbe	cbe
TRE18	**Modernize the Financial Management Systems** NPR recommends several changes to improve financial management with Treasury, including consolidation of some operations, the improved use of technology, and other actions.	-41.1	0.0
TRE19	**Repeal Section 5010 of the Internal Revenue Code to Eliminate Tax Credits for Wine and Flavors** The wine and flavors tax credit should be repealed.	0.0	500.0
TRE20	**Amend or Repeal Section 5121 of the Internal Revenue Code Requiring Special Occupational Taxes on Retail Alcohol Dealers** This recommendation would increase federal income from alcohol dealers.	0.0	45.0
DEPARTMENT OF VETERANS AFFAIRS			
DVA01	**Develop the Master Veteran Record and Modernize the Department's Information Infrastructure** Creation of a master veteran record for all VA programs and the improvements in the department's information technology will improve services to veterans and their families.	na	na
DVA02	**Modernize Benefits Claims Processing** Modernization of the VA benefits claims processing system will improve the quality of service and save taxpayer dollars over time.	na	na

*Issue corresponds to an identical issue in the Department of Justice report; fiscal impact is for Treasury only.

cbe = cannot be estimated (due to data limitations or uncertainties about implementation time lines).

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		Fiscal Impact, 1994-99 (Millions of Dollars)	
Recommendation		Change in Spending	Change in Receipts
DVA03	**Eliminate Legislative Budget Constraints to Promote Management Effectiveness** VA is covered by a number of special legislative requirements, including employment "floors" for certain programs. Reducing or eliminating some of these controls can reduce costs and improve service without sacrificing accountability.	cbe	cbe
DVA04	**Streamline Benefits Claims Processing** VA should examine the usefulness of a New York Regional Office approach to benefits claims processing that promises to streamline the process. It should also examine regional staffing.	1.8	0.0
DVA05	**Consolidate Department of Defense and Department of Veterans Affairs Compensation and Retired Pay Programs** DOD and VA should create a task force to jointly examine their disability compensation adjudication and disbursement processes.	cbe	cbe
DVA06	**Enhance VA Cost Recovery Capabilities** Revise VA policy to use a portion of cost recovery funds to defray debt collection costs and expand recoveries to save money.	0.0	486.5
DVA07	**Establish a Working Capital Fund** This recommendation would allow creation of a working capital fund using existing resources in the department to be used for certain selected needs.	na	na
DVA08	**Decentralize Decisionmaking Authority to Promote Management Effectiveness** NPR recommends that VA headquarters and field management work together to improve agency decisionmaking, including the delegation of some decisionmaking to field activity directors.	na	na
DVA09	**Establish a Comprehensive Resource Allocation Program** VA should design and develop a comprehensive, departmentwide, performance and needs-based resource allocation program to replace current approaches.	na	na
DVA10	**Serve Veterans and Their Families as Customers** This recommendation outlines several approaches for VA to improve its focus on veterans and their families as customers.	na	na
DVA11	**Phase-Out and Close Supply Depots** VA should convert its existing centralized depot storage and distribution program to a commercial just-in-time delivery system and close unneeded supply depots.	-168.0	0.0
DVA12	**Improve Business Practices through Electronic Commerce** VA should expand its use of electronic media to reduce paperwork and save money. It should seek to make greater use of electronic funds transfer of compensation and pension benefits.	-124.1	0.0
DVA13	**Eliminate "Sunset" Dates in the Omnibus Budget Reconciliation Act of 1990** To achieve cost savings, extend certain cost savings measures that are due to expire in 1998.	-704.8	490.0
DVA14	**Raise the Fees for Veterans Affairs' Guaranteed Home Loans** As a cost savings measure, loan fees on veterans loans should be raised above the levels set in the Omnibus Budget Reconciliation Act of 1994.	-811.4	0.0
DVA15	**Restructure the Veterans Affairs' Health Care System** VA should reexamine its role and delivery structure after the issuance of the report of the President's National Health Care Reform Task Force and take actions to restructure the VA health care system.	0.0	0.0
DVA16	**Recover Administrative Costs of Veterans' Insurance Program from Premiums and Dividends** VA should be permitted to recover certain insurance program costs from insurance trust fund surpluses.	0.0	0.0
	Grand Total	**$29,448.6**	**$8,256.0**

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APPENDIX B

NATIONAL PERFORMANCE REVIEW SUMMARY OF SAVINGS

Introduction

The NPR recommendations yield $108.0 billion in savings for the 5 year period, FY1995-1999. $36.4 billion result from the specific changes in individual agencies that were detailed in Appendix A. The remaining $71 billion result from governmentwide changes explained here.

This appendix provides the estimates of the governmentwide changes, and the assumptions underlying those estimates. Savings by major issue area are shown in Table B-1.

1. Streamlining The Bureaucracy Through Reengineering.

These estimates assume:

a. Agency reengineering will allow a 12% reduction of civilian personnel over 5 years.

b. Administrative and central control staffs and supervisors will be the primary areas for downsizing.

c. Attrition, enhanced severance, reassignment, relocation, outplacement and retraining will be the primary tools to accomplish the reduction.

d. Agencies will use other tools as necessary to accomplish the 12% reduction.

e. The 12% reduction includes and increases the Administration's previously established 4% personnel reduction goal for fiscal 1995.

f. Indirect costs associated with personnel, such as office space and expenses, travel and supplies, are not included in the dollar estimates.

2. Reinventing Federal Procurement

These estimates assume:

a. The General Service Administration's estimate that total annual procurement costs equal $200 billion (GSA Federal Procurement Report).

b. Savings can be generated by a variety of reforms in procurement systems, including simplified acquisition thresholds, labor law reforms, IT procurement reforms, shifting from government specifications to commercial items, expanded use of purchase cards, and electronic commerce.

c. Savings up to 12% of procurement spending may be achieved through these reforms (study by Defense Systems Management College). The NPR used 5% as a mid-range estimate.

d. To avoid double-counting, savings associated with reductions in procurement personnel are excluded from this "reinventing procurement" savings estimate.

3. Reengineering Through Information Technology

These estimates assume:

a. A $25 billion baseline in information technology (IT) spending, based on obligations reported through OMB circular A-11 by executive branch agencies for acquisition, operation, and use of IT systems.

b. 30% savings in IT systems may be achieved through information infrastructure consolidation and standardization — this savings estimate is extrapolated from the "Defense Information Infrastructure Initiative" (December 1992, Resource Summary). Since Defense IT spending constitutes roughly one-half of total IT spending it is assumed that equal savings can be obtained from the IT budgets of civilian agencies.

c. Savings from electronic benefits transfer and from consolidation and modernization of the federal information infrastructure; offsetting costs result from consolidation and modernization of the law enforcement and safety mobile networks and a program to provide citizens with better access to government information.

d. Savings for electronic benefits transfer nationally may be extrapolated from pilot programs in the states of New Mexico and Minnesota.

e. Savings recommended for the Department of Transportation IT consolidation and modernization are subtracted to avoid double-counting.

4. Intragovernmental Administrative Costs.

Simplifying and reducing the federal government's reporting requirements will generate savings at the federal, state, and local levels. The estimate assumes that over 75% of the state and local governments will accept a fee-for-service option in place of existing cost reimbursement procedures from FY1995-1999 in return for greater administrative flexibility. Eliminating cost reimbursement procedures slows cost growth by 3% per year at the federal level.

Table B-1. Estimates of Savings from NPR systems Teams Recommendations (dollars in billions)

	Fiscal Year 1995	Fiscal Year 1996	Fiscal Year 1997	Fiscal Year 1998	Fiscal Year 1999	Total
1. Streamlining the Bureaucracy through Reengineering	5.0	5.8	7.4	9.5	12.7	40.4
2. Reinventing Federal Procurement	0.0	5.6	5.6	5.6	5.7	22.5
3. Reengineering Through Information Technology	0.1	0.5	1.2	1.6	2.0	5.4
4. Reducing Intergovernmental Administrative Costs	0.5	0.7	0.7	0.7	0.7	3.3
5. Changes to Individual Agencies (see Appendix A)	7.0*	6.2	7.0	7.3	8.9	36.4
Total NPR Savings	12.6	18.8	21.9	24.7	30.0	108.0

*Includes $0.5 billion in FY1994

The assumptions used to develop these savings estimates follow.

APPENDIX C

NATIONAL PERFORMANCE REVIEW MAJOR RECOMMENDATIONS AFFECTING GOVERNMENTAL SYSTEMS

Recommendations

CREATING QUALITY LEADERSHIP AND MANAGEMENT

QUAL01 PROVIDE IMPROVED LEADERSHIP AND MANAGEMENT OF THE EXECUTIVE BRANCH

The President should define a vision for the management of the government in the 21st century. To act on this vision, he should direct department and agency heads to designate chief operating officers and he should establish a President's Management Council, comprised of the chief operating officers, to oversee the implementation of NPR's recommendations.

QUAL02 IMPROVE GOVERNMENT PERFORMANCE THROUGH STRATEGIC AND QUALITY MANAGEMENT

Encourage all department and agency heads to lead and manage in accordance with the criteria in the Presidential Award for Quality. To begin this culture change, all executive branch employees—starting with the President and Cabinet—should attend appropriate educational sessions on strategic and quality management.

QUAL03 STRENGTHEN THE CORPS OF SENIOR LEADERS

Develop guidance to be used to determine the qualifications needed for selected senior political appointee positions, and provide adequate orientations for individuals upon their appointment.

QUAL04 IMPROVE LEGISLATIVE-EXECUTIVE BRANCH RELATIONSHIP

Improve communications between the executive branch, members of Congress, and congressional staff on key issues during and after program and policy development and implementation. Develop an agreed-upon approach for dealing with management failures, crises, and chronic program difficulties.

STREAMLINING MANAGEMENT CONTROL

SMC01 IMPLEMENT A SYSTEMS DESIGN APPROACH TO MANAGEMENT CONTROL

Redesign the existing collection of management control mechanisms for the executive branch, using a systems design approach, in order to create a well managed and cost-effective system.

SMC02 STREAMLINE THE INTERNAL CONTROLS PROGRAM TO MAKE IT AN EFFICIENT AND EFFECTIVE MANAGEMENT TOOL

Rescind the current set of Internal Control Guidelines and replace them with a broader handbook on management controls.

SMC03 CHANGE THE FOCUS OF THE INSPECTORS GENERAL

Change the focus of Inspectors General from compliance auditing to evaluating management control systems.
In addition, recast the IGs method of operation to be more collaborative and less adversarial.

SMC04 INCREASE THE EFFECTIVENESS OF OFFICES OF GENERAL COUNSEL

Define clearly the clients of agency General Counsel offices as agency line managers. Train staff attorneys to understand the cultural changes they will need to undertake to operate in an environment where program results are important. Develop performance measures and "feedback loops" to ensure close cooperation with line managers.

SMC05 IMPROVE THE EFFECTIVENESS OF THE GENERAL ACCOUNTING OFFICE THROUGH INCREASED CUSTOMER FEEDBACK

Improve GAO's documentation of best practices and the use of feedback loops on its performance.

SMC06 REDUCE THE BURDEN OF CONGRESSIONALLY MANDATED REPORTS

Eliminate at least 50 percent of all congressionally mandated reports. Review new reporting requirements for management impact, and include a sunset provision.

SMC07 REDUCE INTERNAL REGULATIONS BY MORE THAN 50 PERCENT

Direct department secretaries and agency heads to reduce by at least 50 percent the number of internal regulations, and the number of pages of regulations, within 3 years.

SMC08 EXPAND THE USE OF WAIVERS TO ENCOURAGE INNOVATION

Establish a process for obtaining waivers from federal regulations and identifying those regulations for which this process should apply.

TRANSFORMING ORGANIZATIONAL STRUCTURES

ORG01 REDUCE THE COSTS AND NUMBERS OF POSITIONS ASSOCIATED WITH MANAGEMENT CONTROL STRUCTURES BY HALF

Cut management control positions over the next 5 years. Reinvest some of the savings in benchmarking, training, and investments in new technology. In addition to separation incentives (see HRM14), provide outplacement services to affected staff.

ORG02 USE MULTI-YEAR PEFORMANCE AGREEMENTS BETWEEN THE PRESIDENT AND AGENCY HEADS TO GUIDE DOWNSIZING STRATEGIES

Performance agreements with agency heads (see BGT01) should be used to identify progress toward agreed upon downsizing goals—not central management agency controls such as across-the-board cuts or ceilings on employment. In exchange, agencies will be supported with increased management flexibilities.

ORG03 ESTABLISH A LIST OF SPECIFIC FIELD OFFICES TO BE CLOSED

Within 18 months, the President's Management Council should submit a list to Congress of civilian field offices that should be closed.

Recommendations

ORG04 THE PRESIDENT SHOULD REQUEST AUTHORITY TO REORGANIZE AGENCIES
Congress should restore to the President the authority to restructure the executive branch.

ORG05 SPONSOR THREE OR MORE CROSS-DEPARTMENTAL INITIATIVES ADDRESSING COMMON ISSUES OR CUSTOMERS
The President's Management Council should identify and sponsor three or more cross-departmental initiatives in areas such as illegal immigration, debt collection, and the problems of the homeless.

ORG06 IDENTIFY AND CHANGE LEGISLATIVE BARRIERS TO CROSS-ORGANIZATIONAL COOPERATION
As cross-organizational collaborations become an integral part of government operations, barriers to ready collaboration and funding should be removed.

IMPROVING CUSTOMER SERVICES

ICS01 CREATE CUSTOMER-DRIVEN PROGRAMS IN ALL DEPARTMENTS AND AGENCIES THAT PROVIDE SERVICES DIRECTLY TO THE PUBLIC
Establish an overall policy for quality of federal services delivered to the public and initiate customer service programs in all agencies that provide services directly to the public.

ICS02 CUSTOMER SERVICE PERFORMANCE STANDARDS—INTERNAL REVENUE SERVICE
As part of its participation in the NPR, the Internal Revenue Service is publishing customer service performance standards. To speed the delivery of taxpayer refunds, the Secretary of the Treasury should delegate disbursing authority to IRS in 1993 and future tax seasons.

ICS03 CUSTOMER SERVICE PERFORMANCE STANDARDS—SOCIAL SECURITY ADMINISTRATION
As part of its participation in the NPR, the Social Security Administration is publishing customer service performance standards. SSA will also obtain customer opinions on all the goals and objectives of their strategic plan, using that input to revise the goals and objectives as needed, set priorities, and establish interim objectives.

ICS04 CUSTOMER SERVICE PERFORMANCE STANDARDS—POSTAL SERVICE
As part of its participation in the NPR, the U.S. Postal Service will expand its plans to display customer service standards in Post Office retail lobbies.

ICS05 STREAMLINE WAYS TO COLLECT CUSTOMER SATISFACTION AND OTHER INFORMATION FROM THE PUBLIC
For voluntary information collection requests directed at customers, OMB will delegate authority to approve such requests if departments certifiy that they will fully comply with Paperwork Reduction Act requirements. OMB will also clarify rules on the use of focus groups and streamline renewals of previously approved survey requests.

MISSION-DRIVEN, RESULTS-ORIENTED BUDGETING

BGT01 DEVELOP PERFORMANCE AGREEMENTS WITH SENIOR POLITICAL LEADERSHIP THAT REFLECT ORGANIZATIONAL AND POLICY GOALS
The President should develop performance agreements with agency heads, starting with the top two dozen. Agency heads should also use performance agreements within their agency to forge an effective team committed to achieving organizational goals and objectives.

BGT02 EFFECTIVELY IMPLEMENT THE GOVERNMENT PERFORMANCE AND RESULTS ACT OF 1993
Accelerate planning and measurement efforts to improve performance in every federal program and agency. Designate as pilots under the act several multi-agency efforts that have related programs and functions. Develop common measures and data collection efforts for cross-cutting issues. Clarify the goals and objectives of federal programs. Incorporate performance objectives and results as key elements in budget and management reviews.

BGT03 EMPOWER MANAGERS TO PERFORM
Restructure appropriations accounts to reduce overitemization and to align them with programs. Ensure that direct operating costs can be identified. Reduce overly detailed restrictions and earmarks in appropriations and report language. Simplify the apportionment process. Reduce the excessive administrative subdivision of funds in financial operating plans .

BGT04 ELIMINATE EMPLOYMENT CEILINGS AND FLOORS BY MANAGING WITHIN BUDGET
Budget and manage on the basis of operating costs rather than full-time equivalents or employment ceilings. Request Congress to remove FTE floors.

BGT05 PROVIDE LINE MANAGERS WITH GREATER FLEXIBILITY TO ACHIEVE RESULTS
Identify those appropriations that should be converted to multi- or no-year status. Permit agencies to roll over 50 percent of their unobligated year-end balances in annual operating costs to the next year. Expedite reprogramming of funds within agencies.

Recommendations

BGT06 STREAMLINE BUDGET DEVELOPMENT
Begin the President's budget formulation process with a mission-driven Executive Budget Resolution process that will replace hierarchial budget development, delegate more decision making to agency heads, and promote a collaborative approach to crosscutting issues. In the process, eliminate multiple requirements for detailed budget justification materials. Negotiate a reduction in the detailed budget justification provided to Congress.

BGT07 INSTITUTE BIENNIAL BUDGETS AND APPROPRIATIONS
Submit a legislative proposal to move from an annual to a biennial budget submission by the President Establish biennial budget resolution and biennial appropriation processes. Evaluate program effectiveness and refine performance measures in the off-year.

BGT08 SEEK ENACTMENT OF EXPEDITED RESCISSION PROCEDURES
Pursue negotiations with the leadership of the House and Senate to gain enactment of expedited rescission authority.

IMPROVING FINANCIAL MANAGEMENT

FM01 ACCELERATE THE ISSUANCE OF FEDERAL ACCOUNTING STANDARDS
Issue a comprehensive set of federal financial accounting standards within 18 months. If all standards are not issued under the present advisory board structure, create an independent federal financial accounting standards board.

FM02 CLARIFY AND STRENGTHEN THE FINANCIAL MANAGEMENT ROLES OF OMB AND TREASURY
Develop a Memorandum of Understanding to clarify the roles of OMB and Treasury in financial management. Create a governmentwide budget and financial information steering group to develop and provide guidance in implementing an integrated budget and financial information strategic plan. Shift review of Financial Management Service budget to the OMB Deputy Director for Management.

FM03 FULLY INTEGRATE BUDGET, FINANCIAL AND PROGRAM INFORMATION
Ensure that agency financial systems are in compliance with a revised OMB Circular A-127 , "Financial Management Systems," by September 1996. Provide interagency funding for the joint development of financial systems.

FM04 INCREASE THE USE OF TECHNOLOGY TO STREAMLINE FINANCIAL SERVICES
Use electronic funds transfer to pay and reimburse expenses for all federal employees, to handle all interagency payments, to make payments to state and local governments, and to pay for purchases from the private sector. Similarly, all payments to individuals should be done electronically.

FM05 USE THE CHIEF FINANCIAL OFFICERS (CFO) ACT TO IMPROVE FINANCIAL SERVICES
Identify the set of financial management functions which should report to agency CFOs, and ensure that all financial management personnel are fully-qualified when hired. Ensure that information being collected, disseminated, and reported on is useful, objective, timely, and accurate for the benefit of program managers.

FM06 "FRANCHISE" INTERNAL SERVICES
The President's Management Council should encourage agencies to purchase common administrative services, such as payroll, computer support, or procurement, competitively from other federal agencies that may be more responsive or offer better prices.

FM07 CREATE INNOVATION FUNDS
Allow agencies to create innovation capital funds from retained savings to invest in innovations that can improve service and provide a return on investment.

FM08 REDUCE FINANCIAL REGULATIONS AND REQUIREMENTS
Eliminate timesheets and timecards and use technology to enter payroll data only on an exception basis. Allow use of commercial checking accounts instead of third-party accounts. Create a threshold below which it is not cost effective to resolve audit findings.

FM09 SIMPLIFY THE FINANCIAL REPORTING PROCESS
Grant OMB the flexibility to consolidate and simplify over a dozen related statutory reports to Congress and the President. Require agency heads to provide two reports annually, a planning report and an accountability report. Ensure that any future financial management reporting requirements can be addressed in either the planning or accountability reports.

FM10 PROVIDE AN ANNUAL FINANCIAL REPORT TO THE PUBLIC
Provide a simplified version of a consolidated report on the finances of the federal government for distribution to the taxpayers by June 1995. Develop a method of identifying and budgeting for the expected costs of contingent liabilities of the Federal Government.

FM11 STRENGTHEN DEBT COLLECTION PROGRAMS
Propose legislation to allow debt collection activities to be funded by the revenues generated from collections and to allow the agencies to keep a certain percentage of any increased collection amounts. Propose legislation to lift restrictions on the use of private collection, and expand agency litigation authority for debt collection through the designation of special assistant U.S. Attorneys.

Recommendations

FM12 MANAGE FIXED ASSET INVESTMENTS FOR THE LONG TERM
Establish a long-term fixed asset planning and analysis process, and incorporate it into the federal budget process. Ensure there is no bias in the budget against long-term investments.

FM13 CHARGE AGENCIES FOR THE FULL COST OF EMPLOYEE BENEFITS
Require all agencies to pay the full accruing cost of Civil Service Retirement and Pensions. OMB and the Office of Personnel Management should also research the possibility of charging agencies for civilian retiree health benefits.

REINVENTING HUMAN RESOURCE MANAGEMENT

HRM01 CREATE A FLEXIBLE AND RESPONSIVE HIRING SYSTEM
Authorize agencies to establish their own recruitment and examining programs. Abolish centralized registers and standard application forms. Allow federal departments and agencies to determine that recruitment shortages exist and directly hire candidates without ranking. Reduce the types of competitive service appointments to 3. Abolish the time-in-grade requirement.

HRM02 REFORM THE GENERAL SCHEDULE CLASSIFICATION AND BASIC PAY SYSTEM
Remove all grade-level classification criteria from the law. Provide agencies with flexibility to establish broadbanding systems built upon the General Schedule framework.

HRM03 AUTHORIZE AGENCIES TO DEVELOP PROGRAMS FOR IMPROVEMENT OF INDIVIDUAL AND ORGANIZATIONAL PERFORMANCE
Authorize agencies to design their own performance management programs which define and measure success based on each agency's unique needs.

HRM04 AUTHORIZE AGENCIES TO DEVELOP INCENTIVE AWARD AND BONUS SYSTEMS TO IMPROVE INDIVIDUAL AND ORGANIZATIONAL PERFORMANCE
Authorize agencies to develop their own incentive award and bonus systems. Encourage agencies to establish productivity gainsharing programs to support their reinvention and change efforts.

HRM05 STRENGTHEN SYSTEMS TO SUPPORT MANAGEMENT IN DEALING WITH POOR PERFORMERS
Develop a culture of performance which provides supervisors with the skills, knowledge, and support they need to deal with poor performers, and holds supervisors accountable for effectively managing their human resources. Reduce by half the time needed to terminate federal employees for cause.

HRM06 CLEARLY DEFINE THE OBJECTIVE OF TRAINING AS THE IMPROVEMENT OF INDIVIDUAL AND ORGANIZATIONAL PERFORMANCE; MAKE TRAINING MORE MARKET-DRIVEN
Reduce restrictions on training to allow managers to focus on organizational mission and to take advantage of the available training marketplace.

HRM07 ENHANCE PROGRAMS TO PROVIDE FAMILY-FRIENDLY WORKPLACES
Implement family-friendly workplace practices (flex-time, flexiplace, job sharing, telecommuting) while ensuring accountability for customer service. Provide telecommunications and administrative support necessary for employees participating in flexiplace and telecommuting work arrangements. Expand the authority to establish and fund dependent care programs. Allow employees to use sick leave to care for dependents. Allow employees who leave and then re-enter federal service to be given credit for prior sick leave balances.

HRM08 IMPROVE PROCESSES AND PROCEDURES ESTABLISHED TO PROVIDE WORKPLACE DUE PROCESS FOR EMPLOYEES
Eliminate jurisdictional overlaps. All agencies should establish alternative dispute resolution methods and options for the informal disposition of employment disputes.

HRM09 IMPROVE ACCOUNTABILITY FOR EQUAL OPPORTUNITY GOALS AND ACCOMPLISHMENTS
Charge all federal agency heads with the responsibility for ensuring equal opportunity and increasing representation of qualified women, minorities, and persons with disabilities into all levels and job categories, including middle and senior management positions.

HRM10 IMPROVE INTERAGENCY COLLABORATION AND CROSS TRAINING FOR HUMAN RESOURCE PROFESSIONALS
Establish an Interagency Equal Employment Opportunity and Affirmative Employment Steering Group under the joint chair of the Equal Employment Opportunity Commission and the Office of Personnel Management. Require appropriate cross training for human resource management professionals.

HRM11 STRENGTHEN THE SENIOR EXECUTIVE SERVICE SO THAT IT BECOMES A KEY ELEMENT IN THE GOVERNMENTWIDE CULTURE CHANGE EFFORT
Create and reinforce a corporate perspective within the Senior Executive Service that supports governmentwide culture change. Promote a corporate succession planning model to use to select and develop senior staff. Enhance voluntary mobility within and between agencies for top senior executive positions in government.

Recommendations

HRM12 ELIMINATE EXCESSIVE RED TAPE AND AUTOMATE FUNCTIONS AND INFORMATION
Phase out the entire 10,000 page Federal Personnel Manual (FPM) and all agency implementing directives by December 1994. Replace the FPM and agency directives with automated personnel processes, electronic decision support systems and "manuals" tailored to user needs.

HRM13 FORM LABOR-MANAGEMENT PARTNERSHIPS FOR SUCCESS
Identify labor-management partnerships as a goal of the executive branch and establish the National Partnership Council.

HRM14 PROVIDE INCENTIVES TO ENCOURAGE VOLUNTARY SEPARATIONS
Provide departments and agencies with the authority to offer separation pay. Decentralize the authority to approve early retirement. Authorize departments and agencies to fund job search activities and retraining of employees scheduled to be displaced. Limit annual leave accumulation by senior executives to 240 hours.

REINVENTING FEDERAL PROCUREMENT

PROC01 REFRAME ACQUISITION POLICY
Convert the 1,600 pages of the Federal Acquisition Regulation from a set of rigid rules to a set of guiding principles.

PROC02 BUILD AN INNOVATIVE PROCUREMENT WORKFORCE
Establish an interagency program to improve the governmentwide procurement workforce. Provide civilian agencies with authority for improving the acquisition workforce similar to that of the Defense Department's.

PROC03 ENCOURAGE MORE PROCUREMENT INNOVATION
Provide new legislative authority to test innovative procurement methods. Establish a mechanism to disseminate information governmentwide on innovative procurement ideas.

PROC04 ESTABLISH NEW SIMPLIFIED ACQUISITION THRESHOLD AND PROCEDURES
Enact legislation to simplify small purchases by raising the threshold for the use of simplified acquisition procedures from $25,000 to $100,000 and raise the various thresholds for the application of over a dozen other statutory requirements that similarly complicate the process. To ensure small business participation, establish a single electronic bulletin board capability to provide access to information on contracting opportunities.

PROC05 REFORM LABOR LAWS AND TRANSFORM THE LABOR DEPARTMENT INTO AN EFFICIENT PARTNER FOR MEETING PUBLIC POLICY GOALS
Enact legislation to simplify acquisition labor laws such as the Davis-Bacon Act, the Copeland Act, and the Service Contract Act. Improve access to wage schedules through an on-line electronic system.

PROC06 AMEND PROTEST RULES
Change the standard of review at the General Services Board of Contracts Appeals to conform to that used in the relevant courts. Allow penalties for frivolous protests. Allow contract negotiation to continue up to the point of contract award, even though a protest has been filed with the General Services Board of Contract Appeals.

PROC07 ENHANCE PROGRAMS FOR SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS CONCERNS
Repeal statutory limitations on subcontracting and substitute regulatory limitations to provide greater flexibility. Authorize civilian agencies to establish small disadvantaged business set-asides.

PROC08 REFORM INFORMATION TECHNOLOGY PROCUREMENTS
Increase the delegation of authority to agencies to purchase information technology. For purchases less than $500,000 for products, and $2.5 million for services over the life of a contract, eliminate indepth requirements for analyses of alternatives. Pilot-test alternative ways of buying commercially available information technology items.

PROC09 LOWER COSTS AND REDUCE BUREAUCRACY IN SMALL PURCHASES THROUGH THE USE OF PURCHASE CARDS
Provide managers with the ability to authorize employees to purchase small dollar value items directly using a government purchase card. Require internal government supply sources to accept this card.

PROC10 ENSURE CUSTOMER FOCUS IN PROCUREMENT
Revise Procurement Management Reviews to incorporate NPR principles such as "focusing on results" for the line managers.

PROC11 IMPROVE PROCUREMENT ETHICS LAWS
Create consistency across the government in the application of procurement ethics laws.

PROC12 ALLOW FOR EXPANDED CHOICE AND COOPERATION IN THE USE OF SUPPLY SCHEDULES
Allow state and local governments, grantees, and certain nonprofit agencies to use federal supply sources. Similarly, allow federal agencies to enter into cooperative agreements to share state and local government supply sources.

PROC13 FOSTER RELIANCE ON THE COMMERCIAL MARKETPLACE
Change laws to make it easier to buy commercial items. For example, revise the definition of commercial item. Revise governmentwide and agency regulations and procedures which preclude the use of commercial specifications.

PROC14 EXPAND ELECTRONIC COMMERCE FOR FEDERAL ACQUISITION
Establish a governmentwide program to use electronic commerce for federal procurements.

Recommendations

PROC15 ENCOURAGE BEST VALUE PROCUREMENT
To recognize other factors besides price, define "best value" and provide regulatory guidance to implement a program for buying on a "best value" basis. Issue guide on the use of "best practices" source selection procedures.

PROC16 PROMOTE EXCELLENCE IN VENDOR PERFORMANCE
Establish an interagency Excellence in Vendor Performance Forum that would develop policies and techniques to measure contractor performance for use in contract decisions. Establish an award for contractor and government acquisition excellence.

PROC17 AUTHORIZE A TWO-PHASE COMPETITIVE SOURCE SELECTION PROCESS
Authorize the use of a two-phase selection process for certain types of contracts so that an offeror does not incur a substantial expense in preparing a contract proposal.

PROC18 AUTHORIZE MULTIYEAR CONTRACTS
Authorize multiyear contracts and allow contracts for severable services to cross fiscal years.

PROC19 CONFORM CERTAIN STATUTORY REQUIREMENTS FOR CIVILIAN AGENCIES TO THOSE OF DEFENSE AGENCIES
Repeal requirements for commercial pricing certificates and authorize contract awards without discussions, where appropriate. Maintain the $500,000 threshold for cost and pricing data requirements for the Defense Department and establish the same threshold for civilian agencies.

PROC20 STREAMLINE BUYING FOR THE ENVIRONMENT
Develop "best practice" guides on buying for the environment. Encourage multiple award schedule contractors to identify environmentally preferable products. Provide energy efficiency information in government catalogs and automated systems.

REINVENTING SUPPORT SERVICES

SUP01 AUTHORIZE THE EXECUTIVE BRANCH TO ESTABLISH A PRINTING POLICY THAT WILL ELIMINATE THE CURRENT PRINTING MONOPOLY
Give the executive branch authority to make its own printing policy that will eliminate the mandatory printing source. Develop a new executive branch printing policy for the 21st century.

SUP02 ASSURE PUBLIC ACCESS TO FEDERAL INFORMATION
Give the executive branch agencies responsibility for distributing printed federal information to depository libraries. Require agencies to inventory the federal information they hold, and make it accessible to the public.

SUP03 IMPROVE DISTRIBUTION SYSTEMS TO REDUCE COSTLY INVENTORIES
Permit customer choice in sources of supply. Compare depot distribution costs with commercial distribution systems. Take away the Federal Prison Industries' status as a mandatory source of federal supplies and require it to compete commercially for federal agencies' business. Increase the use of electronic commerce for ordering from depot systems.

SUP04 STREAMLINE AND IMPROVE CONTRACTING STRATEGIES FOR THE MULTIPLE AWARD SCHEDULE PROGRAM
Eliminate the use of mandatory supply schedules. Make the supply schedule system easier to use by reducing the administrative burden for acquisitions under $10,000. In addition, eliminate the announcement requirements and raise the maximum order limitations for the purchase of information technology items listed in supply schedules.

SUP05 EXPAND AGENCY AUTHORITY AND ELIMINATE CONGRESSIONAL CONTROL OVER FEDERAL VEHICLE FLEET MANAGEMENT
Update vehicle replacement standards. Increase emergency repair limits to $150. Eliminate the monopoly on disposing of agency-owned vehicles.

SUP06 GIVE AGENCIES AUTHORITY AND INCENTIVE FOR PERSONAL PROPERTY MANAGEMENT AND DISPOSAL
Provide incentives to agencies to dispose of excess personal property. Automate the process and eliminate the monopoly on personal property disposal.

SUP07 SIMPLIFY TRAVEL AND INCREASE COMPETITION
Increase choices for federal travelers and automate the travel process. Pilot-test a tender system for airfares.

SUP08 GIVE CUSTOMERS CHOICES AND CREATE REAL PROPERTY ENTERPRISES THAT PROMOTE SOUND REAL PROPERTY ASSET MANAGEMENT
Give agencies greater authority to choose their sources of real property services. Create competitive enterprises within the government to provide real property services on a fee basis, and encourage federal managers to seek the best available source. Create an ownership enterprise for the sound management of federal real property assets. Establish a governmentwide policy for real property asset management. Manage the Federal Buildings Fund in a manner comparable to the commercial sector.

SUP09 SIMPLIFY PROCEDURES FOR ACQUIRING SMALL BLOCKS OF SPACE TO HOUSE FEDERAL AGENCIES
Simplify the procedures for acquiring small amounts of leased space under 10,000 square feet.

Recommendations

SUP10 ESTABLISH NEW CONTRACTING PROCEDURES FOR THE CONTINUED OCCUPANCY OF LEASED OFFICE SPACE
Simplify the procedures for renewing leases.

SUP11 REDUCE POSTAGE COSTS THROUGH IMPROVED MAIL MANAGEMENT
Encourage postage savings through the implementation of mail management initiatives.
Allow line managers to manage their own postal budgets.

REENGINEER THROUGH THE USE OF INFORMATION TECHNOLOGY

IT01 PROVIDE CLEAR, STRONG LEADERSHIP TO INTEGRATE INFORMATION TECHNOLOGY INTO THE BUSINESS OF GOVERNMENT
Create a Government Information Technology Services working group to develop a strategic vision for the use of government information technology and to implement NPR's information technology recommendations.

IT02 IMPLEMENT NATIONWIDE, INTEGRATED ELECTRONIC BENEFIT TRANSFER
Design an integrated implementation plan for the use of electronic benefit transfer for programs such as Food Stamps and for direct payments to individuals without bank accounts.

IT03 DEVELOP INTEGRATED ELECTRONIC ACCESS TO GOVERNMENT INFORMATION AND SERVICE
Use information technology initiatives to improve customer service by creating a one-stop "800" calling service, integrated one-stop service "kiosks," and a governmentwide electronic bulletin board system.

IT04 ESTABLISH A NATIONAL LAW ENFORCEMENT/PUBLIC SAFETY NETWORK
Establish a national law enforcement/public safety data network for use by federal, state, and local law enforcement officials.

IT05 PROVIDE INTERGOVERNMENTAL TAX FILING, REPORTING, AND PAYMENTS PROCESSING
Integrate government financial filings, reporting, and payments processing, and determine ways to eliminate the need for filing routine tax returns.

IT06 ESTABLISH AN INTERNATIONAL TRADE DATA SYSTEM
Develop and implement a U.S. Government International Trade Data System in the Treasury Department.

IT07 CREATE A NATIONAL ENVIRONMENTAL DATA INDEX
Organize the implementation of a national environmental data index in the Commerce Department.

IT08 PLAN, DEMONSTRATE, AND PROVIDE GOVERNMENTWIDE ELECTRONIC MAIL
Improve electronic mail and messaging among federal agencies.

IT09 ESTABLISH AN INFORMATION INFRASTRUCTURE
Develop a Government Information Infrastructure to use government information resources effectively and support electronic government applications. Consolidate and modernize government data processing centers.

IT10 DEVELOP SYSTEMS AND MECHANISMS TO ENSURE PRIVACY AND SECURITY
Establish a Privacy Protection Board. Establish uniform privacy protection practices and generally acceptable implementation methods for these practices. Develop a digital signature standard for sensitive, unclassified data by January 1994.

IT11 IMPROVE METHODS OF INFORMATION TECHNOLOGY ACQUISITION
(see PROC 09, PROC10, PROC15, SUP04, and FM06)

IT12 PROVIDE INCENTIVES FOR INNOVATION
Retain a portion of agency information technology savings to reinvest in information technology. Promote performance-based contracting for information technology. Establish a governmentwide venture capital fund for innovative information technology projects

IT13 PROVIDE TRAINING AND TECHNICAL ASSISTANCE IN INFORMATION TECHNOLOGY TO FEDERAL EMPLOYEES
Establish a program to train non-technical senior executives and political appointees in information technology. Require managers of information resources to meet certification standards. Promote collegial assistance in using information technology. Include training costs as part of all information technology purchases.

RETHINKING PROGRAM DESIGN

DES01 ACTIVATE PROGRAM DESIGN AS A FORMAL DISCIPLINE
The President's Management Council should commission the development of a handbook to help federal managers understand the strengths and weaknesses of various forms of program design.

DES02 ESTABLISH PILOT PROGRAM DESIGN CAPABILITIES IN ONE OR TWO AGENCIES
Test the usefulness of the program design handbook and the value of program design as a useful discipline.

Recommendations

DES03 ENCOURAGE THE STRENGTHENING OF PROGRAM DESIGN IN THE LEGISLATIVE BRANCH
The President's Management Council should work with congressional support agencies to help them strengthen their program design capacities.

DES04 COMMISSION PROGRAM DESIGN COURSES
Develop training courses for managers and policymakers on various program design approaches.

STRENGTHENING THE PARTNERSHIP IN INTERGOVERNMENTAL SERVICE DELIVERY

FSL01 IMPROVE THE DELIVERY OF FEDERAL DOMESTIC GRANT PROGRAMS
Create flexibility and encourage innovation by designing a bottom-up solution to the problem of grant proliferation and its accompanying red tape. Also, support the pending proposal for Federal-State Flexibility Grants that has been developed by the National Governors Association and the National Conference of State Legislatures. Establish a Cabinet-level Enterprise Board to oversee NEW initiatives in community improvement.

FSL02 REDUCE RED TAPE THROUGH REGULATORY AND MANDATE RELIEF
Issue an Executive Order addressing the problems of unfunded federal mandates and regulatory relief and authorize Cabinet Secretaries and agency heads to obtain selective relief from regulations or mandates in programs they oversee.

FSL03 SIMPLIFY REIMBURSEMENT PROCEDURES FOR ADMINISTRATIVE COSTS OF FEDERAL GRANT DISBURSEMENT
Modify OMB Circular A-87, "Cost Principles for State and Local Governments," to provide a fixed fee-for-service option in lieu of costly reimbursement procedures covering actual administrative costs of grant disbursement.

FSL04 ELIMINATE NEEDLESS PAPERWORK BY SIMPLIFYING THE COMPLIANCE CERTIFICATION PROCESS
Simplify OMB's requirements to prepare multiple grant compliance certifications by allowing state and local governments to submit a single certification to a single point of contact in the federal government.

FSL05 SIMPLIFY ADMINISTRATION BY MODIFYING THE COMMON GRANT RULES ON SMALL PURCHASES
Modify OMB Circular A-102, "Grants and Cooperative Agreements to State and Local Governments", to increase the dollar threshold for small purchases by local governments from $25,000 to $100,000 (see also PROC04).

FSL06 STRENGTHEN THE INTERGOVERNMENTAL PARTNERSHIP
Reinvent the Advisory Commission on Intergovernmental Affairs (ACIR) and charge it with the responsibility for continuous improvement in federal, state and local partnership and intergovernmental service delivery. Direct the AICR to identify opportunities to improve intergovernmental service delivery and develop a set of benchmarks.

REINVENTING ENVIRONMENTAL MANAGEMENT

ENV01 IMPROVE FEDERAL DECISIONMAKING THROUGH ENVIRONMENTAL COST ACCOUNTING
Develop demonstration projects to test the applicability of environmental cost accounting. Based on project results, develop guidelines to implement environmental cost accounting throughout the Federal Government. Issue an Executive Order to encourage the use of environmental cost accounting by federal agencies.

ENV02 DEVELOP CROSS-AGENCY ECOSYSTEM PLANNING AND MANAGEMENT
Issue an Executive Order to encourage sustainable economic development and ensure sustainable ecosystems through a cross-agency ecosystem management process. Begin phased-in implementation of the policy with selected ecosystem management demonstration projects. Conduct management and budget reviews of the ecosystem management projects as a part of the fiscal year 1995 budget process.

ENV03 INCREASE ENERGY AND WATER EFFICIENCY
Issue an Executive Order to address energy efficiency and water conservation issues at federal facilities. Propose legislation to allow the Defense Department to retain savings from water efficiency projects. Develop appropriate mechanisms to allow facilities to retain rebates received from utility companies.

ENV04 INCREASE ENVIRONMENTALLY AND ECONOMICALLY BENEFICIAL LANDSCAPING
Issue an Executive Order to require the use of environmentally beneficial landscaping techniques, including increased use of native species and reduced use of water and chemicals, at federal facilities and federally-funded projects, where appropriate.

IMPROVING REGULATORY SYSTEMS

REG01 CREATE AN INTERAGENCY REGULATORY COORDINATING GROUP
Create an interagency Regulatory Coordinating Group to share information and coordinate approaches to regulatory issues.

REG02 ENCOURAGE MORE INNOVATIVE APPROACHES TO REGULATION
Use innovative regulatory approaches and develop a Deskbook on Regulatory Design.

REG03 ENCOURAGE CONSENSUS-BASED RULEMAKING
Encourage agencies to use negotiated rulemaking more frequently in developing new rules.

Recommendations

REG04 ENHANCE PUBLIC AWARENESS AND PARTICIPATION
Use information technology and other techniques to increase opportunities for early, frequent and interactive public participation during the rulemaking process and to increase program evaluation efforts.

REG05 STREAMLINE AGENCY RULEMAKING PROCEDURES
Streamline internal agency rulemaking procedures, use "direct final" rulemaking for noncontroversial rules and expedite treatment of rulemaking petitions.

REG06 ENCOURAGE ALTERNATIVE DISPUTE RESOLUTION WHEN ENFORCING REGULATIONS
Increase the use of alternative means of dispute resolution.

REG07 RANK RISKS AND ENGAGE IN "ANTICIPATORY" REGULATORY PLANNING
Rank the seriousness of environmental, health or safety risks and develop anticipatory approaches to regulatory problems.

REG08 IMPROVE REGULATORY SCIENCE
Create science advisory boards for those regulatory agencies that depend heavily on scientific information and judgments.

REG09 IMPROVE AGENCY AND CONGRESSIONAL RELATIONSHIPS
Encourage agencies to establish technical drafting services for congressional committees and subcommittees.

REG10 PROVIDE BETTER TRAINING AND INCENTIVES FOR REGULATORS
Establish a basic training program for Presidential appointees assigned to regulatory agencies and expand existing training programs to cover career staff not currently being trained.

GENERAL SERVICES ADMINISTRATION

GSA01 SEPARATE POLICYMAKING FROM SERVICE DELIVERY AND MAKE THE GENERAL SERVICES ADMINISTRATION (GSA) A FULLY COMPETITIVE, REVENUE-BASED ORGANIZATION
Fund GSA service delivery from customer revenues, transfer activities not related to GSA's central mission to other agencies, and allow agencies to choose whether to purchase GSA services.

OFFICE OF PERSONNEL MANAGEMENT

OPM01 STRENGTHEN THE OFFICE OF PERSONNEL MANAGEMENT'S (OPM) LEADERSHIP ROLE IN TRANSFORMING FEDERAL HUMAN RESOURCE MANAGEMENT SYSTEMS
Clearly define OPM's policy, service and leadership role in addressing human resource problems and delegate operational work to the agencies.

OPM02 REDEFINE AND RESTRUCTURE OPM'S FUNCTIONAL RESPONSIBILITIES TO FOSTER A CUSTOMER ORIENTATION
Restructure and rightsize OPM to enhance and reflect its commitment to addressing its customers' needs.

OPM03 CHANGE THE CULTURE OF OPM TO EMPOWER ITS STAFF AND INCREASE ITS CUSTOMER ORIENTATION
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FROM RED TAPE TO RESULTS

CREATING A GOVERNMENT THAT WORKS BETTER & COSTS LESS

Executive Summary

Report of the National Performance Review

Vice President Al Gore

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Executive Summary

The Report of the
NATIONAL PERFORMANCE REVIEW
Vice President Al Gore

September 7, 1993

"Our goal is to make the entire federal government both less expensive and more efficient, and to change the culture of our national bureaucracy away from complacency and entitlement toward initiative and empowerment. We intend to redesign, to reinvent, to reinvigorate the entire national government."

— President Bill Clinton
Remarks Announcing the
National Performance Review
March 3, 1993

The National Performance Review

The National Performance Review began on March 3, 1993 when President Clinton announced a six-month review of the federal government and asked Vice President Gore to lead the effort. Unlike past efforts that relied on outsiders, the Vice President gathered experienced federal workers and organized them into teams to examine federal agencies and issues that cut across agencies, such as personnel, procurement or budget policies. The goal: identify problems and offer solutions and ideas for savings. In addition, the President asked each cabinet secretary to organize a 'Reinvention Team' to work from within each agency and to create 'Reinvention Laboratories' where experiments in new ways of doing business could begin immediately.

The Vice President and the National Performance Review teams sought input from people all across America. Vice President Gore spoke with workers at every major agency and at federal centers around the country. He visited programs that work and companies that have implemented new practices, dramatically changing their operations and decreasing costs while increasing profits in the process. The Vice President and the National Performance Review teams learned from state and local leaders who have put many of these ideas into practice and they listened to the very best experts in the country — from business, government, and the academic community — at special conferences in Philadelphia and Nashville. And, they listened to the American people whose letters and phone calls were invaluable.

The National Performance Review focused on how government should work, not on what it should do. The National Performance Review teams examined every cabinet department and 10 agencies. A 'bottom-up' review at the Department of Defense and the work of the Health Care and Welfare Reform Task Forces at the Department of Health and Human Services both covered areas that the National Performance Review did not.

This report represents the beginning of what will be, and what must be, an ongoing commitment to change. It includes actions that should be taken now, by Executive Order of the President or by the cabinet secretaries and agency heads; recommendations for Congressional action; and a vision for the future, for long-term changes we must begin now. It reflects a government-wide determination to 'reinvent' government — to create a government that works better and costs less. If implemented, these recommendations will revolutionize the way the federal government does business. They will reduce waste, eliminate obsolete functions, improve services to taxpayers and create a smaller but more productive government.

Chapter 1

CUTTING RED TAPE

About ten years ago, two foresters returned from a hard day in the field to make plans for the coming week. Searching for a detail of agency policy, they found themselves overwhelmed by voluminous editions of policy manuals, reports, and binders filled with thousands of directives. One forester recalled the very first Forest Service manual — small enough to fit into every ranger's shirt pocket, yet containing everything foresters needed to know to do their jobs.

"Why is it that when we have a problem," the other forester asked, "the solution is always to add something — a report, a system, a policy — but never take something away?"

The first replied: "What if...we could just start over."

Consider the plight of managers in the million-acre Ochoco National Forest, in Oregon. Until recently they had 70 separate budgets — one for fence maintenance in the north sector, another for brush burning in the south, and so on — divided into 556 management codes and 1769 accounting lines. To transfer money between accounts they needed approval from headquarters. The task of tracking spending in each pot consumed 45-60 days of their time each year. It also sent a message: They were not trusted with even the simplest responsibilities.

The federal government does at least one thing well: It generates red tape. But not one inch of that red tape appears by accident. In fact, the government creates it all with the best of intentions. It is time now to put aside our reverence for those good intentions and examine what they have created—a system that makes it hard for our civil servants to do what we pay for, and frustrates taxpayers who rightfully expect their money's worth.

STEP 1: STREAMLINING THE BUDGET PROCESS

We must streamline the budget process to remove the many restrictions that consume managers' time and literally force them to waste money. We focus on process when we should focus on content, spending needless hours and money in the process.

Action: ***The President should begin the budget process with an executive budget resolution, setting broad policy priorities and allocating funds by function for each agency.***

Federal managers should focus primarily on the content of the budget, not on the process. The President should issue a directive in January 1994 to mandate the use of an executive budget resolution in developing his fiscal year 1996 budget.

Action: ***Institute biennial budgets and appropriations.***

We recommend that Congress establish biennial budget resolutions and appropriations and multi-year authorizations. The first biennium should begin October 1, 1996 to cover fiscal years 1997 and 1998.

STEP 3: STREAMLINING PROCUREMENT

Every year the government spends $200 billion buying goods and services. That's $800 per American. With a price tag like that, taxpayers have a right to expect prudent spending.

But precisely because government tries to be prudent, our procurement system has become too complex, absurdly slow, and frequently ineffective. Our elaborate safeguards often cost more money than they save. Federal procurement must be massively reshaped by decentralizing authority to line managers and simplifying regulations and processes.

Action: ***Simplify the procurement process by rewriting federal regulations — shifting from rigid rules to guiding principles.***

The Administration will rewrite the Federal Acquisition Regulation, the government's principal set of procurement regulations, the 2,900 pages of agency supplements that accompany it, and Executive Order 12352, which governs federal procurement.

Action: ***The GSA will delegate significantly more authority to federal agencies to purchase information technology, including hardware, software and services.***

The federal government takes, on average, more than four years to buy major information technology systems; the private sector takes 13 months. GSA will raise authorization levels for agencies to purchase equipment and services on their own from $2.5 million to $50 million, $20 million, or $5 million depending on the agency.

Action: ***GSA will simplify the procurement process by allowing agencies to buy where they want, and by testing a fully "electronic marketplace."***

Instead of forcing managers to buy items on GSA "supply schedules" — lists of items and approved prices — they will be free to buy the same or comparable product for less if they can find it.

Action: ***Allow agencies to make purchases under $100,000 through simplified purchase procedures.***

Current law allows use of simplified procurement practices only on purchases of $25,000 or less.

Action: ***Rely more on the commercial marketplace.***

The government can save money by buying more commercial products instead of requiring products to be designed to government-unique specifications.

Action: ***Bring federal procurement laws up to date.***

STEP 4: REORIENTING THE INSPECTORS GENERAL

The Inspectors General are independent of the agencies in which they operate. They report to Congress twice a year and perform an audit and investigations function that is valid and important. We seek to broaden their role.

However, federal employees complain that the IG's basic approach inhibits innovation. Heavy-handed enforcement has a negative effect in some agencies and creates adversarial relationships with some managers who try to do things better.

Action: ***Broaden the focus of the Inspectors General from strict compliance auditing to evaluating management control systems.***

Today, Inspectors General look for "waste, fraud, and abuse." In the future they should also help improve systems to prevent waste, fraud and abuse, and ensure efficient, effective service.

($2.66 billion); six defense conversion programs ($460 million); and one motor carrier safety program ($76 million).

Action: ***Congress should allow states and localities to consolidate separate grant programs from the bottom up.***

Localities would have the authority to mix funding from different programs without Washington's approval when combining grants smaller than $10 million each.

Action: ***Give all cabinet secretaries and agency heads authority to grant states and localities selective waivers from federal regulations or mandates.***

We will ask Congress to give cabinet officers authority to grant waivers under limited circumstances — waivers would be time limited and require performance measures.

Action: ***Give control of public housing to local public housing authorities with histories of excellent management and substantially deregulate the rest.***

We and the Secretary of the Department of Housing and Urban Development recommend that Congress give HUD the authority to create demonstration projects in which local housing authorities would continue to receive operating subsidies as long as they meet a series of performance targets. These projects would be free from other HUD control.

Conclusion

The changes described above are ambitious. They will take enormous effort and enormous will. It will be many years before all of them take root. But if they succeed, the American people will have a government capable of attacking their problems with far more energy and far less waste than they can today imagine.

Crossing Agency Boundaries

Washington's organizational chart doesn't always make sense. The traditional solution — shuffling the organizational chart — that takes too long and by the time it's complete, the problem has changed. The best solution is to melt the rigid boundaries between organizations, organizing work according to customers' needs and anticipated outcomes, not bureaucratic turf. That means giving federal workers greater decision-making authority, allowing them to operate effectively in cross-cutting ventures; stripping federal laws of prohibitions against such cooperation; and ordering agencies to reconsider their own regulations and tradition-bound thinking.

Action: ***Create a system of competitive, one-stop, career-development centers open to all Americans.***

These centers would offer skills assessment, information on jobs, and access to education and training. They would be linked to all federal, state, and local workforce development programs and to many private ones.

Action: ***The President should issue a directive and propose legislation to reconstitute the Federal Coordinating Council for Science, Engineering and Technology as the National Science and Technology Council, giving it a broader and more effective role in setting science and technology policy.***

The FCCSET is a White House-managed team that helps set policy for technology development and includes representatives of more than a dozen departments. The new council would direct science and technology policy more forcefully.

Action: ***The President should issue a directive to give the Trade Promotion Coordinating Committee (TPCC) greater authority to control federal export promotion efforts.***

The TPCC, chaired by the Commerce Secretary and including representatives from 19 departments, agencies, and executive offices, gains broader authority to create performance measures and set allocation criteria for the nation's export promotion programs.

Action: ***The President should create a process to establish ecosytem management policies across the government.***

A host of federal agencies have jurisdiction over individual pieces of our national ecosystem and no coordinated approach governs their activity.

Action: ***The President should create a Federal Coordinating Council for Economic Development (FCCED).***

This council would coordinate regional development, mitigate community dislocation and provide state and localities a central source of information.

Action: ***Eliminate statutory restrictions on cross-agency activities that are in the public interest.***

Congress should repeal a series of restrictions that stand in the way of cross-agency collaboration, and refrain from putting future restrictions in appropriations bills.

Action: ***The President should issue a directive that requires collaborative efforts across the government to empower communities and strengthen families.***

STEP 3: CREATING MARKET DYNAMICS

Not all public activities should be subject to competition. In some cases, even service delivery operations are better off as monopolies. In the private sector we call these "utilities" and regulate them to protect the consumer. At other times, government subjects public organizations to market dynamics. The federal government should use this option more often.

Action: ***Restructure the nation's air traffic control system into a corporation.***

The government-owned corporation would be supported by user fees and governed by a board of directors that represents the system's customers.

Action: ***The General Services Administration will create a Real Property Asset Management Enterprise, separating GSA's responsibility for setting policy on federally owned real estate from that of providing and managing office space.***

This will optimize the highest rate of return for taxpayers, while competing with the private sector and better serving tenants' needs.

Action: ***The Department of Housing and Urban Development will turn over management of its "market rate" rental properties and mortgage loans to the private sector.***

If the department entered into limited partnerships with real estate firms, it could retain most profits from any sales and let a private business entity perform the sales in the most economically beneficial way.

STEP 4: USING MARKET MECHANISMS TO SOLVE PROBLEMS

Government cannot create a program for every problem facing the nation. It can't just raise taxes and spend more money. We need governance, which means setting appropriate priorities, then using the federal government's immense power to steer the direction of market forces in the private sector.

Worker Safety and Health

Action: ***The Secretary of Labor will issue new regulations for worksite safety and health, relying on private inspection companies or non-management employees.***

With this new approach, OSHA could ensure that all workplaces are regularly inspected without hiring thousands of new employees.

Environmental Protection

Action: ***Encourage market-based approaches to reduce pollution.***

Public Housing

Action: ***Authorize the Department of Housing and Urban Development to create demonstration projects that free managers from regulations and give tenants new market powers, such as freedom of choice to move out of old public housing buildings.***

Chapter 3

EMPOWERING EMPLOYEES TO GET RESULTS

"Take two managers and give to each the same number of laborers and let those laborers be equal in all respects. Let both managers rise equally early, go equally late to rest, be equally active, sober, and industrious, and yet, in the course of the year, one of them, without pushing the hands that are under him more than the other, shall have performed infinitely more work."

George Washington

"When nature has work to be done, she creates a genius to do it."

Ralph Waldo Emerson

Despite our solid core of capable employees, we lack efficient management systems.

Cutting red tape, measuring results, empowering customers and creating competition incentives will create an environment that rewards success. Now we must create a culture of public entrepreneurship — of people willing to innovate.

Changing the culture of the federal workplace is a lot harder than changing its rules and regulations. We must discover what the private sector has already embraced: that more isn't always better, but better is better. We must pursue a new goal: quality. And we must organize around it.

How do we do it? We suggest six steps.

STEP 1: DECENTRALIZING DECISIONMAKING POWER

We must give decision-making power to those who do the work, pruning layer upon layer of managerial overgrowth.

Action: ***Over the next five years, the executive branch will decentralize decisionmaking and increase the average span of a manager's controL***

Currently, the federal government averages one manager or supervisor for every seven employees. We will double that. The federal government will average one manager for every 15 employees.

responsibilities, and raise the standards for financial officers.

Action: ***Within 18 months, the Federal Accounting Standards Advisory Board will issue a comprehensive set of credible accounting standards for the federal government.***

Action: ***The administration will issue an Annual Accountability Report to the Citizens.***
Under a directive to be issued by 1995, the Treasury and the OMB will develop a simplified version of the government's financial condition, to be published as the Annual Accountability Report to the Citizens.

Information Technology:

When workers have current and flexible technology to do their jobs, they improve performance. We need to get more computers off the shelf and into the hands of federal employees.

Action: ***The administration will develop a strategic plan for using information technology throughout the federal government.***

STEP 4: ENHANCE THE QUALITY OF WORKLIFE

We must make federal offices better places to work by treating workers as mature and honest individuals and by being sensitive to their lives outside the office.

Action: ***The federal government will update and expand family-friendly workplace options.***
The President will issue an executive order requiring that all agencies adopt compressed/flexible time, part-time, and job sharing work schedules. Agencies will also be asked to make other changes, such as allowing federal employees to use accrued sick leave to care for sick or elderly dependents or for adoptions.

Action: ***The executive branch will abolish all employee time sheets and time cards for the standard work week.***

Action: ***The President should issue a directive committing the administration to greater equal opportunity and diversity in the federal workforce.***

STEP 5: FORM A LABOR-MANAGEMENT PARTNERSHIP

We can only transform government if we transform the adversarial relationship that dominates federal union-management interaction into a partnership for reinvention and change.

Action: ***The President should issue a directive that establishes labor-management partnership as an executive branch goal and establishes a National Partnership Council to help implement it.***

By October 1, 1993, the President will appoint the National Partnership Council which will include appropriate federal cabinet secretaries, deputy secretaries, and agency directors; the presidents of AFGE, NTEU, and NFFE; and a representative of the Public Employee Department of the AFL-CIO. Within six months, the Council will recommend legislation to the President.

Action: ***The National Partnership Council will propose the statutory changes needed to make labor-management partnership a reality.***

Chapter 4

CUTTING BACK TO BASICS

"I feel like the person in the old movie who writes in lipstick on bathroom mirrors,
'Stop me before I kill again.' However, in my case, the legend should be,
'Stop me before I steal some more.'"

Letter from Bruce Bair of Schoenchen, KS
to Vice President Gore
May 24, 1993

Bruce Bair admitted to "stealing" from the federal government — at a rate of about $11 a hour. His job was checking the weather in Russell, Kansas every hour and reporting to the Federal Aviation Administration. Bair saw just two landings in more than a year during his night shift. Days were only slightly busier. Before the advent of automated weather gathering devices, human weather watchers at small stations were vital for aircraft safety. Today they could be replaced with machines. Bair believed that too but although Russell has had a machine for some time, the FAA has not yet eliminated the human staff. Bair finally quit his job. Now, he says, "I'm no longer stealing from the government."

Is government still doing things it no longer needs to do? Are we paying for obsolete programs? Are we paying for programs that weren't needed in the first place? Are we spending public money to benefit special interest groups? Are we doing all we can to stop fraud? Are we doing all we can to deny benefits to people who aren't eligible for them?

When we start acting on the answers to those questions we will begin to have a more effective government.

We also face a second task: we must fight for a fairer government, one that collects on the loans it makes and the taxes it's owed.

Finally, we must make government work better by taking a hard look at its internal processes. We must consolidate programs to eliminate duplication. We must adopt more efficient ways to design regulations and resolve disputes. And we must take advantage of the revolution in computers and telecommunications to cut service delivery costs.

STEP 1: ELIMINATE WHAT WE DON'T NEED

Eliminate the obsolete:

Action: ***Give the President greater power to cut items from spending bills.***

For the President to cut wasteful spending, he needs the power of what is called, in Washington, "enhanced recision." That is, the President should have greater authority to reject individual spending items.

Action: ***Within 18 months, the President's Management Council will submit to Congress a report on closing and consolidating federal civilian facilities.***

Action: ***The Department of Agriculture will close or consolidate 1,200 field offices.***

Eliminate Special Interest Privileges:

Action: ***Eliminate federal support payments for wool and mohair.***

Action: ***Eliminate federal price supports for honey.***

Action: ***Rescind all unobligated contract authority and appropriations for existing highway demonstration projects.***

Action: ***Cut Essential Air Service subsidies.***

This program guaranteed small communities air services for a decade when it was passed in 1978 after airline deregulation. Congress extended the program in 1988 for another ten years even though the program is no longer needed.

Step 2: Collecting More

Government must find better, more efficient and more effective ways to pay for its activities. In this section we argue for the need to introduce or increase market-based user fees and for collecting what is due the government: back taxes, delinquent loans, accidental or fraudulent overpayment of benefits.

Raising User Fees:

Action: ***Allow all agencies greater freedom in setting fees for services and in how the revenues from these fees may be used.***

Action: ***Raise the price of federal hydropower.***

Collecting Debt:

If the federal government were to put a higher priority on pursuing delinquent debt the government could collect as much as an additional $10 billion over the next five years. A strategy to make this happen would include the following elements:

Action: ***Give agencies the flexibility to use some of the money they collect from delinquent debts to pay for further debt collection efforts, and to keep a portion of the increased collections.***

Action: ***Eliminate restrictions that prevent federal agencies from using private collection agencies to collect debt.***

Action: ***Authorize the Department of Justice to retain up to one percent of amounts collected through civil debt collections to cover costs.***

Action: ***The Royalty Management Program will increase the royalty payments it collects by developing new computer programs to analyze and cross-verify data.***

Action: ***Allow HUD to offer incentives to federally subsidized homeowners who refinance their mortgages at lower rates.***

Eliminating Fraud:

While many think government steals from people, the reverse is also true: people steal from government. And, unlike private companies, some government agencies aren't very good at finding and prosecuting thieves. We will change that.

Action: ***Make it a felony to knowingly lie on an application for benefits under the Federal Employees' Compensation Act, and amend federal law so individuals convicted of fraud are ineligible for continued benefits.***

Under existing law, even if you are found to have made false statements to receive benefits, the government cannot terminate those benefits.

Action: ***Improve processes for removing people who are no longer disabled from disability rolls.***

Action: ***Create a clearinghouse for death information and reporting.***

CONCLUSION

Unlike many past efforts to change the government, the National Performance Review will not end with this report. We have identified what we need to do. Now, we will do it. We will change the environment in government from one that resists change to one that fosters it; from one that stifles innovation to one that encourages it; from one that creates horror stories to one that creates successes. We will cut red tape, serve our customers, empower our employees, and cut back to basics.

But it will take more than just a dedicated President, Vice President, cabinet and federal workforce to make the vision contained in this report a reality. It will take dedicated citizens, willing to work to improve their government. It will take a willingness to demand the best service possible. It will take a commitment to hold government accountable for its operations. It will require Americans to act as citizens, as customers, and as voters in support of what they deserve: a government that works better and costs less.

With this report, we begin a journey. How far we go and where we end up will be determined by the public, the Congress, and the President. As our President has said so often, the future is ours, if we have the courage to create it.

TREASURY NEWS

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

Statement

of the

Honorable Frank N. Newman

Under Secretary of the Treasury

before the

Senate Committee on Banking, Housing, and Urban Affairs

September 9, 1993

Mr. Chairman and members of the Committee, I appreciate this opportunity to present the Administration's views on S. 384, the Small Business Loan Securitization and Secondary Market Enhancement Act. Promoting the growth and vitality of small businesses, as this legislation seeks to do, is a major objective of the Administration.

I would like to commend Senator D'Amato for his leadership in introducing S. 384. He has played a key role in focusing attention on the advantages of developing a secondary market for small business loans, and has worked constructively to remove impediments to developing this market. I would also like to acknowledge the contributions of other members of the Committee, including Chairman Riegle, who has introduced the

Small Business Capital Enhancement Act of 1993 (S. 478), and Senator Dodd, who has introduced the Small Business Incentive Act of 1993 (S. 479).

As major job-creators, small- and medium-sized businesses warrant special attention. We know recessions and recoveries can be especially difficult for them, including slow recoveries such as we are having at present. Many small- and medium-sized businesses do not have the financial strength and staying power of some large multi-market and multi-product organizations. As a result they do not have access to as many sources of financing. Many small businesses lack a sufficient credit history to get credit from any but those few lenders they have dealt with since they began operations.

Lenders often fear that small businesses pose a greater risk of loan default to the extent that they have thin capital, less experienced management, and revenue sources limited to one activity. Lenders compensate for such risks in part through higher interest rates. But they also may tend to sharply tighten other credit terms during a recession, constricting the flow of credit. Less lending activity reduces the information lenders receive about particular borrowers, impairing lenders' ability to make skilled risk assessments. Lenders may then remain reluctant to lend to small- and medium-sized businesses even after their creditworthiness has improved, thus perpetuating problems of credit availability, particularly in light of regulatory policies that have prevailed during the past few years.

Given the diversity of small- and medium-sized businesses and their special needs in difficult economic times, one cannot easily address these needs with broad and general policies and programs. Nor is it clear that programs designed for general purposes will be as effective in a slow economic recovery. For these reasons, the Administration has implemented programs to deal with the specialized needs of small- and medium-sized businesses. These supplement the general tax and economic growth proposals that should benefit all businesses and the whole economy.

Small Business Administration Program

One simple, effective, and relatively quick method of providing credit to a special class of small businesses is through the Small Business Administration's (SBA) Section 7(a) Program, which guarantees bank loans to small businesses whose credit proposals have been rejected by at least two lenders. Without the guarantees, these borrowers might not obtain any credit and certainly not on as favorable conditions as this program provides. Funding the 7(a) Program is part of the Administration's economic stimulus efforts directed at a specific group of small businesses. In July, the President signed a supplmental funding bill that provided an additional $175 million for the 7(a) program. This additional funding increased the Section 7(a) budget authority to $372.9 million. With this level of funding, the SBA will be able to quarantee $7.8 billion in loans for fiscal year 1993. For fiscal year 1994, the Senate has approved $154.8 million in funding which will support approximately $7.0 billion in lending.

Other Efforts to Promote Small Business Growth

I would like to address in more depth other Administration efforts to promote small business growth. For example, the President's National Economic Council has established an Interagency Working Group on New and Growing Businesses. The Working Group has been examining lending, investment, technology, export promotion, and other issues, with particular emphasis on the nexus between these issues and job creation, innovation, and economic growth. Working with this group, the Treasury has been analyzing proposals to promote small business growth, from the simple and well-understood to the more theoretical.

Proposals under review vary in their goals, from facilitating mutual-fund investment in small businesses and the development of a secondary market for securitized small business loans, to creating a government sponsored enterprise for small business loans. Each proposal recognizes the benefits provided by the secondary markets we already have for such credits as residential mortgages, education loans, automobile loans, and credit card accounts receivable, and seeks to obtain similar benefits through a secondary market for small business loans.

S. 384

One of the most appealing legislative approaches to expanding small- and medium-sized business credit availability involves facilitating the development of the private secondary market for small business loans. We have been working closely with Congress on securitization issues and, in particular, with Senator D'Amato and Chairman Riegle to reach a common understanding on S. 384.

I now want to turn to some of the reasons we favor developing this market. I will organize this discussion around the questions the Committee asked us to address regarding S. 384.

1. (a) Will S. 384 facilitate the securitization of small business loans?

S. 384 seeks to remove legal, tax, accounting, and other impediments to securitizing small- and medium-sized business loans. The statutory changes made by the legislation would create a further incentive to develop a secondary market for these loans. While we have some concerns about the bill's accounting and capital provisions, which I will discuss later, the other proposed changes seem consistent with the goals of the legislation.

works best when it involves a high volume of standardized loans, such as for those for single-family housing, automobiles, and credit card purchases. These all derive from financing specific types of credit needs. Small business loans differ because they represent the credit needs of contractors, manufacturers, and many other types of entrepreneurs.

S. 384 will provide tax and other advantages to financing a pool of loans the underwriting standards of which can be standardized sufficiently to fit into a portfolio. Such standardization is important in giving investors an understanding of the collateral and income producing nature of the investment. The more confidence investors have in the credit quality, payment terms, and other features of a securitized loan pool, the greater their interest in investing in it. The size of the market for securitized small- and medium-sized business loans, as well as the attractiveness of the returns it will offer, depend on how active primarily institutional investors are in participating in the market.

1. (b) Does access to the capital markets through securitization have the potential to increase lending to small businesses?

We believe it has the potential, although probably difficult to measure initially, because small- and medium-sized business loan originators can sell packages or pools of these loans to investors as collateralized debt securities, the originators will free up resources that can be used to make more such loans. This may increase the credit available for small- and medium-sized business loans. By making such loans more liquid, securitization may also make them more attractive both to originate and to hold. We do not believe that impediments to securitization are the principal cause of the lack of such lending. However, we do believe that they may be a factor for some lending and should be corrected.

At the moment the financial system as a whole has substantial liquidity because a slow economy has slackened loan demand. Thus the immediate benefits of increasing lenders' liquidity through securitization may be limited. But as economic activity accelerates and lending picks up, the potential benefits of securitization will increase. This still assumes that financial institutions can find enough small- and medium-sized business credits with similar characteristics to include in a securitization pool.

Securitization could bring new sources of funds to small- and medium-sized business lending. It could enable investors who do not lend directly to small businesses -- such as pension funds,[1] insurance companies, trust departments, and other institutional and private investors -- to invest in small business loans made by other financial institutions. This large secondary market will provide a potential source of funds to

[1] The Department of Labor has raised concerns about Section 9 of S. 384, which addresses the ability of pension plans to invest in small business related securities. We understand the Secretary of Labor will send a letter to Senator D'Amato on this issue.

banks and other lenders who want to sell their small- and medium-sized business loans and use the proceeds to make additional loans.

Our response to Question 1(d) is also relevant to this discussion.

1. (c) Can greater access to capital markets through securitization reduce the cost of borrowing for small businesses?

Increasing the number of participants in a market has the potential to increase competition and reduce prices, or interest rates in this instance. Small- and medium-sized business borrowers pay higher interest rates for credit, in part, because their loans are illiquid. In making loans that do not have a secondary market, lenders sacrifice flexibility and tend to price their services accordingly.

If an active secondary market for small- and medium-sized business loans existed, interest rates in that market would influence rates in the loan origination market. If rates and yields were high in the securitized loan market, banks and other loan originators would be eager to have more loans to sell. They would signal this interest to borrowers by slightly lowering their interest rates to them, inviting borrowers to seek more credit. The lenders would know they could make up for the lower rates charged borrowers from those reflected in the selling price of loans sold to the secondary market.

1. (d) Would securitization enable financial institutions to originate loans to greater numbers of small businesses?

Selling loans into a secondary market and using the funds received to make more loans, would certainly enable some financial institutions to increase their lending. That is the purpose in having a secondary market, and S. 384 could achieve this objective, if it facilitates an expanded market for small- and medium-sized business loans and these loans are competitively attractive investments.

For those small- and medium-sized business loans that can be purchased or pooled for securitization, the market could be expanded. Securitization would provide standardized terms and other features that investors can rely on in purchasing the securitized debt instruments. This should make these types of loans more attractive to banks and loan originators who know they can sell them in the secondary market, if they need liquidity. Every borrower, lender, and investor would favor these types of credits over less liquid loans and investments. Bankers and other loan originators would have a much greater incentive to make small- and medium-sized business loans that qualify for the secondary market.

As economic activity accelerates, a more active secondary market for small- and medium-sized business loans could assist financial institutions throughout the national economy. Institutions in fast growing regions could originate loans, sell them in the secondary market, and use the funds received to make more loans. Financial institutions in slower growing regions that need assets to invest in could purchase secondary market securitized debt from institutions in faster-growing areas. This could create a national market for small-and medium-sized business loans, to the advantage the participants and the national economy.

2. Is S. 384 consistent with the safe and sound operation of the banking system?

When loans are sold into the secondary market for securitization, securitizers insist that sellers remain at risk for some agreed-upon portion of any loss sustained on the loans. This recourse encourages sellers to accurately appraise the risk of the credits they provide for securitization, and it provides a credit enhancement for the securitized debt. Proper accounting for recourse is important in determining the seller's capital adequacy.

It is particularly important if the seller is a bank or other depository institution whose deposits are insured by the Federal Deposit Insurance Corporation (FDIC). If bad accounting for the risks on securitized loans results in large losses for the banking system, the FDIC could be at risk. We believe that the present regulatory rules for recourse accounting are too stringent, but we also believe that S. 384, as presently written, goes too far in attempting to liberalize them. We have been working closely with Senator D'Amato and his staff to balance this aspect of the legislation and will continue to do so. The bank regulators are also participating in this effort.

We share with members of this Committee the goal that the legislation not pose a significant risk to the banking system, or to the taxpayers indirectly through the federal deposit insurance system. In addition, consistency with the international capital standards for banks is important. These standards are essential in maintaining a minimum common set of regulatory rules that benefit our banks competing with banks regulated abroad. The bank regulators are currently drafting new rules concerning the treatment of recourse in a variety of credit transactions, including various types of loan securitization. We believe that we are very close to having language that would accommodate the objectives of the bill while still achieving our other goals.

Furthermore, as a matter of sound regulatory policy, we believe that the federal banking agencies, and not the Congress, should establish accounting and capital standards. The standards are based on very complex technical considerations that are not well suited to structuring within the time constraints of the legislative process. Moreover, the existing standards have not been in place long enough to make sophisticated judgments about the way they will work in adverse economic situations. It is too early to start significantly changing them.

The market for securitized small- and medium-sized business loans is in the process of developing. Sellers and buyers are becoming familiar with these securities and over time more securitized loans will be available and more investors will be interested in purchasing them. The Administration would like to remove obstacles to the development of this market.

Conclusion

Enhancing the provision of credit to small- and medium-sized businesses is a major challenge. We have already made some progress by increasing the funding of the SBA's Section 7(a) Program and by implementing the President's Credit Availability Program. (A status report on changes proposed by the Program is attached.) We will continue to look at additional potential methods of improving credit availability to foster economic growth. I look forward to working with this Committee on S. 384 and on other efforts to promote small business growth.

I will be pleased to respond to any questions the Committee may have.

Attachment: Status of the Administration's Credit Availability Program

Completed Regulatory Changes	Type of Action	Agencies Involved	Status
Announcement of the Credit Availability Program: On March 10, President Clinton announced the program.	Interagency Policy Statement	OCC, OTS, FDIC, FRB	Completed 3/10/93
Documentation of Loans: This action eliminates unnecessary documentation requirements for small- and medium-sized business and farm loans.	Interagency Policy Statement	OCC, OTS, FDIC, FRB	Completed 3/30/93
Documentation of Loans: The OCC has extended the preceding action from 1- and 2-CAMEL-rated banks to 3-rated national banks.	Policy Statement	OCC	8/12/93
Special Mention Assets: The agencies have clarified their examination procedures to insure that special mention assets are not improperly placed in the classified asset category.	Interagency Policy Statement	OCC, OTS, FDIC, FRB	Completed 6/10/93
Real Estate Appraisals: The action would increase to $250,000 the threshold level at or below which appraisals are not required.	Proposed Rule	OCC, OTS, FDIC, FRB	Published in the Federal Register 6/4/93
Other Real Estate Owned (OREO): The initiative will: (1) increase and expand the options that a national bank may use to dispose of OREO, (2) standardize the legal and accounting treatment of OREO, and (3) provide flexibility in the financing of OREO.	Final Rule	OCC	Published in the Federal Register 9/2/93
Commercial Real Estate Loans: The statement reaffirms guidelines issued in November 1991 to provide clear and comprehensive guidance to ensure examiners review commercial real estate loans in a consistent manner.	Interagency Policy Statement	OCC, OTS, FDIC, FRB	Completed 6/10/93
In-Substance Foreclosures: The agencies have offered additional guidance with respect to reporting of in-substance foreclosures.	Interagency Policy Statement	OCC, OTS, FDIC, FRB	Completed 6/10/93
Returning Nonaccrual Loans to Accrual Status: The agencies have revised the accounting for partially charged-off loans consistent with generally accepted accounting principles (GAAP).	Interagency Policy Statement	OCC, OTS, FDIC, FRB	Completed 6/10/93

Completed Regulatory Changes	Type of Action	Agencies Involved	Status
Appeals Process: The agencies have taken steps to ensure that their appeals processes are fair and effective.	Agency Program	OCC, OTS, FDIC, FRB	The OCC Ombudsman will begin work on 9/15/93
Fair Lending Initiatives: The agencies will strengthen their enforcement of fair lending laws by revising discrimination detection methods and revising their consumer complaint systems. In addition to revised examination procedures, the OCC will develop a pilot program to use minority and non-minority "testers" to identify discrimination in the way banks treat potential borrowers.	Interagency Policy Statement	OCC, OTS, FDIC, FRB	Completed 6/10/93
Examination Coordination: The agencies are working to eliminate duplicative examination processes and procedures. The agencies have announced an agreement to better coordinate examinations and to streamline the examination of multibank holding companies.	Interagency Agreement	OCC, OTS, FDIC, FRB	Completed 6/10/93
Refinancing and Renegotiating Loans: The OCC has clarified its policy on refinancing and renegotiating loans when market interest rates have declined, including loans secured by real estate collateral that has declined in value.	Banking Bulletin	OCC	9/3/93
Continuous Review			
Excess Paperwork Burden: Each agency is individually performing a study of its paperwork, corporate application, and documentation requirements.	Agency Program	OCC, OTS, FDIC, FRB	Ongoing
Regulatory Review: The OCC has committed to rewrite and reorganize its regulations to make them clear and accessible.	Agency Program	OCC	Ongoing
Effectiveness Measurement: The OCC is devising methods to measure the effectiveness of the Credit Availability Program. For example, it plans to document whether banks are taking advantage of the provisions of the Interagency Policy Statement on Documentation for Loans.	Agency Program	OCC	Ongoing

TREASURY NEWS

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

FOR RELEASE UPON DELIVERY
Expected at 10:00 a.m. EDT
September 9, 1993

STATEMENT OF
LESLIE B. SAMUELS
ASSISTANT SECRETARY (TAX POLICY)
DEPARTMENT OF THE TREASURY
BEFORE THE
COMMITTEE ON WAYS AND MEANS
UNITED STATES HOUSE OF REPRESENTATIVES

Mr. Chairman and Members of the Committee:

I am pleased to present the views of the Administration on the Coal Industry Retiree Health Benefit Act ("the Coal Act"), which was enacted as part of the Energy Policy Act of 1992, P.L. 102-486. The Coal Act requires that the former employers of retired coal miners finance the health benefits that were previously negotiated for those miners and their beneficiaries by the United Mine Workers of America ("UMWA"). Concerns have been expressed about the equity of the Coal Act and, in particular, the so-called "reachback" financing method that is imposed by the statute. Because of those concerns, various proposals to modify the reachback method have been suggested, including proposals to exempt certain categories of employers from the reachback or to provide other special tax relief.

As I will discuss more fully, the Administration does not support efforts to re-open the provisions of the Coal Act. The current law achieves the primary goal of ensuring adequate funding of retired miners' health benefits. In this context, we believe that the reachback financing method is a reasonable approach for allocating costs on the basis of employers' responsibility for their retirees.

Background

For background purposes, I would like to briefly describe the funding of miners' retiree health benefits prior to the Coal Act and the events that led to its enactment.

Before the Coal Act, health benefits were provided for retired union miners and their beneficiaries either by the miner's individual employer or through one of two multiemployer funds -- the 1950 UMWA Health Benefit Fund and the 1974 UMWA

Health Benefit Fund. Contributions to both Funds were required of signatories to the national wage agreement negotiated between the UMWA and the Bituminous Coal Operators Association ("BCOA"). Employers that were not signatories to the national wage agreement also contributed to the Funds under separate wage agreements negotiated with the UMWA.

The 1950 Fund covered miners who had retired as of December 31, 1975, and their beneficiaries. Miners who retired after 1975 generally received health benefits under the single plan of their former employer. However, if the employer went out of business or left the coal industry, the employer's retirees and their beneficiaries were covered by the 1974 Fund. As a result, all of the retirees and their beneficiaries covered under the 1974 Fund were "orphans" for whom no contributions were being made by their former employers. About half of the retirees and their beneficiaries in the 1950 Fund were orphans.

Beginning in the late 1980's, the Funds began to experience serious financial difficulties. As of December 31, 1991, the combined deficit of the Funds reached $105 million. The deficit was precipitated by a number of factors, including medical inflation and the trustees' inability to impose certain kinds of cost containment mechanisms under the Funds. Moreover, the contribution base of the Funds was eroding. In the early 1980's, for example, approximately 2,000 employers contributed to the Funds. That number had fallen to about 300 in 1992.

Both the growing liabilities of the Funds and the declining number of employers bearing those liabilities engendered a series of lawsuits aimed at securing additional contributions to keep the Funds solvent. The more significant litigation involved the trustees' efforts to expand the group of employers currently contributing to the Funds by means of the "evergreen" clause. As argued by the trustees, the evergreen clause, which was first included under the 1978 wage agreement, imposed a permanent obligation on all signatory employers to finance retiree health benefits, regardless of whether the employer signed a future wage agreement. Thus, under the evergreen clause, the trustees could reach back to all post-1978 signatory employers for contributions.[1]

In addition to the litigation, the growing liabilities of the Funds and the costs of continuing retiree health benefits

[1] At the time of the passage of the Coal Act, a D.C. federal district court had decided a case interpreting the evergreen provision as allowing a reachback to the post-1978 signatory employers. Subsequently, that decision was affirmed by the U.S. Court of Appeals for the D.C. Circuit. The U.S. Supreme Court has denied a review of that decision.

became a central issue of the 1989 coal strike. As part of the compromise that helped settle that strike, then-Secretary of Labor Dole announced the establishment of a national Coal Commission to study the Funds. In its report, published in November of 1990, the Coal Commission agreed that the problems of the Funds could not be solved through private bargaining alone. In addition to managed care and other cost containment provisions that would reduce the rising costs of the Funds, the Coal Commission recommended establishing a statutory obligation to contribute to the Funds. Although the Coal Commission was divided as to how this obligation should be implemented, there was general agreement that it should cover all then-current signatory employers and certain former signatory employers, as well.

In response to the Coal Commission report, legislation to address retired miners' health benefits was included in a larger tax bill that was passed by Congress in March of 1992 (H.R. 4210). However, that legislation was subsequently vetoed by President Bush. Without a legislative solution, there were growing concerns about the continued viability of the Funds and the security of the retirees' benefits. During the deliberations of the Energy Policy Act of 1992, additional proposals were considered to address the concerns related to the Funds. A solution ultimately was agreed to by Congress in the Coal Act.

The Coal Act

The Coal Act imposes a statutory obligation on the former employers of retired miners to fund retiree health benefits under a new Combined Fund. The Combined Fund covers all retirees and beneficiaries of both the 1950 and 1974 Funds. Under the current law reachback financing method, any employer that signed a wage agreement with the UMWA since 1950 and has retirees who benefit under the Funds could be obligated to pay premiums for the health benefits of those retirees and their beneficiaries. In addition, employers are obligated to finance the health benefits of orphans in the Combined Fund whose former employers are no longer in business. Each employer's share of orphans is proportional to the number of the employer's retirees who receive health benefits under the Combined Fund. The method of allocating individual retirees and their beneficiaries to employers will be discussed in more detail by the Social Security Administration. However, in general, the allocation method is intended to ensure that costs are shared by all employers that signed UMWA wage agreements because those wage agreements provided for retiree health benefits under the Funds.

The first premiums under the reachback financing method are scheduled to be assessed as of October 1, 1993. For the period beginning February 1, 1993, the employers that were signatory to the then-current wage agreement are required to pay off the deficit of the Funds and finance the current costs of the Combined Fund. The contributions for current costs are credited against these employers' subsequent premium payments. The Coal Act also authorized an infusion of $210 million to the Combined Fund from the excess assets of the UMWA 1950 pension plan. In addition to the transfers of pension assets, annual installments will be made from interest on the Abandoned Mine Land Reclamation Fund ("AML fund") to cover the costs of orphans. The AML fund is financed by fees assessed on all coal mining companies. Potentially, up to $630 million of AML funds could be transferred to the Combined Fund.

Discussion

The primary policy goal of the Coal Act is to ensure that the benefits promised to retired union miners and their families continue to be paid without interruption. The Administration strongly supports this goal. In addition to our more specific concerns with re-opening current law, we would be particularly troubled by any amendments that could potentially weaken or undercut the contribution base from which retirees' benefits are funded.

Given the primary goal of protecting the retired miners and their families, the financing mechanism must ensure that there will be adequate funds to pay benefits into the future. Throughout the consideration of the Coal Act, there were two competing theories regarding the best way to finance these benefits. Some argued that the retired miners' benefits should be viewed as a problem of the coal industry generally and, thus, funded through an industry-wide financing mechanism, such as a coal tax. In contrast, proponents of the competing approach argued that the retired miners' benefits should be viewed primarily as the responsibility of a more limited group of coal company employers whose retirees are covered under the Funds. Both approaches are based on reasonable tax policies, and the Coal Act includes elements of each.

A pure industry-wide financing method, such as a coal tax, would spread the cost among all current industry participants and allocate the burden to businesses that currently produce the greatest amount of coal, as opposed to the reachback method that shifts the burden generally to those businesses that are responsible for a larger number of retirees. A coal-tax approach would favor companies that are no longer in the coal business but have coal miner retirees, and companies that are still in the coal business but have a large number of retired miners in comparison with their current coal mining operations. A coal tax generally has been viewed, however, as forcing western coal producers, where there is the greatest growth in coal production, to subsidize eastern coal producers that employed a majority of the retirees being provided health benefits and whose share of current coal production has significantly diminished.[2] A production-based premium also would tax non-union coal companies to pay for benefits earned by unionized labor. The Coal Act includes some elements of a coal-tax approach, because it provides for transfers from the AML trust to the Combined Fund.

The alternative approach focuses on the employers who are viewed as having greater responsibility for these retirees' health benefits when compared to the industry as a whole. This is the approach reflected in the reachback financing method. The crux of the argument against this approach is that the reachback method does not properly allocate costs in line with the employer's responsibility or, in the alternative, that the effects of allocating costs in this manner will be overly burdensome to particular categories of employers.

Some have argued that the law should have obligated only the then-current signatory employers to finance the Funds and that there should be no reachback to previous signatory employers. Proponents of this alternative believe that this group of signatory employers should bear the costs of all of the retiree health benefits on the theory that they helped cause the financial crisis in the Funds. For example, they argue that the BCOA negotiated a change in the basis on which contributions were calculated from tons of coal produced to hours of labor, which significantly reduced contributions to the Funds. On the other hand, the employers in the BCOA argue that they were being forced to pay for the health benefits of their competitors' retirees and thereby subsidizing those employers.

Others argue that the reachback should be limited only to post-1978 signatory employers. This type of limited reachback would be consistent with a contract law argument that only the post-1978 signatory employers are obligated to finance these benefits in the future because they signed an agreement that incorporated the evergreen clause. This argument ignores, however, that all employers that signed a wage agreement promised retiree health benefits to their employees and the employees have relied on that promise. In this regard, it should be remembered that the Coal Act was necessitated because the bargaining process and the prior wage agreements had not adequately protected the retirees' health benefits. Some of the effected employers have filed lawsuits challenging the constitutionality of the Coal Act.

[2] In 1970, 69 percent of the total amount of coal mined in the United States was attributable to employers that were signatories to the national wage agreement with the UMWA. In 1991, that figure had dropped to 29 percent. Coal Mining Trends -- NBCWA Coal Production, Fact Sheet of Bituminous Coal Operators Association, September 25, 1991.

The Department of Justice is defending those cases on the grounds that the Coal Act is a rational response by Congress and that there is no government taking or violation of due process in requiring these employers to pay for retiree health benefits.

Other proposals would exempt certain categories of employers from the pool of potential payors. Some companies have argued that they simply cannot afford these costs and that they will be forced out of business or into bankruptcy if they are required to pay. Similarly, companies that mine metallurgical coal, which is used to produce steel, argue that long-term, fixed-price contracts will make it difficult to recover the costs of retiree health premiums. Metallurgical coal companies, as well as other exporters, also argue that the highly competitive foreign coal markets will preclude them from recovering these costs. Other companies take the position that their specific wage agreements with the UMWA should be honored and that current law unfairly allows the union to back out of prior deals.

Although proponents of each of these various exceptions and exemptions argue that they are necessary to achieve equity, the result of exempting any employer from paying a share of the costs under current law necessarily shifts a greater portion of the burden onto that employer's competitors. For example, an exemption or other special tax relief for companies that mine metallurgical coal would likely exempt companies that have a large number of retirees receiving benefits. In this respect, such exemptions would be inconsistent with the underlying policy of placing a significant level of the responsibility on employers whose retirees are receiving health benefits.

Conclusion

In conclusion, the Administration believes that the Coal Act is a reasonable solution to a difficult problem. Moreover, we do not believe that re-opening the legislation or modifying the reachback financing method is likely to result in any clearly superior or more equitable sharing of the costs. Rather, our concern is that exemptions or special exceptions for certain categories of employers will result in a greater and disproportionate burden on those employers' competitors and ultimately less secure funding of the retired miners' benefits.

MID-SESSION REVIEW
OF THE
1994 BUDGET

EXECUTIVE OFFICE OF THE PRESIDENT OF THE UNITED STATES

OFFICE OF MANAGEMENT AND BUDGET

SEPTEMBER 1993

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

THE DIRECTOR

September 1, 1993

Honorable Thomas S. Foley
Speaker of the House of Representatives
Washington, DC 20515

Dear Mr. Speaker:

Section 1106 of Title 31, United States Code, requires that the President transmit to the Congress a supplemental summary of the Budget that was transmitted to the Congress earlier in the year. This supplemental summary of the Budget, commonly known as the Mid-Session Review, contains revised estimates of the budget receipts, outlays, and budget authority for fiscal years 1993-1998 and other summary information required by statute.

On July 15th, the date transmittal of the Mid-Session Review is required, the Administration issued estimates of the deficit under current law. At that time, the Administration stated that a Mid-Session Review would be issued when the reconciliation process was complete. This document now incorporates the effects of the Omnibus Budget Reconciliation Act of 1993 which produces over $500 billion of net deficit reduction.

At the President's direction, I have the honor to transmit the required Mid-Session Review of the Budget.

Respectfully yours,

Leon E. Panetta

Enclosure

Identical Letter Sent to The President of the Senate

For sale by the U.S. Government Printing Office
Superintendent of Documents, Mail Stop: SSOP, Washington, DC 20402-9328
ISBN 0-16-041811-9

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GENERAL NOTES

1. All years referred to are fiscal years unless otherwise noted.
2. All totals in the text and tables display both on-budget and off-budget spending and receipts unless otherwise noted.
3. Details in the tables and text may not add to totals because of rounding.

EXECUTIVE SUMMARY

> My fellow Americans, the test of this plan cannot be what is in it for me, it has got to be what is in it for us. If we work hard and if we work together, if we rededicate ourselves to creating jobs, to rewarding work, to strengthening our families, to reinventing our government, we can lift our country's fortunes again.
>
> PRESIDENT BILL CLINTON
> February 17, 1993

On February 17, 1993, President Clinton unveiled a bold plan to revitalize the American economy.

On August 10, on the South Lawn of the White House—202 days after taking office and 174 days after his address to the joint session of Congress—the President signed into law the Omnibus Budget Reconciliation Act of 1993. Congress has now acted to put the President's plan in place.

Enactment of the President's economic plan was a vital first step toward economic renewal, a long-overdue change in the fiscal direction of the nation.

Under the economic plan:

- *Credible deficit reduction:* The deficit will be reduced by $504.8 billion over five years; it is projected to fall below $200 billion by 1996. The rallies in the stock and bond markets confirm the credibility of these projections.
- *Balanced plan:* More than half the deficit reduction ($254.7 billion) will come from cuts in Federal spending, the rest ($250.1 billion) from tax increases. All of the tax increases, and two-thirds of the spending cuts, are directed to deficit reduction.
- *Tax fairness:* Eighty percent of the tax increase will come from households making over $200,000 of income—the top 1.3 percent of the population. Almost twenty million low-income working families will actually get a tax cut, while only the 1.4 million most well-off American households will pay higher income taxes.
- *Public investment:* Funding will be increased for investment in roads, technology, job training, immunization of young children, early childhood education, crime control and the environment.
- *Spending restraint:* Spending will be cut for defense, reimbursements of providers under Medicare, Federal workers' pay and Government administrative expenses, Federal retirement pay and other discretionary and entitlement programs.

Goals of the President's Plan

The key to better jobs and higher wages is increasing investment. The private sector is the universally accepted leader in achieving prosperity, productivity, and high-wage jobs. But private investment is not all we need to move the economy forward. What can the Government do to help?

- First, it can stop doing the harm of draining such a large portion of the Nation's saving to finance the Federal deficit; *deficit reduction* will facilitate *private investment.*
- Second, and at the same time, it can reorder its spending priorities toward *public investment* that enhances productivity growth and increases long-run economic prosperity.
- Third, it must achieve these goals with *tax fairness*—so that middle-class families

are protected, and those who have prospered the most carry their fair share.

Deficit Reduction

The benefits of deficit reduction are substantial:

- *Less Government borrowing:* With the Government borrowing less, less of our Nation's savings will be needed to finance the Federal deficit, and more of those savings will be available for private investment that will increase future productivity and wages.
- *Lower interest rates:* Interest rates will be lower—indeed, the Administration's commitment to continuing deficit reduction has already brought interest rates down to historic lows.
- *Greater private investment:* Lower interest rates make it cheaper for business to modernize and for families to buy homes and automobiles, thereby stimulating investment and creating jobs.
- *Better use of tax dollars:* Lower interest costs will also reduce the deficit even further, and enable the Government to devote a higher proportion of its resources to productive investments.

Reducing a large persistent budget deficit is extremely difficult; and for the past twelve years, our fiscal problems have been left to build their own momentum. Only two actions will bring the deficit down directly: spending cuts and tax increases. Both arouse strong political opposition. President Clinton showed leadership and courage in stepping up to the plate with his own specific plan to reorder our priorities, restore tax fairness, and put our budgetary house in order. Further, from the beginning, the President's economic program sought to reduce the deficit by spreading the cuts broadly over regions and programs so that no one is singled out for unfair treatment, as well as helping affected people and communities to adjust.

Public Investment

The private sector needs tools to do its work, and some of those tools can be supplied only by the public sector. Two-thirds of the savings from the Clinton spending cuts go toward deficit reduction; the other one-third are redirected into neglected productive investments to give our economy the vitality to grow and compete.

- Worker skills generated by education and training also increase productivity, wages, and growth.
- Basic scientific and technological research underlies much of our private sector activity.
- Much of the Nation's infrastructure—roads, bridges, transit, air traffic facilities, water systems—cannot be run at a profit by the private sector.

Tax Fairness

Over the 1980s, the tax burden shifted from upper-income households toward the middle class and the poor. The economic plan reverses those policies. With the pressing need for deficit reduction, tax fairness requires putting the additional burden on those with the greatest ability to bear it.

- While typical families struggle in an economy with a shortage of jobs in general, and of high-paying jobs in particular, the Clinton program provides an increased earned-income tax credit to almost twenty million families, and lifts families with two children and a parent working full-time at the minimum wage out of poverty.
- The typical middle-class family pays only an additional 4.3 cents per gallon on the gasoline tax, amounting to an average of $35 per year; because many households contribute a little, the deficit is reduced a lot.
- The most well-off Americans should expect to make the greatest contribution to deficit reduction; those with incomes of over $200,000 per year, about 1.3 percent of all households, will bear about 80 percent of the burden.

The Economic Plan in Law

The Administration's economic plan was developed in record time by the President and his economic team. Furthermore, since the first word of the formulation of the President's program reached the press, long-term interest rates have declined beyond the expectations of virtually all economic forecasters, and the stock market has reached new record highs—demonstrating the credibility of the plan, including its specific proposals to cut spending.

As enacted, the President's economic plan *reduces budget deficits* in 1994 through 1998 by a total of $504.8 billion; $254.7 billion of the deficit reduction results from net cuts in spending, $250.1 billion from net tax increases, measured over five years.

Spending Cuts

Under the President's plan, two-thirds of all savings from spending cuts go to deficit reduction; one-third are recycled into new priority investments to promote long-term economic growth. Examples of the spending cuts include:

- $71.3 billion in net savings in *entitlements* and other mandatory spending, including:

  —cost reductions in Medicare and Medicaid;
  —COLA and other restrictions in Federal retirement programs;
  —reforms in agriculture programs;
  —collecting from private health insurers for non-service-related Veterans medical care;
  —verification of incomes of low-income housing tenants; and
  —auctions to assign the radio spectrum.

- A real, enforceable five-year hard freeze on *discretionary outlays* that produces $107.7 billion in savings. The President has already proposed specific spending cuts in defense and nondefense programs in 1994 through 1998, including:

  —reducing the Federal work force by more than 100,000;
  —eliminating cost-of-living adjustments for Federal employees for 1994;
  —limiting and reducing subsidies;
  —streamlining departments and agencies, and
  —implementing defense savings in keeping with the needs of a post-Cold War world.

Investments and Incentives

The reconciliation legislation contains targeted business incentives and investments to expand the job-creating capacity of the private economy and the skills and productivity of American workers, students, and children, including:

- tax incentives to promote economic growth and increase the number of jobs, such as:

  —a 75 percent increase in the maximum expensing of investment;
  —a new targeted capital gains cut for long-term investments in small businesses;
  —reforms for treatment of depreciation with regard to the alternative minimum tax; and
  —expansion of the earned income tax credit for working families, especially those with children.

  The reconciliation legislation also extends tax incentives which had either expired or were about to expire, including:

  —employee education assistance;
  —research and experimentation;
  —tax-exempt industrial development bonds;
  —hiring disadvantaged workers;
  —the exclusion for part of the health insurance premiums of the self-employed;
  —low-income housing; and
  —mortgage revenue bonds.

- Targeted investments proposed by the President in his economic plan for the appropriations process include:

  —one-stop worker training, especially to help those who lose jobs from factory closings or other economic change to upgrade their skills and find new work;
  —a National Service program to help students to pay for college;

—targeted research and dissemination of new technology, through the National Institute of Standards and Technology, the National Science Foundation, the Department of Energy laboratories, and the Advanced Research and Products Administration of the Department of Defense;

—defense conversion, to ease the transition to the end of the Cold War;

—research in environmental technologies;

—a high-speed information highway, to facilitate sharing of information among schools, libraries, businesses, and households; and

—physical infrastructure, such as highways, mass transit, and other transportation facilities.

The reconciliation bill passed by the Congress provides for investments in mandatory programs, including:

—immunizations free to all uninsured children, and to underinsured children at certain Federal facilities, with reduced State expenses for children in the Medicaid program;

—ten Federal Empowerment Zones and 95 Enterprise Communities;

—The Mickey Leland Childhood Hunger Relief Act, providing a long-needed increase in food stamp nutrition assistance to those facing high shelter costs, many of whom are families with children; and

—The Family Support and Preservation Act, keeping families together by teaching parenting and by working with at-risk families to avert the need for foster care.

Revenues for Deficit Reduction

The reconciliation legislation contains $250.1 billion in net revenue increases, some 80 percent of which will come from taxpayers with incomes of more than $200,000—the one percent of the population most able to pay. All of these increased revenues are directed to deficit reduction. Revenue-raising provisions include the following:

- a new 36-percent marginal tax rate on taxable income exceeding $140,000 for joint returns, $115,000 for single taxpayers;
- a new 10-percent surtax on taxable income above $250,000.
- repeal of the $135,000 limit on income subject to the Health Insurance (Medicare) wage tax;
- reduction from 80 percent to 50 percent of the deductible amount of business meals and entertainment;
- elimination of the deduction for club dues;
- elimination of the deductibility of lobbying expenses;
- an increase in the top marginal corporate income tax rate, applicable to corporations with taxable income above $10 million, from 34 percent to 35 percent;
- a 4.3-cent-a-gallon increase in the tax on transportation fuels; and
- an increase from 50 percent to 85 percent in the amount of Social Security benefits subject to income tax for the 13 percent of beneficiaries with the highest total incomes.

Budget Enforcement

The reconciliation bill contains significant budget enforcement measures to guarantee that deficit reduction is real and that budget discipline is enforced for the next five years. These enforcement tools build upon the experience of the last ten years and strengthen those developed in the 1990 deficit reduction law. The sharp drop in long-term interest rates, along with the rally in the stock market, demonstrate that these spending controls are credible among the most critical observers of Federal government policy.

The budget enforcement tools in the reconciliation bill include:

- discretionary spending caps, requiring a five-year outlay freeze below the level of spending of 1993—a cut of about 15 percent below the level required to keep up with inflation;
- "pay-as-you-go" procedures, requiring that entitlement spending and receipts legislation be paid for so as not to increase the deficit, extended on a prospective five-year basis through 1998; and

- sequester mechanisms to enforce both the discretionary caps and the pay-as-you-go requirement.

In addition, the President signed two Executive orders to implement budget controls passed by the House in reconciliation but blocked by a minority in the Senate. They establish:

- a new separate entitlement budget with numerical targets, which requires explicit action by the President if entitlement spending grows beyond the level contemplated in the reconciliation bill; and
- a deficit reduction fund, which prevents the savings of the reconciliation bill from being used for any purpose other than deficit reduction.

The Economy and the Budget

The economy at mid-year looks slightly weaker than it did last winter, but signs point to stronger growth with low inflation for the remainder of the year, and the opportunity for steady expansion beyond. Apparently excessive inventories have been sold, and fears of an increase of inflation have dissipated. Once the economy overcomes the legacy of the 1980s—including the accumulation of debt and the overbuilding of real estate—the stunning reduction of long-term interest rates and the new record levels in the stock market, in response to the Clinton plan, lay the groundwork for a more solid economic expansion.

Measures of the deficit outlook have changed since the April budget for three reasons:

- most importantly, policy changes—notably the President's deficit-reduction package;
- technical reestimates; and
- the shift from the Congressional Budget Office (CBO) January economic forecast to the new Administration forecast. President Clinton adopted the CBO economic forecast for his Budget to remove differences in economic assumptions from the budget debate. However, the CBO assumptions were based upon the law then in place, not the President's economic program; and the mid-year revision of those assumptions has not yet been released (it is expected in the second week in September).

The budget deficit outlook is significantly improved.

- The 1994 deficit, which was estimated in April at $305.3 billion, is now estimated to be $259.4 billion. This is about 4.0 percent of GDP, instead of the 4.7 percent originally forecast. The President's deficit reduction package accounts for the full decline of $45.9 billion; other influences, including legislation and technical reestimates, largely cancel each other out.
- The 1998 deficit is now estimated to be $181.0 billion, $206.7 billion less than the April estimate of $387.7 billion. Of this change, $145.8 billion comes from the President's deficit-reduction program, and $65.5 billion comes from changes in the economic forecast—slightly offset by $4.7 billion for all other factors. As a percentage of GDP, the deficit is cut by more than half in five years—from 4.6 percent in 1993 to 2.2 percent in 1998.

Conclusion

Enactment of the President's economic plan was a long-overdue first step toward economic renewal. Significant deficit reduction and the President's priority investments will remove the shackles that have constrained the economy for so long—as the significant reduction of long-term interest rates and the rising stock market now demonstrate. America is becoming the Nation in which to invest, innovate, prosper and grow; and the American people will reap the benefits in the form of jobs, income growth, and economic security.

Still, there is more to be done. The Administration will now turn to three critical initiatives to improve the Nation's productivity and reinvent government to do more with less:

- Management of the Federal Government, where the National Performance Review, the recently enacted Government Performance and Results Act, mandates of the Chief Financial Officers Act of 1990, reform of the Federal procurement system, and ongoing efforts throughout Government will improve the quality of Government services to the public; reduce the cost of Government operations; and make Government more accountable and accessible to the American people. Further, the Administration is improving the Federal regulatory process, to ensure that regulation protects the health, safety, and well-being of Americans without imposing undue costs, paperwork, uncertainty or delays on businesses or individuals.
- Health care, where the Administration will shortly announce major reforms to reduce the rate of growth of costs in both the public and private sectors and ensure that all Americans have secure health insurance coverage.
- Trade liberalization, where the Administration is launching a major effort to open foreign markets so that American businesses and workers can compete on a level playing field—including the North American Free Trade Agreement (NAFTA) and the Uruguay Round of negotiations for the General Agreement on Tariffs and Trade (GATT).

THE CLINTON ADMINISTRATION'S PLAN FOR ECONOMIC CHANGE

On February 17, 1993, President Clinton unveiled a bold plan to revitalize the American economy. He challenged Congress to join him in reducing the huge persistent Federal deficit by enacting a combination of substantial spending cuts and carefully targeted tax increases. He also proposed shifting the mix of Federal programs from consumption toward investment in science and technology, worker skills, transportation and other productivity-enhancing infrastructure. And he proposed targeted tax incentives to encourage private-sector investment, especially in small business.

Congress has now acted to put the President's plan in place. In March the House and Senate passed a concurrent resolution on the budget which set spending and revenue totals for 1994 through 1998. This Congressional action reflected the outlines of the Administration's plan and called for $500 billion of deficit reduction over the five-year period. Then, on August 6, Congress passed H.R. 2264, the Omnibus Budget Reconciliation Act of 1993, bringing the tax code and the laws governing mandatory spending into line with the totals in the budget resolution and extending caps on discretionary spending that require a five-year freeze.

Under the economic plan:

- Credible deficit reduction: The deficit will be reduced by $504.8 billion over five years; it is projected to fall below $200 billion by 1996.
- Balanced plan: More than half the deficit reduction ($254.7 billion) will come from cuts in Federal spending, the rest ($250.1 billion) from tax increases. All of the tax increases, and two-thirds of the spending cuts, are directed to deficit reduction.
- Tax fairness: Eighty percent of the tax increase will come from households of over $200,000 of income—the top one percent of the population. Twelve million low-income working families will actually get a tax cut.
- Public investment: Funding will be increased for investment in roads, technology, job training, immunization of young children, early childhood education, crime control, and the environment.
- Spending restraint: Spending will be cut for defense, reimbursements of providers under Medicare, Federal workers' pay and Government administrative expenses, Federal retirement pay and other discretionary and entitlement programs.

This Mid-Session Review is a progress report on the Administration's economic revitalization program. It reviews the strategy behind the economic plan submitted in February and describes the changes that have been made as the Administration and the Congress worked together to turn the plan into legislation. It presents the Administration's latest economic forecast for both the short run and long run, updates the economic assumptions underlying the plan and presents new budget projections based on the revised assumptions. Finally, it looks beyond the economic plan itself to describe briefly the business still pending in the Administration's program for economic renewal.

Goals of the Plan: More Jobs, Better Jobs

Americans want to live and work in a vibrant, healthy economy. They want more people employed in high-wage, high-skill jobs. They want fewer workers to worry about unemployment, searching for other, equally attractive jobs, or losing their health insurance.

Americans want to bring home wages that provide a rising standard of living for their families and a brighter economic future for their children. They want to live in a society with opportunities for learning and advancement open to all who work hard—not just those who already have it made.

Ensuring a brighter economic future requires drastic changes in economic policy. The problem is not just recovering from the lingering recession that began in 1990; it is deeper and more fundamental. For far too long our economy has functioned below par (see Chart 1). Investment has lagged, and productivity advance has been agonizingly slow. Wages and family incomes have stagnated. Workers, especially young workers, have seen the door of opportunity closing.

For far too long, the Federal Government, instead of helping to solve the Nation's economic problems, has exacerbated them. It has lived beyond its means, draining much of the Nation's savings away from productive investment to finance huge unsustainable Federal deficits (see Chart 2). It has needed a large fraction of the revenues it collects from taxpayers to pay interest on the mounting pile of Government debt. It has failed to invest its resources effectively to help the economy change and grow.

The economic plan on which the Administration and Congress have agreed changes the direction of economic policy in two bold ways at once: it will bring the deficit down significantly over five years by cutting low-priority spending and raising revenues; and at the same time, it will shift the mix of Federal activities toward investment in a more productive economy. It will also reestablish fairness in the distribution of the burden of taxes among the population—lifting some of the load from low-income working families with children, while asking more from those most able to pay.

A Double Strategy for Productive Investment

The key to better jobs and higher wages in the future is increasing investment. If Americans are to work productively and compete effectively, we must be on the cutting edge of science and technology. We must invest in scientific research, develop new products and processes, modernize factories, offices and other work places, communicate rapidly and use the most effective technology to transport goods, people and ideas. Most especially, we must invest in skills. Both young people coming into the labor force and adults already at work must acquire the skills needed to be productive in a modern technological economy. We have no choice. Unless American workers use modern equipment and methods and acquire the skills to do so, other countries that are investing in skills and technology and modernization will pull ahead of us, while our standard of living continues to stagnate.

Most of the investment we need to raise our standard of living must be planned and executed by the private sector. What can the Government do to help? First, it can stop doing the harm of draining such a large portion of the Nation's saving to finance the Federal deficit; and accomplishes that goal in a way that shares the burden fairly. Second, and at the same time, it can change the nature of its spending and tax programs to give priority to incentives for private investment and to public spending that enhances productivity growth. This double strategy is doubly challenging and requires both clear explanation and political courage.

Cutting the Deficit

For more than a dozen years, the Federal Government has been running huge deficits every year (see Chart 3).

In FY 1993, under policies made last year, the Federal Government will spend about $1,425 billion (or about 23 percent of the Nation's total output) for all the goods and services it provides the public, including defense, Social Security, health care, national parks, and veterans' programs, as well as interest on the public debt. It will collect receipts from taxes and other sources of only about $1,140 billion (or 18 percent of the gross domestic product). Hence, it

Chart 1. REAL GDP GROWTH RATE

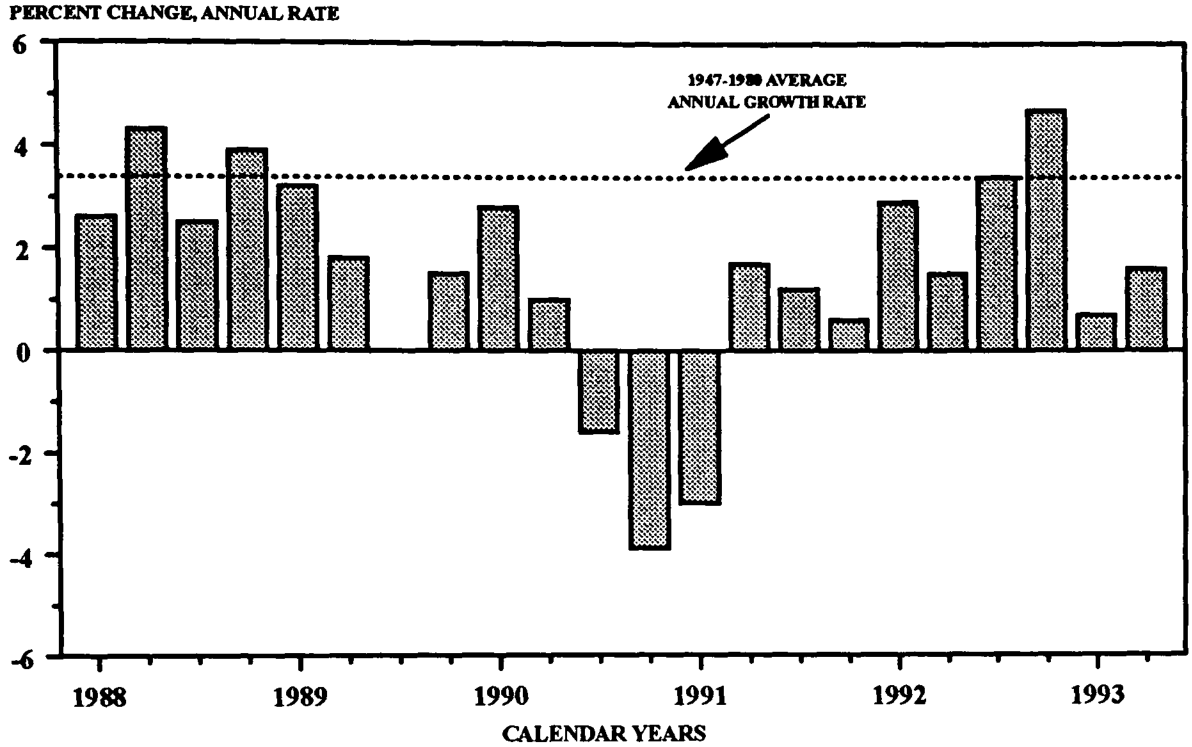
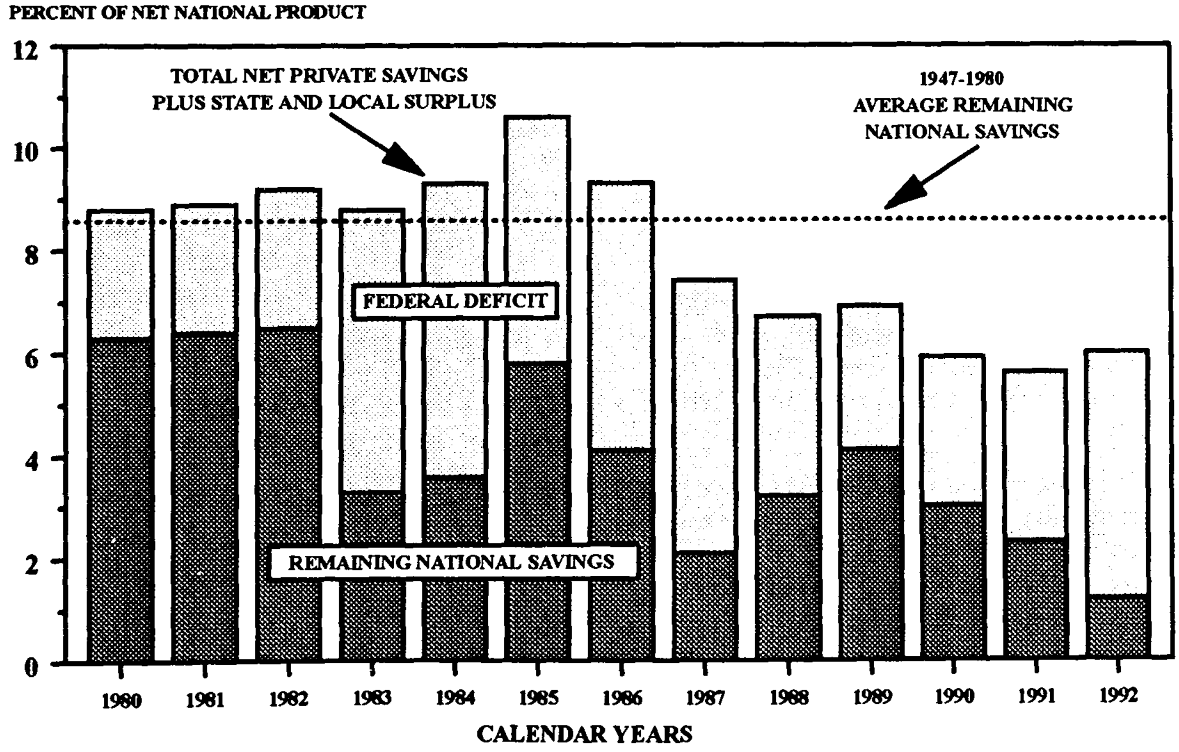


Chart 2. NATIONAL SAVINGS



will have to borrow about $285 billion (or about 5 percent of GDP) just to pay its bills. That amount will be added to the public debt—on which, of course, the Government has to pay interest.

If this were a short-term deficit created by a recession, it would not be a cause for alarm. Indeed, such a deficit would actually cushion the impact of the recession on the economy, and would require no corrective action because it would disappear when the economy recovered.

The current shortfall, however, is not just a temporary recession-induced deficit that will solve itself. Deficits have become "structural" or built-in, continuing whether the economy is in recession or not. Moreover, these structural deficits are growing. If laws are not changed, Federal spending is projected to grow faster than revenues; deficits will get bigger even without any new benefits or programs. This built-in growth in spending has two primary sources. First, the cost of Federal programs that finance medical care—for older Americans, families with low incomes, and veterans—is rising rapidly (as are medical costs in the private sector). Second, every year that the Federal Government runs a deficit, it adds to the amount of debt on which it must pay interest. The increased spending for interest adds to the deficit and further increases the debt. It is a vicious circle. The total Federal debt held by the public in 1993 was about $3 trillion or about half as large as the total GDP, up from $700 billion or about one quarter of GDP in 1980 (see Chart 4). Net interest on that debt was about $200 billion or about 14 percent of everything the Government spent, compared with $53 billion and 9 percent in 1980. Clearly, the excesses of the 1980s have returned to haunt us.

Large, persistent Federal deficits sap the economy's vitality. They drain private saving away from productive investment in the private sector and into financing the Federal Government's activities (see Chart 5). (For example, from 1947 to 1980, real net private investment averaged 7.4 percent of real net domestic product, whereas from 1981 to 1992, only 5.2 percent.) They keep interest rates high, making borrowing more costly for companies, state and local governments, students and homebuyers.

The benefits of deficit reduction are substantial:

- *Less Government borrowing:* With the Government borrowing less, less of our Nation's saving will be needed to finance Government activity, and more of that saving will be available for private investment that will increase future productivity and wages.
- *Lower interest rates:* Interest rates will be lower—indeed, the Administration's commitment to continuing deficit reduction has already brought interest rates down far more than even optimistic observers had predicted.
- *Greater private investment:* Lower interest rates make it cheaper for business to modernize and for families to buy homes, thereby stimulating investment and creating jobs.
- *Better use of tax dollars:* Lower interest costs will also reduce the deficit even further, and enable the Government to devote a higher proportion of its resources to productive investments.

Sharing the Responsibility of Deficit Reduction

Reducing a large persistent budget deficit is extremely difficult and all Americans will have to share in that responsibility. There are only two actions that will bring the deficit down directly—spending cuts and tax increases. Both arouse strong political opposition among virtually all who are affected.

It is easy to talk about cutting Government spending in the abstract. Indeed, speechmakers often call for cutting "waste, fraud and abuse" in Government programs as though there were a specific line item in the budget labeled "waste, fraud and abuse," that could simply be cut out. The actual line items in the budget, however, represent programs and activities that have political support and on which people depend for incomes and jobs.

Even if there is widespread agreement among objective analysts that a program

Chart 3. FEDERAL BUDGET DEFICITS

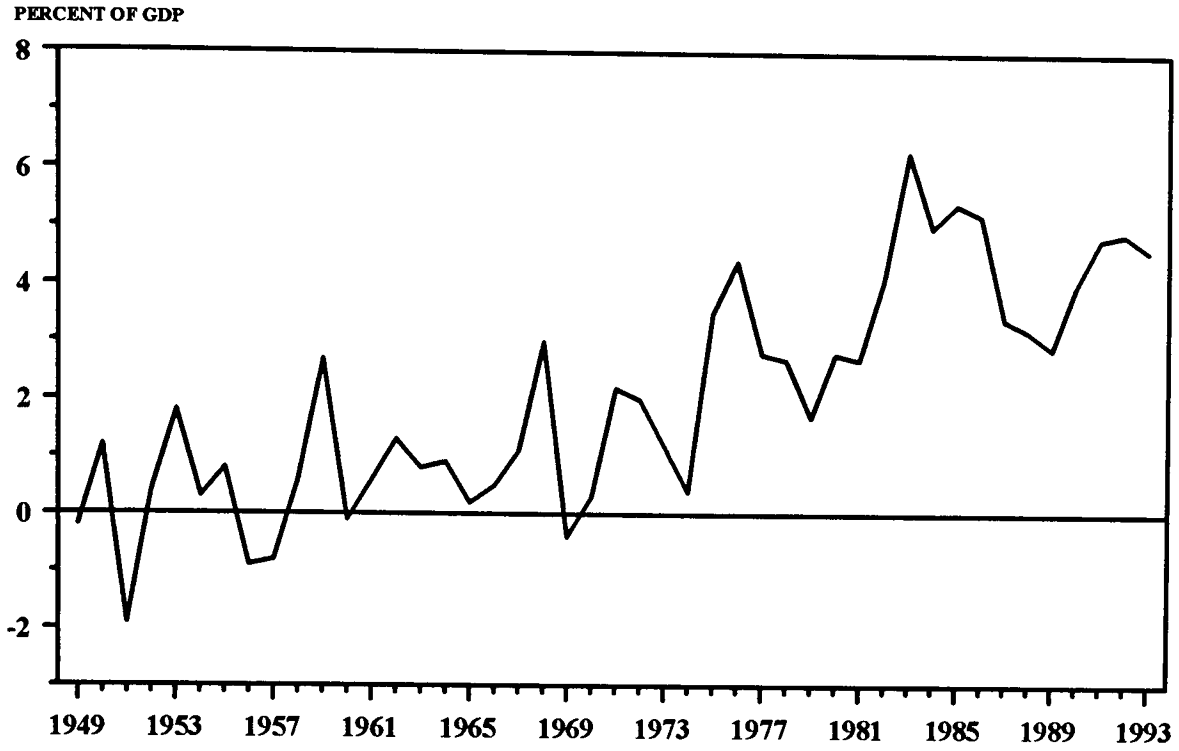


Chart 4. NATIONAL DEBT

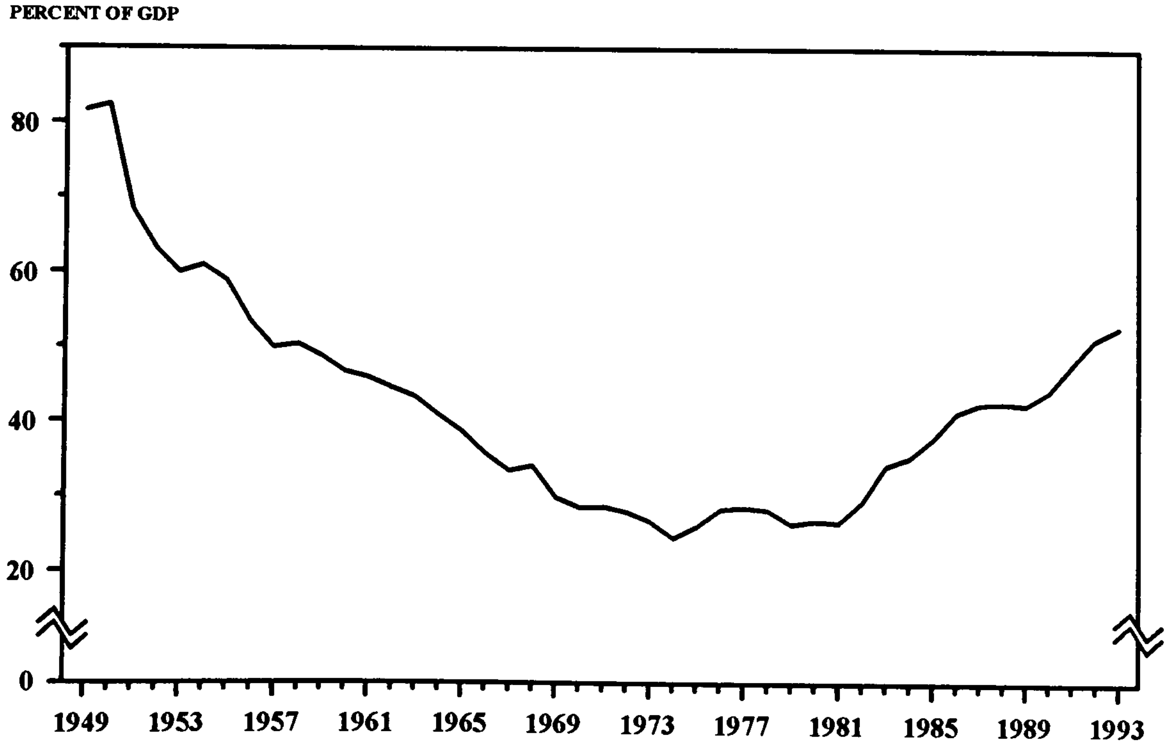
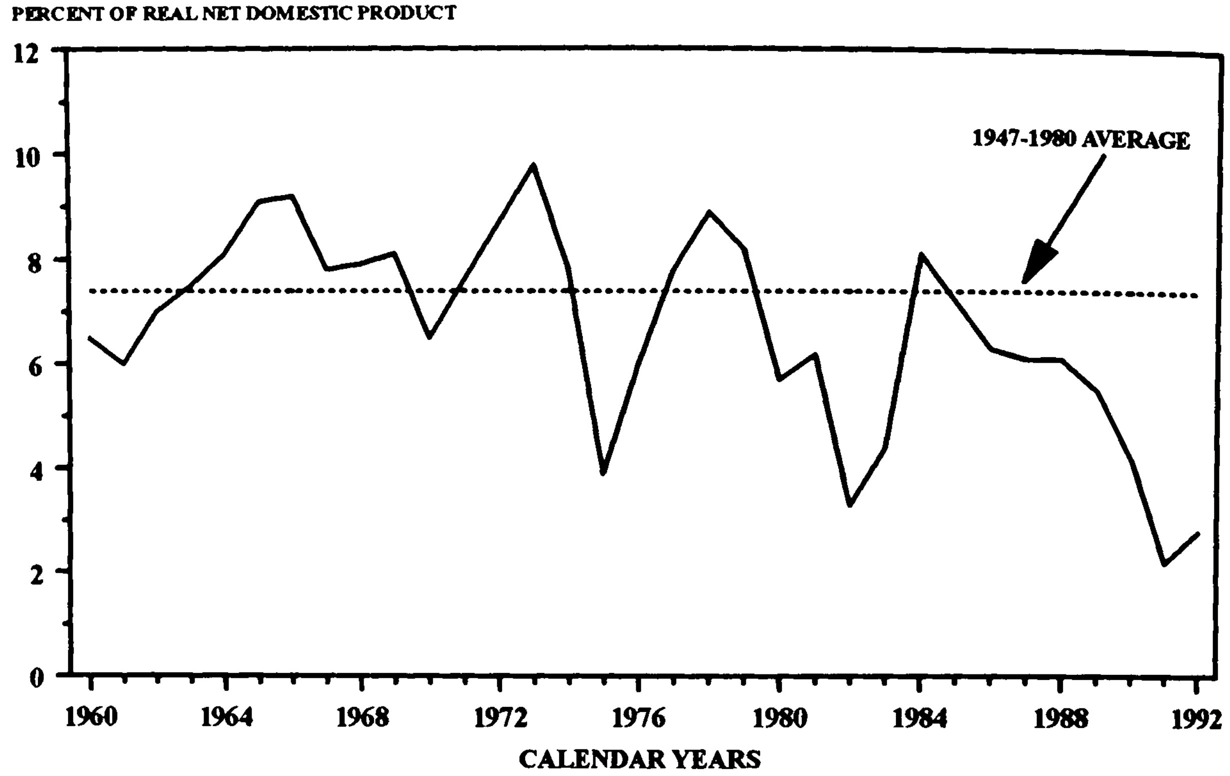


Chart 5. REAL NET PRIVATE INVESTMENT



or facility is inefficient or has outlived its usefulness, it may be agonizingly difficult to close it down. A military base may be deemed superfluous in the post-Cold War era, but the people who work there still have their lives disrupted when they have to find other jobs. An agricultural subsidy may stimulate unneeded production at taxpayer expense, but farmers and their families still depend on its continuation for their livelihood. Technological change or population shifts may have eliminated the need for local offices of a Government agency, but the communities these offices serve—and the people who work in them—still resent their being closed down. A bridge or an airport in one Congressional district may be described as "pork" in some other part of the country, but the people who live in the area are still likely to regard it as badly needed.

The most effective political argument against a cut in Government spending is that it affects some particular group or area unfairly. Moreover, the longer a program has operated, the more people are likely to have made personal and business decisions that assume its continuation, and the more they are likely to feel abused if the program is terminated or cut back. Mitigating the pain of cuts and muting the political opposition to them require spreading the cuts broadly over regions and programs so that no one feels singled out for unfair treatment, as well as helping people and communities adjust to the inevitable disruption.

The Timing of Deficit Reduction

The economic plan is designed to bring the deficit down in a manner consistent with continuing economic growth.

The Clinton Administration inherited a huge structural deficit in the Federal budget—approaching $300 billion and heading up. The difficult policy question was not *whether* to reduce the deficit; failure to reduce the deficit would have meant high interest rates, lagging investment, and continued stagnation in wages and family income. The difficult question was *how fast* to reduce the deficit. Moving too slowly would allow the Federal debt and its debt service burden to continue to pile up, would threaten financial stability, and would make the inevitable adjustment that much harder. Moving too quickly could slow the recovery from the 1990 recession; indeed, attempting to bring the deficit to zero over a period as short as five years would almost certainly throw the economy into a new recession which would escalate the deficit still further. The challenge before the Administration was to choose a set of policies that would put the deficit on a steady downward path, but not a path so steep that it would risk aborting the recovery. The Administration believes that bringing the deficit down by $500 billion over five years—from 4.6 percent of GDP in 1993 to 2.2 percent in 1998—is feasible and neither too fast nor too slow.

Concern that the deficit could come down too fast is not just an excuse for inaction. Deficit reduction—through spending cuts or tax increases—does drain purchasing power from the private sector of the economy. Recovery from the 1990 recession has been slow because the forces of recovery have had to overcome the legacies of the 1980s. The commercial real estate sector must absorb overbuilding and high vacancy rates. The defense sector must adjust to the end of the Cold War—a "peace dividend" to society at large, but an economic loss to the affected communities and firms. State and local governments are cutting spending and raising taxes to reduce their own fiscal pressures. Manufacturing and other export sectors are restructuring to meet competition and now face reduced demand overseas—caused in part by other nations' adjustment to their past excesses. Households and businesses alike are still working off the debt burdens that they accumulated through borrowing during the credit-driven expansion of the 1980s.

There are always excuses for avoiding deficit reduction. When growth is slow, there is concern that spending cuts and tax increases will slow it further. When the economy is strong, people see no obvious need for change. So like a leaky roof that is forgotten when the sun shines and cannot be fixed in the rain, our deficit endured through a dozen years of varying economic fortune. Realizing that delay could no longer be tolerated, the Administration and the Congress have chosen to act now.

Tax Fairness

The Federal tax code was significantly changed over the 1980s. The net effect of those changes was to shift the tax burden from upper-income households toward the middle class and the poor—largely through relative reductions in the yields of the individual and corporate income taxes, and a correspondingly heavier load on the payroll tax; but also through reduced income tax rates at the top of the income scale. With the pressing need for deficit reduction, this background must affect the allocation of necessary tax increases.

The point of focusing increased taxes on the most well-to-do households is not some punishment for success; it is the legitimate goal of every American family to prosper. Rather, our tax and deficit-reduction policy must be fair: any additional burden must rest with those with the greatest ability to bear it. While typical families struggle in an economy with a shortage of jobs in general, and of high-paying jobs in particular, households with extraordinary incomes should expect to make the greatest contribution to deficit reduction.

The Need for Public Investment

Deficit reduction improves long-term economic growth by facilitating private investment. The private sector is the universally accepted leader in achieving prosperity, productivity, and high-wage jobs in the long run. But private investment is not all we need to move the economy forward.

The private sector needs tools to do its work, and some of those tools can be supplied only by the public sector.

Basic scientific and technological research underlies much of our private sector activity, and the public sector logically should aid in such research. Ideas that have unknown commercial applications, or whose use might be generally applied, cannot be undertaken profitably in the private sector; the returns could not be captured by the firm doing the research, and the risks would be too great. The cost of funding such activity is quite small, but the potential returns are considerable. In addition, the dissemination of knowledge is a classic activity of government. It is seldom in the financial interest of private entities to spread information; but by so doing, the public sector often could benefit the entire society. In this vein, the Administration has proposed initiatives in research and dissemination, particularly within the Departments of Commerce and Energy, and the National Science Foundation.

Worker skills generated by education and training also increase productivity, wages, and growth. The public role in basic skills and education is crucial. It is far better for society that the education system generate capable workers than that private firms be forced to absorb the expense of bringing candidates up to minimum standards.

Much of the Nation's infrastructure—roads, bridges, transit, air traffic facilities, water systems—cannot be run at a profit by the private sector. Beyond the interests of public safety, delays in transporting people and goods add to costs and reduce productivity. The Administration has proposed a greater effort to provide the public share of the facilities needed for the private sector to grow.

Government can also facilitate change and ease the costs of inevitable transition when technology, military downsizing, environmental protection, or removal of trade barriers affects individuals or businesses in the short run. The Administration has proposed increases in Federal programs for workers and employers in transition—and easier access to those programs—so that positive change for society as a whole does not impose undue hardship on individual workers and firms.

The Clinton Economic Plan Will Work

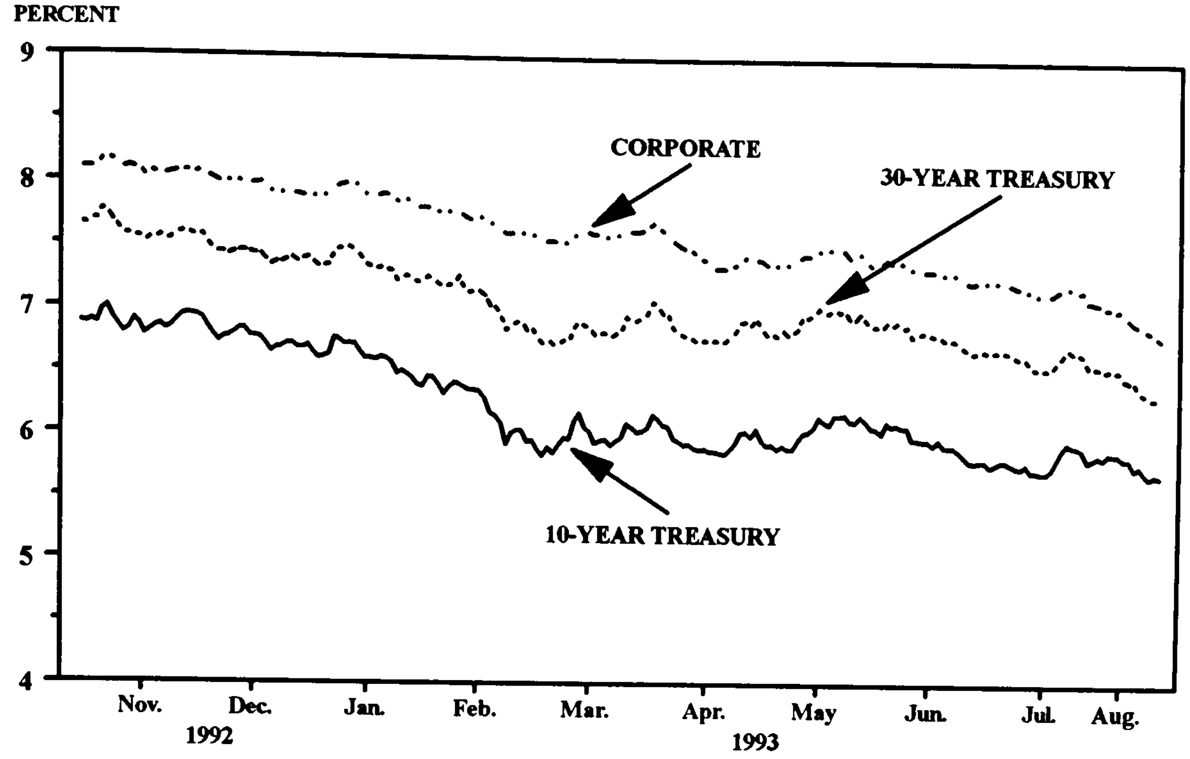
Balanced plan.—The Clinton economic program passed by the Congress provides for $254.7 billion in Federal spending cuts, and $250.1 billion of tax increaes, for a total of $504.8 billion of deficit reduction. The balance between spending cuts and tax increases avoids placing an undue burden on those who benefit from particular programs or pay particular taxes. The economic effects of tax increases and spending cuts are very much the same; both reduce the spendable incomes of households and businesses. However, the tax increases in the Administration's program disproportionately affect the most well-off members of society, who retain substantial spendable incomes even after the changes in the tax law; and it leaves the marginal tax rates on the highest incomes well below the level proposed by President Reagan in his original tax cut package of 1981. Thus, there is little reason to expect that the tax portion of the President's program will exert an irresistible downward pressure on the economy in the near term.

Lower interest rates.—Moreover, credible deficit reduction should provide its own short-run macroeconomic antidote through reduced interest rates. Lower interest rates induce business investment in new plant and equipment, which increases our productive capacity and productivity. Lower interest rates also stimulate household "investment" in homes and consumer durables, which will help to create jobs.

Credible deficit reduction.—Since the first word of the formulation of the President's program reached the press, long-term interest rates have declined beyond the expectations of virtually all economic forecasters (see Chart 6). The drop in the 30-year Federal bond rate has been almost one and one-half percentage points; private-sector bond and mortgage rates have fallen correspondingly. These lower interest rates, and the economic activity that they will continue to stimulate, will be an important support for the economy as the deficit reduction works its way through the system.

There is solid evidence that the decline in long-term interest rates has not been caused by an anticipation of economic weakness. If that were true, the stock market would have declined, because it would have

Chart 6. DECLINE OF INTEREST RATES



anticipated reduced profits as a result of the slowdown. On the contrary, the stock market has reached record highs at the same time that interest rates have declined.

Nor is the decline in interest rates solely the continuing consequence of a long-standing reduction of inflation. In fact, the inflation rate has been at about the same low level for ten years. The decision of the President and the Congress to act on the deficit has finally convinced financial markets that Federal economic policy will be responsible, making continued near-stable prices more likely, and thus allowing long-term interest rates to fall to a level in keeping with current inflation.

Thus, the behavior of both stock and bond prices reflects a consensus in the financial markets that the plan will work and will bring the deficit down. The lower interest rates and equity financing costs that reflect that consensus have already benefitted the economy and will continue to enhance its future growth. With interest rates down, the manufacturing sector is better prepared to respond to a resumption of growth overseas with increased investment for export production; and the household sector can more easily respond to job expansion with increased demand for homes, autos, and other consumer durable goods. Because of the credibility of the plan in the financial markets, and the President's determination to clean the Nation's financial house in the first days of his Administration, we can expect that interest rates will remain low.

Budget process discipline.—The economic plan uses and expands upon the successful features of past deficit reduction efforts to lock-in its credible deficit reduction. These include strengthened and extended discretionary spending caps and "pay-as-you-go" rules from the 1990 budget agreement.

The 1990 budget agreement imposed caps on discretionary spending, which both the Congress and the Executive Branch obeyed. (The "emergency" clause in the Budget Act, cited by some as a major loophole, sanctioned a total of $8 billion in spending over the past three years—for such obvious disasters as Hurricane Andrew—or only about one percent of the deficits over those years.) The restraint on new entitlement spending and tax cuts through the "pay-as-you-go" process also has been enforced.

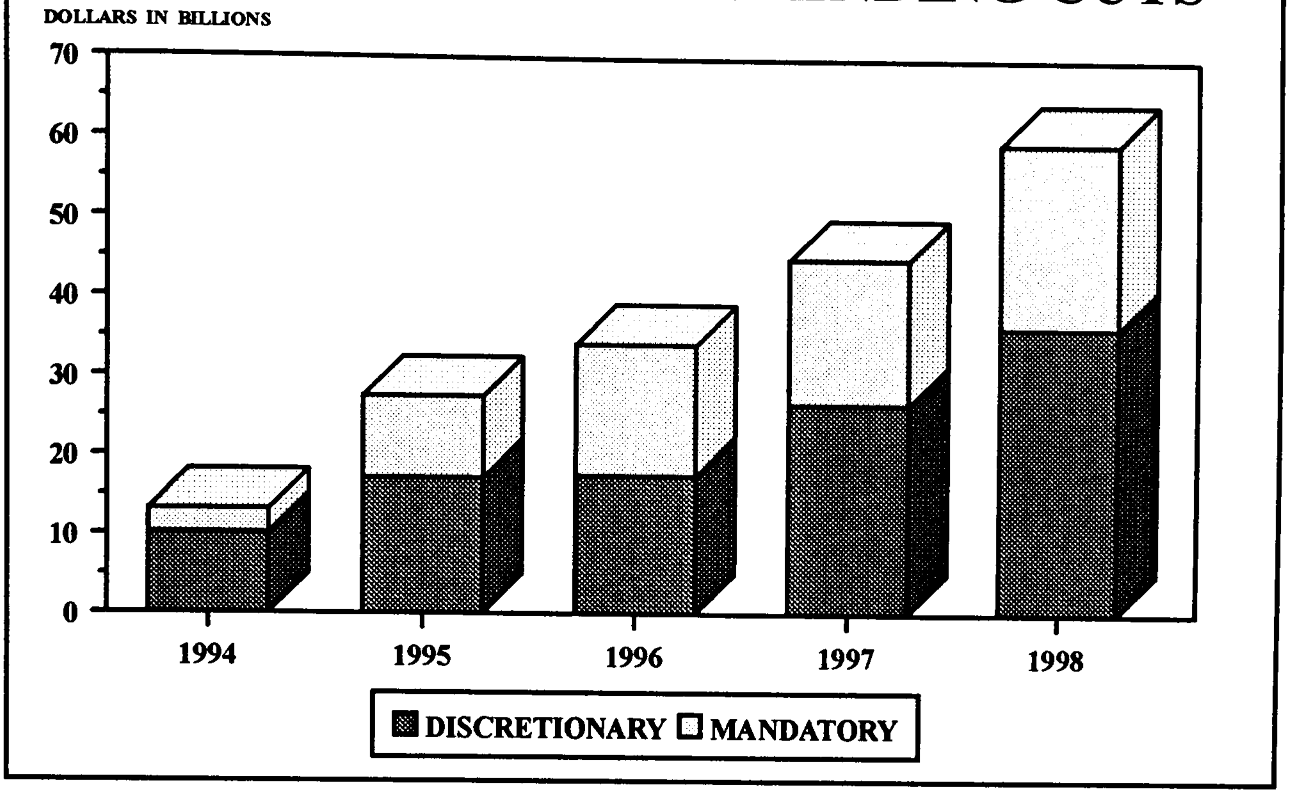
The deficit increased over the projections of the 1990 budget accord for two reasons that do not apply now: because the economy slid into a recession (which began six months before the provisions of the budget agreement took effect and was exacerbated by the subsequent Iraqi invasion of Kuwait, which also preceded the budget agreement); and because pre-existing health care programs have grown more rapidly than was anticipated at the time. Today's situation is different on both of these scores. First, the economic projections underlying the President's budget program are far more cautious than the rosy assumptions used in 1990; they anticipate growth very close to the consensus of private forecasters, and they assume interest rates higher than we observe today. And second, we have learned more about entitlement behavior since 1990, and the projections today are more cautious on that front as well. In fact, this Mid-Session Review reestimated entitlement costs downward, because actual data since the beginning of this year show that the budget's projections were too high. Further, the President's program includes substantial cuts in the important medical care entitlements, and the Administration is preparing a comprehensive health care reform for release later this year. Thus, there is every reason to believe that the President's plan will bring the deficit down; and the behavior of the financial markets endorses this view.

Real spending cuts.—The Administration's proposed spending cuts will produce solid budget savings in the long run. The outlay reductions in the first year are smaller than those in later years. However, the Administration proposed specific and immediate spending cuts to achieve the deficit reduction targets in its original budget submission; decisions were not deferred, and action was not delayed. The timing of spending from Federal programs determines the rate at which budget savings materialize.

All Federal spending programs involve commitments to future outlays; for many programs (most notably large construction projects, like building an aircraft carrier), those commitments extend over a number of years. Terminating such programs would eliminate further commitments, but would not absolve the Federal Government from keeping commitments made in the past; we can cut the flow of spending into the pipeline, but we cannot eliminate past commitments already in the pipeline.

Because of this reality, the bad news is that it is impossible to achieve large immediate spending savings by cutting programs whose costs would occur mostly in later years. But the good news is that cutting such programs can achieve significant long-term deficit reduction, even if the reward is not immediately apparent (see Chart 7, which shows how the savings from the more than 150 specific spending cuts in *A Vision of Change for America* grow over time).

Chart 7. GROWTH IN SPENDING CUTS



THE PRESIDENT'S PLAN MOVES THROUGH CONGRESS

The Administration's economic plan was developed in record time by the President and his economic team. On February 17, the President addressed a joint session of the Congress to outline his plan and ask for the support of the lawmakers and the Nation.

"A New Direction"

Much of the President's program was based on the proposals on which he had campaigned during 1992. Calling for the country to move in "a new direction," he urged the adoption of nearly $500 billion in net deficit reduction over five years, with roughly equal amounts of spending cuts and revenue increases. The spending cuts were to come from several specific entitlement reductions as well as discretionary spending savings. Most of the revenues were to come from increased taxes on upper-income taxpayers; a smaller portion was to come from an energy tax.

The President also called for targeted investments—fully paid for so as not to add to the deficit—to make our children healthier and better learners, to make our workers more productive, to improve conditions for working families, to spur economic growth and make life safer in our communities, and to encourage job-producing investments in small business.

"[M]ore than anything else," he said, "our task tonight as Americans is to make our economy thrive again ... [I]t has been too long ... since a President has come and challenged Americans to join him on a great national journey, not merely to consume the bounty of today, but to invest for a much greater one tomorrow."

On that same day, the Administration issued *A Vision of Change for America,* a comprehensive description of the President's plan, with detailed proposals for spending cuts, investments, revenue increases, and tax incentives.

The President also proposed starting some of the investments in 1993 to stimulate immediate job growth and to speed up economic recovery. The 1993 measure was approved by the House, but it was killed in the Senate, where majority support was not enough to overcome a filibuster by a minority of Senators.

The Budget Resolution

The Congress went to work on the President's plan immediately, holding hearings and then drawing up a budget resolution for 1994 which embodied the essential elements of the President's plan. The House and Senate adopted their versions of the budget resolution on March 18 and March 25 respectively, and on April 1, the final version of the budget resolution was approved. This was the earliest approval date in the history of the modern Congressional budget process. The most significant change from the President's plan was to make further spending cuts by imposing a hard, five-year freeze on discretionary outlays.

On April 8, the President submitted to Congress his formal budget for 1994. It was the first time in recent years that a new President had been required to submit a complete budget almost immediately upon assuming office. The budget contained the line-by-line details behind the plan that had been issued in February.

Implementation of the budget resolution in the Congress involves two separate processes—reconciliation and appropriations.

Reconciliation is the vehicle for enactment of the entitlement spending savings, the revenue increases, the tax incentives, the investments in mandatory programs, and the budget enforcement tools for obtaining discretionary spending savings and locking in deficit reduction.

It is in the appropriations process that discretionary savings for deficit reduction and investments in discretionary programs are implemented.

Reconciliation

The Congressional budget resolution contained reconciliation instructions to 13 House Committees and 12 Senate Committees. They were called upon to achieve savings and investments in a number of entitlement and other mandatory programs and, in the case of the tax-writing committees, to propose revenue increases and tax incentives as well.

Every committee complied with its reconciliation instructions, the combined measures were reported to the House and Senate, and each body adopted its version of the Omnibus Budget Reconciliation Act of 1993—the House on May 27, the Senate on June 25. The measures were similar in that they embodied the principles of the President's original plan: including approximately $500 billion in deficit reduction over five years, about evenly split between spending cuts and tax increases; key investments; and tax incentives for small businesses. However, several provisions differed between the two bills. Those differences were resolved in a House-Senate conference, and the final reconciliation bill was adopted by the House on August 5 and the Senate on August 6.

On August 10, on the South Lawn of the White House—202 days after taking office and 174 days after his address to the joint session of Congress—the President signed into law the Omnibus Budget Reconciliation Act of 1993.

The Act reduces budget deficits in 1994 to 1998 by a total of $504.8 billion; $254.7 billion of the deficit reduction results from net cuts in spending, $250.1 billion from net tax increases. These changes are shown on Table 1.

Table 1. DEFICIT REDUCTION PACKAGE

(In billions of dollars)

	1994	1995	1996	1997	1998	1994–1998
Outlays:						
Entitlement changes in reconciliation:						
Increase earned income tax credit	0.1	1.7	4.3	6.0	6.2	18.3
Expand Food stamp assistance	*	0.3	0.5	0.8	1.0	2.7
Extend Big Six formula for determining the Government share of Federal employee health benefits	0.3	0.5	0.6	0.6	0.7	2.8
Promote family preservation/child welfare	0.3	0.1	0.3	0.3	0.3	1.4
Expand social services block grants	0.1	0.4	0.5	*	—	1.0
Increase childhood immunization	—	0.3	0.2	0.2	0.2	0.9
Reform Medicare	–1.9	–5.4	–9.7	–14.0	–18.1	–49.1
Auction radio spectrum	–0.5	–4.3	–4.2	–1.6	–2.0	–12.6
End lump sum and delay COLA's for retired Federal employees	–0.4	–0.8	–2.9	–3.6	–3.7	–11.5
Reform Medicaid	*	–1.0	–1.8	–2.2	–2.3	–7.2
Shift to direct student loans and require States to share default costs	–0.4	–0.4	–0.7	–1.0	–1.1	–3.6
Extend veterans medical cost recovery, increase home loan fees, and revise other veterans benefits	–0.3	–0.6	–0.7	–0.7	–1.2	–3.5
Permanently extend customs fee	—	—	–0.6	–0.6	–0.6	–1.8
Extend Nuclear Regulatory Commission fee	—	—	–0.4	–0.4	–0.4	–1.1
Reform agriculture farm price supports and crop insurance programs	–0.1	–0.4	–0.4	–0.4	–0.4	–1.7
Complete payment of outstanding postal liability	—	—	–0.3	–0.3	–0.3	–1.0
Establish IRS income verification for certain HUD programs	—	—	–0.2	–0.4	–0.4	–1.0
Other	–0.2	–0.7	–1.0	–1.1	–1.2	–4.3
Subtotal, reconciled entitlements	–2.9	–10.3	–16.5	–18.3	–23.3	–71.3
Maintain and extend discretionary caps	–10.2	–17.2	–17.5	–26.6	–36.2	–107.7
Shorten debt maturities	–1.6	–2.7	–3.3	–3.9	–4.9	–16.4
Debt service	–1.3	–5.0	–10.4	–17.3	–25.5	–59.6
Other	–3.2	–0.6	1.5	*	2.6	0.2
TOTAL, outlays	–19.3	–35.8	–46.2	–66.1	–87.3	–254.7
Revenues:						
Extend R&E tax credit	2.1	1.1	0.7	0.3	0.1	4.3
Extend low-income housing tax credit	0.2	0.5	0.8	1.2	1.5	4.3
Increase expensing for small business (Sec 179)	1.6	1.0	0.7	0.4	0.2	4.0
Expand earned income tax credit	*	0.4	0.7	0.9	0.9	2.9
Modify passive loss rules for certain real estate	0.3	0.5	0.5	0.5	0.6	2.4
Modify alternative minimum tax depreciation rules	0.1	0.4	0.6	0.6	0.5	2.1
Establish empowerment zones/enterprise communities	0.2	0.3	0.4	0.5	0.6	2.0
Extend employer-provided education assistance	0.9	0.1	—	—	—	1.0
Provide incentives for small business (capital gains)	*	0.1	0.2	0.2	0.3	0.8
Extend targeted jobs tax credit	0.2	0.2	0.1	0.1	*	0.6
Provide other investment incentives	1.9	0.5	0.2	–0.2	–0.5	1.9
Raise individual income taxes for upper incomes	–17.0	–25.8	–28.5	–26.0	–27.2	–124.5
Repeal HI taxable wage base	–2.7	–6.0	–6.4	–6.8	–7.2	–29.2

Table 1. DEFICIT REDUCTION PACKAGE—Continued

(In billions of dollars)

	1994	1995	1996	1997	1998	1994–1998
Increase transportation fuels tax	–4.5	–4.6	–4.9	–5.0	–5.0	–24.0
Increase taxable portion of social security benefits to 85%	–1.5	–3.9	–4.1	–4.3	–4.5	–18.3
Restrict deduction for business meals and entertainment to 50%	–1.8	–3.1	–3.4	–3.6	–3.9	–15.9
Increase top corporate income tax rate on large corporations to 36%	–3.8	–2.5	–2.6	–2.7	–2.7	–14.3
Extend 2.5 cent-per-gallon motor fuel tax	—	—	–2.6	–2.7	–2.7	–8.0
Modify corporate estimated income tax rules	–1.9	–0.4	–0.1	–3.9	–0.8	–7.1
Modify mark to market for security dealers	–0.9	–1.0	–1.0	–1.0	–0.6	–4.3
Limit possessions tax credit (Sec. 936)	–0.2	–0.7	–0.8	–1.0	–1.1	–3.8
Enforce transfer pricing compliance	–0.2	–0.6	–0.9	–1.0	–1.1	–3.8
Reduce pension compensation cap	–0.3	–0.8	–0.8	–0.9	–0.9	–3.8
Reinstate top estate tax rates at 53% and 55%	–0.5	–0.5	–0.6	–0.6	–0.6	–2.8
Modify deduction for moving expenses	–0.1	–0.5	–0.5	–0.6	–0.6	–2.3
Revise foreign tax credit/oil and gas and shipping income	–0.4	–0.4	–0.4	–0.5	–0.5	–2.2
Extend FUTA surtax	—	—	—	–0.9	–1.2	–2.1
Modify estimated tax requirements for individuals	2.2	0.2	0.2	–4.0	–0.1	–1.5
Other	–1.4	–1.4	–1.9	–2.1	–2.0	–8.7
TOTAL, revenues	–27.4	–46.9	–54.3	–62.8	–58.6	–250.1
Deficit reduction	–46.8	–82.7	–100.6	–128.9	–145.8	–504.8
ADDENDUM:						
Investment increases included above	8.0	8.1	10.6	11.9	12.0	50.5

NOTE: Revenue increase is shown as a negative because it reduces the deficit.
* $50 million or less.

Spending Cuts

Following is a summary of the five-year entitlement and discretionary spending cuts in the Omnibus Budget Reconciliation Act of 1993:

Entitlement Savings.—The reconciliation bill contains $71.3 billion in net savings in entitlement and other mandatory spending. The savings are in the following programs:

- **Medicare.**—The $49.1 billion in savings in Medicare reduce the growth that is projected for the program over the next five years. The savings are achieved primarily by slowing the growth of allowable payments to hospitals, doctors, and other providers, without increasing costs for beneficiaries.
- **Medicaid.**—The $7.2 billion in savings is primarily from two provisions:

  —Payments to certain hospitals that serve a disproportionate share of low-income patients will be reduced by not allowing the payments to exceed the cost of providing services, as they frequently have under previous law.

  —Also, the legislation repeals a current provision that would have required state spending on personal care.
- **Federal retirement programs.**—The law contains $11.5 billion in savings in this category, primarily from the following provisions:

  —The law delays the payment of cost-of-living adjustments for Federal civilian and military retirees. The savings occur because retirees do not receive cost-of-living increases in their payments during the periods of delay.

  —The law eliminates the "lump-sum" retirement option, which would otherwise permit retirees to take all of their retirement benefits immediately instead of stretching them out over time.

- **Agriculture programs.**—The legislation contains $1.7 billion in savings from agriculture programs. These include:

  —reforms to increase the actuarial soundness of the Federal crop insurance program, thus reducing losses in the program;
  —reducing "PAY/92" payments to farmers which encourage them not to grow crops on certain land; and
  —reducing from $125,000 to $50,000 the maximum payments made to farmers in the honey and wool and mohair programs.

- **Veterans programs.**—The law provides for $3.5 billion in savings from a number of provisions, some of which extend laws which otherwise would have expired. These include:

  —using Internal Revenue Service data to check veterans' eligibility for income-based pension and medical care programs;
  —requiring higher-income veterans with no military-related disabilities to make copayments for VA medical care; and
  —collecting payments from private health insurers for the cost of treatment for conditions not related to a veteran's military disability.

- **Child support enforcement.**—Federal welfare payments will be reduced by $0.3 billion by implementing measures to increase the number of fathers who pay child support to their families. State payments will also be reduced. The measures include establishment of paternity in the hospital when babies are born and improved standards for performance of State Child Support Enforcement agencies.

- **Student loan reforms.**—Implementing the President's plan for direct student lending will save $3.6 billion by eliminating profit-making intermediaries in the guaranteed student loan programs. While the program is phased in, profits for intermediaries—banks, guarantee agencies, and others—will be reduced.

- **Housing.**—Use of Internal Revenue Service data to verify tenant incomes in HUD rent-subsidy programs will reduce payments to those who underreport their income. Estimated entitlement savings are $1.0 billion over five years.

- **Spectrum auction.**—An estimated $12.6 billion dollars will be raised by the use of auctions to assign the radio spectrum.

Discretionary Savings.—The legislation contains a real, enforceable five-year hard freeze on discretionary outlays that produces $107.7 billion in savings. The President has already proposed specific spending cuts in defense and nondefense programs in 1994 through 1998 to achieve those savings as well as pay for the majority of the President's proposed investments in those years. The Administration is seeking additional savings to offset the President's remaining proposed investments under the discretionary spending caps.

The savings proposed by the President come from a number of areas, including reducing the Federal work force by more than 100,000, eliminating cost-of-living adjustments for Federal employees for 1994, reducing programs that do not work or are no longer needed, limiting subsidies, improving management, streamlining departments and agencies, and implementing defense savings in keeping with the needs of a post-Cold War world.

Investments

The reconciliation legislation contains targeted business incentives and investments to expand the job-creating capacity of the private economy and the skills and productivity of American workers, students, and children. They include:

- **Earned income tax credit.** The expanded earned income tax credit will reward the labor of some 20 million low-income working families and individuals. It will help lift millions of low-income working families with children from poverty. This investment is a major step toward the President's goal of changing the welfare system so that work is rewarded, not discouraged.

- **Children's immunizations.** The President's plan for Federal Government purchase of vaccines will provide free immunizations to all uninsured children, make free immunizations available to underinsured children at certain Federal facilities, and reduce State expenses by taking over the full cost of immunizations for children in the Medicaid program.

- **Empowerment zones.** After years of discussion and debate, the reconciliation legislation makes Federal Empowerment Zones and Enterprise Communities a reality. The legislation provides resources for the creation of ten Empowerment Zones (six urban, three rural, and one Indian) and 95 Enterprise Communities. The program will encourage private sector development in some of the Nation's most economically distressed areas.

- **Mickey Leland Childhood Hunger Relief Act.** The Mickey Leland Childhood Hunger Relief Act provides a long-needed increase in food stamp nutrition assistance to those facing high shelter costs, many of whom are on the brink of homelessness. The preponderance of new benefits will go to families with children.

- **Family Support and Preservation Act.** This initiative focuses on innovative programs for keeping families together by teaching parenting and by working with at-risk families to avert the need for foster care.

Tax Incentives

The reconciliation legislation included several tax incentives to promote economic growth and increase the number of jobs.

- **Expensing of investment.** The maximum expensing of investment (especially important for small businesses) is increased from $10,000 to $17,500 to encourage job-creating capital investments.

- **Capital gains exclusion.** A new targeted capital gains exclusion is created for long-term investments in small businesses.

- **Depreciation.** Reforms are provided for the manner in which depreciation is treated with regard to the alternative minimum tax.

The reconciliation legislation also extends the following tax incentives which had either expired or were about to expire:

- **Targeted jobs tax credit.** This credit encourages employers to hire additional disadvantaged workers.

- **Employer education assistance exclusion.** This exclusion from employment income encourages employers to help their employees further their education and improve their productivity.

- **Research and experimentation tax credit.** This credit encourages businesses, particularly those in cutting-edge industries, to put profits into the development of new products and ideas.

- **Low-income housing tax credit.** This credit is made permanent to stimulate investment in low-income housing.

- **Small-issue industrial development bonds.** These bonds help communities build their local economies.

- **Mortgage revenue bonds.** These bonds assist community programs to enable more people to purchase their own homes.

Revenue Increases

The reconciliation legislation contains $250.1 billion in net revenue increases, some 80 percent of which will come from taxpayers with incomes of more than $200,000. Revenue-raising provisions include the following:

- a new 36-percent marginal tax rate on taxable income exceeding $140,000 for joint returns, $115,000 for single taxpayers;

- a new 10-percent surtax on taxable income above $250,000.

- repeal of the $135,000 limit on income subject to the Health Insurance (Medicare) wage tax;

- reduction from 80 percent to 50 percent of the deductible amount of business meals and entertainment;

- elimination of the deduction for club dues;

- elimination of the deductibility of lobbying expenses;
- an increase in the top marginal corporate income tax rate, applicable to corporations with taxable income above $10 million, from 34 percent to 35 percent;
- a 4.3-cent-a-gallon increase in the tax on transportation fuels; and
- an increase from 50 percent to 85 percent in the amount of Social Security benefits subject to income tax for the 13 percent of beneficiaries with the highest total incomes.

Appropriations

Under the newly extended spending caps, both the spending cuts and the investments in the President's economic plan will be implemented over the next five years in the annual appropriations process. Appropriations are crucial to achieving the President's goal of changing the way the Federal Government allocates resources. Wasteful, unnecessary, or outmoded spending must be eliminated, with the resulting savings going to deficit reduction and to needed investments in people, in communities, in the economy.

The President has already proposed more than 200 specific five-year spending cuts in defense and nondefense programs to bring spending down. Those savings will finance the President's proposed investments.

The investments are targeted toward a number of areas critical to the Nation's future economic growth and to higher living standards for all of our people. They include restoring and improving our highways, bridges, and environmental infrastructure, improving our children's education, preparing them to be educated better with investments in Head Start and the WIC feeding program, and fighting crime in our urban and rural areas.

At this writing, the House has completed action on 11 of the 13 appropriations bills for 1994. The Senate has approved five appropriations bills. The two bodies have reached final agreement on one 1994 appropriation bill.

Because the appropriations process probably will not be completed until nearly the end of the current year, it is impossible to predict the final outcome. However, at this time, it appears that the Congress will fund most of the President's investments for 1994.

In addition, the Office of Management and Budget and the departments and agencies are working together to find the additional 1995 savings that will be needed to fund the President's investments in that budget when it is presented next year.

Budget Enforcement

The reconciliation bill contains significant measures to guarantee that deficit reduction is real and that budget discipline is enforced for the next five years. First, the measures extend through 1998 the discretionary spending limits and the "pay-as-you-go" procedures for direct spending and receipts legislation in the Budget Enforcement Act of 1990 (BEA), which have worked to restrain spending. Second, the bill extends the sequester mechanisms that enforce the discretionary caps and the pay-as-you-go requirements.

In addition, the President signed two Executive orders that implement budget controls passed by the House in reconciliation but blocked by a minority in the Senate. One Executive order establishes a new mechanism to control mandatory spending—a separate entitlement budget with numerical targets. If entitlement spending goes above those targets in the next four years, a special Presidential message to Congress would be triggered specifically addressing the excess. Together with changes in House rules passed on the same day as the reconciliation bill, this Executive order will require the President to face squarely any excess entitlement spending and to take concrete, visible action.

The other Executive order establishes a deficit reduction fund. This is an account in the Treasury containing the net deficit reduction from reconciliation. The funds in the account will not be available under the pay-as-you-go rules to finance new spending or tax cuts. The amount in the account will be equal to the total amount of net deficit reduction produced by the reconciliation bill. The amounts in the fund will be set aside and used only to redeem Treasury debt. The deficit reduction fund, together with the extension of the BEA, will guarantee that the deficit reduction in the reconciliation bill really does go for deficit reduction.

The House has also passed, and the Administration has endorsed, a modified line-item veto bill that would guarantee a vote on Presidential proposals to cancel specific spending items.

CURRENT ECONOMIC AND BUDGET OUTLOOK

Current Economic Outlook

Economic forecasting is an inexact science. At best, a forecast is an educated guess based on the best information available at the time. Nonetheless, it is impossible to formulate a multiyear budget without assumptions about future economic developments.

As new information arrives, economic forecasts must be updated. The Administration normally does this twice a year: at the time the budget is submitted to Congress in February; and at the time of the Mid-Session Review.

A Tale of Two Forecasts

Two sets of economic assumptions appeared in the February 17th document, *A Vision of Change for America.* One was the Administration's forecast indicating what would happen *if the President's program was enacted.* The other came from the Congressional Budget Office (CBO), projecting what would happen *under a continuation of current policies.* However, the differences between the two forecasts were not limited to different assumptions about policy. The CBO and the Administration had slightly different views about the outlook for economic growth, inflation, and real interest rates independent of any policy differences.

The Congressional Budget and Impoundment Control Act of 1974 required for the first time that the Administration make explicit budget forecasts over a six-year period, with assumptions about economic growth, inflation, and interest rates. Since then, most Administrations have overestimated growth and underestimated interest rates, leading to persistent underestimates of the deficit—especially in the later years of the forecast period. The Reagan Administration's 1981 "rosy scenario" is notorious for its optimistic assumptions that led to a balanced budget by 1984.

As the Clinton Administration assumed office in January 1993, CBO issued its forecast, projecting very slow growth. In view of recent budget history, President Clinton decided to adopt the CBO economic forecast for his Budget. This unusual procedure reflected the Administration's desire to make clear that it was not basing its deficit reduction proposal on an overly optimistic forecast or a new "rosy scenario." It also removed from the budget debate the potentially contentious issue of differences in economic assumptions between the Executive Branch and the Congress.

Hence, in both the February document and the April budget submission, the Administration based its deficit projections on the economic assumptions that CBO used in its January 1993 Report to Congress. To maintain continuity of budget estimates and consistency with ongoing congressional action, the detailed budget estimates in the appendix tables of this Mid-Session Review are based on an updated version of the same CBO forecast, adjusted for economic developments to date. (CBO has not yet issued a new forecast of its own.) The detailed Budget projections have also been adjusted for enactment of the deficit-reduction program and for technical reestimates. However, given passage of the economic plan, we show also projections of the overall budget deficit based on the Administration's forecast—which has been updated for this review and embodies the President's program. Table 2 shows a comparison of three forecasts: the updated CBO forecast, the Administration's forecast, and the Blue Chip consensus, an average of 52 private sector forecasts. Details of these three sets of economic assumptions appear in the appendix tables.

Table 2.—COMPARISON OF UPDATED CBO, ADMINISTRATION, AND AUGUST BLUE CHIP FORECASTS

(Calendar years)

	1993	1994	1995	1996	1997	1998
Percent increase, fourth quarter over fourth quarter:						
Real GDP:						
Updated CBO	2.3	3.0	2.8	2.6	2.2	1.8
Administration	2.0	3.0	2.7	2.7	2.6	2.6
Blue Chip	2.2	2.7	2.7	2.5	2.2	2.6
GDP deflator:						
Updated CBO	2.5	2.4	2.3	2.2	2.2	2.2
Administration	2.9	2.9	3.1	3.1	3.1	3.1
Blue Chip	2.9	3.1	3.5	3.5	3.3	3.2
CPI-U:						
Updated CBO	2.9	2.7	2.7	2.7	2.7	2.7
Administration	3.3	3.3	3.5	3.5	3.5	3.5
Blue Chip	3.2	3.5	3.7	3.8	3.7	3.6
Calendar year average, in percent:						
Civilian unemployment rate:						
Updated CBO	7.0	6.6	6.2	5.9	5.8	5.7
Administration	6.9	6.5	6.1	5.9	5.7	5.5
Blue Chip	6.9	6.6	6.2	6.1	6.1	6.0
91-day Treasury bill rate:						
Updated CBO	3.1	3.7	4.3	4.7	4.8	4.9
Administration	3.1	3.6	3.9	4.2	4.5	4.5
Blue Chip	3.1	3.7	4.7	4.9	4.9	4.7
10-year Treasury note rate:						
Updated CBO	6.1	6.1	6.1	6.1	6.1	6.1
Administration	6.0	5.9	5.9	5.9	5.9	5.9
Blue Chip	6.1	6.7	7.4	7.6	7.4	7.3

Note: 10-year Treasury note rate shown for Blue Chip derived from their reported Aaa Corporate bond yield.

Several developments since the Administration published its February economic assumptions in *A Vision of Change for America* call for revisions to the forecast.

The Economy at Mid-Year

Real GDP growth in the fourth quarter of 1992 was revised up to a 4.7 percent annual rate. but growth for the first quarter of 1993 came in at just 0.7 percent and the advance estimate of second quarter growth was 1.6 percent (the August 31 revision of recent GDP numbers was too late for inclusion here)—both lower than expected. Together, these developments left the level of real GDP in the second quarter about two-thirds of a percent lower than the Administration's April forecast. Recent statistical reports suggest economic growth will pick up in the second half of this year. Final sales increased in the second quarter, and business inventories have been brought into balance with sales.

During the first four months of 1993, the Consumer Price Index (CPI) increased at an annual rate of 4.3 percent (4.5 percent excluding food and energy). This was higher than most analysts expected and exceeded the Administration's forecast of slightly over 3.0 percent for this period. But inflation has subsided significantly since April; consumer prices have increased at only a 2.8 percent annual rate so far this year.

Long-term interest rates have declined steadily since the Presidential election in November, with much of the decline occurring after the President's February 17th address to the Congress. The Administration's April forecast had anticipated a favorable response of long-term interest rates to the President's program, but the decline has been even greater than anticipated. In fact, interest rates continue to fall, and are already well below the levels in the Administration's revised forecast. Those lower rates are expected to boost spending in the future.

The Administration's proposed "stimulus" package, which would have begun the investment program in 1993, was blocked by a minority of the Senate. The Council of Economic Advisers estimates that this action reduced the growth of real GDP by about 0.3 percentage point in 1993 and in 1994.

The President's plan for reducing the budget deficit by about $500 billion over the next five years has been adopted, although the House and Senate made several modifications to individual revenue and spending components. These modifications have been embodied in the budget and economic forecasts.

The Administration will propose a comprehensive health care reform bill later this year. Because the plan has not yet been spelled out in detail, the forecast does not embody any assumptions about changes in health care. While health care reform will affect the efficiency and organization of that industry, we do not expect it to have large macroeconomic effects.

In summary, the economy at mid-year looks slightly weaker than it did last winter, although the basic prognosis for slow but steady expansion with low inflation remains unchanged. Since early in the year, most private forecasters have lowered their real GDP forecasts, raised their inflation forecasts slightly, and revised their interest rate forecasts down substantially. The Administration has done the same.

Revised Economic Forecast

The Administration's new Mid-Session economic assumptions differ from those in the budget document reflecting recent economic and policy changes. Table 3 compares the new forecast with that made in April.

Real Growth

For reasons given earlier, the forecast for 1993 is a little weaker now than it was early in the year. Achieving even the 2.0 percent growth that the Administration projects from the fourth quarter of 1992 to the fourth quarter of 1993 will require some acceleration from the growth rates thus far this year. The projected growth rate for 1994 is 3.0 percent. That will leave real GDP about 1⅓ percent lower at the end of 1994 than the Administration forecast in April. Although some of this loss is expected to be made up in subsequent years, the *level* of real GDP is slightly lower throughout the forecast horizon.

Real GDP is anticipated to grow between 2½ and 3 percent per year throughout the forecast period, with the lowest growth rate coming this year. Because the economy is now producing below its capacity, GDP can grow consistently above the Administration's estimate of the economy's long-run potential growth rate (between 2 and 2½ percent). As a result, the unemployment rate falls gradually throughout the forecast period.

Inflation

Inflation, as measured by the (CPI), is expected to remain in the 3 to 3½ percent range throughout the forecast period, with a slight tendency to rise as several special factors that were restraining inflation unwind. In April, a small acceleration of inflation was anticipated as the ecbnomy strengthened. Essentially the same pattern is anticipated at Mid-Session, but the inflation forecast has been raised slightly. As is clear in the projections, the high inflation rates of the first four months of 1993 (4.3 percent at an annual rate) are not expected to persist.

Short-Term Interest Rates

Consistent with generally stable inflation, short-term interest rates are expected to rise slightly as the economy strengthens. In April, it was predicted that the three-month bill rate would average 3.7 percent in 1993, and then gradually rise as the economy recovered to full employment. Such an increase is still expected as the recovery progresses, but it now appears unlikely that the annual average for 1993 will approach 3.7 percent. Instead, the Administration forecasts essentially unchanged short-term rates

Table 3.—COMPARISON OF APRIL AND AUGUST ADMINISTRATION FORECASTS

(Calendar years)

	1993	1994	1995	1996	1997	1998
Percent increase, fourth quarter over fourth quarter:						
Real GDP:						
April	3.1	3.3	2.7	2.5	2.5	2.5
August	2.0	3.0	2.7	2.7	2.6	2.6
Change	-1.1	-0.3	—	0.2	0.1	0.1
GDP deflator:						
April	2.8	2.9	3.0	3.0	3.0	3.0
August	2.9	2.9	3.1	3.1	3.1	3.1
Change	0.1	—	0.1	0.1	0.1	0.1
CPI-U:						
April	3.0	3.1	3.3	3.3	3.4	3.4
August	3.3	3.3	3.5	3.5	3.5	3.5
Change	0.3	0.2	0.2	0.2	0.1	0.1
Calendar year average, in percent:						
Civilian unemployment rate:						
April	6.9	6.4	6.1	5.9	5.7	5.5
August	6.9	6.5	6.1	5.9	5.7	5.5
Change	—	0.1	—	—	—	—
91-day Treasury bill rate:						
April	3.7	4.3	4.7	4.8	4.9	5.0
August	3.1	3.6	3.9	4.2	4.5	4.5
Change	-0.6	-0.7	-0.8	-0.6	-0.4	-0.5
10-year Treasury note rate:						
April	6.7	6.6	6.5	6.5	6.4	6.4
August	6.0	5.9	5.9	5.9	5.9	5.9
Change	-0.7	-0.7	-0.6	-0.6	-0.5	-0.5

for the remainder of this year, with gradual increases thereafter until 1997.

Long-Term Interest Rates

One of the most favorable economic developments of late 1992 and the first eight months of 1993 was the stunning drop in long-term interest rates—about 150 basis points for the 30-year Treasury bond. This occurred during the time the President's deficit-reduction program was developed, announced, debated, and enacted. Although financial markets do not reveal the reasons for their movements, there is a widespread consensus that expectations of lower budget deficits drove long-term interest rates down.

In April, the Administration forecast that the interest rate on 10-year Treasury notes would gradually decline by about 30 basis points as deficit reduction took hold. The market's reaction to deficit reduction was larger and came much sooner than anticipated. The new forecast projects essentially constant long-term interest rates, at lower levels (though market rates have already fallen well below the Administration's forecast). The unusually steep yield curve is expected to flatten somewhat.

Aside from the projections for interest rates, the Administration's forecast is generally similar to the *Blue Chip* private-sector consensus; we expect the *Blue Chip* forecasters to revise their interest-rate projections downward in the next long-term survey. The Administration is more optimistic than the *Blue Chip* on inflation, but less optimistic than was CBO in January. The Administration expects greater economic growth in the long run than did CBO, in part (but not entirely) because of the beneficial effects of adoption of the President's economic program.

Risks in the Forecast

As usual, the forecast is subject to major uncertainties.

- Inflation might come in higher than forecast. For example, it is possible that the gap between actual and potential GDP is smaller than generally believed. Some contend that this accounts for the acceleration of inflation observed earlier this year. The Administration, however, views that acceleration as a statistical aberration caused by seasonal and special factors that are unlikely to recur.
- The Administration's forecast of constant long-term interest rates is at variance with the private consensus forecast, which sees long-term rates rising by about 150 basis points between 1993 and 1996. The risk is that inflation may rise more than assumed and that deficit reduction may be smaller. With shrinking budget deficits because of enactment of the President's program and nearly constant inflation, however, there is little reason to expect increases in long-term rates.
- The Administration's forecast is predicated on quite weak economic performance in the European Community and Japan in 1993 and 1994, which limits U.S. exports. The recent history of over-optimistic forecasts suggests that growth in these economies might be even slower than expected.

Current Budget Outlook

Economic and Technical Reestimates

Table 4 shows impacts on the deficit of major changes in economic and technical assumptions since April. These changes reduce the 1993 deficit estimate by $34.2 billion, almost entirely due to downward technical reestimates for deposit insurance. The changes for the five-year period 1994–1998 decrease the deficit by $36.9 billion.

Economic reestimates

The Congressional Budget Office winter economic forecast was used to produce the April budget estimates. Actual interest rates have been well below the CBO winter forecast. The current updated CBO forecast adjusts the earlier CBO forecast to reduce interest rates and make other small adjustments for actuals to date.

As shown in Table 4, these changes to CBO economic assumptions reduce the deficit by $2.1 billion in 1993 and $39.3 billion over the 1994 through 1998 projection period. Almost all of these changes result from decreases in projected interest rates.

Technical reestimates

Technical changes result from factors such as revised crop forecasts affecting farm price support costs, changes in estimated caseloads for entitlement programs, and other non-economic, non-policy conditions different from those previously estimated. These changes are also shown on Table 4.

For 1993, outlays are $37.0 billion lower than estimated in April for technical reasons—mostly related to deposit insurance. Outlays are lower by $6.7 billion for technical reasons for the five-year period 1994 to 1998.

Projections of receipts have been reduced by $9.1 billion over the five-year period 1994 to 1998 for technical reasons. Technical adjustments were made to the forecast of individual income tax receipts to incorporate recent tax collection experience and liability information that has become available since April. Corporate receipts were also adjusted to reflect new collection and liability information. (In addition, the updated CBO forecast of corporate receipts was adjusted to reflect the impact of recent court decisions concerning the "Arkansas Best" hedging transactions and the Newark Morning Ledger case involving amortization of intangibles.) The forecast of customs duties was adjusted to reflect the expiration of the President's Uruguay Round proclamation authority. The current estimates also include the effects of new IRS policies regarding applications for installment agreements and extensions to file tax returns.

Outlays for deposit insurance are estimated to decrease $28.8 billion in 1993 and $0.7

Table 4.—ECONOMIC AND TECHNICAL CHANGES TO THE APRIL BASELINE

(In billions of dollars)

	1993	1994	1995	1996	1997	1998	1994–1998
Changes due to:							
Revised economic assumptions (updated CBO economics):							
Receipts	0.1	-0.3	-0.1	0.1	*	-0.1	-0.4
Outlays:							
Net Interest:							
Interest rates	-1.8	-4.3	-5.9	-6.8	-7.9	-9.1	-33.9
Debt service	-*	-0.2	-0.5	-0.9	-1.4	-1.9	-4.9
Other outlays	-0.4	—	—	—	—	—	—
Subtotal, outlays	-2.3	-4.5	-6.4	-7.7	-9.3	-11.0	-38.9
Subtotal, revised economic assumptions	-2.1	-4.9	-6.5	-7.5	-9.2	-11.2	-39.3
Technical reestimates:							
Receipts	4.9	1.6	2.0	2.1	3.3	0.1	9.1
Outlays:							
Deposit insurance	-28.8	2.2	-6.9	2.1	-0.6	2.5	-0.7
Medicaid	-5.5	-4.8	-5.8	-7.1	-8.5	-9.7	-35.9
Medicare	-1.4	-1.5	0.4	1.4	1.6	1.6	3.4
Social Securiy	-0.4	0.8	2.0	3.2	4.3	5.3	15.6
Student loans	0.3	0.7	0.8	0.8	0.7	0.6	3.6
FHA	0.2	-*	0.3	0.5	0.6	0.6	1.9
Veterans	0.3	0.4	0.4	0.3	0.4	0.4	1.9
Net interest	-0.9	-0.6	0.9	0.9	1.5	2.7	5.3
Other	-0.9	0.1	-0.7	-0.7	-0.2	-0.6	-2.0
Subtotal, outlays	-37.0	-2.7	-8.7	1.4	-0.1	3.4	-6.7
Subtotal, technical reestimates	-32.1	-1.0	-6.7	3.5	3.1	3.5	2.4
TOTAL, deficit changes due to revised economic assumptions and technical reestimates	-34.2	-5.9	-13.2	-4.0	-6.1	-7.7	-36.9

NOTE: Revenue increase is shown as a negative because it reduces the deficit.
* $50 million or less.

billion for the five-year period 1994–1998 relative to the April estimates. This significant drop in outlay projections is largely due to improvement in earnings of depository institutions, particularly banks. The 1994 Budget assumed that the profitability of the banking and thrift industries would slowly return to its historical average. However, the interest rate environment continues to be favorable, allowing depository institutions to take advantage of the sharp differential between long- and short-term interest rates. The wide spread, combined with the improved credit quality of loans, and banks' improved ability to raise private capital, has enabled many troubled institutions to improve their financial positions. The expected caseload of bank failures has reduced the projected outlays of the Federal Deposit Insurance Corporation.

In addition, the timing of funding for the Resolution Trust Corporation (RTC) has reduced RTC outlay projections by $7 billion. The 1994 Budget assumed that RTC would receive additional funding by late spring 1993 to finish its clean-up task. Since this proved not to be the case, the current estimates assume that RTC will take over fewer insolvent thrift institutions than assumed in the April estimates. Continued thrift profitability has also slowed the rate at which the Office of Thrift Supervision turns thrifts over to RTC.

Estimated outlays for Medicaid are $4.8 billion lower for technical reasons than the April estimate for 1994, and $35.9 billion lower over the five-year period 1994–1998. Nearly all of the reduction is attributable to reductions in expected outlays in the short run ($5.5 billion for 1993). Actual outlays for the first nine months of 1993 were significantly lower than the estimates implicit in the April Budget. The estimates are lower as a result of lower State expenditures for disproportionate share hospital payments, other inpatient hospital payments, institutional long-term care, and State fiscal shortfalls.

Estimated outlays for Medicare are down by $1.5 billion for 1994 relative to the April budget for technical reasons but up by $3.4 billion over the five-year period 1994–1998. Decreases in the near term, 1993 and 1994, are largely a result of reduced estimates for the Supplementary Medical Insurance program, reflecting recent experience of a smaller than expected increase in volume and intensity of service. The trend reverses in 1995, reflecting changes in the projected physician fee schedule update. In addition, estimated outlays increase for the Hospital Insurance program reflecting increases in projected population, primarily for the disabled, and increases in projected spending on skilled nursing facilities.

Outlays for Social Security are higher by $0.8 billion for 1994 and $15.6 billion for 1994 through 1998 compared with the April estimates as a result of technical reestimates. Nearly two-thirds of this increase is attributable to increased awards for the Disability Insurance program. Based on calendar year 1992 experience, there has been an increase in the incidence of disability in the worker population. Revised estimates reflect the assumption that this increase is permanent. The remaining one-third of the increase is for Old Age and Survivors Insurance, largely attributable to an increase in the number of women receiving benefits based on their work history.

Technical reestimates have increased estimated outlays for student loans by $0.7 billion for 1994 and $3.6 billion for the 1994–1998 period relative to the April estimates. The increase is due to revised assumptions about loan volume and in-school and in-repayment data patterns, and revised methodology for interest rate determination. The revised estimates closely track the Congressional Budget Office estimates for this program.

Outlays for the Federal Housing Administration loan programs are estimated to be $1.9 billion higher than the April estimate for the period 1994–1998 as a result of changes in technical assumptions. The April Budget assumed a continuous decline in multifamily claims. A recently completed management study commissioned by the Federal Housing Administration to assess their loan loss reserves, however, indicates significantly higher multifamily claims in the future. Based on this information, estimates of multifamily claims were revised upward.

Estimated outlays for the veterans compensation and pension programs have increased, due to technical reestimates, by $1.9 billion for 1994 through 1998 relative to the April budget. The increase reflects higher average caseloads and benefit levels than projected.

Deficit Outlook

Table 5 compares the April baseline deficit projections, which were based on CBO economic assumptions, with the current projections, which are based on the Administration's new economic assumptions. Differences stem from three sources:

- most importantly, policy changes—notably the President's deficit-reduction package;
- the technical reestimates shown in Table 4; and
- the shift from CBO's January economic forecast to the new Administration forecast, which raises projected real growth rates and lowers projected interest rates. It also raises inflation rates slightly from CBO's extremely low January forecast; this raises both revenues and outlays by roughly equal amounts. This shift is necessary because CBO has not yet issued its new forecast.

The 1994 deficit, which was estimated in April at $305.3 billion, is now estimated to be $259.4 billion, or almost $46 billion less. Almost all of this change is due to the President's deficit reduction package; the other factors mostly cancel out.

The 1998 deficit is now estimated to be $181.0 billion, $206.7 billion less than the April estimate of $387.7 billion. Of this change, $145.8 billion comes from the President's deficit-reduction program, and $65.5 billion comes from changes in the economic forecast—slightly offset by just $4.7 billion for all other factors (see Chart 8).

Table 5.—CHANGE IN DEFICITS

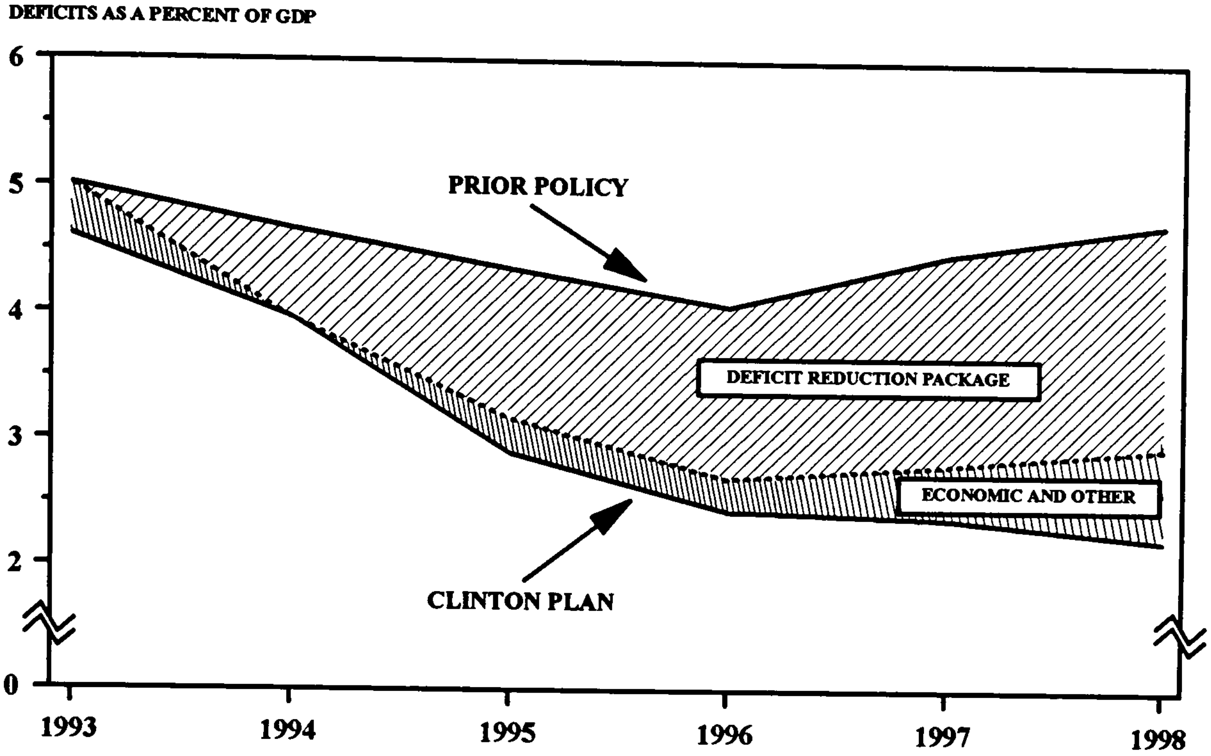
(In billions of dollars)

	1993	1994	1995	1996	1997	1998	1994–1998
April baseline deficit[1]	309.7	305.3	301.8	298.0	347.1	387.7	
Changes due to:							
Policy:							
Deficit reduction package:							
Receipts	–0.1	–27.4	–46.9	–54.3	–62.8	–58.6	–250.1
Mandatory programs	0.1	–7.8	–13.6	–18.3	–22.2	–25.6	–87.4
Discretionary programs	—	–10.2	–17.2	–17.5	–26.6	–36.2	–107.7
Debt service	—	–1.3	–5.0	–10.4	–17.3	–25.5	–59.6
Subtotal, reduction package	*	–46.8	–82.7	–100.6	–128.9	–145.8	–504.8
Emergency unemployment	3.3	2.3	—	—	—	—	2.3
Flood supplemental	0.6	3.8	0.8	0.1	*	*	4.7
Other	1.7	*	0.2	0.6	1.0	1.2	3.0
Subtotal, policy	5.6	–40.6	–81.7	–99.8	–127.9	–144.7	–494.8
Economic and technical assumptions:							
Updated CBO economics and revised technicals (see Table 4)	–34.2	–5.9	–13.2	–4.0	–6.1	–7.7	–36.9
Additional economic reestimates to reflect Administration forecast:							
Change in receipts	4.1	0.9	–6.5	–17.0	–34.9	–63.9	–121.3
Change in outlays:							
Unemployment related	—	–0.4	–0.5	–0.5	0.2	–0.5	–1.7
Inflation related	0.1	1.0	4.3	9.5	15.5	22.5	52.8
Interest rates	–*	–1.0	–3.9	–6.8	–7.9	–8.8	–28.4
Debt service	0.1	0.2	0.1	–0.5	–1.6	–3.7	–5.5
Subtotal, Administration forecast	4.3	0.6	–6.5	–15.2	–28.7	–54.4	–104.1
Subtotal, changes	–24.4	–45.9	–101.4	–119.1	–162.7	–206.7	–635.8
Current deficit under Administration forecast	285.3	259.4	200.4	179.0	184.3	181.0	
Current deficit under Adminstration forecast as a percent of GDP	4.6%	4.0%	2.9%	2.4%	2.4%	2.2%	

[1] Baseline deficit has been adjusted to assume spending of section 252 balances and related debt service.

* $50 million or less.

Chart 8. DEFICIT REDUCTION



CONCLUSION

Enactment of the President's economic plan was a vital first step toward economic renewal, a long-overdue change in the fiscal direction of the Nation. Significant deficit reduction and the President's priority investments will remove the shackles that have constrained the economy for so long—as the significant reduction of long-term interest rates and the rising stock market now demonstrate. America is becoming the Nation in which to invest, innovate, prosper and grow; and the American people will reap the benefits in the form of jobs, productivity, and incomes.

Still, there is more to be done. The Administration will now proceed to the chief remaining barriers to efficiency and productivity, both within Government and in the economy at large:

- Management of the Federal Government, where the National Performance Review, the recently enacted Government Performance and Results Act, mandates of the Chief Financial Officers Act of 1990, reform of the Federal procurement system, and ongoing efforts throughout Government will improve the quality of Government services to the public; reduce the cost of Government operations; and make Government more accountable and accessible to the American people. Further, the Administration is improving in the Federal regulatory process, to ensure that regulation protects the health, safety, and well-being of Americans without imposing undue costs, paperwork, uncertainty or delays on businesses or individuals.
- Health care, where the Administration will shortly announce a major restructuring of the entire health care system to reduce the rate of growth of costs in both the public and private sectors and ensure that all Americans have health insurance coverage.
- Trade liberalization, where the Administration is launching a major effort to open foreign markets so that American businesses and workers can compete on a level playing field—including the North American Free Trade Agreement (NAFTA) and the Uruguay Round of negotiations for the General Agreement on Tariffs and Trade (GATT).

APPENDIX TABLES

Table A-1. OUTLAYS BY CATEGORY

(In billions of dollars)

Outlays	Actual 1992	April Baseline Estimates					
		1993	1994	1995	1996	1997	1998
Discretionary	536.0	548.3	549.0	558.4	564.8	573.9	584.1
On-budget	533.6	545.7	546.3	555.7	562.0	571.1	581.2
Off-budget	2.4	2.5	2.6	2.7	2.8	2.8	2.9
Mandatory	645.5	709.1	753.8	793.6	830.2	896.4	959.5
On-budget	371.9	417.5	447.4	473.1	497.1	548.5	596.4
Off-budget	273.6	291.5	306.4	320.5	333.1	347.8	363.1
Net Interest	199.4	201.5	214.0	233.1	253.6	274.5	297.8
On-budget	223.1	228.4	243.6	265.9	290.3	316.0	344.5
Off-budget	-23.6	-27.0	-29.5	-32.9	-36.7	-41.4	-46.7
Total outlays	1,380.9	1,458.8	1,516.8	1,585.1	1,648.5	1,744.8	1,841.4
On-budget	1,128.6	1,191.7	1,237.3	1,294.7	1,349.4	1,435.6	1,522.1
Off-budget	252.3	267.1	279.5	290.3	299.1	309.2	319.3
MEMORANDUM:							
Discretionary budget authority	529.3	516.2	525.4	536.1	550.9	565.7	581.5

Outlays	Mid-Session Policy Estimates [1]					
	1993	1994	1995	1996	1997	1998
Discretionary	550.3	542.7	542.1	547.3	547.4	547.9
On-budget	547.7	540.1	539.3	544.5	544.5	544.9
Off-budget	2.6	2.6	2.9	2.9	2.9	3.0
Mandatory	676.1	751.0	773.6	815.7	876.7	939.9
On-budget	385.2	443.6	451.3	479.7	525.0	572.1
Off-budget	290.9	307.4	322.2	336.0	351.7	367.9
Net Interest	198.8	206.4	220.6	233.9	246.6	260.2
On-budget	225.6	235.7	253.1	270.4	287.8	306.6
Off-budget	-26.8	-29.3	-32.5	-36.5	-41.2	-46.4
Total outlays	1,425.2	1,500.1	1,536.3	1,597.0	1,670.6	1,748.0
On-budget	1,158.5	1,219.4	1,243.7	1,294.6	1,357.2	1,423.5
Off-budget	266.7	280.7	292.6	302.4	313.4	324.5
MEMORANDUM:						
Discretionary budget authority	522.9	511.8	520.5	519.1	528.1	530.6

[1] Based on updated CBO economic assumptions.

Table A-2. RECEIPTS BY MAJOR SOURCE

(In billions of dollars)

Outlays	Actual 1992	April Baseline Estimates					
		1993	1994	1995	1996	1997	1998
Individual income taxes	476.0	516.4	536.5	574.0	610.7	635.0	661.5
Corporation income taxes	100.3	108.6	114.1	117.7	122.1	122.0	126.0
Social insurance taxes and contributions	413.7	426.8	462.0	485.0	510.6	530.3	552.1
On-budget	111.3	115.0	123.9	129.8	135.4	138.6	142.8
Off-budget	302.4	311.8	338.1	355.2	375.2	391.7	409.3
Excise taxes	45.6	47.6	48.7	49.7	46.6	47.5	48.5
Estate and gift taxes	11.1	12.6	12.2	13.2	14.2	15.2	16.2
Customs duties and fees	17.4	19.2	21.3	22.3	23.1	24.1	25.1
Miscellaneous receipts	26.5	17.9	20.4	22.4	23.3	24.0	24.7
Total receipts	1,090.5	1,149.1	1,215.2	1,284.3	1,350.7	1,398.0	1,454.0
ADDENDUM:							
On-budget	788.0	837.3	877.2	929.1	975.5	1,006.4	1,044.7
Off-budget	302.4	311.8	338.1	355.2	375.2	391.7	409.3

Outlays	Mid-Session Policy Estimates[1]					
	1993	1994	1995	1996	1997	1998
Individual income taxes	508.1	548.2	598.1	635.3	658.9	684.5
Corporation income taxes	111.8	120.8	126.0	131.8	136.3	137.7
Social insurance taxes and contributions	427.5	464.6	491.2	517.4	539.6	563.3
On-budget	115.7	126.8	135.9	142.3	148.0	154.1
Off-budget	311.8	337.9	355.2	375.1	391.5	409.1
Excise taxes	47.5	54.5	55.6	56.5	57.6	58.6
Estate and gift taxes	12.6	12.7	13.8	14.8	15.8	16.8
Customs duties and fees	19.0	20.4	22.8	24.3	25.9	27.4
Miscellaneous receipts	17.6	20.0	21.9	22.8	23.6	24.3
Total receipts	1,144.1	1,241.3	1,329.3	1,402.8	1,457.6	1,512.6
ADDENDUM:						
On-budget	832.3	903.4	974.1	1,027.7	1,066.0	1,103.5
Off-budget	311.8	337.9	355.2	375.1	391.5	409.1

[1] Based on updated CBO economic assumptions.

Table A-3.—ESTIMATED SPENDING FROM END OF 1994 BALANCES OF BUDGET AUTHORITY: NONMANDATORY PROGRAMS

(In billions of dollars)

	Total
Total balances, end of 1994	629.1
Spending from 1994 balances in:	
1995	248.6
1996	122.7
1997	78.0
1998	54.3
Expiring balances, 1995 through 1998	—
Unexpended balances at the end of 1998	125.6

Table A-4. OUTLAYS FOR MANDATORY AND RELATED PROGRAMS UNDER CURRENT LAW

(In billions of dollars)

	1993	1994	1995	1996	1997	1998
Mandatory programs:						
Human resources programs:						
Education, training, employment and social services	14.5	14.0	13.5	8.9	12.0	12.4
Health	79.7	92.7	104.7	116.6	130.3	145.0
Medicare	128.4	143.6	159.9	177.9	195.1	213.1
Income security	176.9	176.8	184.6	191.9	203.4	211.4
Social Security	301.9	318.9	335.2	351.6	368.6	385.9
Veterans benefits and services	19.1	20.7	19.6	18.5	20.1	20.2
Subtotal, mandatory human resourc	720.4	766.7	817.6	865.3	929.4	987.9
Other mandatory programs:						
National defense	-1.4	-0.5	-0.6	-0.5	-0.5	-0.5
International affairs	-3.3	-2.2	-2.7	-2.9	-3.0	-2.8
Energy	-0.2	-1.4	-2.0	-2.5	-2.9	-3.0
Agriculture	17.4	13.2	9.5	9.0	9.0	9.3
Deposit insurance	-26.0	9.8	-8.2	-11.1	-11.5	-4.8
General government	2.0	1.3	1.2	1.4	1.2	1.2
Undistributed offsetting receipts	-37.2	-38.7	-43.6	-44.9	-44.1	-46.7
Other functions	4.3	2.6	2.6	0.5	-1.3	-3.6
Subtotal, other mandatory programs	-44.4	-15.8	-43.8	-51.0	-53.0	-51.0
Total, mandatory programs	676.1	750.9	773.7	814.3	876.5	937.0
Net interest	198.8	206.4	220.6	233.9	246.4	259.9
Total, outlays for mandatory and related programs under current law	874.9	957.3	994.3	1,048.1	1,122.9	1,196.9

NOTE: Based on updated CBO economic assumptions.

TABLE A-5. FEDERAL GOVERNMENT FINANCING AND DEBT[1]

(In billions of dollars)

	Actual 1992	Estimates					
		1993	1994	1995	1996	1997	1998
Financing:							
Surplus or deficit (–)	-290.4	-281.1	-258.7	-206.9	-194.2	-213.1	-235.4
On-budget	-340.5	-326.2	-316.0	-269.6	-266.8	-291.2	-320.0
Off-budget	50.1	45.1	57.2	62.7	72.7	78.1	84.7
Means of financing other than borrowing from the public:							
Changes in:[2]							
Treasury operating cash balance	-17.3	18.8	—	—	—	—	—
Checks outstanding, etc.[3]	-1.4	-0.2	-2.3	—	—	—	—
Deposit fund balances	-0.4	0.0	-1.3	—	—	—	—
Seigniorage on coins	0.3	0.3	0.5	0.5	0.5	0.5	0.5
Less: Net financing disbursements:							
Direct loan financing accounts	-3.3	-5.5	-7.0	-8.5	-15.4	-26.1	-30.3
Guaranteed loan financing accounts	1.9	4.6	3.6	2.3	0.7	-1.3	-1.7
Total, means of financing other than borrowing from the public	-20.3	18.0	-6.5	-5.8	-14.3	-26.9	-31.6
Total, requirement for borrowing from the public	-310.7	-263.1	-265.2	-212.7	-208.4	-240.0	-266.9
Reclassification of debt[4]	—	-1.3	—	—	—	—	—
Change in debt held by the public	310.7	264.3	265.2	212.7	208.4	240.0	266.9
Debt Outstanding, End of Year:							
Gross Federal debt:							
Debt issued by Treasury	3,984.6	4,337.7	4,711.5	5,030.8	5,351.4	5,707.9	6,092.1
Debt issued by other agencies	18.1	22.6	23.2	22.9	23.7	24.3	24.9
Total, gross Federal debt	4,002.7	4,360.2	4,734.7	5,053.7	5,375.2	5,732.2	6,117.0
Held by:							
Government accounts	1,004.0	1,097.2	1,206.5	1,312.8	1,425.9	1,542.9	1,660.8
The public	2,998.6	3,263.0	3,528.2	3,740.9	3,949.3	4,189.3	4,456.2
Debt Subject to Statutory Limitation, End of Year:							
Debt issued by Treasury	3,984.6	4,337.7	4,711.5	5,030.8	5,351.4	5,707.9	6,092.1
Less: Treasury debt not subject to limitation[5]	-15.6	-15.6	-15.6	-15.6	-15.6	-15.6	-15.6
Agency debt subject to limitation	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Unamortized discount or premium (–) on Treasury notes and bonds other than zero-coupon bonds	3.3	3.6	3.6	3.6	3.6	3.6	3.6
Total, debt subject to statutory limit[6]	3,972.6	4,325.9	4,699.7	5,019.0	5,339.7	5,696.2	6,080.3

NOTE: Based on updated CBO economic assumptions.

[1] Treasury securities held by the public are almost entirely measured at sales price plus amortized discount or less amortized premium. Agency debt and Treasury securities held by Government accounts are almost entirely measured at face value.

[2] A decrease in the Treasury operating cash balance (which is an asset) is a means of financing the deficit. It therefore has a positive sign, which is opposite to the sign of the deficit. An increase in checks outstanding or deposit fund balances (which are liabilities) is also a means of financing the deficit and therefore also has a positive sign.

[3] Besides checks outstanding, includes accrued interest payable on Treasury debt, miscellaneous liability accounts, allocations of special drawing rights, and, as an offset, cash and monetary assets other than the Treasury operating cash balance, miscellaneous asset accounts, and profit on sale of gold.

[4] The Farm Credit System Financial Assistance Corporation was reclassified from a Government-sponsored enterprise to a Federal agency as of October 1, 1992, and its debt has accordingly been reclassified as Federal agency debt. This reclassification does not constitute borrowing.

[5] Consists primarily of Federal Financing Bank debt.

[6] The statutory debt limit is $4,900 billion.

TABLE A-6. ADMINISTRATION ECONOMIC ASSUMPTIONS

(Calendar years; dollar amounts in billions)

	Actual 1992	Projections					
		1993	1994	1995	1996	1997	1998
Gross Domestic Product (GDP):							
Levels, dollar amounts in billions:							
Current dollars	5,951	6,260	6,631	7,019	7,434	7,865	8,318
Constant (1987) dollars	4,923	5,042	5,191	5,336	5,481	5,624	5,770
Implicit price deflator (1987=100), annual average	120.9	124.2	127.7	131.6	135.6	139.8	144.2
Percent change, fourth quarter over fourth quarter:							
Current dollars	5.7	5.1	6.0	5.9	5.9	5.8	5.8
Constant (1987) dollars	3.1	2.0	3.0	2.7	2.7	2.6	2.6
Implicit price deflator (1987=100)	2.5	2.9	2.9	3.1	3.1	3.1	3.1
Percent change, year over year:							
Current dollars	4.8	5.2	5.9	5.9	5.9	5.8	5.8
Constant (1987) dollars	2.1	2.4	3.0	2.8	2.7	2.6	2.6
Implicit price deflator (1987=100)	2.6	2.7	2.8	3.1	3.0	3.1	3.1
Incomes, billions of current dollars:							
Personal income	5,058	5,328	5,606	5,944	6,291	6,669	7,060
Wages and salaries	2,917	3,061	3,230	3,417	3,619	3,832	4,060
Corporate profits before tax	372	403	462	506	545	582	621
Consumer Price Index (all urban): [2]							
Level (1982–1984=100), annual average	140.3	144.8	149.6	154.7	160.1	165.7	171.5
Percent change, Q4/Q4	3.1	3.3	3.3	3.5	3.5	3.5	3.5
Percent change, year/year	3.0	3.2	3.3	3.4	3.5	3.5	3.5
Unemployment rate, civilian, percent: [3]							
Fourth quarter level	7.3	6.8	6.4	6.0	5.8	5.6	5.5
Annual average	7.4	6.9	6.5	6.1	5.9	5.7	5.5
Federal pay raises, January, percent	4.2	3.7	0.0	2.0	1.7	1.6	2.3
Interest rates, percent:							
91-day Treasury bills [4]	3.5	3.1	3.6	3.9	4.2	4.5	4.5
10-year Treasury notes	7.0	6.0	5.9	5.9	5.9	5.9	5.9

[1] Based on information available as of August 1993.

[2] CPI for all urban consumers. Two versions of the CPI are now published. The index shown here is that currently used, as required by law, in calculating automatic adjustments to individual income tax brackets.

[3] Percent of civilian labor force, excluding armed forces.

[4] Average rate (bank discount basis) on new issues within period.

TABLE A-7. UPDATED CBO ECONOMIC ASSUMPTIONS

(Calendar years; dollar amounts in billions)

	Actual 1992	Projections					
		1993	1994	1995	1996	1997	1998
Gross Domestic Product (GDP):							
Levels, dollar amounts in billions:							
Current dollars	5,951	6,260	6,597	6,946	7,292	7,630	7,956
Constant (1987) dollars	4,923	5,053	5,203	5,353	5,496	5,627	5,739
Implicit price deflator (1987=100), annual average	120.9	123.9	126.8	129.8	132.7	135.6	138.6
Percent change, fourth quarter over fourth quarter:							
Current dollars	5.7	4.9	5.4	5.2	4.9	4.5	4.1
Constant (1987) dollars	3.1	2.3	3.0	2.8	2.6	2.2	1.8
Implicit price deflator (1987=100)	2.5	2.5	2.4	2.3	2.2	2.2	2.2
Percent change, year over year:							
Current dollars	4.8	5.2	5.4	5.3	5.0	4.6	4.3
Constant (1987) dollars	2.1	2.7	3.0	2.9	2.7	2.4	2.0
Implicit price deflator (1987=100)	2.6	2.5	2.4	2.3	2.3	2.2	2.2
Incomes, billions of current dollars:							
Personal income	5,058	5,319	5,620	5,955	6,285	6,605	6,917
Wages and salaries	2,917	3,058	3,227	3,406	3,578	3,739	3,893
Corporate profits before tax	372	428	457	481	509	534	551
Consumer Price Index (all urban): [2]							
Level (1982–1984=100), annual average	140.3	144.7	148.5	152.5	156.6	160.9	165.2
Percent change, Q4/Q4	3.1	2.9	2.7	2.7	2.7	2.7	2.7
Percent change, year/year	3.0	3.1	2.7	2.7	2.7	2.7	2.7
Unemployment rate, civilian, percent: [3]							
Fourth quarter level	7.3	6.9	6.4	6.1	5.9	5.7	5.7
Annual average	7.4	7.0	6.6	6.2	5.9	5.8	5.7
Federal pay raises, January, percent	4.2	3.7	0.0	2.0	1.7	1.6	2.3
Interest rates, percent:							
91-day Treasury bills [4]	3.5	3.1	3.7	4.3	4.7	4.8	4.9
10-year Treasury notes	7.0	6.1	6.1	6.1	6.1	6.1	6.1

[1] Based on information available as of August 1993.

[2] CPI for all urban consumers. Two versions of the CPI are now published. The index shown here is that currently used, as required by law, in calculating automatic adjustments to individual income tax brackets.

[3] Percent of civilian labor force, excluding armed forces.

[4] Average rate (bank discount basis) on new issues within period.

TABLE A-8. AUGUST BLUE CHIP ECONOMIC ASSUMPTIONS

(Calendar years; dollar amounts in billions)

	Actual 1992	Projections					
		1993	1994	1995	1996	1997	1998
Gross Domestic Product (GDP):							
Levels, dollar amounts in billions:							
Current dollars	5,951	6,261	6,630	7,042	7,476	7,905	8,365
Constant (1987) dollars	4,923	5,044	5,187	5,328	5,465	5,590	5,728
Implicit price deflator (1987=100), annual average	120.9	124.1	127.8	132.2	136.8	141.4	146.0
Percent change, fourth quarter over fourth quarter:							
Current dollars	5.7	5.1	5.9	6.3	6.1	5.5	5.9
Constant (1987) dollars	3.1	2.2	2.7	2.7	2.5	2.2	2.6
Implicit price deflator (1987=100)	2.5	2.9	3.1	3.5	3.5	3.3	3.2
Percent change, year over year:							
Current dollars	4.8	5.2	5.9	6.2	6.1	5.8	5.9
Constant (1987) dollars	2.1	2.5	2.8	2.8	2.6	2.3	2.5
Implicit price deflator (1987=100)	2.6	2.7	3.0	3.4	3.5	3.4	3.3
Incomes, billions of current dollars:							
Personal income	5,058	5,325	5,648	6,037	6,444	6,842	7,272
Wages and salaries	2,917	3,060	3,244	3,453	3,668	3,874	4,093
Corporate profits before tax	372	416	460	487	522	553	579
Consumer Price Index (all urban):[2]							
Level (1982–1984=100), annual average	140.3	144.8	149.6	155.0	160.9	166.9	172.9
Percent change, Q4/Q4	3.1	3.2	3.5	3.7	3.8	3.7	3.6
Percent change, year/year	3.0	3.2	3.3	3.7	3.8	3.7	3.6
Unemployment rate, civilian, percent:[3]							
Fourth quarter level	7.3	6.8	6.5	6.1	6.1	6.1	5.9
Annual average	7.4	6.9	6.6	6.2	6.1	6.1	6.0
Federal pay raises, January, percent	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest rates, percent:							
91-day Treasury bills[4]	3.5	3.1	3.7	4.7	4.9	4.9	4.7
10-year Treasury notes	7.0	6.1	6.7	7.4	7.6	7.4	7.3

[1] Based on information available as of August 1993.

[2] CPI for all urban consumers. Two versions of the CPI are now published. The index shown here is that currently used, as required by law, in calculating automatic adjustments to individual income tax brackets.

[3] Percent of civilian labor force, excluding armed forces.

[4] Average rate (bank discount basis) on new issues within period.

Source: For 1993–1994 data, *Blue Chip Economic Indicators (August 10, 1993)*. For 1995–1998 data, *Blue Chip Economic Indicators Long-Run Extension (March 10, 1993)*. Eggert Economic Enterprises, Inc.

ISBN 0-16-041811-9

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, DC 20503

Friday, September 10, 1993
USIA Foreign Press Center Briefing: Roger Altman, Deputy Sec. of the Treasury

FOREIGN PRESS CENTER BRIEFING
WITH ROGER ALTMAN
DEPUTY SECRETARY OF THE TREASURY

THURSDAY, SEPTEMBER 9, 1993

MR. ALTMAN: Good afternoon everyone, I am sorry that this had to delayed a few minutes, I apologize for it.

I am just going to make a few comments about the Clinton dministration's economic agenda and then I'll be happy to take any of our questions.

Let me say at the outset that all of the major items on our genda, at least over the medium term center around investment and the heme of investment. During the campaign last year, the president poke literally, thousands of times, about the investment deficit, hat the country has been underinvesting, particularly in the private ector but also public investment, and that that has had a corrosive ffect on American standards of living, and that we had to close that nvestment deficit and that that was the overarching goal.

The reason it's so important is because there is a linkage, some all it an iron linkage, between investment and productivity and real ncomes. And the reason that so many Americans, in our judgment, have een stagnant or in some cases falling incomes in recent years, has een the sluggish performance of our investment. There are many, many ays to measure investment, but some statistics I was looking at esterday showed that the investment share of our economy is onsiderably below that of certain of our G-7 trading partners ncluding Germany and Japan.

I think almost any way that you do measure it, whether you easure gross investment or net investment, whether you include esidential or exclude residential, you see a sluggish pattern on our art, and a weaker pattern than we had during most of the post-war eriod.

Now the first step in our plan to cure that was of course the udget. And we're very proud of the budget that was passed. It takes 500 billion out of the deficit over the five year period and that's n historic change. We were very pleased to see that CBO in its elease, I think yesterday, agrees with us that the deficit would come own to the vicinity of $180 billion over this period. This year it's 85 (billion dollars) or 4.6 percent of GDP. At 187 billion in '97, t's 2.2 percent of GDP. So in terms of its impact on the economy the eficit will be more than cut in half.

A second component of our economic agenda was, and will continued o be, the selected public investments in certain crucial areas where e feel only the government can lead. Perhaps the two most ignificant in our budget just passed were the changes in the earned ncome tax credit, and the national service proposal. Those are just y examples of two of the most significant.

We expanded very substantially the earned income tax credit, hich on an expanded basis will help 20 million Americans continue to ork. It promotes work over welfare. It promotes a higher quality ork force and that's important.

National service is also a simple idea. It says that if you're ccepted into college, the government will finance your education rovided that you agree to two years of community service in certain efined areas, or to a very strict regimen of low repayment once you o to work and begin to earn money.

Those are the types of public investments that we feel only the overnment can make and most of our accomplishments in that area are ll aimed at improving the competitiveness of our workforce. So you ave private investment, so you have the deficit changes which are ntended to free up private investment and to raise the private nvestment rate in this country, and you do that by curbing the public issaving represented by the budget, and you have public investment long the lines I just discussed.

A third critical component is health care reform. Our health are reform for most businesses in this country, those which today rovide health insurance, provide coverage, will enable margins to mprove and business investment to rise. We're spending 14 percent of ur GDP in health care today. At the present rate we would be pending 19 percent by the year 2000. That's completely out of line ith comparable countries. Canada is at 11, Germany and Japan are in he eight to nine percent area. There is no precedent for what e're doing.

Moreover, we do have extraordinarily good medical technology, and xtraordinary medical research base in this country, probably the best n the world. I am sure they are the best in the world, but we don't ave demonstrably better health care across the board. Life xpectancy in the United States is in the middle of the G-7 and only taly has a higher infant mortality rate. So we're spending much more han any other nation to get about the same result. That's having a epressing effect on investment in this country, on business nvestment, because it reduces business profits.

Let me quickly say there are a whole series of social reasons to o health care reform, including of course universal coverage. There re 37 million Americans who don't have health care and that it's only air to our citizens that they have it. I am focusing on the economic ide of it because this is an economic discussion today.

The central elements in our health care reform, conceptual lements, will be managed competition and a proposal which promotes a reater cost consciousness among consumers of health care.

It's our judgment that we do not have the type of free and full

:ompetition in health care in this country that we do in so many other ndustries. Part of the reason for that is that so many purchasers of ιealth care don't have the leverage, don't have enough leverage to ιegotiate effectively. If you have a small business, for example, 'ou're at a real disadvantage negotiating with a giant insurance :ompany over the cost of your health care plan. And on the other ιand, too few Americans pay enough for their own health care to have .n incentive to shop around among providers. So those two concepts re going to undergird our plan.

The notion of regional health alliances, as we call them, and .aving so many employers as well as non-workers join these large ιurchasing pools, we think will tilt the table in favor or purchasers ıf health care and introduce more competition into the system. And by 'equiring consumers to pay 20 percent of their health care costs, we .hink that's an incentive to shop around among providers and a greater ncentive to be cost conscious on the part of consumers.

But our goal is to stop this indefensible inflation in health are costs in this country. I mentioned the 14 to 19 percent of GDP, nother way of looking at that is that government health care xpenditures are running three to four times higher. The rate of ncrease in government health care expenditures is three to four times ιigher than the rate of inflation in our society as a whole. And the 'ate of increase in private health care costs in this country is about wo-and-a-half times the rate of inflation. So we've got unchecked nflation in health care which we have to deal with. And dealing with t will be positive for profit margins and it will be positive for nvestment.

The last component is trade. We want to achieve substantial ncreases in trade, the substantial liberalization of the world rading regime that will promote export and related investment in this ountry. Export jobs tend to pay 15 percent or a little more than hat, than the average job in this country, so these are high quality obs.

And we have three agreements, as you all know, that we are orking on, and that's the Uruguay Round of the GATT, and that's the .S.-Japan Framework Agreement, and that's the NAFTA.

We have a lot of work to do on each front. There can be no uarantees that we'll succeed, but we think we have a fighting chance o get all three, and if we do get all three it'll be the best trade ecord of any administration in memory perhaps. So that's also ositive for investment and positive for growth.

Those are the main components of our economic agenda. That's how hey tie back to investment. I think I will rest my case there and 'll be happy to take any questions you have.

MODERATOR: Thank you, let's go to questions. Please give Mr. ltman your name and news organization and we'll start right back ere.

Q (Off mike) -- framework talks now going on at the State

)epartment. Could you tell us what are the goals of the upcoming :ound of talks with Japan? And also, given the fact that tne yen has :isen the way that it has over the past few months, has that done the :rick in lowering the Japanese current accounts say over the next two)r three years?

MR. ALTMAN: Well, I have no comment on exchange ratès. I have 1othing to say about that. The goal of the framework discussions is :he same as the goals announced in Tokyo in the first days of July, I)elieve it was. We have a series of so called baskets, basket 1egotiations that are now beginning, just beginning; procurement, :egulatory reform, compliance, automotive and so on. Those are)eginning this month in some of those areas. And of course our)bjectives are to improve the access to the Japanese market of \merican goods and services.

For example, in the procurement area, to raise the procurement in :ey areas like electronics, like medical equipment, and it's a matter)f implementing the framework agreement that was reached a couple of 1onths ago.

MODERATOR: Let me repeat the request that you give your name and 1ews organizations.

Q (Name inaudible) -- of Caracas, Venezuela. You say, sir, :hat you will have the best record of any administration if you get)ne of these agreements --

MR. ALTMAN: No, if we get all three.

Q Well, if you get all three. But there seems to be general 1greement by observers in the press and the media that your chances of ;etting NAFTA have been seriously jeopardized by your delay. That 1greement was practically ready to sign when you took over. And I ,onder whether you would describe the delays that you have incurred as leliberate -- I mean recently -- a determination to delay this :urther, give precedence to health care, and whether you feel that the 1dministration is going to go all out on behalf of NAFTA?

MR. ALTMAN: First of all I would challenge, strongly challenge 'our premise on delay. President Clinton made clear during the :ampaign that he thought the labor protection and environmental)rotection aspects of the NAFTA had to be strengthened. As soon as we :ook office we set about doing that, and USTR negotiating on those two 'ronts, and I think everything considered, the side agreements were :ompleted quite expeditiously. There was no effort to drag it out 'hatsoever.

Second of all, yes, the administration will go flat out for 'AFTA. We have now a large team of people on what we call a war room 'asis, under the leadership of Bill Daley, who's goal on a full-time 'asis is to help us get the necessary support around the country and n the Congress to pass it, and the president next week will announce n effect the side agreements, or reveal the side agreements, and kick ·ff our campaign for NAFTA.

There is no doubt that it's a tough struggle, will be a tough truggle, but we think it's an imperative and we're going to do verything possible between now and the vote to prevail. And I think hat in the end we will prevail. And the reason we'll prevail is ecause once the facts get out the American people will see that NAFTA ill create jobs, not cost jobs, and the American people will realize hat turning down the treaty is inconsistent with the U.S. role in the orld and the international leadership that the world's largest conomy has had and must have.

Q Graham Frazier of the Globe and Mail, Canada. There is a tory in the New York Times this morning suggesting that this launch nd this campaign may be postponed until late fall. Are you uggesting that this is an error, or is there any slippage on that imetable? And any possibility of going past the deadline for the ast track?

MR. ALTMAN: I am not aware of any intention of delaying this. I hink I would be aware of it. You never have perfect information, but am not aware of any such intention.

As far as the expiration of fast track, I think our goal is to ave this voted on as soon as it can be. I noticed that Speaker Foley aid this morning it's possible that it could slip into next year. hat will be a judgment that the congressional leadership and the resident have to make, but our goal is to get on with it.

Q What is your assessment of other G-7 countries recent conomy, especially Japan and Germany? And what can they do to timulate the economy?

MR. ALTMAN: Well, the -- I met with a group of Japanese senior fficials this morning and they characterized the Japanese economy as isappointing. I think that's as good a characterization as anyone an make. Germany has the same situation. You saw interest rate eductions this morning implemented by the Bundesbank and that's ertainly a positive development. I know that the Japanese government s giving consideration to certain additional stimulus measures. So hey're addressing themselves to the right issues.

Q The world economy doesn't look very well right now and here is a real possibility of that the going is getting tougher as ar as the Uruguay Round of GATT is concerned. Now, the IMF, some ays from now, they are bringing down their projections for '93 and 94, perhaps to 1.3, 1.5 percent for the industrial states and after hat two percent for '94, if all is going well.

Now, what is going to happen with that kind of protection if the ruguay Round is running through?

MR. ALTMAN: Well, I think the IMF would have to speak for itself n terms of the basis for its projections. I can't say what ssumptions they've made about the Uruguay Round and what impact they elieve it'll have on their growth projections. I don't know the nswer to that.

Q What is your guess what is going to happen to the economy?

MR. ALTMAN: Clearly -- I would refer to the Uruguay Round, or any failure to ratify it, as a lost opportunity. Everyone benefits from a more liberalized trade environment, and completion of the Uruguay Round would definitely boost growth.

So I don't want to get into a numbers game as to exactly what it'll mean for growth and what it won't mean for growth. I just think it would be missing a golden opportunity.

MODERATOR: Back row, please.

Q Alf Mungernitsis (sp), AFX. If I may ask two questions, sort of allied. One is, I was wondering if you could outline for us what you think will be the major issues in the IMF and G-7 meeting coming up? Just what are you focusing on?

The other question, which I suspect is one of the issues, do you think there is room for further interest rate cuts by the Bundesbank?

MR. ALTMAN: Let me take your second question first. I think this latest round of interest rate cuts is welcome and in the right direction. The trend, of course, in recent months has been positive as rates have been reduced and we're pleased with it.

As far as the focus of the G-7 is concerned, it's on a number of fronts, which include of course, Russia, will include other issues, but the condition of the industrialized world in terms of the central economies is probably the biggest focus. And there will be, undoubtedly, further discussions about opportunities for improving the industrialized economic outlook and the economic outlook of the industrialized world as there have been over the past six or seven months.

Q Two questions regarding China under the jurisdiction of Treasury.

MODERATOR: Could you identify yourself?

Q Marco Liu (sp) with -- (inaudible) -- Daily News, Taiwan, two questions regarding China under the jurisdiction of Treasury.

The first one is the exchange rate issue, the second one is the lave labor export. I think as well as the previous administration, his administration -- (inaudible) -- identify China, manipulate their urrency so as to gain so called unfair competitive advantage in nternational trade. I think that's according to the statute of the mnibus Trade Law. And I don't know what exactly this administration as in minds in terms to address this issue with China.

And the second one, I believe you are aware that there is a earing on the Hill right now on the slave labor export. Can you pdate what's the U.S. Customs efforts on these matters?

MR. ALTMAN: I'll have to beg off on that. I don't have any comment to make on the exchange market issues, and as far as the second question is concerned, just speaking honestly, I am not involved in that and I'm not up to date on it, and I really can't address myself to your question. I'd like to but I just can't, I don't know the answer.

MODERATOR: We'll take one last question.

Q We haven't heard anything at all that I have seen or heard of regarding the Western Hemisphere free trade pact, which was proposed by the previous administration. What is your intention, if NAFTA is approved, what do you plan to do regarding the addition of other states and how far do you plan to carry it, if you do?

MR. ALTMAN: Well, there are a couple of points I'd make there. One is a lot of thinking is going on in terms of coordinated economic dialogue between the United States and the Pacific community.

Q Pacific?

MR. ALTMAN: The Pacific community, yes. And we may have something more specific to say about that at a later date. But there is rather a focus on the part of our administration toward expanding our own economic relations in that area and trying to put together a more coordinated economic dialogue among the key nations there.

As far as -- the other comment I would make about the Western Hemisphere is that we've talked about additional free trade agreements. And if NAFTA passes, I think our attention would turn to additional agreements that can be put in place in other parts of Latin America. So the NAFTA in that sense would just be the beginning.

Q A commitment regarding Chile?

MR. ALTMAN: Well, that would be one of the areas we'd be focusing on.

MODERATOR: I'd like to thank you, Mr. Altman, for taking the time today.

MR. ALTMAN: Thank you all very much.

MODERATOR: We look forward to having you come back.

MR. ALTMAN: Thank you.

END

TREASURY NEWS

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

SEP 14 300 1297

FOR RELEASE AT 2:30 P.M.
September 10, 1993

CONTACT: Office of Financing
202/219-3350

TREASURY'S 52-WEEK BILL OFFERING

The Treasury will auction approximately $15,250 million of 52-week Treasury bills to be issued September 23, 1993. This offering will provide about $350 million of new cash for the Treasury, as the maturing 52-week bill is currently outstanding in the amount of $14,889 million. In addition to the maturing 52-week bills, there are $23,445 million of maturing 13-week and 26-week bills, as well as $16,037 million of maturing 129-day cash mananagement bills.

Federal Reserve Banks hold $8,410 million of bills for their own accounts in the four maturing issues. These may be refunded at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $4,815 million of the four 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 $1,220 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.

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Attachment

HIGHLIGHTS OF TREASURY OFFERING OF 52-WEEK BILLS TO BE ISSUED SEPTEMBER 23, 1993

September 10, 1993

Offering Amount	$15,250 million

Description of Offering:

Term and type of security	364-day bill
CUSIP number	912794 L7 7
Auction date	September 16, 1993
Issue date	September 23, 1993
Maturity date	September 22, 1994
Original issue date	September 23, 1993
Maturing amount	$14,889 million
Minimum bid amount	$10,000
Multiples	$1,000

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 are $2 billion or greater. (3) Net long position must be reported one half-hour prior to the closing time for receipt of competitive bids.

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

Text as Prepared for Delivery
FOR IMMEDIATE RELEASE
September 13, 1993

REMARKS OF TREASURY SECRETARY LLOYD BENTSEN
NATIONAL RESTAURANT ASSOCIATION
WASHINGTON, D.C.

I don't know how they schedule me on these things, but I have incredible timing. Just before the vote on the BTU tax, they had me speaking to the independent oil people, who opposed it. And just before the vote on the gas tax, they had me speaking to the truckers, who opposed that.

So, here I am, giving my first health care speech, and it's to one of the groups -- shall I say -- "most concerned" about health care reform.

Back in the '88 campaign for vice president, people kept telling me: "Lloyd, you were at your best during the debate." I just didn't know when I took this job that every speech I'd give would need to be a debate.

But I know where you're coming from. When I was Senator, I used to visit small businesses in Texas to find out what could be done so they could hold onto their health insurance. In Texas, we have enormous medical centers, and 1,300 companies writing insurance, and 500 hospitals, and they're all concerned. The hospitals in the rural areas there are 40 percent occupied. I don't have to tell you that if you run with 40 percent of your tables filled, you're not going to make it.

So we're going to have a devil of a time passing health care reform. Look at the history of this thing -- and I don't just mean the last 10 years when we've battled costs, and lost that fight. We've tried major reforms since Harry Truman.

When he tried in 1949 the American Medical Association killed it. They said it was socialized medicine.

Then Jack Kennedy tried, but a Democrat from -- of all places -- Arkansas -- opposed it. Remember Wilbur Mills? Finally, in 1964 the Democrats won a two-thirds majority in the House. And Lyndon Johnson went before Congress -- just like Bill Clinton will do next week -- and Lyndon Johnson, with his vision of a Great Society, said we must "assure that the advance of medical knowledge leaves none behind."

Lots of people opposed him. But he pulled off Medicare for the elderly and then Medicaid. And I bet everyone here knows somebody who has benefitted from those programs, don't you?

Others tried. Like Richard Nixon. In fact, in all my years in the Senate, no topic came up more than health care. But look where we are at today. Here we have a country that has won more Nobel prizes than any other, a country whose medical schools foreign student can't wait to come to, a country that has wiped out polio and has made advances in combating heart disease and cancer and diabetes, a country with the leading pharmaceuticals -- yet we let a waitress supporting three kids go without medical insurance!

And it's not because small businesses don't want her to have it. It's because they can't afford to give it to her.

Something is wrong, and the American people know it. That's why health care reform will pass.

I saw a poll, and I've rarely seen anything like this in my life. 94 percent of Americans want reform. Can you imagine -- 94 percent of Americans agreeing on anything?

There was a time when the chances of business backing a national health program were non-existent. Same holds true with the doctors. And the unions. The workers at the big companies who stood on picket lines and gave up pay raises for better health care would not want to participate in this discussion.

That has changed. There are many differences of opinion, and we'll hear them. But Mrs. Clinton has done an incredible job of bringing people in to the discussion, of trying to include everyone.

Let me say something about Republicans vs. Democrats. We just went through a partisan economic battle that I don't want to see repeated because the stakes are too high here.

When I chaired the Senate Finance Committee, which oversees health care, I had 11 Democrats and nine Republicans on the committee. I never wanted an all-Democratic vote. If I lost one of the Democrats -- just one -- I'd have a 10 to 10 tie.

That meant somebody could hold a gun to my head -- get anything they wanted. I looked for Republicans, and we're going to be looking to them on health care, believe me. So when you hear from the doctor tomorrow, you tell him what I said. Bob Dole does call himself Dr. Gridlock, doesn't he?

I know what worries a lot of Americans about this. They're scared -- you're scared -- to entrust a government that has botched budgets by trillions of dollars with something as close to the bone as national health care.

Most people like what they have now. They like the quality. They like their doctors. Look, if you have cancer, and a good surgeon just saved your life, the last thing you'd want to do is to change doctors. People think if the government gets involved they're going to wake up one day to see lousy service with a big price tag. They're gun shy, and I don't blame them.

But you can't leave it up to the patients or to the doctors or the insurers to solve. Over the last decade, all we've seen are health care costs rising two-and-half to three times faster than the rate of inflation. This issue is more complicated than any we've faced. We're about to change a trillion dollar a year business. That's four times the size of the entire restaurant business.

We're like the company that has a major cash problem and a 40-year-old product, which has been tweaked at the edges all these years, about to bring out a new model. It's a big bet-your-company kind of risk that has people nervous. But look at the risks of not doing this.

We're spending 14 percent of GDP on health care. No other developed country is near there. Japan and Germany are down around 8 percent. If we do nothing, we will be at almost 20 percent by the end of the decade, and no one else will be over 10 percent.

If we're getting more for our buck, maybe it makes some sense. But we're no healthier. And we have 37 million people who have no coverage, while everybody else covers all citizens -- at less cost!

And what about the risks to our federal budget? We just cut $56 billion from Medicare over the next five years. But if we don't find more cuts, in a decade, federal spending on health care will cost more than federal spending on science, international affairs, energy, the environment, agriculture, commerce, transportation, housing, education, social services, justice, and general government -- combined.

And what about the risks to the workers? Did you know that in the last 14 years, health care costs have absorbed 75 percent of the cash value of all compensation increases for workers?

If we do nothing, more people will lose their coverage. And those of you who have coverage will pay too much because you'll be paying to make up for those who don't have insurance.

There's no longer a choice of whether we do this. It's a matter of how. I hope we do it with honest discussion, based on honest facts. And I hope we can count on your constructive involvement.

Right now, opinions outnumber facts. Sometimes I read things that astonish even me. If I believed everything I read in the paper, I might be a little alarmed about this, too.

I've seen figures floated around of hundreds of billions needed to pay for this. At Treasury, we're deep in the estimates, and I've never seen anything like that.

I've seen numbers developed by a hospitality industry group that claims eating and drinking establishments will lose 828,000 jobs. Now, tell me: How accurate can those studies be when you don't know what the President will propose or what modifications Congress might make?

The President has said he wants to consult with Congress before he submits his plan. And last week, the so-called plan that leaked out is a working draft -- nothing more, nothing less. It should be treated as such.

One other thing I've seen -- and this one surprised me because it was put out by some friends of mine -- the National Restaurant Association. You analyzed what happens if Congress and the President require employers to pay a 7 percent payroll tax.

Let's get something straight. The President's plan will not include a payroll tax.. Let me repeat that -- no payroll tax.

You may be asked to pay premiums for workers if you don't now cover them. Most businesses -- large and small -- pay premiums. In fact, two-thirds of all small businesses now pay premiums.

I have to believe, deep down, you want your workers to have health insurance. So, isn't it only fair that everyone shares the tab? In the restaurant business, you should be competing on taste, on value, on service. You don't want your competitive edge to be -- "My steak is a dollar less because I don't offer workers health care insurance."

Let me say this. We'll limit premiums businesses like yours will pay. We'll help out businesses that rely on low-wage workers. The plan will be phased in -- gradually. And premiums will take into account whether an employee is a part-time or full-time worker. I know you're concerned about that one. But premiums are what most of you already pay. They are not a payroll tax -- no payroll tax!

We're not interested in killing small business. It's the high cost of health care that's killing small business, and that's what we want to tackle.

In Hawaii, the state has required all businesses to pay health care premiums since 1974. Ninety-five percent of businesses there have 100 people or less -- lots of restaurants. And guess what? The number of businesses there is up. So we can make this thing work.

Let me point out four good things this will mean to you.

First, we're going to cut your administrative costs. You went into the restaurant business, not the paperwork business, but there are days I suspect you wonder which you're in. The last statistic I saw -- and I believe this: at a large company, a nickel of every dollar paid in health premiums goes to paperwork. At a small business, it can be as high as 40 cents. I suspect some of you are in that category, because I know how frequently waitresses and cooks and cashiers change jobs. So, we will cut the paperwork.

Second, if you provide your workers health insurance, we'll reduce your costs. If you could get the same deals on health care that a Fortune 10 company gets, maybe you could afford it, too. But when you go to negotiate and you have 20 people, and they go in with 200,000 people, I know who's getting the better rate.

It reminds me of when I was 12 years old, my doctor told my father I needed my tonsils out. But when dad heard it would cost $35, he shook his head.

So my dad said: "That's a lot of money. Don't all kids have to have their tonsils out?" And the doctor said: "Just about." My dad asked: "What would you charge for five kids?" And the doctor said: "I'd give you a discount. But, Lloyd, you don't have five kids!" Dad said: "Well, my brother's got kids." And that afternoon, five Bentsen kids -- me, my two brothers, and two cousins -- all marched into the doctor's office where he took out five sets of tonsils -- for a discount!

A lesson well learned -- but little has changed. Today, small businesses have to pay as much as one-third more than big companies for the same coverage. And the fewer workers you have, the higher the costs. So, we're going to pool the purchasing power of small businesses to make it possible for you to negotiate. You'll buy in volume -- like K-Mart.

Third, we plan to outlaw insurance underwriting practices that hurt small business. I've worried about this for many years. In fact, last Congress I introduced a bill in the Senate of the United States that did many of the things President Clinton wants to do.

We want to tackle the issue of cherry-picking, when an insurance company tells a small business it can't provide coverage for the worker with high blood pressure, or the child with leukemia.

We want to tackle red-lining, when an insurance company says flat out: "We won't cover your industry."

And we want to tackle experience rating, where insurers jack up costs if one employee becomes ill or is injured. I've had people tell me this is the toughest situation they face. Here you have a small staff, and say, one person becomes ill, has open heart surgery. Your choices aren't very good -- you can retain the policy and pay huge premiums, you can drop the policy and hope you find another one, or you can exclude the guy with the bad heart. Not an easy choice. So reforms will make illegal some of these schemes that send your costs through the roof.

Fourth and finally, we'll provide 100 percent tax deduction if you're self-employed. I've wanted this for a long time, too. It will help a lot of small business people, and a lot of farmers, by the way.

You know, Lyndon Johnson could talk about the Great Society. He could pursue the dream that nobody gets left behind -- because the economy was robust in the 1960s. Our companies dominated world markets. We had trade surpluses. Would you believe -- in 1969, we even had a balanced budget?

This is the '90s, when the economy will grow at about 2.5 to 3 percent, not the 4 percent of the '60s. When spending on health care is 14 percent of GDP, not the 5 percent it was back then. Now we have huge trade and budget deficits. States have trouble balancing their budgets. Businesses have trouble balancing theirs. Families have trouble balancing theirs. And one big reason for all this is health care costs.

So when Bill Clinton goes before Congress next week, he will want what many Presidents of both parties have wanted for the last four decades -- universal health coverage. But there will be a difference. This time, it won't be to make this a great society. It will be to make our country a great competitor. He will be there, asking for universal coverage -- but universal coverage that is affordable.

Yeah, we'll have some spirited debates over the next few months. This is America. But there's a lot more we agree on than we disagree on.

Let me end with this. When Lyndon Johnson signed the Medicare bill into law, he did it in Independence, Missouri, so Harry Truman could watch. Harry Truman said a lot of good things in his life. One of the best was in 1959 -- 10 years after the AMA killed his health care plan. He said: "The President is the representative of the whole nation, and he's the only lobbyist that all the 160 million people in this country have."

Bill Clinton now has 250 million Americans to think about. 94 percent want health care reform. Let's work together on this one, okay?

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AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
September 13, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $11,342 million of 13-week bills to be issued September 16, 1993 and to mature December 16, 1993 were accepted today (CUSIP: 912794E67).

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 16%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	33,728	33,728
New York	55,811,395	10,183,021
Philadelphia	10,460	10,460
Cleveland	34,288	34,288
Richmond	85,225	40,705
Atlanta	21,048	18,528
Chicago	3,322,113	263,793
St. Louis	8,479	8,479
Minneapolis	6,016	6,016
Kansas City	21,127	21,127
Dallas	12,606	12,606
San Francisco	606,570	71,370
Treasury	638,188	638,188
TOTALS	$60,611,243	$11,342,309
Type		
Competitive	$55,970,421	$6,701,487
Noncompetitive	1,108,463	1,108,463
Subtotal, Public	$57,078,884	$7,809,950
Federal Reserve	2,796,580	2,796,580
Foreign Official Institutions	735,779	735,779
TOTALS	$60,611,243	$11,342,309

An additional $55,721 thousand of bills will be issued to foreign official institutions for new cash.

LB-355

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PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
September 13, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $11,282 million of 26-week bills to be issued September 16, 1993 and to mature March 17, 1994 were accepted today (CUSIP: 912794J54).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.05%	3.14%	98.458
High	3.06%	3.15%	98.453
Average	3.06%	3.15%	98.453

Tenders at the high discount rate were allotted 51%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	28,228	28,228
New York	46,797,907	10,320,138
Philadelphia	7,639	7,639
Cleveland	21,477	21,477
Richmond	64,541	21,541
Atlanta	17,505	16,035
Chicago	2,081,696	207,746
St. Louis	7,835	7,835
Minneapolis	5,245	5,245
Kansas City	16,335	16,335
Dallas	8,249	8,249
San Francisco	796,672	189,202
Treasury	432,365	432,365
TOTALS	$50,285,694	$11,282,035
Type		
Competitive	$45,549,572	$6,545,913
Noncompetitive	767,601	767,601
Subtotal, Public	$46,317,173	$7,313,514
Federal Reserve	2,700,000	2,700,000
Foreign Official Institutions	1,268,521	1,268,521
TOTALS	$50,285,694	$11,282,035

An additional $96,179 thousand of bills will be issued to foreign official institutions for new cash.

LB-356

TREASURY NEWS

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

FOR RELEASE AT 2:30 P.M.
September 14, 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 September 23, 1993. This offering will result in a paydown for the Treasury of about $17,075 million, as maturing bills total $39,482 million (including the 129-day cash management bills issued May 17, 1993, in the amount of $16,037 million). In addition to the maturing 13-week, 26-week, and 129-day bills, there are $14,889 million of maturing 52-week bills. The disposition of this latter amount was announced last week.

Federal Reserve Banks hold $8,410 million of bills for their own accounts in the maturing issues. These may be refunded at the weighted average discount rate of accepted competitive tenders.

Federal Reserve Banks hold $4,831 million of the 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 $3,611 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.

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Attachment

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED SEPTEMBER 23, 1993

September 14, 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 G9 9	912794 J6 2
Auction date	September 20, 1993	September 20, 1993
Issue date	September 23, 1993	September 23, 1993
Maturity date	December 23, 1993	March 24, 1994
Original issue date	June 24, 1993	September 23, 1993
Currently outstanding	$12,252 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

001147

FOR IMMEDIATE RELEASE
September 14, 1993

CONTACT: Michelle Smith
(202) 622-2960

STATEMENT BY TREASURY SECRETARY LLOYD BENTSEN:

The House has taken an important step toward putting the S&L cleanup behind us. It's a responsible action that affirms the government's pledge to guarantee the deposits millions of individual Americans have in banks and thrifts. But the job's not over until this legislation receives final approval. Only then can we close out this sad chapter in America's financial history.

TREASURY NEWS

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

FOR IMMEDIATE RELEASE
SEPTEMBER 15, 1993

ORAL TESTIMONY OF TREASURY SECRETARY LLOYD BENTSEN SENATE FINANCE COMMITTEE

Mr. Chairman, members of the committee. I have a statement for the record which I'd like to summarize.

The bottom line here is that NAFTA creates jobs for Americans and it protects American jobs.

This is not a theoretical exercise for me. I've lived a good many years on the U.S.-Mexican border. I've learned a great deal about Mexico and about trade. I've seen good deals with Mexico, and bad deals. This is a good deal.

NAFTA will generate 200,000 higher paying U.S. jobs in the next two years alone. It is integral to our domestic economic agenda, and it is a critical part of our international agenda to create jobs through open markets and trade reciprocity.

Trade is a way of life for us. One in eight U.S. jobs depends directly on trade. That's why I shake my head in wonder when I hear talk about passing up the chance to increase exports and open markets. I don't know a time when less trade meant more jobs and more prosperity for Americans.

With NAFTA, Mexico is adopting the principles of open markets. Look at what's happened since 1986 when they started liberalizing trade policy. The figures are impressive. We've gone from a deficit of nearly $6 billion to a surplus of over $5 billion on $40 billion in exports. Even with a sharp difference in tariffs, we've gained 400,000 higher-paying jobs since 1986.

Things will get even better with NAFTA. It will create 200,000 more jobs in the next two years alone, and jobs related to exports to Mexico pay about 12 percent above average. Additionally, exports should rise another $10 billion over the next three years.

With NAFTA, Mexico is dropping tariffs 2 1/2 times what ours are. Now they've got the advantage. We're giving up very little, and we're getting quite a lot.

And these lower tariffs are only for our goods and Canada's, not Japan's or the EC's.

Let me give you a quick example. From day one, a U.S.-made automobile will be 8 percent cheaper in Mexico City than it is today. Over the long run, our cars will be 17 percent less in Mexico. That's a powerful incentive to buy a U.S.-built car. Do you know how many Ford Taurus' and Saturns we exported to Mexico last year -- absolutely none. But the best forecast around says sales of U.S.-made cars in Mexico will leap from 1,000 a year to 60,000 a year in NAFTA's first year alone.

In sector after sector, from consumer goods to telecommunications, NAFTA will be a success story.

Mexicans don't just like American goods, they love American goods. Mexico buys 70 percent of its imports from us. They buy more manufactured goods from us than Japan. Mexico spends more with us on a per capita basis, than do the more affluent Europeans or Japanese.

Ignoring demand like that makes as much sense as locking the doors to the store with a crowd of customers outside waving handsful of money. I was in business for 16 years, and I don't know any businessman who does well by refusing to do business.

There are some powerful arguments for NAFTA, and there's also a myth out there I want to knock down.

A friend of mine from Texas talks about hearing a sucking sound of jobs headed south. I think he may have a hearing problem. What is rushing south already is billions of dollars in products made by American workers. I'm not the only one who believes NAFTA will mean more jobs for Americans and more exports to Mexico. Private forecasters, the nation's governors, Nobel Prize-winning economists, the Congressional Budget Office and General Accounting Office all agree with that.

Besides, there is nothing stopping jobs from moving to Mexico now, or Malaysia, or Hungary, or any place else where wages are lower.

I know those who use the jobs argument, like my friends in the labor movement and my close friends on the committee, are sincere. But I believe they are mistaken. NAFTA is a net job creator. No one will deny there will be dislocations, but we still end up with more U.S. jobs overall.

President Clinton has taken NAFTA and made it better for American workers, and for the environment, with the supplemental agreements signed yesterday.

Let me make something clear. We are committed to an innovative and comprehensive program of retraining and other assistance to help any American who is hurt by NAFTA. We want everyone to share in the benefits of higher-paying jobs.

I want to elaborate briefly on the border environment issue. I know the importance of safe drinking water, adequate wastewater treatment and solid waste disposal. This is the "greenest" trade agreement ever negotiated. We're committed to an aggressive border environmental program. Remember, NAFTA didn't create the problems. But NAFTA will make a significant contribution to the solution.

The cost will be about $8 billion for taking care of wastewater treatment, drinking water and municipal solid waste. We're in negotiations with Mexico on these problems. We're proposing a new joint Border Environment Administration (BEA) that will involve local people in tackling these problems. The cost of environmental cleanup will be shared with Mexico. We want to maximize direct private funding to meet this need.

We also want to create a Border Environment Financing Facility to leverage federal funds by borrowing in private capital markets. We expect the facility to lend, or guarantee, $2 billion or more. The additional yearly cost to the federal government will be minuscule. We have a proposal for environmental cleanup that meets key concerns for the environment, and the environmental community recognizes this agreement is good for the environment. Groups with 7.5 million members have announced their support for NAFTA and its side agreements.

Finally, let's look at the overall budgetary effect of NAFTA. This agreement will raise as much as $10 billion annually in additional revenues by 1998. We will lose a small amount of revenue from reduced tariffs -- an average of $500 million a year over the next five years. Under budget scoring rules, we must find offsets for that, even though we expect the much larger revenue gain from NAFTA. The administration is committed to finding these offsets without raising any new taxes. We will work with Congress over the coming weeks to find offsetting spending cuts.

Let me wrap up. Failing to adopt NAFTA will leave Mexico able to jack trade barriers right back up to where they were before liberalization began. Not only will that wipe out any hope of providing good-paying jobs to 200,000 Americans in the immediate future, it will put the 400,000 we've seen created in the past few years in serious jeopardy. Failure to adopt NAFTA means we won't get the important gains we've made in border environmental matters. It means the gains in the labor side agreement and environmental side agreement won't go into effect. In short, the cost of failure is significant, and the benefits make NAFTA well worth it.

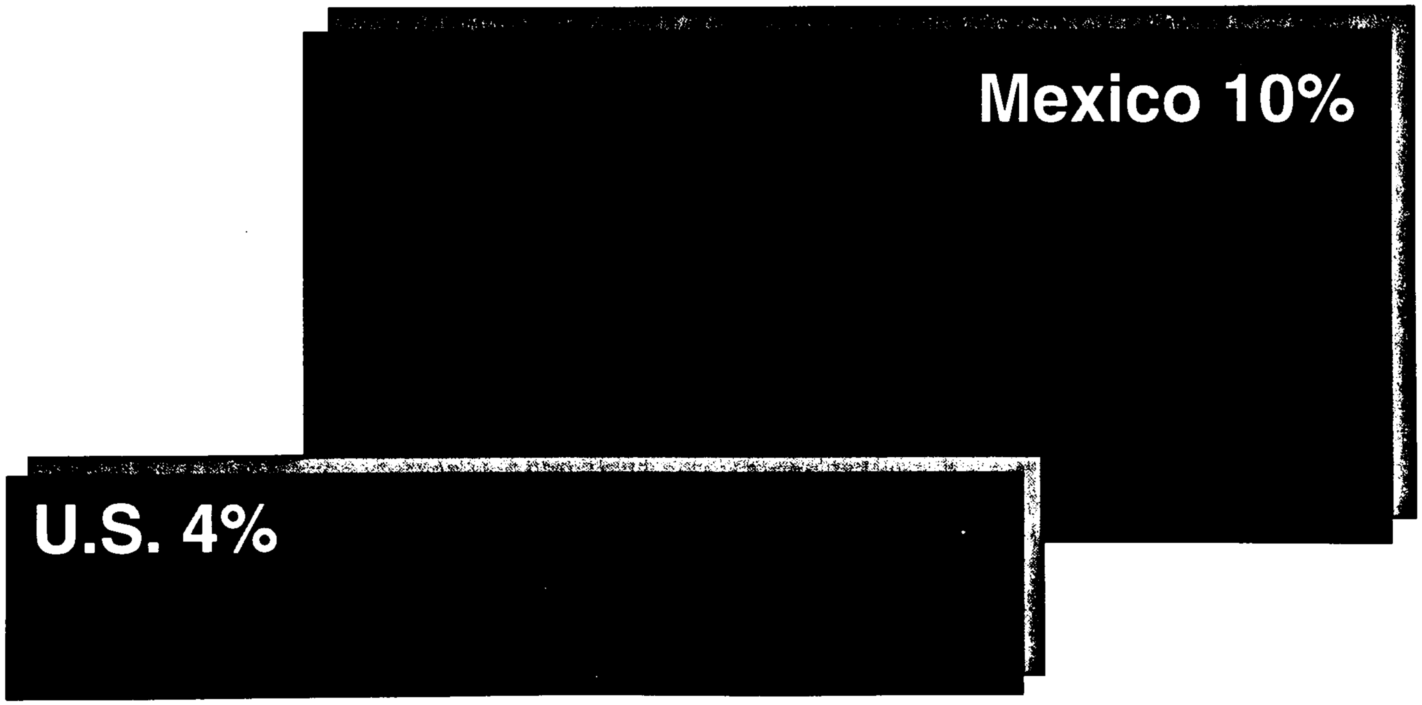
I am convinced that a bipartisan and forward-looking Congress will see that NAFTA is good for America and good for the American worker. No vote Congress will take in the next six months will create 200,000 jobs like NAFTA will.

Thank you.

* * *

Chart 1

Mexico's Average Tariff Barriers Against U.S. Exports are 2.5 Times Higher than Equivalent U.S. Tariff Barriers Against Imports from Mexico



TREASURY NEWS

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

RECORD TESTIMONY OF TREASURY SECRETARY LLOYD BENTSEN
SENATE FINANCE COMMITTEE
SEPTEMBER 15, 1993

Mr. Chairman, members of the committee. I'm delighted to have the opportunity this morning to give the committee an overview of the North American Free Trade Agreement.

NAFTA is about jobs for Americans-- creating jobs and protecting jobs. And while NAFTA at its core is a trade agreement, it also creates an alliance that will produce prosperity. By establishing a $6.5 trillion market with 370 million people, the largest in the world, we provide the opportunity for trade to create jobs -- high paying jobs -- and provide a higher standard of living, for all Americans.

This isn't a theoretical exercise for me. This face looks lived in because it's lived a good many years in the bright sun of the U.S.-Mexican border. I learned some good sense about Mexico, and about trade, and about what they both mean to the United States. I've seen good deals with Mexico, and bad deals. This is a good deal. Let me tell you why.

First, NAFTA will generate 200,000 higher paying U.S. jobs in the next two years alone. For that reason, it is an integral part of our domestic economic agenda. Likewise, it is an important part of our international agenda to promote more job-creating exports. In addition, it is a significant step on the path to opening foreign markets, to trade reciprocity, and to creating even more jobs for Americans with agreements such as the Uruguay Round and what we expect will come from our negotiations with Japan.

If we've learned anything from the past half century of trade history, it's that removing trade barriers is the way to build healthy, prosperous and growing economies. Trade is a way of life for us. One job in every eight in the United States depends directly on trade. Trade keeps us competitive and makes our economy vibrant. It makes our economy grow. That's why I scratch my head in disbelief every time I hear someone talk about passing up important opportunities to increase exports and missing chances to open markets.

I don't know a time when fewer exports meant more jobs for Americans. I can't recall when less trade meant more prosperity.

Too often, trade is a one-way street. We buy someone else's goods, but we can't sell to them. NAFTA reverses that trend.

Mexico is adopting the principles of open markets to make its economy an equal player in the global arena. They have signed on to the trade bandwagon. You only have to look at what's happened since 1986 to see the importance to us of a reduction in Mexico's trade barriers -- even if the reductions so far still have Mexico with barriers over twice as high as ours.

The trade figures are impressive. We've gone from a deficit of nearly $6 billion in 1986 to a surplus of over $5 billion on $40 billion in export business last year. When Mexico started bringing down its trade barriers in 1986, we had fewer than 300,000 Americans working in jobs depending on the Mexican export market. Since then, and even though there's still a sharp difference in our tariffs today, more than 400,000 new jobs have been created, and they're higher paying ones. Now, 700,000 Americans depend on trade with Mexico for their jobs.

And things are going to get even better with NAFTA. We calculate that we'll pick up 200,000 more jobs in the next two years alone, and jobs related to trade with Mexico pay about 12 percent better than average. And as for exports, we believe they will rise another $10 billion over the next three years with NAFTA.

This agreement is clearly good for America, and it's clearly good for American workers. We're getting a deal here.

Mexico's barriers to our goods have been coming down, but with this last step, Mexico is dropping tariffs that are 2 1/2 times what ours are. Now they've got the advantage. NAFTA will level a sharply tilted playing field. In short, we're giving up very little, and we're getting quite a lot.

And, let's not forget these tariffs that are coming down are only on our goods and Canada's goods, not for Japan's or the EC's.

Let me give you a quick case in point. From day one, an American automobile will be 8 percent cheaper in Mexico City than it is today. Over the long run, our cars will be 17 percent cheaper. That's a powerful incentive to buy a U.S.-built car. And by the way, there's a tremendous market there because half of all cars there are over 10 years old and only one person in 16 in Mexico owns a car now. Do you know how many Ford Taurus' and Saturns we exported to Mexico last year -- absolutely none. But the best forecast around right now says sales of U.S.-made cars are going to leap from 1,000 a year to 60,000 a year in the first year alone. It will take the Big Three four years to export that many cars to Japan.

And, it's not just tariffs that are coming down. Mexico is getting rid of some very restrictive rules about auto import quotas. There is such a web of rules on autos that, for instance, it makes virtually no sense, for instance, for Chrysler to try to sell Jeeps in Mexico. They sold all of five last year. Those rules will be taken off the books, not to mention trade balancing regulations, local content rules and restrictions on our financial services industry. On top of that, we get intellectual property protection.

Sector by sector NAFTA's success story is going to be the same. It's true for consumer goods, for farm products, for chemicals and pharmaceuticals, and for machine tools and telecommunications. Nearly every segment of our economy will feel some benefit from NAFTA.

Why would Mexico agree to such a deal? Mexico realizes that its consumers have been the losers of past protectionist policies. And, Mexico sees NAFTA as an important step toward preparing its economy for the next century. They want to be able to attract investment that otherwise might be going to Eastern Europe or Asia. For them, this is the road toward development and prosperity. For us, it's the road to more jobs, better paying jobs, and a bigger market and prosperity.

How will this create jobs in the United States? Mexico will lower its barriers to our goods, and Mexicans don't just like American goods, they love American goods. Mexico buys 70 percent of its imports from the United States. Consumer goods are the fastest rising component of our trade there. Mexico spends more with us on a per capita basis, than do the more affluent Europeans or Japanese. ($450)

Walking away from demand like that, ignoring a market like that, makes as much sense as locking the doors to the store with a crowd of customers outside waving handsful of money. I was in business for 16 years, and I don't know any businessman who does well by refusing to do business.

One of the important aspects of NAFTA is that it will do more for immigration control than putting the 1st Armored Division, the 82nd, the 101st, and all the rest down on the border. We've got 2,000 miles of border and all the soldiers in the Army couldn't do what NAFTA will do. NAFTA will let Mexicans earn a higher standard of living, at better paying jobs, and give them better homes and a better environment. NAFTA will go a long way toward eliminating the lure of the United States to Mexican citizens.

There are some powerful arguments for NAFTA, but there is also a myth I want to knock down. A friend of mine from Texas talks about hearing a sucking sound of jobs headed south. I think he has a hearing problem. What is rushing south already is billions of dollars in products made by American workers. I'm not the only one who believes NAFTA will mean more jobs for Americans and more exports to Mexico. Private forecasters, the nation's governors, Nobel Prize-winning economists, the Congressional Budget Office and the General Accounting Office all agree with that.

There's nothing stopping jobs from moving to Mexico now, or Malaysia, or Hungary, or any place else where wages are lower. If low wages were the sole criteria for where to locate, Sri Lanka would be an industrial giant and Germany and Japan would be dwarfs. Jobs have stayed in the United States -- 115 million of them. They stay not because we have import barriers, but because of the productivity of American workers -- the most productive worker in the world -- and because of the competitiveness of American business.

With NAFTA, it's a real good bet that a new factory built in Mexico will be built with U.S. construction materials, and the assembly lines will have our machines and tools on them. That will save American jobs. And when that factory is up and running, it's workers are going to be more likely to buy our goods, and create jobs here.

I know those who use the job argument, like my friends in the labor movement and my close friends on the committee, are sincere. But I also believe they are mistaken.

No one will deny there will be dislocations. Even if you use the highest estimates, at most one worker in 300 who leaves their job in the next 10 years will leave because of the effects of NAFTA. Meanwhile, more people will be getting jobs because of NAFTA. Americans will be trading lower-wage jobs for higher-paying ones than will be leaving jobs because of layoffs or lower wages. NAFTA is a net creator of jobs for Americans.

And, there's a myth that fragile U.S. industries will be further endangered by NAFTA. But that claim ignores the fact that some very important provisions have been built in to NAFTA to protect them. What you don't hear is that NAFTA has transition periods of up to 15 years for bringing down our tariffs and other barriers in areas where we have industries sensitive to competition and trade with Mexico, such as footwear and household glassware. That gives us time to adjust. They don't tell you that NAFTA has a mechanism to reinstate our tariffs in case of a surge in imports. They don't tell you that we retain our penalties for dumping, or that NAFTA's rules of origin will keep products from non-NAFTA countries from getting the preferential treatment.

The basic part of this agreement was negotiated under President Bush. Last year, President Clinton, or candidate Clinton rather, said he thought NAFTA ought to have beefed up protections, and we have done just that. President Clinton has made NAFTA better for American workers. And President Clinton has made this agreement far better for the environment along the border.

Let me make something quite clear. This administration is committed to an innovative and comprehensive program of retraining and other assistance to help any American who is hurt by NAFTA. Secretary Reich is a strong advocate of NAFTA, and he takes his charge to assist American workers seriously. This administration intends to make it possible for those workers who are affected by it to be able to find a new, better-paying job. We want everyone to share in the benefits of NAFTA.

NAFTA is a good deal also because it is the "greenest" trade agreement ever reached. I grew up on the border and I know just how important this is. Hundreds of thousands of households on both sides of the border do not have adequate drinking water facilities, or wastewater treatment plants, or municipal solid waste disposal systems. Untreated sewage from Mexico goes into our boundary waters, and that affects costs for citizens in Arizona, California and Texas. We want to do something about that, and we're committed to an aggressive new program to resolve these problems over the next decade. Let's be clear on this. NAFTA didn't create the environmental problems. But NAFTA will make a significant contribution to the solution to environmental problems in that part of the country.

The cost will be about $8 billion for taking care of wastewater treatment, drinking water and municipal solid waste. We're in negotiations with Mexico on ways to solve these problems. We're proposing a new joint Border Environment Administration (BEA) that will involve local people in tackling these problems. The cost of environmental cleanup will be shared with Mexico. We want to maximize direct private funding to meet this need.

We also want to create a Border Environment Financing Facility to leverage federal funds by borrowing in private capital markets. We expect it to lend, or guarantee, $2 billion or more. The additional yearly budget cost will be minuscule. This approach borrows important concepts from a number of congressional proposals.

While we are focussing our efforts on the most critical border environmental infrastructure needs, the Border Environmental Administration and the Funding Facility could play a role in dealing with other infrastructure problems if both governments agreed in the future.

We believe we have a proposal for environmental cleanup that meets the key concerns for the environment and the environmental community recognizes this agreement is good for the environment. Environmental groups with 7.5 million members have announced their support for the NAFTA package, including its side agreements, and the proposed border environmental cleanup program.

The Administration believes that the implementation of NAFTA will significantly increase U.S. exports and thereby expand the U.S. economy. A growing economy will lead to additional revenues for the federal government under existing tax laws, helping to reduce the deficit. Based on economic studies of NAFTA's effects, additional federal revenues could be as $10 billion per year by 1998.

Under the Budget Enforcement Act, however, the macroeconomic effects of NAFTA or any other trade agreement on federal revenues do not count for budget scorekeeping purposes. The Budget Enforcement Act was designed to provide a safeguard against assuming for certain that indirect macroeconomic effects of legislative changes will pay for direct deficit-increasing changes. The Budget Enforcement Act insists that any deficit-increasing changes be directly offset. The indirect effects will then go entirely to reducing the deficit.

Deficit increases must be fully offset, no matter how small. For example, the small amount of revenue losses arising from the reduction in tariffs under NAFTA must be directly offset under budget scorekeeping rules. these losses are estimated at about $200 million in the first year and an average of $500 million a year over the next five years. Even thought his amounts to a mere four ten-thousandths of all revenue collected by the federal government per year, these amounts must be fully offset.

As noted earlier, there will be minuscule additional yearly costs to the federal government for border environmental cleanup. The administration intends that each of these costs be fully offset. However, the administration does not intend to use new revenues to pay for these costs. As part of the cooperative process of developing the legislation to implement NAFTA, the administration will work with the Congress over the coming weeks to develop appropriate spending reductions for ensuring that none of these minimal budgetary effects increases the federal budget deficit.

In closing, failing to adopt NAFTA will leave Mexico able to jack its trade barriers right back up to where they were before liberalization began. Not only will that wipe out any hope of providing good-paying jobs to 200,000 Americans in the immediate future, it will put the 400,000 we've seen created in the past few years in serious jeopardy. Failure to adopt NAFTA means we won't get the important gains we've made in border environmental conditions nailed down and start doing something about those problems. It means the gains in the labor side agreement and in the environmental side agreement won't go into effect. In short, the cost of failure is significant, and the benefits make NAFTA well worth it.

NAFTA is good for the U.S. economy, it is good international economic policy, and it is good national security policy. Either we ride the wave of economic change, and use our ingenuity and enterprise to create new productive jobs, with better wages, or we accept the loss of jobs and markets, and isolation from the world economy as the price of refusing to deal with change.

America is a proud, young and confident nation. We have never been afraid to face the future, and now is not the time to begin.

I remember that 31 years ago President Kennedy proposed a trade bill that lowered tariffs, just like NAFTA. It passed with strong bipartisan support. Now comes NAFTA, launched by President Bush, and significantly improved upon by President Clinton. I am convinced that a bipartisan and forward-looking Congress will see that NAFTA is good for America and good for the American worker. No vote Congress will take in the next six months will create 200,000 jobs like NAFTA will.

Thank you.

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PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
September 16, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 52-WEEK BILLS

Tenders for $15,331 million of 52-week bills to be issued September 23, 1993 and to mature September 22, 1994 were accepted today (CUSIP: 912794L77)

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.26%	3.39%	96.704
High	3.27%	3.40%	96.694
Average	3.27%	3.40%	96.694

Tenders at the high discount rate were allotted 56%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	18,719	18,719
New York	42,930,366	14,537,196
Philadelphia	5,305	5,305
Cleveland	17,605	17,605
Richmond	64,401	25,601
Atlanta	8,140	6,140
Chicago	1,475,465	276,145
St. Louis	7,490	7,490
Minneapolis	3,733	3,733
Kansas City	11,733	11,733
Dallas	5,052	5,052
San Francisco	659,365	181,765
Treasury	234,507	234,507
TOTALS	$45,441,881	$15,330,991
Type		
Competitive	$41,159,950	$11,049,060
Noncompetitive	436,931	436,931
Subtotal, Public	$41,596,881	$11,485,991
Federal Reserve	3,400,000	3,400,000
Foreign Official Institutions	445,000	445,000
TOTALS	$45,441,881	$15,330,991

TREASURY NEWS

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

SEP 17 00 1736

FOR RELEASE AT 2:30 P.M.
September 15, 1993

CONTACT: Office of Financing
202/219-3350

TREASURY TO AUCTION 2-YEAR AND 5-YEAR NOTES TOTALING $27,000 MILLION

The Treasury will auction $16,000 million of 2-year notes and $11,000 million of 5-year notes to refund $22,257 million of publicly-held securities maturing September 30, 1993, and to raise about $4,750 million new cash.

In addition to the public holdings, Federal Reserve Banks hold $1,861 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 $2,157 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.

As was announced in the regular quarterly refunding press conference on August 4, 1993, the Treasury is extending its single-price auction experiment for 2- and 5-year notes through August 1994. The 2- and 5-year notes announced today will be auctioned in the single-price format. All competitive and noncompetitive 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.

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Attachment

HIGHLIGHTS OF TREASURY OFFERINGS TO THE PUBLIC OF
2-YEAR AND 5-YEAR NOTES TO BE ISSUED SEPTEMBER 30, 1993

September 15, 1993

Offering Amount	$16,000 million	$11,000 million
Description of Offering:		
Term and type of security	2-year notes	5-year notes
Series	Series AB-1995	Series S-1998
CUSIP number	912827 M3 3	912827 M4 1
Auction date	September 21, 1993	September 22, 1993
Issue date	September 30, 1993	September 30, 1993
Dated date	September 30, 1993	September 30, 1993
Maturity date	September 30, 1995	September 30, 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	March 31 and September 30	March 31 and September 30
Minimum bid amount	$5,000	$1,000
Multiples	$1,000	$1,000
Accrued interest payable by investor	None	None
Premium or discount	Determined at auction	Determined at auction

The following rules apply to all securities mentioned above:

Submission of Bids:	
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.
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

September 15, 1993

ROGER C. ALTMAN
DEPUTY SECRETARY OF THE TREASURY

Roger C. Altman was confirmed by the Senate to be Deputy Secretary of the Treasury on January 21, 1993.

As Deputy Secretary, Mr. Altman is the second-highest ranking official at the Treasury Department. During the early months of the Clinton administration, Mr. Altman co-led the American delegation to the U.S./Japan Framework talks, which culminated in an agreement reached at the Tokyo Summit. He also ran the administration's "war room" covering its budget negotiations with Congress.

Prior to his nomination, Mr. Altman was Vice Chairman of The Blackstone Group, a private merchant banking firm, and responsible for the firm's worldwide merger and acquisition business. Before joining Blackstone in 1985, Mr. Altman was a Managing Director of Lehman Brothers and a member of its seven-man Management Committee and its Board of Directors. He joined Lehman Brothers in 1969 as an associate.

In 1977, Mr. Altman was nominated to be Assistant Secretary of the Treasury for Domestic Finance and served for the duration of the Carter Administration.

Mr. Altman also served as non-executive Chairman of the Public Development Corporation, New York City's primary economic development agency, from 1985-89. In 1985-86 he served part-time at the Yale School of Organization and Management, teaching an original course, "Washington as Financier," He had been Co-chairman of the Mayor's Management Advisory Task Force since 1990.

Mr. Altman received a B.A. from Georgetown University in 1967 and an M.B.A. from the University of Chicago in 1969.

Mr. Altman was born April 2, 1946, in Boston, Massachusetts. He and his wife, Jurate Kazickas, a documentary filmmaker, have three children.

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Revised

TREASURY NEWS

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

Sept. 15, 1993

RANDOLF HURST HARDOCK

Benefits Tax Counsel

Randolf Hurst Hardock has been appointed Benefits Tax Counsel for the Department of the Treasury.

In that position he develops and reviews policy, legislation, regulations, and revenue rulings dealing with all aspects of employee benefits taxation and related matters. The latter include qualified retirement plans, employee stock ownership plans, employee welfare plans, health and long-term care benefits, social security taxes and executive compensation.

From 1986 to 1993 Hardock was tax counsel of the Senate Finance Committee. From 1981 to 1985 he was tax attorney at the law firm O'Melveny and Meyers in Washington.

He has a magna cum laude J.D. from the University of Pennsylvania law school (1981) and was editor of the Pennsylvania Law Review. He has a magna cum laude B.A. in political science from the University of Rochester (1978) and was a member of Phi Beta Kappa.

Hardock was born in Rochester, New York on Oct. 16, 1956. He is married to the former Anne Hurst. They have two children.

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TREASURY NEWS

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

Text as Prepared for Delivery
FOR IMMEDIATE RELEASE
September 16, 1993

REMARKS OF TREASURY SECRETARY LLOYD BENTSEN
CHICAGO BUSINESS EXECUTIVES
CHICAGO, ILLINOIS

This is my first time at Continental -- and I'm impressed. This is some grand hall you have restored. It reminds me of many of the great historical places in Washington.

I don't know if any of you have ever visited the National Archives, it's a few blocks up Pennsylvania Avenue from the Treasury Building. Inside we have beautiful murals on the wall like you do here. And in the Rotunda of the National Archives are this country's national treasures -- the original Declaration of Independence, and the Constitution, and the Bill of Rights.

I mention that because our Constitution has inspired so many people around the world. In just about every case since the Cold War ended, new countries and old countries have modeled their new governments after ours. We're their example. They look to us and say: "That's what I want for my country."

We saw it again on Monday, when the Israelis and the Palestinians shook hands at the White House. They know that the peaceful world we live in on this hemisphere, is what they need in their homeland.

There's a big irony in all this, though. Just as we're reshaping the world, inspiring it, leading it -- we're now torn in this country over a free trade agreement.

Here we have a country that has been the model. Here we have a country that has peaceful borders with two good friends, Canada and Mexico. That has fought wars to share democracy. That has opened its markets so others may benefit. That has spent billions in aid to rebuild old enemies.

Now, we have two neighbors who want to do a little business with us -- and we're acting like we're the little guy and they're the big bullies. I don't get it. Where's our leadership?

NAFTA is not an aid package. It's a trade package. We're not spending billions like we did on the Marshall plan to develop Europe. We're opening markets so our companies -- all of you -- can compete and make some money, and employ Americans.

Some business people think: "Well, the President doesn't really have his heart in this one. If the battle gets tough, he'll walk from it."

Bill Clinton has his heart and soul in it. You don't employ Bill Daley, you don't get Danny Rostenkowski's support -- and take a hike. It's not done that way in Chicago, is it?

If we had to take the vote today, it would be tough in the House. Better in the Senate, but tough in the House. But passage has been tough for almost every big treaty we have ever signed. People who oppose a treaty are clearer about their opposition than people who support it this far in advance of a vote.

I give the opposition a lot credit. The labor unions are sincere. They know a lot more about losing jobs than many of us. And Ross Perot is out there saying how he thinks business will respond -- that they'll move plants to Mexico.

What I'd like to see is -- you respond to him.

Here we have something that will help you increase business and create jobs -- and you know it. But we need to hear that from you.

You are the opinion makers in this country, and we need you out there influencing opinion.

We're deep into health care reform, and I've heard from big business, small business, insurers, doctors, and hospitals. I made a speech on Monday to the restaurant owners -- and I was lucky to come out of their with my life!

This spring and summer, when it came time to cut the deficit, which meant raising taxes, I heard from businesses.

I received something like 5,000 pieces of mail on that one. I've received about 275 on NAFTA. By the way, much of the NAFTA mail is positive.

To be honest, I don't understand why the opposition is against this. What do you need in business to sell products? First, you need a growing market, right?

Well, in Mexico, you have 90 million customers, who spend 70 cents of every dollar on imports to buy American goods. Last year, each Mexican, on average, purchased more than $450 worth of U.S.-made products. The average Japanese, who make a lot more money, spent $385 on U.S. products.

What else does business need to sell products in other markets? Low tariffs -- or no tariffs.

Right now, the average product entering Mexico from the U.S. is slapped with a 10 percent tariff. The average Mexican product entering the U.S. gets a 4 percent tariff.

So, tariffs there are two-and-half times higher than what they are here. I don't see fairness, and we're the country on the bad end of the deal.

If this thing passes, that changes. Half of all goods Americans export to Mexico will be eligible for zero tariffs. These are the more sophisticated products -- like aerospace and electronic equipment -- produced by workers earning high wages.

Within the first five years after NAFTA is implemented, two-thirds of U.S. industrial exports will enter Mexico duty-free. And these lower tariffs are only for our goods and Canada's goods. Not Japan's or the EC's.

If you sell into a growing market, with lower tariffs, American companies do well. We've seen that.

In 1986, Mexico started lowering tariffs voluntarily. And we've gone from a $6 billion trade deficit with them, to a $5 billion surplus. We have added 400,000 jobs -- which pay 12 percent higher than average.

I was at a forging plant this morning -- Finkl & Sons on the north side. 450 employees. Four different unions. Their big competition comes from Europe and Japan.

They told me that they started selling in Mexico three or four years ago. Now Mexican and Canadian business makes up 15 percent of their total revenues. Without Mexican business, they'd be going to four-day work weeks and laying people off.

Small businesses can make out very well with NAFTA. And so can farmers, by the way.

But let's face it. The biggest cause of the trade deficits in this country is in the auto sector. If we don't export autos and auto parts, we'll never see our trade deficit numbers go down.

Right now, the Big Three can sell products in Mexico if they build them there. That's why businesses went there. Our auto industry has been in Mexico for 60 years.

In fact, that's the reason many companies have moved to Mexico. Mexico has many restrictions on imports that have required companies to move down there if they want to do business. The auto industry can take cars built in Mexico and export them to the U.S. without restrictions. But they can't produce a car or a minivan in the U.S. and then try to sell it in Mexico without facing tremendous barriers.

So, while Ford sold over 400,000 Taurus's last year in the U.S. -- a car built right here in Chicago -- Ford sold zero U.S.-built Tauruses in Mexico.

In fact, look at the list of the top ten selling American-made cars last year. The Big Three sold 2.1 million of these units here. But they sold a grand total of -- listen to this -- 162 in Mexico.

Now, I was a little curious. And I asked: Which car did they sell 162 of? Turns out it was the Cadillacs made in Arlington, Texas.

I know that Texan workforce. It's big. It's good. And if they didn't have to face such high tariffs, they could sell a lot more than 162 units!

In fact, the auto industry projects that the first year out, they will be able to sell 60,000 American-made autos in Mexico. 60,000.

Some people say, yeah, but they'll move the plants to Mexico because of the lower wages. Jobs can go there now.

I don't see the Big Three closing plants here to open plants there any time soon. Why? Because even if you factor in the lower wages, it costs $410 more to build a car in Mexico than it does in this country due to transportation and other costs.

Something I don't get is: Why is the opposition so afraid of low wages? If it was just low wages, you'd have Bangladesh, or you'd have Haiti, as industrial powers.

The American worker is the most productive in the world -- and the differential in wages is more than made up by the superiority productivity of American workers. Yesterday on the front page of the Wall Street Journal was an article about how companies are moving jobs back to America because they find American workers more productive.

Who are this country's biggest competitors? Japan. The Europeans. Well, the average Japanese worker now makes 30 percent more than the average American worker. Competition means more than wages.

We've lost manufacturing jobs in this country at our Fortune 500. And many big companies are still holding tight or still laying people off.

But look at some of the big companies that have announced staff reductions recently -- and things would be worse if they didn't have Mexican business.

Take Eastman Kodak. With trade barriers out of the way, they say they can double their exports to Mexico to $250 million by '95.

Or take Procter & Gamble. Six years ago, they exported nothing to Mexico. Now, they export $100 million in goods. If this thing passes, they say it will be $200 million. That's 1,500 to 2,000 jobs that would not be there or at their suppliers if this thing fails.

Let me tell you what will happen if this thing fails. Our market will stay open, but Mexico will be able to jack trade barriers right back up to where they were before liberalization began.

So the 29,000 jobs in Illinois that are supported by trade with Mexico will be up for grabs. By the way, 70 percent of those jobs were created in just the past five years.

If this thing fails, we'll let Japan and Europe take advantage of the economic opportunities in Mexico.

If this thing fails, we'll hurt our chances to open more markets in Latin America and the rest of the world.

We won't be cleaning up the environment down on the border. And we'll still be importing immigrants from Mexico -- who are looking for jobs because they don't see any growth in their country.

And we'll hurt a good friend.

So, let me end by calling for the order. We have a sales job to do.

It doesn't matter that the former Presidents support this, that 41 of 50 governors support it, that economists will tell you this is a good thing.

We have to make sure that your employees, and your vendors, and your stockholders all understand it. And if they understand it, I think they'll support it.

So do us a favor, would you? Hold town hall meetings for your employees. Run ads. Call your politicians. Do whatever it takes -- but take responsibility for this. If you don't lead the efforts, nobody will.

Yesterday I saw a poll about NAFTA and trade.

They asked the question: Would this nation be better off without any restrictions on trade with its neighbors because the U.S. can compete better than other countries.?

Just 35 percent said we would. Just 35 percent.

What happened to the competitive spirit of this country? What happened to our pride? What happened to the day we'd stick out the chest and say: "We can lead the world." Other nations have always looked to us as the model. Let's not disappoint them. Through economic growth, we can make this a better world for everyone.

Thank you and I'd be glad to take some question.

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TREASURY NEWS

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

Text as Prepared for Delivery
FOR IMMEDIATE RELEASE
September 16, 1993

REMARKS OF TREASURY SECRETARY LLOYD BENTSEN
A. FINKL & SONS CO
CHICAGO, ILLINOIS

I only wish Ross Perot were here. Ross likes to say jobs are going to be lost to Mexicans. I wish he could have seen what I just saw.

An American-owned plant, smack in America's heartland, employing American workers -- union workers -- making high-quality products, and shipping them to Mexico.

Remember what Ross said in the Presidential debate? That he was all ears. If he were here, I think he'd hear some ringing in his ears. The ringing of cash registers!

Three or four years ago you hardly did any business with Mexico. And now almost 15 percent of all your sales comes from either Mexico or Canada -- the partners in our trade agreement.

Mexicans aren't trying to take your jobs. They are taking your products. Without their buys, you'd be facing lay offs or four-day work weeks, and you can't support families that way.

In the coming months, you're going to hear a big debate about the North American Free Trade Agreement.

Ross and the labor unions are on one side. They are sincere. Union men and women know what it means to lose jobs. But right now, labor leaders are telling Americans that if we sign a free trade agreement, businesses will move to Mexico. And I don't think they are right.

Now, I don't want to put your boss on the spot -- but let me ask Chuck Finkl something. If we sign this, will you be moving jobs out of Chicago and into Mexico?

For the life of me, I can't understand why the opposition is so against this.

What do you need in business to sell products?

First, you need a growing market, right?

Well, in Mexico, you have 90 million customers, who spend 70 cents of every dollar on imports to buy American goods. Last year, each Mexican, on average, purchased more than $450 worth of U.S.-made products. The average Japanese, who make a lot more money, spent $385 on U.S. products.

What else does business need to sell products in other markets? Low tariffs -- or no tariffs.

Right now, the average product entering Mexico from the U.S. is slapped with a 10 percent tariff. The average Mexican product entering the U.S. gets a 4 percent tariff. So, tariffs there are two-and-half times higher than what they are here. I don't see fairness, and we're the country on the bad end of the deal.

If this thing passes, that changes. Half of all goods Americans export to Mexico will be eligible for zero tariffs right away.

And if you sell into a growing market, with lower tariffs, American companies do well. We've seen that. In 1986, Mexico started lowering tariffs voluntarily. And we've gone from a $6 billion trade deficit with them, to a $5 billion surplus. We have added 400,000 jobs.

Lots of industries will benefit. Small companies will benefit. Farmers will benefit.

But let's face it. The biggest cause of the trade deficits in this country is in the auto industry. If we don't export autos and auto parts, we'll never see our trade deficit numbers go down.

They tell me the auto industry is one of your big customers. A lot of the politicians from Michigan think that with the cheap labor in Mexico, this agreement will mean that auto jobs will move south.

Let me tell you something. It costs the Big Three $410 more to build a car in Mexico than it does in this country because of transportation costs and everything else that goes into production. If you were a chairman at one of the Big Three, would you be rushing to Mexico to build cars for $410 more than you can build them here?

Right now, the Big Three can sell products there if they build them there. That's why businesses went there. In fact, that's the reason many companies have moved to Mexico.

The auto industry can take cars built in Mexico and export them to the U.S. without restrictions. But they can't produce a car or a minivan in the U.S. and then try to sell it in Mexico without facing tremendous barriers.

So, while Ford sold over 400,000 Taurus's last year in the U.S. -- a car built right here in Chicago -- Ford sold zero Taurus's in Mexico.

In fact, look at the list of the top ten selling American-made cars last year. The Big Three sold 2.1 million of these units here. But they sold a grand total of -- listen to this -- 162 in Mexico.

I was a little curious. And I asked: Which car did they sell 162 of? Turns out it was the Cadillac made in Arlington, Texas.

Now, I know that Texan workforce. It's big. It's good. And if they didn't have to face such high tariffs, they could sell a lot more than 162 units.

Let me tell you what will happen if this thing fails.

If this thing fails, we'll let Japan and Europe take advantage of the economic opportunities in Mexico.

If this thing fails, we'll hurt our chances to open more markets in Latin America and the rest of the world.

We won't be cleaning up the environment down on the border. And we'll still be importing immigrants from Mexico -- who are looking for jobs because they don't see any growth in their country. And the 29,000 jobs in Illinois that are supported by trade with Mexico will be up for grabs. We have to lock in those jobs.

So, let me end with this. It doesn't matter that all the former Presidents support this, or that 41 of 50 governors support it, or that economists say its a good thing. What we need are your Senators. What we need are more Illinois Congressmen to join Danny Rostenkowski in supporting this.

I told Bill Daley before I came out, I'd do my best in Chicago. I hope you can come through for us.

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TREASURY NEWS

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

SEP 21 [illegible] 072

FOR IMMEDIATE RELEASE
SEPTEMBER 16, 1993

STATEMENT OF DEPUTY TREASURY SECRETARY ALTMAN
TOUR OF SCIENTIFIC ATLANTA

What I've seen and heard here today only reinforces my strong conviction that we must approve the North American Free Trade Agreement.

Scientific Atlanta is one of thousands and thousands of small, medium-sized and larger firms already benefitting from Mexico's liberalized trade rules, and who stand to benefit even more with NAFTA's adoption.

It makes absolutely no sense to shoot ourselves in the foot and lock ourselves out of a market where there is such a potential for growth.

I learned this morning that Scientific Atlanta's sales in Mexico are increasing each year in double digits, and that's while they face double-digit tariffs ranging up to as much as 20 percent. Can you imagine what those sales will be once the tariffs come down, and the price of these products comes down? They tell me the market for cable television equipment is exploding in Mexico.

It's not surprising that a pioneer in television satellite technology would have the foresight to look to international markets to build its business, especially to Mexico.

What is happening here, at Scientific Atlanta, and with businesses throughout the country, must be allowed to continue. We've added 400,000 new jobs in the past six years because of increased trade with Mexico, and many of those jobs are here. We expect NAFTA will mean another 200,000 jobs nationally, and I'm certain a number of them will be here. We must allow that to happen.

* * *

TREASURY NEWS

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

Text as Prepared for Delivery
Adv Noon EDT
September 16, 1993

REMARKS OF DEPUTY TREASURY SECRETARY ROGER ALTMAN ATLANTA BUSINESS LUNCHEON

I'd like to speak with you about President Clinton's economic program. The recent legislative struggle over the budget was so intense that it may have obscured our overall strategy. Let me try to dispel some of the fog.

The new budget is just one element in an integrated economic strategy whose main goal is to raise investment in this country. Increasing investment will raise our productivity, increase real incomes and restore and improve Americans' standard of living.

During the campaign, thousands and thousands of times if you recall, President Clinton referred to the investment deficit and the importance of closing it. This is the overarching goal.

We're doing this through deficit reduction. We're doing it through investing in our people. We're doing it by making government smaller and more efficient. We're doing it by controlling health care costs to improve business margins. And we're doing it with an aggressive trade policy that will create hundreds of thousands of high skill jobs and simultaneously contribute to the kinds of investment that increase our productivity and make us more competitive.

I know NAFTA and health care are the two big issues on the radar screen at the moment. I would, however, like to take a few minutes and put our overall program in context and discuss those two as parts of the greater whole.

Many Americans are not fully aware of the poor trend in U.S. investment, but the United States' private business investment significantly lags our G-7 competitors. The Japanese and Germans invest 14 and 10% respectively of GDP while the U.S. averages only 7.6% for gross business investment in machinery and equipment. Presently, we're at a 40-year low in these kinds of investments that make us productive and competitive, as a percentage of Net Domestic Product. (1.3 % net business investment vs. 3.2 % historical average.)

This pattern of sluggishness has impacted every American. There is an iron linkage between investment, productivity and real incomes. The biggest reason that so many of our citizens have seen stagnant or even falling incomes has been the chain reaction effect of the investment deficit on their standards of living. It's why they are finding it harder and harder to own a home or send a child to college and why their economic anxiety is so high.

It will take some time to reverse the stagnation in standards of living. The problem reflects many years of underinvestment and won't be cured overnight or in four years. But, the president felt an obligation to take up this challenge, and he did so immediately upon taking office.

The first step to cure this, of course, was our budget. Every one of the president's original budget principles, set forth in the State of the Union address, was embodied in the final legislation. But, the key goal was to take a giant bite out of the deficit.

The new budget cuts the deficit by $500 billion over five years. There are no gimmicks and no rosy scenarios. The latest estimates are that the deficit will total $285 billion this year, or 4.6% of GDP. But, with the new budget it will fall to $180 billion a year over the 1996-1998 period, or 2.2% of GDP by 1998. In other words, relative to its impact on the economy, the deficit will be cut by more than half. That in and of itself is a significant accomplishment.

Many ask, of course, whether the projected amount of deficit reduction will really occur. After all, there were similar promises made in the 1990 budget agreement, but large deficits persisted. That earlier agreement suffered from two flaws, however, which we have avoided here. In 1990, the economic growth projections underlying that agreement were much more optimistic than the consensus private forecast of the time (1993 Bush forecast 4.1% GNP growth v. 2.6% Blue Chip index). Sure enough the rosy official forecast didn't materialize and neither did the government revenues associated with it. It's other weakness was a failure to take on entitlements which soared above the 1990 projections. Not only did this administration achieve $64 billion in Medicare and Medicaid reductions in the new budget, but our health care proposal will go much further in that area.

Furthermore, Vice President Gore just unveiled the reinventing government initiative. Coming from Democrats, these changes have a real chance of being realized. And, we have projected another $58 billion of spending cuts over five years, particularly from personnel reductions of more than 250,000 people and changes in the procurement policies.

The second plank of the Clinton economic strategy is selected public investment. These days, it's popular to describe all government spending and tax expenditures as bad. But, the president's view was that America has ignored a few crucial areas where only government can lead -- areas which support our national competitiveness and, in particular, the quality of our work force. The economic plan incorporated a group of these priorities. The two most profound were expansion in the Earned Income Tax Credit (EITC) and the National Service Plan. The former says, in effect, that families headed by full time workers will no longer live below the poverty line. This promotes work over welfare. The EITC will assist almost 20 million American families and low-income workers to continue to work. After all, remaining in the work force, even at a lower wage, is the best known way to escape poverty.

The national service concept is also simple. If you're accepted to college, we'll help finance your education in exchange for community service or a strict loan repayment commitment. It's aimed at increasing the number of college graduates and thus the productivity of our work force.

For the moment much of our focus is on the other two planks of our economic strategy -- health care and trade. I want to spend a few minutes going over those in a bit more detail.

There are social reasons to change our health care system, including universal coverage, and there are economic ones. Let's talk about the economic side.

Last year, health care expenditures represented 14% of gross domestic product. By the year 2000, based on common trends, the figure will be 19%. No other industrialized nation is seeing health care consume such a high share of personal incomes and employer payrolls. The share of GDP for Canada is 11% and the other G-7 countries are in the 8-9% range. This means a highly inefficient allocation of U.S. economic resources.

The growth rate in private and public health care spending is also completely out of line relative to the rest of our economy. On the private side, it is three times the societal rate of inflation, and on the public side, four times. While overall inflation is subdued now, the seeds of a later problem are there.

In addition, the fastest growing sector of government expenditures involves Medicare and Medicaid. The Medicare program today costs $130 billion annually. Over the next five years it is projected to soar, reaching $213 billion a year. Medicaid is growing in similar fashion. Beyond 1997, if we do nothing, the federal deficit will begin to rise again, reflecting increases in these two entitlements.

Despite all this spending, the United States does not have markedly better health care than other industrialized nations. We're in the middle of the pack on life expectancy and only Italy's infant mortality rate is as high as ours.

The best way to rein in our costs is to introduce more competition into the system and a greater cost consciousness among consumers. Right now, insurers and providers have most of the leverage. All but the largest businesses are at a disadvantage in negotiating premiums. And, since too few consumers pay a meaningful share of their health care bills, they don't shop among providers.

The Clinton plan will be centered around managed competition. Each state will form one or more non-profit regional alliances, covering all employees and non-workers. These will negotiate for coverage with providers for the most affordable quality coverage. The purchasing power inherent in this approach, like the German system, will tilt the playing field in favor of the buyer. Moreover, insurers will no longer be permitted to discriminate or adjust prices based on age or existing health conditions, and workers won't feel locked into jobs because of health coverage.

The result will be enormous private and public savings, compared to the present trajectory. Most businesses which provide coverage today will see their margins improve. And the destructive shifting of uncompensated care costs to the private sector will end.

The plan will be good for U.S. business because it will mitigate the health care cost burden, it will improve the climate for business investment and business hiring.

We know that there is concern among smaller firms which now will be required to provide insurance. But, most smaller businesses already provide coverage and are particularly victimized by the soaring costs. And, for those which don't provide it now, there will be a long term phase-in, transition subsidies, and a cap on the percentage of payroll which must be diverted for health care.

The final component of the administration's economic strategy involves expanding trade. As our work force and businesses become more competitive, we must ensure we have open international markets into which we can sell our goods. The better the prospects for exports, the more export-related investment will result. Such investment improves job security and creates jobs that, on average, pay 17 percent more than other domestic jobs. Presently, the administration is actively pursuing three major international trade agreements; the Uruguay round, U.S.-Japan framework, and NAFTA. With these agreements we will have more access to the markets of our three largest trading partners as well as the world as a whole.

I want to focus today on NAFTA.

The labor and environmental side agreements have now been completed. The president signed them at the White House Tuesday. Capitol Hill is beginning to address the treaty now. We have a tough political fight on our hands.

What we must do first is to correct the disinformation that exists concerning NAFTA. Contrary to what you may have heard, the Congressional Budget Office (CBO), the General Accounting Office and the administration estimate NAFTA will create 200,000 jobs for Americans through increased trade and investment. Already, the United States runs a $5 billion trade surplus with Mexico despite the fact that their tariffs are 2.5 times higher than ours (U.S. 4% v. Mexico 10%). As both countries' tariffs move to zero, and Mexico eliminates its local content requirements, the U.S. trade surplus is expected to grow. Nafta is a positive sum game for the United States, Canada and Mexico.

Since 1986, exports to Mexico have risen in 48 of our 50 states. Here in Georgia, exports to Mexico have quadrupled in the past six years. ($108 Million to $464 million.) In the case of autos, Georgia can benefit significantly under NAFTA.

The rules on automotive trade with Mexico right now are exceedingly complex, and completely stacked against us. That's going to change with NAFTA. Last year they turned out thousands and thousands of Ford Tauruses down at Hapeville. But none were exported to Mexico. Not a single one. Just over 1,000 U.S.-made vehicles in total were exported to Mexico last year. But with NAFTA, that will escalate immediately to an estimated 60,000 vehicles per year.

Only one in every 16 Mexicans owns a car, and half of those cars are more than 10 years old. There is a tremendous market there, and NAFTA will give us priority access to it.

I visited Scientific Atlanta today. They build some exceedingly complex communications equipment. Right now the duty on that sort of equipment stands at as much as 20 percent. NAFTA will reduce it to zero. They already have double-digit growth in sales to Mexico, and that's even with those high tariffs. Their management told me that particularly in the cable television area, Mexico has been a closed market but is now exploding.

There are a lot of myths and misinformation that must be cleared away. Take the claim that jobs are going to be migrating south. That's not likely. The reason jobs have gone to Mexico in the past is that Mexico has had such a protectionist regime that it required businesses to locate in Mexico if they wanted to serve the local market. NAFTA will get rid of this requirement.

Additionally, jobs can move anywhere in the world right now. If wages were the sole criteria for where to make a capital investment, places like Sri Lanka, Haiti, Bangladesh, would be industrial giants, not the United States, or Germany, or Japan.

There's also fear that we should be afraid of an economy where wages are lower. Mexico's economy is one-twentieth the size of ours. We're the biggest, most productive economy in the world. Are we scared to compete? That's like saying Tom Glavine is afraid to pitch to the lowliest hitter on the Colorado Rockies. It doesn't make sense.

There's a myth that only the big corporations benefit from NAFTA. Scientific Atlanta has suppliers. They benefit. Ford, GM and Chrysler all have suppliers who benefit. In fact today, Secretary Bentsen is at a steel plant in Chicago with 450 workers. They make parts that are turned into the bumpers for the Taurus. They're now doing 15 percent of their business with Mexico and Canada. And by the way, that business not only is staying in the United States, it's going to be hiring more employees.

Forty-one of our governors and a dozen Nobel Prize-winning economists endorse it. The Congressional Budget Office, the General Accounting Office, and countless independent studies all confirm that NAFTA is good for the economy.

NAFTA is an exceedingly good deal for the United States, and the people in Washington who will decide if it passes or not have to be made to understand how critical NAFTA is to our economic future.

On Tuesday, the president characterized NAFTA as being about the ability to change and create the jobs of the future, or looking backward to the ways of yesterday and stagnation. Americans are optimists. We have always embraced change and looked to the future. And we have prospered by doing so.

On a broader front, our goals, of course, are to complete NAFTA and the Uruguay round, and to use the new Japanese framework agreement to accomplish fairer trade. If we are fortunate enough to achieve all three, we will have the best trade record of any administration in many years.

Our plan -- deficit reduction and streamlining government, investing in our people, health care reform, and trade expansion -- is already working.

On election day, long term Treasuries were yielding around 7.65 % And they're now around 5.9%. Yes, there are several explanations, including the favorable inflation outlook and weak credit demand. But, a central reason as so many press accounts and commentators have said, is $500 billion in real deficit reduction.

The interest rate change has had profound effects on our credit-sensitive industries have begun to pick up. Let's take autos. U.S. car and truck sales have strengthened to an annual rate of 13.6 million units (an increase of 6.2% over the 12.8 million vehicles sold in 1992) with Ford, GM and Chrysler back up to 75% of the market. In the case of housing, 30-year mortgages are at a 25-year low, and the National Association of Realtors' "affordability index" is at a 20-year high. Single-family housing starts clicked up one percent in July. But the best reflection of the effects of lower interest rates is in business investment. Businesses have increased their purchases of durable equipment by more than 15 percent in the first half of this year over 1992.

All of this has been gradually improving the employment outlook. For the first six months of this administration, new payroll jobs have been created at an average rate of 148,000 per month, that compares to 40,000 per month during the Bush years. Here in Atlanta, the unemployment rate is down nearly 2 percentage points in the past year. In June of last year it was 7.1 percent (unadjusted), and last June it was 5.2 percent. The trends are headed in the right direction.

Relative to growth, most private sector forecasters see a 3% real improvement in the second half, or slightly better. The outlook for the following three years, as unpredictable as that is, generally centers around real growth in the 2.5-3% Range.

Let me close this way. It took a long time to get our economy into the mess it's in -- years of thinking that deficits don't matter, and years of pretending that rosy projections were real.

But, I hope you will leave here recognizing that this administration is breaking from the past. In recent years, every thinking person knew that the deficit was corroding our country. But, it wasn't brought under control. We are doing that.

We will enact the first truly comprehensive health care reform since John Kennedy brought up the issue when he announced for Congress nearly 50 years ago.

And, the Clinton administration will produce three crucial trade agreements, on global trade, on trade with Japan, and NAFTA.

We're not just talking about change, we're implementing it. In the process, we're fulfilling the mandate of last year's election, where nearly two thirds of the voters called for a change in national direction. Our agenda may be a crowded one, but the American people will ultimately judge us on deeds, not words.

Thank you.

* * *

TREASURY NEWS

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

September 16, 1993

STATEMENT BY TREASURY SECRETARY LLOYD BENTSEN ON JAPAN'S NEW STIMULUS PACKAGE

I am encouraged that Japan's new government moved so quickly to introduce a program to start deregulating the economy, to stimulate demand, and to prepare for tax reform.

I hope these measures, combined with appropriate monetary policy actions, tax reform, and the fiscal 1994 budget will help get Japan's economy moving and bring down the trade surplus.

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TREASURY NEWS

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

FOR IMMEDIATE RELEASE
September 17, 1993

CONTACT: Michelle Smith
(202) 622-2960

TREASURY ANNOUNCES CIVIL PENALTY AGAINST BANK OF HAWAII

The Department of the Treasury on Friday announced it has negotiated a civil money penalty of $90,000 with the Bank of Hawaii in Honolulu for failing to file reports on currency transactions as required by the Bank Secrecy Act (BSA).

Treasury and the bank agreed on the amount of the penalty in complete settlement of the bank's civil liability under the BSA for violations which occurred from July 1989 to November 1990.

Ronald Noble, Assistant Secretary for Enforcement, said the bank has taken sufficient corrective action and cooperated fully with Treasury in this matter.

In determining the amount of the penalty, Treasury considered the bank's specific improvements to its BSA compliance program. These actions included the installation of an updated computerized compliance system, implementation of a comprehensive BSA review and the bank's continuing cooperation with law enforcement.

Treasury has no evidence that the bank or any of its employees or officers engaged in any criminal activities in connection with these reporting violations, nor was the bank or its officers or employees under criminal investigation for failing to file currency transaction reports (CTRs).

LB-368

(MORE)

The BSA requires banks and other financial institutions to keep certain financial records, to file CTRs with Treasury on cash 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 and reports is to assist the government's efforts in combatting money laundering as well as for use in civil, tax, regulatory and other criminal investigations.

TREASURY NEWS

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

For Immediate Release September 17, 1993

Monthly Release of U.S. Reserve Assets

The Treasury Department today released U.S. reserve assets data for the month of August 1993.

As indicated in this table, U.S. reserve assets amounted to $75,231 million at the end of August 1993, up from $74,139 million in July 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					
July	74,139	11,057	8,905	42,094	12,083
August	75,231	11,057	9,133	42,923	12,118

1/ Valued at $42.2222 per fine troy ounce.

2/ Beginning July 1974, the IMF adopted a technique for valuing the SDR based on a 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.

TREASURY NEWS

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

Text as Prepared for Delivery
Adv 11 a.m. EDT
September 18, 1993

REMARKS OF DEPUTY TREASURY SECRETARY ROGER ALTMAN
JAY ROCKEFELLER POCAHONTAS RETREAT
DUNMORE, W.VA.

I'd like to speak with you about President Clinton's economic program. The recent legislative struggle over the budget was so intense that it may have obscured our overall strategy. Let me try to dispel some of the fog.

The new budget is just one element in an integrated economic strategy whose main goal is to raise investment in this country. Increasing investment will raise our productivity, increase real incomes and restore and improve Americans' standard of living.

During the campaign, thousands and thousands of times if you recall, President Clinton referred to the investment deficit and the importance of closing it. This is the overarching goal.

We're doing this through deficit reduction. We're doing it through investing in our people. We're doing it by making government smaller and more efficient. We're doing it by controlling health care costs to improve business margins. And we're doing it with an aggressive trade policy that will create hundreds of thousands of high skill jobs and simultaneously contribute to the kinds of investment that increase our productivity and make us more competitive.

I know NAFTA and health care are the two big issues on the radar screen at the moment. I would, however, like to take a few minutes and put our overall program in context and discuss those two as parts of the greater whole.

Many Americans are not fully aware of the poor trend in U.S. investment, but the United States' private business investment significantly lags our G-7 competitors. The Japanese and Germans invest 14 and 10% respectively of GDP while the U.S. averages only 7.6% for gross business investment in machinery and equipment. Presently, we're at a 40-year low in these kinds of investments that make us productive and competitive, as a percentage of Net Domestic Product. (1.3 % net business investment vs. 3.2 % historical average.)

This pattern of sluggishness has impacted every American. There is an iron linkage between investment, productivity and real incomes. The biggest reason that so many of our citizens have seen stagnant or even falling incomes has been the chain reaction effect of the investment deficit on their standards of living. It's why they are finding it harder and harder to own a home or send a child to college and why their economic anxiety is so high.

It will take some time to reverse the stagnation in standards of living. The problem reflects many years of underinvestment and won't be cured overnight or in four years. But, the president felt an obligation to take up this challenge, and he did so immediately upon taking office.

The first step to cure this, of course, was our budget. Every one of the president's original budget principles, set forth in the State of the Union address, was embodied in the final legislation. But, the key goal was to take a giant bite out of the deficit.

The new budget cuts the deficit by $500 billion over five years. There are no gimmicks and no rosy scenarios. The latest estimates are that the deficit will total $285 billion this year, or 4.6% of GDP. But, with the new budget it will fall to $180 billion a year over the 1996-1998 period, or 2.2% of GDP by 1998. In other words, relative to its impact on the economy, the deficit will be cut by more than half. That in and of itself is a significant accomplishment.

Many ask, of course, whether the projected amount of deficit reduction will really occur. After all, there were similar promises made in the 1990 budget agreement, but large deficits persisted. That earlier agreement suffered from two flaws, however, which we have avoided here. In 1990, the economic growth projections underlying that agreement were much more optimistic than the consensus private forecast of the time (1993 Bush forecast 4.1% GNP growth v. 2.6% Blue Chip index). Sure enough the rosy official forecast didn't materialize and neither did the government revenues associated with it. Its other weakness was a failure to take on entitlements which soared above the 1990 projections. Not only did this administration achieve $64 billion in Medicare and Medicaid reductions in the new budget, but our health care proposal will go much further in that area.

Furthermore, Vice President Gore just unveiled the reinventing government initiative. Coming from Democrats, these changes have a real chance of being realized. And, we have projected another $58 billion of spending cuts over five years, particularly from personnel reductions of more than 250,000 people and changes in the procurement policies.

The second plank of the Clinton economic strategy is selected public investment. These days, it's popular to describe all government spending and tax expenditures as bad. But, the president's view was that America has ignored a few crucial areas where only government can lead -- areas which support our national competitiveness and, in particular, the quality of our work force. The economic plan incorporated a group of these priorities. The two most profound were expansion in the Earned Income Tax Credit (EITC) and the National Service Plan. The former says, in effect, that families headed by full time workers will no longer live below the poverty line. This promotes work over welfare. The EITC will assist almost 20 million American families and low-income workers to continue to work. After all, remaining in the work force, even at a lower wage, is the best known way to escape poverty.

The national service concept is also simple. If you're accepted to college, we'll help finance your education in exchange for community service or a strict loan repayment commitment. It's aimed at increasing the number of college graduates and thus the productivity of our work force.

For the moment much of our focus is on the other two planks of our economic strategy -- health care and trade. I want to spend a few minutes going over those in a bit more detail.

There are social reasons to change our health care system, including universal coverage, and there are economic ones. Let's talk about the economic side.

Last year, health care expenditures represented 14% of gross domestic product. By the year 2000, based on common trends, the figure will be 19%. No other industrialized nation is seeing health care consume such a high share of personal incomes and employer payrolls. The share of GDP for Canada is 11% and the other G-7 countries are in the 8-9% range. This means a highly inefficient allocation of U.S. economic resources.

The growth rate in private and public health care spending is also completely out of line relative to the rest of our economy. On the private side, it is three times the societal rate of inflation, and on the public side, four times. While overall inflation is subdued now, the seeds of a later problem are there. In addition, the fastest growing sector of government expenditures involves Medicare and Medicaid. The Medicare program today costs $130 billion annually. Over the next five years it is projected to soar, reaching $213 billion a year. Medicaid is growing in similar fashion. Beyond 1997, if we do nothing, the federal deficit will begin to rise again, reflecting increases in these two entitlements.

Despite all this spending, the United States does not have markedly better health care than other industrialized nations. We're in the middle of the pack on life expectancy and only Italy's infant mortality rate is as high as ours.

The best way to rein in our costs is to introduce more competition into the system and a greater cost consciousness among consumers. Right now, insurers and providers have most of the leverage. All but the largest businesses are at a disadvantage in negotiating premiums. And, since too few consumers pay a meaningful share of their health care bills, they don't shop among providers.

The Clinton plan will be centered around managed competition. Each state will form one or more non-profit regional alliances, covering all employees and non-workers. These will negotiate for coverage with providers for the most affordable quality coverage. The purchasing power inherent in this approach, like the German system, will tilt the playing field in favor of the buyer. Moreover, insurers will no longer be permitted to discriminate or adjust prices based on age or existing health conditions, and workers won't feel locked into jobs because of health coverage.

The result will be enormous private and public savings, compared to the present trajectory. Most businesses which provide coverage today will see their margins improve. And the destructive shifting of uncompensated care costs to the private sector will end.

The plan will be good for U.S. business because it will mitigate the health care cost burden, it will improve the climate for business investment and business hiring.

We know that there is concern among smaller firms which now will be required to provide insurance. But, most smaller businesses already provide coverage and are particularly victimized by the soaring costs. And, for those which don't provide it now, there will be a long term phase-in, transition subsidies, and a cap on the percentage of payroll which must be diverted for health care.

The final component of the administration's economic strategy involves expanding trade. As our work force and businesses become more competitive, we must ensure we have open international markets into which we can sell our goods. The better the prospects for exports, the more export-related investment will result. Such investment improves job security and creates jobs that, on average, pay 17 percent more than other domestic jobs. Presently, the administration is actively pursuing three major international trade agreements; the Uruguay round, U.S.-Japan framework, and NAFTA. With these agreements we will have more access to the markets of our three largest trading partners as well as the world as a whole.

We hope to bring the Uruguay Round of GATT negotiations to a successful conclusion by December of this year. The round contains substantial benefits for the U.S. economy. For the first time, there will be provisions covering trade in servicesand the protection of intellectual property rights. As the world's largest economy, the United States will benefit the most from faster economic growth attributable to a more liberal trade environment. The tentative market access agreement reached at the Tokyo summit is intended to provide a fresh imetus to these crucial talks.

There has also been a preliminary breakthrough in our most important bilateral trade relationship. Two months ago, after hard bargaining in Tokyo, Japan and the United States adopted a new framework for our future trade relationship. This framework sets new rules for those negotiations, and, for the first time, commits Japan to results-based outcomes using quantative measurements. Twice each year, the Japanese Prime Minister and President Clinton will meet and announce the progress made to date. Progress will be measured by the increase in Japan's imports of manufactured goods.

But, the administration's immediate focus is on the North American Free Trade Agreement (NAFTA). The labor and environmental side agreements were signed at the White House this week and Capitol Hill is now addressing the agreement. We have a tough political fight on our hands.

What we must do first is to correct the disinformation that exists concerning NAFTA. Contrary to what you may have heard, the Congressional Budget Office, the General Accounting Office, and the administration estimate NAFTA will create 200,000 jobs for Americans through increased trade and investment. Already, the United States runs a $5 billion trade surplus with Mexico despite the fact that their tariffs are 2.5 times higher than ours (U.S. 4% v. Mexico 10%). As both countries' tariffs move to zero, and Mexico eliminates its local content requirements, the U.S. trade surplus is expected to grow. NAFTA is a positive sum game for the United States, Canada and Mexico.

On Tuesday, the president characterized NAFTA as being about the ability to change and create the jobs of the future, or looking backward to the ways of yesterday and stagnation. Americans are optimists. We have always embraced change and looked to the future. And we have prospered by doing so.

We should not fear opening our markets to an economy one-twentieth the size of ours. We're the biggest and most productive economy in the world. Are we scared to compete? That's like saying Jake Kelchner is afraid to lead the Mountaineers in the "backyard brawl" with Pitt. It doesn't make sense.

Our goals, of course, are to complete the Uruguay Round and NAFTA, and to use the new japanese framework agreement to accomplish fairer trade there. If we are fortunate enough to achieve all three, we will have the best trade record of any administration in many years.

Our plan -- deficit reduction and streamlining government, investing in our people, health care reform, and trade expansion -- is already working.

On election day, long term Treasuries were yielding around 7.65 % And they're now around 5.9%. Yes, there are several explanations, including the favorable inflation outlook and weak credit demand. But, a central reason as so many press accounts and commentators have said, is $500 billion in real deficit reduction.

The interest rate change has had profound effects, and our credit-sensitive industries have begun to pick up. Let's take autos. U.S. car and truck sales have strengthened to an annual rate of 13.6 million units (an increase of 6.2% over the 12.8 million vehicles sold in 1992) with Ford, GM and Chrysler back up to 75% of the market. In the case of housing, 30-year mortgages are at a 25-year low, and the National Association of Realtors' "affordability index" is at a 20-year high. Single-family housing starts clicked up one percent in July. But the best reflection of the effects of lower interest rates is in business investment. Businesses have increased their purchases of durable equipment by more than 15 percent in the first half of this year over 1992.

All of this has been gradually improving the employment outlook. For the first six months of this administration, new payroll jobs have been created at an average rate of 148,000 per month, that compares to 40,000 per month during the Bush years. Here in West Virginia, the seasonally adjusted unemployment rate has fallen from 11.3 percent in July of last year to 10 percent in July of this year. That's encouraging. Nationally the rate is 6.7 percent. The trends are in the right direction, but we still have some distance to go yet.

Relative to growth, most private sector forecasters see a 3% real improvement in the second half, or slightly better. The outlook for the following three years, as unpredictable as that is, generally centers around real growth in the 2.5-3% Range.

Let me close this way. It took a long time to get our economy into the mess it's in -- years of thinking that deficits don't matter, and years of pretending that rosy projections were real. But, I hope you will leave here recognizing that this administration is breaking from the past. In recent years, every thinking person knew that the deficit was corroding our country. But, it wasn't brought under control. We are doing that.

We will enact the first truly comprehensive health care reform since John Kennedy brought up the issue when he announced for Congress nearly 50 years ago.

And, the Clinton administration will produce three crucial trade agreements, on global trade, on trade with Japan, and NAFTA.

We're not just talking about change, we're implementing it. In the process, we're fulfilling the mandate of last year's election, where nearly two thirds of the voters called for a change in national direction. Our agenda may be a crowded one, but the American people will ultimately judge us on deeds, not words.

Thank you.

* * *

TREASURY NEWS

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

Sept. 20, 1993

BENTSEN ANNOUNCES NEW SPOKESPERSON

Secretary of the Treasury Lloyd Bentsen announced today the President intends to nominate Joan Logue-Kinder to be Assistant Secretary of the Treasury for Public Affairs and Public Liaison. Ms. Logue-Kinder is Deputy Assistant Secretary for Public Affairs.

Jack Devore, currently Assistant Secretary for Public Affairs and Public Liaison, announced earlier this summer his intention to retire from Treasury in October.

In this position Ms. Logue-Kinder would advise the Secretary and Treasury staff on the Department's relations with the news media, the White House Press Office and other government agencies, businesses, trade and professional organizations, consumer groups and the public.

Ms. Logue-Kinder came to Treasury in March of this year from Edelman Public Relations Worldwide where she was vice president for the New York office's public affairs group.

Prior to joining Edelman she was senior vice president, managing director of The Mingo Group/Plus, a division of The Mingo Group, one of the largest African American advertising agencies.

She attended Wheaton College in Norton, Massachusetts and has a B.A. from Adelphi University.

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TREASURY NEWS

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

FOR IMMEDIATE RELEASE
September 20, 1993

Contact: Michelle Smith
(202) 622-2960

BENTSEN NAMES BRADBURY TO FINANCE POSITION

Treasury Secretary Lloyd Bentsen on Monday named Darcy Bradbury as Deputy Assistant Secretary (Federal Finance.) In this position, she primarily will be responsible for federal debt management.

Bradbury, 36, comes to Treasury from the New York City Comptroller's office, where she served as Deputy Comptroller for Finance from 1990 to 1993. Prior to serving in the Comptroller's office, she was an investment banker in public finance specializing in infrastructure financing at The First Boston Corporation and Kidder, Peabody & Co., Inc.

She earned an A.B. in social studies, magna cum laude at Harvard in 1978 and later earned an M.B.A. at Harvard in 1982.

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TREASURY NEWS

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

September 20, 1993

STATEMENT BY TREASURY SECRETARY LLOYD BENTSEN ON MIDDLE EAST CONFERENCE

I am confident the United States will mobilize the international financial resources needed to support the historic peace agreement for this region. Timely financial support is critical for the Palestinians as they begin building an economy. And technical advice also is vital as they take on the challenge of managing their own economic affairs. The World Bank has an important role to play in coordinating and providing assistance. I am pleased to join with Secretary of State Warren Christopher to convene a conference of finance and foreign ministers in support of Middle East Peace.

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PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
September 20, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $11,201 million of 13-week bills to be issued September 23, 1993 and to mature December 23, 1993 were accepted today (CUSIP: 912794G99).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	2.92%	2.98%	99.262
High	2.94%	3.00%	99.257
Average	2.93%	2.99%	99.259

Tenders at the high discount rate were allotted 4%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	28,580	28,580
New York	45,583,682	9,739,406
Philadelphia	9,431	9,431
Cleveland	26,330	26,330
Richmond	78,515	30,515
Atlanta	38,561	38,561
Chicago	2,691,603	412,003
St. Louis	9,894	9,894
Minneapolis	9,138	9,138
Kansas City	19,224	19,224
Dallas	13,650	13,650
San Francisco	694,303	150,303
Treasury	714,241	714,241
TOTALS	$49,917,152	$11,201,276

Type		
Competitive	$44,737,775	$6,021,899
Noncompetitive	1,196,167	1,196,167
Subtotal, Public	$45,933,942	$7,218,066
Federal Reserve	2,559,910	2,559,910
Foreign Official Institutions	1,423,300	1,423,300
TOTALS	$49,917,152	$11,201,276

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
September 20, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $11,332 million 26-week bills to be issued September 23, 1993 and to mature March 24, 1994 were accepted today (CUSIP: 912794J62).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	3.06%	3.15%	98.453
High	3.07%	3.16%	98.448
Average	3.06%	3.15%	98.453

Tenders at the high discount rate were allotted 16%. The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

Location	Received	Accepted
Boston	32,278	32,278
New York	44,924,316	10,397,789
Philadelphia	6,991	6,991
Cleveland	31,233	31,233
Richmond	74,190	25,790
Atlanta	47,220	32,919
Chicago	2,250,756	110,356
St. Louis	6,593	6,593
Minneapolis	7,908	7,908
Kansas City	22,195	22,195
Dallas	9,137	9,137
San Francisco	589,136	55,136
Treasury	593,328	593,328
TOTALS	$48,595,281	$11,331,653
Type		
Competitive	$43,740,710	$6,477,082
Noncompetitive	998,271	998,271
Subtotal, Public	$44,738,981	$7,475,353
Federal Reserve	2,450,000	2,450,000
Foreign Official Institutions	1,406,300	1,406,300
TOTALS	$48,595,281	$11,331,653

TREASURY NFWS

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

For Release Upon Delivery
Expected at 10:00 a.m.
September 21, 1993

STATEMENT OF LESLIE B. SAMUELS ASSISTANT SECRETARY (TAX POLICY) DEPARTMENT OF THE TREASURY BEFORE THE SUBCOMMITTEE ON SELECT REVENUE MEASURES OF THE HOUSE COMMITTEE ON WAYS AND MEANS

Mr. Chairman and Members of the Subcommittee:

I am pleased to present the views of the Administration on the miscellaneous revenue proposals that are the subject of this hearing. These proposals are described in the September 16, 1993 pamphlet prepared by the staff of the Joint Committee on Taxation (JCT Pamphlet).[1]

These hearings are a continuation of a series of public hearings, which began in June 1993, relating to miscellaneous revenue proposals submitted by Members of the Committee on Ways and Means. We testified on the first group of over 170 miscellaneous tax proposals on June 22, 1993.[2] The Subcommittee has before it today over 80 proposals covering a broad range of topics. They deal with issues relating to individual taxation, excise taxes, tax-exempt entities, tax accounting, compliance, and numerous other areas. Some of the proposals are narrowly drawn, while others represent significant changes to current law.

Many of the proposals that are the subject of today's hearing have been proposed as revenue-raising offsets to the provisions we addressed on June 22. In our previous testimony we stated that the Administration's views concerning those proposals and the revenue losing proposals considered today assume that appropriate offsetting revenue measures would be proposed. As we stated at that hearing, and reiterate today, we want to work with the Subcommittee, and the Congress as a whole, to set priorities for the use of any acceptable revenue offsets that may be

[1] Joint Committee on Taxation, Description of Miscellaneous Revenue Proposals (JCS-12-93), September 16, 1993.

[2] A number of the items on which we testified on June 22, 1993 are included in the JCT Pamphlet. In this testimony we do not repeat positions that were provided in our June 22, 1993 testimony. In addition, we do not address the proposals relating to the health benefits of retired coal miners, on which we presented testimony to the Ways and Means Committee on September 9, 1993.

identified.

In the process of considering these proposals, we believe that it is important to keep in mind that the Congress has recently enacted, and the President signed, the most significant deficit reduction legislation in the history of our Nation. The Omnibus Budget and Reconciliation Act of 1993 (OBRA '93) included significant changes in the tax law. It raised the tax burden for some while lowering the burden for others, all with a view toward meaningful deficit reduction and improving the overall fairness of the tax system. We would urge the Subcommittee in its deliberations on the miscellaneous revenue proposals to consider the importance of stability in the tax law. An argument can be made that additional changes to the Internal Revenue Code (Code) should be minimized for a period of time sufficient to allow taxpayers and their advisers to absorb the significant changes that have just been made in OBRA '93. Furthermore, we recognize that any tax bill that moves through Congress prior to the end of this year could become the vehicle for numerous amendments. Although many of those proposals could be meritorious, collectively they could result in further instability in our tax laws.

We have taken a position on most of the proposals under consideration today. However, we have not taken a position with respect to proposals that are currently under study or those that we believe should be considered in the context of comprehensive health care reform.

In developing our views on revenue raising proposals, we have relied, as we did during the budget reconciliation process and in our June 22, 1993 testimony, on a number of tax policy principles and goals. These principles and goals continue to include deficit reduction; economic growth; equitable treatment of taxpayers; simplification within the constraints of deficit reduction; and improved compliance and enforcement of our tax laws. In addition, our ultimate position on each of the revenue-raising proposals under consideration will depend upon the intended use of the revenue raised and upon whether the bill as a whole is consistent with these principles and goals. Moreover, we generally oppose any proposals that have the effect of reversing policy decisions made in OBRA '93. We have, however, identified several technical corrections to that legislation and would like to encourage Members of the Subcommittee to aid us in our attempt to ensure the implementation of Congressional intent.

Finally, we understand that the Subcommittee also is interested in the tax simplification proposals and technical corrections included in H.R.13 and H.R.17. While we generally support these proposals, and recognize the importance of simplifying the tax law and providing technical corrections, we would like to work with the Subcommittee to suggest technical modifications and to identify areas in which we have policy concerns.

The remainder of my written statement is a detailed discussion of the Administration's positions on the miscellaneous revenue proposals that are the subject of this hearing. The discussion follows the order of the proposals described in the JCT Pamphlet.

I. MISCELLANEOUS REVENUE PROPOSALS

A. ALTERNATIVE MINIMUM TAX

1. Use of the 200-percent Declining Balance Depreciation Method for Automobiles for Alternative Minimum Tax Purposes.

Administration position. **Do not support.** Congress recently determined, in OBRA '93, that the use of the 150% declining balance method was an appropriate method of depreciation for alternative minimum tax purposes. In light of this recent change of law, it is inappropriate at this time to change the method of depreciation for alternative minimum tax purposes, particularly for a single class of property.

B. FINANCIAL INSTITUTIONS

1. Deductibility of Bad Debt Losses of Nonbank Lending Institutions.

Administration position. Proposal addressed in the June 22, 1993 testimony.

C. INSURANCE

1. Extension of Tax and Loss Bond Treatment Applicable to all Types of Financial Guaranty Insurance.

Administration position. This proposal does not raise a significant federal income tax issue, but instead relates primarily to regulatory matters. Because a company that claims a deduction under section 832(e) must purchase noninterest-bearing federal government bonds equal to the amount of the tax savings attributable to the deduction, the amount that the company pays the government in a given year is the same regardless of whether it claims the deduction. The principal effect of the provision is to allow the company to report an asset for regulatory purposes as a result of the payment.

2. Treatment of Policy Acquisition Expenses Related to Certain Accident and Health Insurance.

Administration position. **Do not support.** Present law requires that insurance companies capitalize prescribed percentages of net premiums for three categories of insurance contracts as a surrogate for determining the facts and circumstances of actual policy acquisition costs. Should Congress decide that current law results in an excessive deferral of acquisition expenses and consider lowering the statutory percentage for a type of insurance, it may wish to consider whether acquisition costs are understated for other types of insurance and make corresponding adjustments to the percentages for those types of insurance. Moreover, we note that the Secretary of the Treasury is authorized to provide that a specified type of contract is treated as a separate category and prescribe a percentage for that category if present law results in substantially greater deferral of acquisition expenses than would capitalization of actual expenses. If he exercises this authority, the Secretary is required to adjust the percentages for remaining categories of insurance contracts to avoid a revenue loss.

D. EMPLOYEE BENEFITS

1. Tax-Credit Employee Stock Ownership Plans (ESOPs).

Administration position. **Do not support.** We do not believe that it is appropriate at this time to expand the tax benefits for ESOPs. Current law already provides incentives for employers that desire to compensate their employees through an ESOP. In addition, we do not believe that it is consistent with broader retirement policy goals to increase the level of tax subsidy for ESOPs in comparison to other types of retirement plans that provide more diversified savings for employees.

2. Permit ESOPs to Prohibit Rollover of In-Service Distributions.

Administration position. **Do not support.** Some employers are concerned that employees will take in-service distributions from ESOPs in order to reinvest the amounts in their own individual retirement accounts (IRA), rather than the employer plan. However, general expansion of the rollover rules has been beneficial to employees and the retirement system as a whole, in part by encouraging employees to invest their distributions in an IRA rather than spend them. In the context of encouraging these goals, it would be a step backwards to exclude these in-service withdrawals from the definition of eligible rollover distributions.

3. Rollover of Certain Separation Payments.

Administration position. **Do not support.** We do not believe that it is generally appropriate to expand the individual retirement account rollover provisions to distributions that have not been dedicated to retirement savings under a tax-qualified plan. In addition, we are concerned that the proposal may result in substantial revenue loss.

E. INDIVIDUAL INCOME TAX

1. Increase Eligible Income Level for Performing Artist Employee Exemption from the Limitation on Deduction for Unreimbursed Business Expenses.

Administration position. **Do not support.** Present law provides a deduction in computing adjusted gross income (and thereby also an exemption from the 2-percent floor on miscellaneous itemized deductions) for a limited class of low-income performing artists. We are unaware of any justification for expanding this relief by more than doubling the income limitation. Doing so would represent an erosion of the policies underlying the calculation of adjusted gross income and the establishment of the 2-percent floor on miscellaneous itemized deductions.

2. Waiver of Statute of Limitations Relating to Certain Severance Payments.

Administration position. **Do not support.** Statutes of limitation provide both taxpayers and the government with certainty that disputes will not arise concerning events in the distant past, and, thus, as a general matter, should not be waived on a selective basis.

F. TAX-EXEMPT BONDS

1. Certain Airport, Dock, and Wharf Facilities.

Administration position. Proposal addressed in the June 22, 1993 testimony.

G. TAX-EXEMPT ENTITIES

1. Permit a Qualified Scholarship Funding Corporation to Transfer Assets and Debts to a For-Profit Corporation Without Causing Tax-Exempt Bond Interest to be Taxable.

Administration position. **Do not support.** It appears that the proposal would enable taxable, for-profit corporations to obtain the benefit of tax-exempt financing. The benefit is equal to the built-in arbitrage of the difference between the tax-exempt interest rates on the debt issued by the qualified scholarship funding corporations and comparable taxable interest rates. For-profit entities should not be entitled to such arbitrage. The proposal also creates an exception to the excess business holdings rule. The excess business holdings rule was specifically created to prevent private foundations from controlling for-profit entities.

2. Provide Favorable Tax Treatment for Preservation of Civic Assets by Community Trusts.

Administration position. **Do not support.** There is no apparent justification for special rules that provide more favorable tax treatment to the preservation of a civic asset than the treatment provided by current law.

H. EMPLOYMENT TAXES

1. Eliminate Statutory Rule for Bakery Distributors.

Administration position. Proposal addressed in the June 22, 1993 testimony.

2. Treat State Universities and Agency Accounts as Related Corporations for FICA Tax Purposes.

Administration position. Proposal addressed in the June 22, 1993 testimony.

3. Exempt Certain Religious Schools from Federal Unemployment Tax.

Administration position. Proposal addressed in the June 22, 1993 testimony.

I. OTHER PROVISIONS

1. Enhanced Deduction for Contributions of Computer Equipment to Arts Institutions.

Administration position. Proposal addressed in the June 22, 1993 testimony.

2. Require Treasury to Issue Certificates Evidencing Obligations of the United States Held by the Social Security Trust Funds.

Administration position. **Oppose.** The Treasury Department and administrators of the Social Security Trust Funds already have detailed records that delineate the amounts and kinds of obligations held by the fund. Issuing certificates to this effect would increase administrative costs and provide no additional benefit to beneficiaries.

3. Limit Applicability of Generation-Skipping Transfer Tax.

Administration position. **Do not oppose.** The policies that underlie the special rule for transfers to grandchildren (Code section 2612(c)(2)) generally would support the proposed expansions to cover collateral heirs and to apply the rule to taxable terminations and taxable distributions as well as direct skips.

II. MISCELLANEOUS REVENUE-RAISING PROPOSALS

A. ALTERNATIVE MINIMUM TAX

1. Increase the Alternative Minimum Tax Recovery Period for Assets Used in Manufacture of Tobacco Products.

Administration position. The Administration is currently preparing a comprehensive health care reform package that may include changes in the tax treatment of tobacco products. Any tax issues relating to tobacco products and businesses producing tobacco products should be addressed in the context of health care reform.

2. Lengthen Alternative Minimum Tax Recovery Period for Coal Mining Equipment.

Administration position. **Do not support.** Congress recently considered, in OBRA '93, modifications to the alternative minimum tax depreciation system, and concluded that the use of the 150% declining balance method over a 10 year period was an appropriate method of depreciation for alternative minimum tax purposes. In light of this recent determination, and absent economic analysis supporting a change, it is inappropriate at this time to change the alternative minimum tax class life for a particular class of property.

3. Lengthen the Alternative Minimum Tax Amortization Period for Coal Mining Exploration and Development Costs.

Administration position. **Do not support.** Congress recently considered, in OBRA '93, modifications to the alternative minimum tax depreciation system, and did not alter the recovery period with respect to mining exploration and development costs. In light of this recent legislation, and absent economic analysis supporting a change, it is inappropriate at this time to change the alternative minimum tax recovery period for a particular type of mining and development costs.

B. ACCOUNTING

1. Change the Five-Year Maturity Date Requirement to Four Years for High Yield Discount Obligations.

Administration position. **Do not support.** The high-yield discount rules are complex and should not be expanded on a piecemeal basis. Moreover, relatively short-term obligations do not raise to the same degree the policy concerns that motivated the original high-yield discount rules (i.e., the ability to deduct equity-like returns with payments deferred until some future date).

2. Require Organizational Expenses to Be Amortized Over an Extended Period.

Administration position. **Do not support.** Under current law, the organizational expenses of corporations and partnerships are both amortizable over a period of 60 months. It is desirable that the treatment of the organizational expenses of both types of entities remain similar. While the existing 60-month period can be viewed as a relatively arbitrary period, any change in the period should be made after a review of whether a longer period can be justified, on the basis of economic and related facts and circumstances, as more appropriate.

3. Require Portion of Advertising Expenses to be Capitalized and Amortized.

Administration position. **Oppose.** We believe that advertising expenses typically are not directly associated with the creation of a benefit extending beyond the current year, and consequently generally should be currently deductible. Thus, this proposal can be viewed as an arbitrary deferral of an ordinary and necessary business expense.

C. FINANCIAL INSTITUTIONS

1. Immediate Recognition of Points Paid to Mortgage Lenders.

Administration position. **Oppose.** When a lender simultaneously makes a loan and receives points paid by the borrower, the net economic effect is the making of a loan at a discount (e.g., a transaction involving a $100,000 loan and a payment of 3 points, or $3,000, represents a loan of $97,000 with $100,000 payable at maturity). We believe that the appropriate treatment of this discount is provided under the original issue discount provisions of the Code (i.e., the discount must be taken into income by the lender over the term of the loan on a constant yield-to-maturity basis). Therefore, we oppose this proposal, which would, in effect, treat the loan and the payment of points as two separate transactions.

2. Bad Debt Reserve Deduction for Thrifts.

Administration position. **Support.** We agree with the proposed rule, which we believe generally follows current law. Our only concern is that the proposal be crafted so as not to create negative implications concerning the treatment of net operating losses incurred before the effective date.

D. COST RECOVERY

1. Lengthen Recovery Period for Water Utility Property.

Administration position. **Do not support.** Changes in the depreciable life of particular categories of property should be made only after a detailed evaluation of the relevant economic and related facts and circumstances. The Administration is not aware of any information or analysis justifying a longer recovery period for water utility property.

2. Increase Regular Tax Recovery Period for Certain Assets Used in Printing and Publishing.

Administration position. **Do not support.** Changes in the depreciable life of particular categories of property should be made only after a detailed evaluation of the relevant economic and related facts and circumstances. The Administration is not aware of any information or analysis justifying a longer recovery period for assets used in printing and publishing.

E. PASS-THROUGH ENTITIES

1. Clarification of Rules Relating to the Timing of the Flow-Through of Income to Estates that Own Interests in Partnerships and S Corporations.

Administration position. **Support.** The proposal requires that partnership and S corporation items be allocated to an estate for the period of time the interest is held by the estate. Thus, this proposal would make the rules for estates similar to those applicable to individuals.

2. Repeal the Taxable Income Limitation on the Recognition of Built-in Gain of S Corporations.

Administration position. **Do not support.** The taxable income limitation under Code section 1374 prevents S corporations from paying a built-in gains tax on amounts greater than their taxable income. As a result, the effect of the built-in gains tax is spread to periods where the S corporation has taxable income. Repeal of the limitation would make some corporations worse off as S corporations than they would have been if they had remained C corporations. If significant changes, such as this proposal and other proposals discussed in our testimony on June 22, 1993 are to be made to the S corporation regime, the proposals should be fashioned pursuant to a comprehensive deliberate process, rather than on a piecemeal basis.

F. INDIVIDUAL INCOME TAX

1. Denial of Certain Travel-Away-from-Home Expenses.

Administration position. **Do not support.** This proposal would deny deductions for a particular class of ordinary and necessary expenses incurred in generating income from rental property, while income from such property would remain fully taxable. If substantial abuse involving these types of travel expenses is found, then legislative changes might be necessary.

2. Computation of Standard Mileage Rate.

Administration position. **Do not support.** We are unaware of evidence that the current procedure used by the Internal Revenue Service (IRS) to determine the standard mileage rate overstates the costs of operating a vehicle. Prescribing an unduly low standard mileage rate would encourage more taxpayers to deduct their actual costs, resulting in increased administrative burdens for both the taxpayers and the IRS of the type that the standard mileage rate was intended to avoid.

3. Limit the Deduction For Business Transportation Expense.

Administration position. **Do not support.** This provision would create considerable administrative burdens and in many cases would impose an arbitrary restriction on the deduction of an ordinary and necessary business expenses.

4. Repeal Special Rules for Certain Rental Use.

Administration position. **Do not oppose.** Taxpayers should be subject to tax on income received with respect to the rental of a residence without regard to the period of such rental. The repeal of the current law de minimis provision should not impose an undue administrative burden on the affected taxpayers.

5. Limit the Deduction of Wagering Losses.

Administration position. **Do not support.** Wagering losses have been considered deductible only to the extent of wagering gains since 1934. The income tax system should generally allow for deductions of expenditures made in generating income. Allowing wagering losses to offset only 80 percent of wagering gains is an arbitrary reduction of this otherwise deductible expenditure.

6. Limit Airfare Deductions to Coach Fare if Coach is Available.

Administration position. **Oppose.** Imposing a new limitation on the deductibility of airline fares would create significant administrative burdens. In addition, it would be inappropriate to single out the airline industry in contrast to other forms of transportation by limiting deductions for airfare to a particular fare.

7. Increase the Threshold for the Deduction of Casualty Losses from $100 to $500.

Administration position. **Do not support.** Since 1982 the 10 percent of adjusted gross income threshold, rather than the $100 threshold, has been the primary limitation on the availability of the deduction. This proposal would have the effect of reducing a taxpayer's otherwise allowable casualty loss deductions by $400 per casualty.

G. NATURAL RESOURCES

1. Impose Severance Tax on Hard Rock Minerals.

Administration position. **Issue under study.** The Department of Interior has been studying the economic implications of a royalty system for hardrock minerals on federal lands. Upon completion of the Administration's evaluation, the Administration will consult with Congress regarding what actions are appropriate.

2. Increase Tariff on Imported Oil and Petroleum Products.

Administration position. **Issue under study.** The Department of Energy Task Force on National Energy Initiatives is studying policies that affect production of natural energy resources. Upon completion of the Administration's review of the findings of that study, the Administration will consult with Congress regarding what actions are appropriate.

H. FOREIGN TAX PROVISIONS

1. Modification of the Sales Source Rules.

Administration position. **Do not support.** The proposals to amend the rules for sourcing income from the sale of inventory property may raise significant technical question and administrative concerns in a number of cases.

2. Increase Tax on Gross Transportation Income.

Administration position. **Oppose.** By agreement, or otherwise, residents of over 60 countries (including all major shipping countries) have an exemption from this tax. The proposed tax increase, therefore, would fall disproportionately on the shipping companies of smaller developing countries with which the United States does not have agreements.

3. Repeal Portfolio Interest Exemption.

Administration position. **Oppose.** Repeal of the portfolio interest exemption would substantially increase the borrowing costs of the U.S. Government and U.S. corporations. In order to remain competitive in international financial markets, U.S. Government and corporate debt would have to compensate foreign lenders for the effect of a 30% U.S. withholding tax through higher interest rates. U.S. borrowers who could not afford to "gross up" foreign lenders would be unable to borrow abroad, resulting in increased competition for U.S. capital and a corresponding increase in domestic interest rates.

4. Change Foreign Tax Credit to a Deduction.

Administration position. **Oppose.** The foreign tax credit protects U.S. taxpayers from double taxation of income that is earned outside the U.S. A deduction for foreign taxes would not effectively avoid double taxation. Without the foreign tax credit there would be a penalty for conducting business abroad rather than in the U.S. even though non-tax considerations might favor the foreign location. Elimination of the credit also would unilaterally override our treaty obligations and could lead to retaliation by other countries. If foreign countries were to repeal their credit for U.S. income taxes, there would be a bias against investment in the U.S. by those countries' nationals.

5. Excise Tax on Certain Insurance Premiums Paid to Foreign Persons.

Administration position. **Oppose.** We do not believe that the necessity for a general increase at this time in the rate of the tax has been demonstrated. In addition, we understand that this provision may have implications for U.S. efforts to reduce foreign trade barriers to U.S. insurers that the Committee may wish to weigh in considering the issue of competitiveness. We do not oppose, however, efforts to facilitate collection of the federal insurance premiums tax now imposed by the Code on the reinsurance of U.S. risks from one foreign insurer to another. However, we oppose this proposal because we do not believe it can be administered fairly and effectively. For example, we are seriously concerned about the burden of negotiating and monitoring the hundreds of closing agreements that would be required and about the difficulty of determining the effective rate of foreign tax in a multitude of countries. In any event, the proposal should be amended to take into account any current U.S. taxation of United States shareholders under subpart F of the Code.

6. Taxation of a Tax-Exempt U.S. Shareholder on Subpart F Unrelated Business Taxable Income (UBTI).

Administration position. **Oppose**. We understand that the target of this proposal is the offshore captive insurance industry. If there is a perception that offshore captives are engaging in abuse, a proposal that focuses more narrowly on that concern should be developed. The proposal is also overbroad in that it applies to all categories of subpart F income and because it applies to a tax-exempt shareholder owning as little as 10% of a foreign corporation's stock, a level of investment that is closer to the type of portfolio investment that historically has generated passive, non-UBTI. Because the proposal is based upon subpart F, which applies at the shareholder level, it addresses UBTI in a fundamentally different way than it is addressed in a purely domestic context. In the domestic context, UBTI is not taxed at the shareholder level and the unrelated business income tax rules have not generally sought to equalize the cost of capital as between tax-exempt and taxable ownership. Finally, the proposal inappropriately uses subpart F, which is a timing provision, to effectively impose a tax that the tax-exempt shareholder otherwise would not pay.

I. EXCISE TAXES

1. Increase in Wagering Excise Tax.

Administration position. **Do not support**. It is unclear whether an increase in the existing wagering excise tax would promote appropriate policy goals. Any proposal to increase the rate of tax should be considered, if at all, as part of a comprehensive review of the purpose and design of the tax.

2. Excise Tax on Foreign-Controlled Corporations.

Administration position. **Oppose**. The proposal would impose an excise tax on purchases by a foreign controlled corporation from foreign related parties unless the foreign controlled corporation consents in writing to provide the information described in Code section 6038A. Section 6038A does not require "consent" to provide information. To the contrary, the statute and the regulations require that the described information be provided annually on a Form 5472 that is filed with the taxpayer's tax return. Moreover, the substantial penalties, including monetary penalties and disallowance of deductions for goods transferred between related parties, already may be imposed on taxpayers that fail to provide the required information. Given these substantial penalties, compliance with section 6038A has not been considered a problem, and an additional 5 percent penalty is unlikely to improve further compliance with section 6038A.

3. Increase Excise Tax on Prohibited Transactions.

Administration position. **Do not support.** We believe that current law adequately deters prohibited transactions. The 5-percent tax under Code section 4975 is cumulative and can result in significant penalties. In addition, if a taxpayer does not correct the prohibited transaction prior to an assessment of the 5-percent tax, the taxpayer can be assessed with a 100-percent penalty. A prohibited transaction also may result in civil penalties and lawsuits by plan participants or the Department of Labor.

4. Increase Tobacco Excise Taxes.

Administration position. The Administration is currently preparing a comprehensive health care reform package that may include changes in the tax treatment of tobacco products. Any tax issues relating to tobacco products should be addressed in the context of health care reform.

5. Extend Communications Excise Tax to Cable Television.

Administration position. **Do not support.** While there are many types of communications services and options available today, the communications excise tax applies primarily to telephone service. Any proposed expansion of the communications excise tax should be considered, if at all, as part of a comprehensive review of the purpose and design of the tax.

6. Repeal Exemption from Communications Excise Tax for News Services.

Administration position. **Do not support.** News service organizations have one of a number of specific exemptions from the communications excise tax. Any proposed expansion of the communications excise tax should be considered, if at all, as part of a comprehensive review of the purpose and design of the tax and of the role of the exemption for news service organizations and the changes that are occurring in the communications industry.

7. Excise Tax on Carbon Dioxide Sold by Ethanol Producers.

Administration position. **Do not support.** The imposition and collection of this new tax would impose substantial complexities and administrative costs.

8. Increase Excise Tax on Heavy Trucks.

Administration position. **Do not support.** We are unaware of any justification for an increase in the heavy truck excise tax at this time.

9. Expand Ozone-Depleting Chemicals Excise Tax.

Administration position. **Do not oppose.** The 1992 Copenhagen amendment to the Montreal Protocol freezes industrialized country consumption of methyl bromide at 1991 levels and phases out industrialized country consumption of hydrochlorofluorocarbons (HCFCs) and hydrobromofluorocarbons (HBFCs). Similarly, the Environmental Protection Agency has proposed listing methyl bromide and HBFCs as class I substances. Extending the tax to these chemicals would be consistent with the treatment of other chemicals controlled by the Montreal Protocol (all of which are currently taxed).

J. TAX-EXEMPT ENTITIES

1. Additional Restrictions on Discriminatory Social Clubs.

Administration position:

(a) Addition of gender discrimination to types of discrimination to which section 501(i) applies. **Do not support.** The issue of gender discrimination by social clubs deserves attention. We are concerned, however, that this particular proposal could deny tax exemption to certain organizations, such as women's clubs, fraternities, or sororities, that have long-standing and relatively noncontroversial practices of limiting membership on the basis of gender.

(b) Denial of tax exemption to a club found to have discriminated on prohibited grounds. **Support.** There is little justification for allowing a club to maintain exemption simply because its discriminatory practices are not pursuant to a written document. The requirement that the provision would apply in the case that there has been a final determination of discrimination by an appropriate government agency or court will facilitate administration of the provision.

(c) Denial of preferential tax treatment for tickets at events held at discriminatory clubs. **Do not oppose.** The federal tax laws should not provide preferential treatment to discriminatory clubs. We would note, however, that existing law already imposes a sanction on these clubs by denying them exemption from tax. Thus, denying the benefits of provisions such as section 274(l)(1)(B) for tickets to a charity sports event held at a discriminatory club may have little marginal impact on the club.

2. Taxation of Campaign Committees of Federal Candidates at the Highest Corporate Rate.

Administration position. **Do not oppose.** There is little tax policy justification for taxing the campaign committees of candidates for state and local offices at a higher rate than the rates applicable to committees of candidates for federal office. Requiring all campaign committees of candidates for federal office to compute their tax using the highest marginal corporate rate would be one means of eliminating this disparity.

3. Impose a 30-percent Excise Tax on Expenditures of Tax-Exempt Organizations for Lobbying.

Administration position. **Oppose.** OBRA '93 included a provision that denies deductions for the lobbying expenses, applicable to both businesses and contributors to tax-exempt organizations. In light of this recent change of law, it is inappropriate at this time to change the rules relating to the tax treatment of lobbying expenses.

4. Include Contacts with Regulatory Agencies in the Definition of Lobbying for Purposes of the Existing Restrictions on 501(c)(3) Organizations.

Administration position. **Oppose.** OBRA '93 included a provision that denies deductions for the lobbying expenses, applicable to both businesses and contributors to tax-exempt organizations and to lobbying of the Executive as well as Legislative branch of government. This provision includes a special rule to prevent businesses from lobbying through a section 501(c)(3) organization. In light of this recent change of law, it is inappropriate at this time to change these rules.

5. Extension of Private Inurement Rule to 501(c)(4) Organizations.

Administration position. We understand that this proposal is targeted to transactions involving the health services industry. As such, the Administration will consider it in the context of its comprehensive health care proposals. The Administration supports measures to ensure that the assets of a section 501(c)(4) organization are used in a manner that is consistent with the organization's exempt purpose. An amendment of section 501(c)(4) to include a prohibition against inurement, however, may not be the most appropriate means of achieving this goal. We will work with the Ways and Means Committee and its staff to develop appropriate measures.

K. COMPLIANCE

1. Information Reporting on State and Local Real Property Taxes and Refunds.

Administration position. **Do not oppose.** This proposal would make it easier for the IRS to verify whether certain claimed deductions for real estate taxes are accurate. Thus, it would improve the compliance with and enforcement of our tax laws. We are concerned, however, about the ability of local taxing jurisdictions to comply with this proposal. This concern should be addressed in the general design (e.g., administrative requirements, effective date, etc.) of the proposal.

2. Increase Individual Estimated Tax Payment Safe Harbor from 110 percent to 115 percent.

Administration position. **Oppose**. OBRA '93 included a provision that allowed taxpayers with adjusted gross income exceeding $150,000 in the preceding tax year to avoid estimated tax penalties for the current year by paying 110 percent of the previous year's tax liability in estimated tax payments (taxpayers with lower incomes may use a 100 percent of last year's liability safe harbor). In light of this recent change of law, it is inappropriate at this time to change the estimated tax rules for these individuals. In addition, we believe that the current 110 percent safe harbor strikes a fair balance between the government's need to have taxpayers pay income taxes during the tax year and taxpayers' desire to have a safe harbor that allows for simplification and certainty in calculating estimated tax payments.

3. Require Written Substantiation for any Meal and Entertainment Expense (or Alternatively for Amounts Over $10).

Administration position. **Oppose**. OBRA '93 included a provision that reduces the deduction for business meals and entertainment. In light of this recent change of law, it is inappropriate at this time to change the rules. In addition, the Treasury has the authority under the statute to determine the substantiation necessary for taxpayers to support and deduct meal and entertainment expenditures. The Treasury has also determined, by regulations, the threshold level of expenditure for which substantiation is not required. This threshold amount recognizes that it would be overly burdensome for taxpayers to keep detailed records for expenditures under this amount, which is currently $25 per expenditure.

4. Deny Corporations a Deduction for All or Part of Interest Paid on Federal Tax Underpayments.

Administration position. **Oppose**. Current law provides adequate incentives for corporate taxpayers to pay their taxes in a timely fashion. The increased rate of interest imposed on "large corporate underpayments" was enacted in 1990 in lieu of a provision that would have disallowed a deduction for interest paid on tax liabilities.

5. Increasing the Rate of Interest Imposed on Corporate Tax Deficiencies.

Administration position. **Oppose.** Current law provides adequate incentives for corporate taxpayers to pay their taxes in a timely fashion. The increased rate of interest imposed on "large corporate underpayments" was enacted in 1990 in lieu of a provision that would have disallowed a deduction for interest paid on tax liabilities. There is no evidence of any need to increase the rate of interest imposed on corporate underpayments.

6. Increase Rate of Interest for Underpayments of Estimated Tax for Certain Alaska Native Corporations (ANCs) and Persons.

Administration position. **Do not oppose.** In conjunction with the proposal to grant ANCs an election to obtain standing (discussed in our testimony presented to the Subcommittee on June 22, 1993), we do not oppose this proposal.

7. Information Reporting for Discharge of Indebtedness Income.

Administration position. **Do not support.** OBRA '93 included a provision that requires information reporting for discharge of indebtedness income. In light of this recent change of law, it may be inappropriate at this time to extend the scope of these rules unless such change is necessary to fulfill Congressional intent.

8. Increase Withholding on Bonuses from 28 percent to 36 percent.

Administration position. **Oppose.** OBRA '93 included a provision that increases the withholding tax rate on bonuses to 28 percent. In light of this recent change of law, it is inappropriate at this time to change these rules. In addition, a 36 percent withholding tax rate would result in overwithholding in many cases since the 36 percent income tax rate enacted in OBRA '93 applies to only 1.2 percent of the highest income taxpayers. Moreover, many employers are in the process of updating their accounting systems to allow a timely change to the new rules. A change in the law at this time could prove costly to these employers.

9. Increase in Rate of Withholding on Gambling Winnings.

Administration position. **Do not support.** A 36 percent withholding rate would result in overwithholding in many cases since the 36 percent tax rate enacted in OBRA '93 applies to only 1.2 percent of the highest income taxpayers.

10. Increase in Rate of Backup Withholding on Reportable Payments.

Administration position. **Do not support.** A 36 percent withholding rate would result in overwithholding in many cases since the 36 percent tax rate enacted in OBRA '93 applies to only 1.2 percent of the highest income taxpayers. Moreover, many businesses are in the process of updating their accounting systems to allow a timely change to the new rules. A change in the law at this time could prove costly to these businesses.

11. Information Reporting for Purchases of Fish.

Administration position. **Do not oppose.** We understand that a significant number of cash sales of fish are not included in income. This proposal would increase compliance.

12. Extension of IRS Offset Authority for Undercover Operations.

Administration position. **Support.** Reinstatement of the offset authority granted to the IRS in Code section 7608(c) is necessary to enable the IRS to continue undercover investigations in such areas as money laundering and the motor fuel excise tax. Therefore, the Administration has consistently supported permanent extension of this provision.

13. Disclosure of Returns on Cash Transactions.

Administration position. **Support.** The continued disclosure by the IRS, to other Federal agencies, of information returns filed under Code section 6050I improves the enforcement of federal criminal statutes.

L. MISCELLANEOUS ISSUES

1. Repeal of Classification Safe Harbor for Construction Industry Employees.

Administration position. **Do not support.** We believe that it would be preferable as a matter of tax policy to consider general modifications to section 530 of the Revenue Act of 1978 rather than adopting industry-specific rules.

2. Disallow Deductions for Compensatory Damages Under Certain Environmental Laws.

Administration position. **Oppose.** We believe that the current law distinction between compensatory payments that are deductible under Code section 162 and nondeductible fines and penalties should be maintained with respect to payments under environmental laws. Disallowing any deduction for such ordinary and necessary expenses may discourage taxpayers responsible for such damages from agreeing to make compensatory payments.

3. Restricting Like-Kind Exchanges.

Administration position. **Oppose.** The Administration is not persuaded that there is presently any need to revise the standard, based on the use of the property received in an exchange of like-kind property, for determining whether property exchanges qualify for tax deferral.

4. Disallowance of Stock Options as Qualified Research Expenses.

Administration position. **Do not oppose.** Qualified research expenditures should not include wages paid in the form of stock options to the extent that the wages exceed the amount anticipated at the time the employer decides to conduct the research.

5. Anti-Abuse Rules Applicable to the Rollover of Gain Under Section 1071.

Administration position. We would not oppose a carefully targeted amendment to Code section 1071 that would prevent certain sellers (e.g., those who actively participate in sham transactions) from taking advantage of the deferral provided by that section. However, the amendment should not deny the deferral to "innocent" sellers. To our knowledge, no specific proposal has been developed at this time. Thus, it would be premature for us to express a definitive position.

6. Amortize Environmental Remediation Costs Over a Period of Years.

Administration position. **Issue under study.** We are currently considering appropriate ways to reduce the potentially large costs likely to be incurred by the IRS and taxpayers in resolving disputes over the proper treatment of these costs.

III. PROPOSALS RELATING TO THE HEALTH BENEFITS OF RETIRED COAL MINERS

These proposals were addressed in our September 9, 1993 testimony before the Ways and Means Committee.

TREASURY NEWS

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

STATEMENT BY THE HONORABLE
LAWRENCE H. SUMMERS
UNDER SECRETARY FOR INTERNATIONAL AFFAIRS
U.S. TREASURY DEPARTMENT
BEFORE THE COMMITTEE ON FOREIGN AFFAIRS
OF THE U.S. HOUSE OF REPRESENTATIVES
SEPTEMBER 21, 1993

Multilateral Assistance for Russia and the Other States of the Former Soviet Union

Introduction

Thank you Chairman Hamilton and Members of the Committee. It is a pleasure to testify today on multilateral support for market reform in Russia and the other states of the Former Soviet Union (FSU).

Today's hearing is particularly timely because I visited Moscow last week and had an extremely productive and encouraging set of meetings. The Russian authorities were quite concerned by recent slippages in policies. They underscored their commitment to put in place new measures to reinvigorate momentum toward a market economy and to sustain multilateral financial support for Russian reform.

The transformation of the nations of the FSU to market-based democracies is the greatest challenge of our lifetime to secure the fruits of world peace and prosperity. Integrating these nations, with 300 million people and a vast wealth of natural resources, into the world economy could provide an engine of growth for the next generation. The Administration is fully committed to working closely with Congress on a bipartisan basis to ensure that we seize this opportunity, that our assistance advances reform and that it commands the support of the American people. As President Clinton has stated, our support for reform is not an act of charity, it is an investment in America's future.

The Strategy of Reform

The challenge facing the nations of the FSU is unprecedented. It is not a challenge of "re-development" as was faced in Western Europe after World War II. Nor is it one of "under-development" as is faced in African and other less developed countries.

It is a problem of "mis-development." For too many years, the Soviet Union directed excessive resources into its military industrial complex without regard to the aspirations and needs of its people. This factor, coupled with social ownership of the means of production and rigid price controls, led to over-industrialization, inefficiency, and a system based on privilege, not profitability. Industry accounted for nearly half of Soviet output, in comparison with one-fourth in the United States. For every $1 billion of GDP, the Soviet Union consumed six times as much energy and produced 15 times more steel than in the United States.

The multilateral strategy for support was best captured by our German colleagues at the Munich Summit -- "Help for Self-Help." The FSU states must assume the primary responsibility for their transformation. But support from bilateral donors and the international financial community -- both technical assistance and financial -- is also critical.

Technical assistance plays an essential role in establishing the building blocks for a market economy. It is at the core of our assistance efforts. But multilateral financial support has as its chief strength the ability to leverage fundamental reform. It can energize reforming countries in taking the necessary policy changes to facilitate stabilization and structural reform. And it can help catalyze resources from the private sector, which is the key to the needed long term inflow of investment, technology and know-how.

Bold reform, supported by the international financial community, is a sure-fire recipe for success. We should bear in mind that Poland, which unshackled itself from central planning through its "big bang" stabilization program, is this year the most rapidly growing economy in Europe.

Russian Progress toward Reform

The battle for reform is fought every day in the FSU. We should not under-estimate the enormous economic, social, and political complexity of the transformation. Nor should we expect the process to proceed smoothly or to occur overnight. Rather, the transformation will exhibit fits and starts. Success cannot be gauged by week-to-week scrutiny of economic and political tea leaves. We are better advised to compare where we stand now, with where we stood upon the break-up of the Soviet Union.

Russia is still at the beginning of its transformation. Hard work, sweat, and perseverance lies before it. Moreover, it is facing thorny difficulties at this time in formulating a coherent set of macroeconomic policies. Against this background, we should not overemphasize the positive. Nonetheless, we must also recognize that already much has been achieved in a short span of time and that the Russian marketplace is emerging.

Russia freed prices on 90% of retail items and 80% of wholesale goods in January, 1992. Now, price controls only remain for a handful of items such as energy, bread, and housing. What is the upshot of these reforms?

- Where price controls have been kept, problems remain. Energy use in Russia is still highly inefficient -- opening and closing windows remains the thermostat of choice in Moscow winters. The cheapest form of subsidized bread is available in only some 20% of Russian cities. Russia's housing stock is grossly inadequate.

- But where prices have been liberalized, the supply of goods is greatly improved. It is easy to forget that we used to hear about Russian citizens wasting three hours or more per day in lines. Academic studies suggest the cost in wasted time to Russia of long queues in 1985 alone was on the order of 5% of total income and 6% of consumer expenditures. We no longer hear about Russian citizens complaining that goods are not available in stores. Recent Russian reports indicate most food products were available in more than four-fifths of surveyed cities.

- A simple tour of Moscow streets confirms these changes. Throughout the city, small kiosks have sprouted up, where entrepreneurs sell domestic and foreign goods at market prices, interestingly enough, in dollars or in rubles. Now, Russian statistics suggest street vendors account for some 8% of total retail trade. And, most retail stores have a wide variety of high-quality goods.

Market economies can only thrive in a low inflation environment. Savings and investment decisions hinge critically on the expected value of money. Debauching the currency is the best way to destroy confidence in government.

- Last year, the Russian Central Bank pumped out massive credits to Russian state-owned firms in the mistaken belief that it could boost production. Production collapsed, reflecting the legacy of the USSR's command economy -- its tremendous waste of resources, its excessive defense expenditure -- and the collapse in inter-state trade. But what the Central Bank's money printing did achieve was to push Russia to the verge of hyper-inflation. Monthly inflation in Russia reached 25 to 30% from October 1992 through early 1993.

- Russia's current inflation is still excessive, impeding development of a free market economy. But in recent months, Russia has been pulled back from the brink of hyper-inflation. Earlier this year, the Russian Finance Ministry secured the Central Bank's agreement on restrained credit targets for the second quarter. These targets were met. And recently, the

Finance Ministry played a key role in securing the Central Bank's cooperation to undertake new monetary policy measures that made possible a $1.5 billion IMF loan. Included among these measures, Russia raised its official interest rate from 80% per annum toward 170%, while agreeing to tighten credit targets for the rest of the year.

o These measures have had positive results, showing the virtue of anti-inflationary monetary policy. The free-fall in the ruble was stopped. The ruble, which had fallen from 125 rubles per dollar last July to a low of R1,115 per dollar in June of this year, rose to around R1000, where it has held fairly steady for several months. In addition, reports indicate that the Central Bank has added some $2 billion to its reserves as the ruble has appreciated, suggesting a reversal in the large capital flight from Russia heretofore witnessed.

Sound public finances are necessary to limit the role of government in economic life and to curb inflation. In a country such as Russia where there is virtually no government securities market, deficits must be financed by printing money.

o Last year, Russia's government deficit equalled 20% of GDP, reflecting large and wasteful subsidies, especially for imports, agriculture, and the energy sector. Some two-thirds of the deficit was financed by foreign official inflows. External support on this scale is simply not sustainable.

o As we know in this country, it is not easy to pare deficits. But Russia is making some progress, and a lower deficit should be achieved in 1993. The progress we have witnessed is due to efforts by the Finance Ministry to cut subsidies for imports and grains, to free coal prices, and to sequester across-the-board some 15 to 20% of discretionary spending. The budgetary situation is highly clouded, however, influenced by recent Parliamentary actions, a subject I will return to shortly.

Russia's privatization program has been an extraordinary success, led by the Privatization Ministry and its energetic head, Anatoly Chubais. The pace of privatization has surpassed even that registered in the most reform-minded Eastern European countries. And the public strongly supports the program. It has given every citizen a direct stake in free markets by providing each one with vouchers with which to purchase shares in privatized firms. It has emphasized decentralization and the grass roots.

o In 1991, virtually all small shops were state-owned. Privatization of medium and large firms didn't begin until the very end of 1992.

- Now, over 70 thousand small shops are in private hands, about one-half of all such shops. As of end-July, nearly 3,500 thousand medium and large firms had been privatized, accounting for over 4 million workers, or more than 5% of the labor force. Included among the privatized are such mega-firms as Zil (the huge automobile manufacturer), Uralmash (heavy industry equipment), and Kalashnikov (firearms). By end-year, one-third of the large firms will likely be in private hands.

- The Russian Parliament has tried to stop the privatization program at every turn. But after President Yeltsin's April referendum victory, the pace of privatization was stepped up, and Privatization Minister Chubais has declared that the momentum for privatization is "irreversible." Even Chubais' conservative opponents accept this judgment. Reflecting these developments, voucher prices shot up from a low around 4,000 rubles per voucher in April before the referendum to over 10,000 rubles per voucher currently, which is above their original nominal face value.

Multilateral Support for Russian Reform

At the turn of this year, the prospects for significant market reform in Russia seemed dim. President Yeltsin and the Parliament were locked in an epic struggle over the reins of economic power. True economic reform had stalled, hyper-inflation loomed large, and easy solutions to Russia's complex problems were sought.

President Clinton's first major foreign policy initiative was to call for deepening our engagement with Russia and Russian reformers. He challenged our allies to join us in an effort to support those in Russia advocating democracy and market reform.

The United States can stand proud of the support we have provided and of our leadership in mobilizing multilateral support for Russian reform. We have made a critical difference.

Our approach is based on the reality that neither the United States nor, for that matter, the international community can rebuild Russia with aid. Rather, our support must leverage reform. With this principle in mind, the G-7 recast its multilateral support for Russian reform. We have attempted to offer support at each step of the reform ladder, rather than holding back on support until Russia scales the entire wall.

In early April, the G-7 agreed on a debt rescheduling package which afforded Russia $15 billion in relief from payments that otherwise would have been due this year. This package, which had been under negotiation since July 1992, fulfilled the 1992 Munich Summit commitment to President Yeltsin to provide Russia with breathing space from its debts.

Then, at a historic first joint meeting of G-7 Finance and Foreign Ministers in Tokyo this April, the G-7 developed a $28.4 billion multilateral support package for Russian reform. This package was specially designed to reinforce each step in the reform process.

First, the G-7 package included support for initial Russian steps toward stabilization. At U.S. urging, the IMF created a new Systemic Transformation Facility (STF) to encourage FSU nations to begin undertaking the reform measures needed to move toward full stabilization. Many of Russia's reforms discussed above were taken in conjunction with the IMF's initial $1.5 billion loan under the STF. Another $1.5 billion loan under the STF may be possible.

The World Bank also pledged $1.1 billion in support for initial stabilization through import rehabilitation loans. Last year, it approved a $600 million import rehabilitation loan for Russia to provide hard currency for essential imports. But by April 1993, only $100 million had been disbursed. At the April G-7 Ministerial in Tokyo, we urged the Bank and Russia to accelerate disbursement of this loan and to reach agreement on a second one. The first loan has now been fully obligated and the Bank's work on the second loan is well advanced.

The second element of the G-7's Tokyo package was support for a full stabilization program. This element included $4.1 billion in support for a full Russian program with the IMF and $6.0 billion in support for activation of the Russian currency stabilization fund once Russia has demonstrated its ability to implement a tough IMF program for several months. The G-7 remains fully committed to backing a full stabilization program for Russia as it takes the necessary steps to merit this support.

The third element included support for structural reforms and essential imports.

At the April G-7 Ministerial, the World Bank expanded its pipeline for Russia to provide support for key sectors such as energy, agriculture, private sector development and infrastructure. Recently, the World Bank Board approved a $610 million oil rehabilitation loan, which catalyzed additional co-financing of $420 million.

Such rehabilitation loans are among the most cost-effective we can make. Some estimates suggest that 20% of Russia's producing oil wells are idle, simply because they need spare parts. Oil production is down by a third from four years ago. Against this background, small rehabilitation investments can have a quick pay-off. For example, there are estimates that a dollar invested this summer in well rehabilitation will generate eighty cents in foreign exchange earnings this winter alone. Others suggest one dollar invested now will generate four dollars of return.

The World Bank is also deepening its support for privatization, the development of a social safety net, financial sector, improvement of the transportation system, and agricultural reform.

Responding to a request from Russian Finance Minister Fedorov, the EBRD is working to create a $300 million small and medium-sized enterprise fund. This multilateral fund is to be modelled after the enterprise funds the United States has created in Eastern Europe. Half of the financing will come from G-7 countries and the other half from the EBRD. The fund will make very small scale loans -- perhaps up to $50,000 -- to Russian entrepreneurs who lack start-up capital.

G-7 export credit agencies will also play a critical role in financing capital imports that are needed to help modernize outdated production processes, especially in the energy sector. The United States Export-Import Bank for its part has negotiated a framework for lending up to $2 billion to Russia's oil and gas sector. The support from our Export-Import Bank will not only help promote a more robust Russian economy, it will also boost U.S. exports and jobs at home.

Finally, there is one aspect of G-7 support not included in the Tokyo package that I wish to bring to your attention -- the $3 billion Special Privatization and Restructuring Program (SPRP). The SPRP was proposed by President Clinton and endorsed by G-7 Heads of State at the Tokyo Summit. It represents a significant initiative to advance the cause of market reform in Russia. You have before you legislation that could permit us to contribute $125 million in bilateral grants for privatization and related technical assistance. In addition, Eximbank will make available $250 million in export credit support.

I have already described Russia's success in privatizing large state-owned firms. But changing ownership from public to private hands alone will not suffice. Unless privatized firms restructure, they will continue to demand large subsidies from the government, which are one of the root causes of Russia's inflation problem.

For restructuring to occur, however, privatized Russian firms will need capital -- both loans and equity -- to modernize obsolete physical plants and to upgrade their production processes. They will need technical assistance to help prepare appropriate financial statements, business plans, and investment programs. And they will need the World Bank's support to spin off many social burdens they now bear -- the costs of running schools, clinics, day-care centers, worker housing, and basic sanitation services -- that are beyond their means in making the transition to a market economy.

The SPRP is being designed to address these needs. The United States is presently leading international negotiations among the G-7, the international institutions (the World Bank, the EBRD, and the IFC) and the Russian Government on the design of the SPRP. We hope to achieve international agreement on the operational structure and modalities of the SPRP shortly.

Congress will soon be considering legislation that includes our contribution to the SPRP. I strongly urge you to support this critical initiative.

The Current Situation

Mr. Chairman, I noted earlier that I have just returned from Moscow and I would like to take this occasion to give you a brief first-hand report on my visit. I met in Moscow with Prime Minister Chernomyrdin and the senior economic officials of the Russian Cabinet. I return from these meetings quite encouraged.

In the period following Russia's agreement with the IMF on the $1.5 billion loan, a sense of policy drift emerged in Moscow over the late summer months and the momentum for reform stalled. In Moscow, however, I found my Russian interlocutors, including the Prime Minister, well aware of and concerned by the recent policy slippages and they affirmed their intention to tackle them. In this regard, the Prime Minister had been most impressed by his meetings with President Clinton and Vice President Gore in early September and their commitment to work with our allies to support meaningful steps toward Russian reform.

In particular, the Russian leadership acknowledged that inflation was too high and that financial policies needed to be put in place that would bring the situation back under control. Indeed, Prime Minister Chernomyrdin has recently stated that fighting inflation is Russia's top priority. He was very interested in sustaining Western support for Russian reform and very much committed to renewing Russia's quest for stabilization and reform.

I am also particularly encouraged by the return of Yegor Gaidar to the Yeltsin government as First Deputy Prime Minister. He is a strong, intelligent and forceful proponent of reform who we hope will make a major contribution to advancing Russia's move toward a market economy. We hope that his appointment represents a further sign of President Yeltsin's desire to pursue a bold reform course.

These are important developments that augur well for Russian reform. But they must be translated into reality. The momentum for Russian reform must be reinvigorated and intensified to ensure sustained multilateral support.

o Averting hyper-inflation in Russia is clearly a welcome development. But inflation in August reportedly rose to 29%, which is excessive. To be sure, this may have reflected a number of one-time developments and the current underlying monthly inflation is more likely in the range of 15 to 20%. But even this is simply too high. Bold measures are needed now to achieve a decisive breakthrough to a path of sustainable low inflation. Earlier this year, Russia agreed with the IMF on a set of fiscal and monetary policies that would bring inflation down to 5% monthly by the end of this year. We urge Russia to ensure that these policies are implemented.

o On the fiscal policy front, preliminary indications suggest the Government will face difficulties in meeting its objective of a 1993 deficit of 10% of GDP. These difficulties are being exacerbated by an anti-reformist Parliament, which passed over 400 budget amendments that would have the effect of raising the deficit to 25% of GDP. It is important the Government follow through on its recent measures approved in late August and adopt further policies, as appropriate, to get back on track.

o The Central Bank's recent ruble banknote exchange undermined public trust in the Government's ability to carry out stability-oriented monetary policies. This action was undertaken without consultation of the IMF, as should have occurred when the IMF is providing financial support. We believe that it is necessary for the Central Bank to follow the path of greater transparency in its policies and to consult closely with the Russian Government and the IMF on all of its monetary policy decisions.

o Russia remains in arrears to the United States and other bilateral creditor nations. But progress has been made in debt talks between the United States and Russia which took place here in Washington last week. There are now grounds to be encouraged that we can find a solution to this situation and that outstanding debts to the United States will soon be repaid.

o The battle for privatization goes on. The United States commends President Yeltsin for his resolute defense of Russia's cutting edge privatization program.

Our task in the West in this unfolding drama is to continue to reinforce reform and its flag bearers. If Russia proceeds along the reform path, we should be ready with our support. But if the momentum toward reform slows, we must resist providing support that cannot be productively used and that will put our taxpayers' money at jeopardy.

The Other States of the FSU

I have focussed on Russia because of its dominant position in the FSU and its impact on reform throughout the region. But we should not, and cannot, lose sight of the other states of the FSU.

The international community stands ready to help these countries advance through the transformation process. Technical assistance is available to help them begin putting in place the necessary building blocks for a market economy. The financial support of the international financial institutions is also available for those nations that are prepared to implement bold -- but essential -- reforms.

In surveying the region, the first country I wish to highlight is Kyrgyzstan. It is a small land-locked country that is very poor. But under the bold leadership of its reform-minded President, Askar Akayev, Kyrgyzstan has introduced its own currency and started implementing tough fiscal and monetary policies. It is the only FSU country to have secured IMF loans under a full stabilization program as well as loans under the STF.

Kazakhstan and Belarus are now receiving IMF support under the STF. Kazakhstan, in particular, has perhaps the greatest potential among the FSU states to make a rapid transformation to a strong market economy and improved living standards. It is a stable country with vast mineral wealth and is already able to feed itself. Its leadership has shown a genuine willingness to tackle macroeconomic imbalances, to consult closely with the IMF and World Bank, and to encourage foreign direct investment.

The issue that stands before Kazakhstan on the road to full stabilization is whether to introduce its own currency. So long as Kazakhstan remains in the ruble zone, the question of whether it achieves low inflation will be largely determined in Moscow. If Russia stabilizes, so will Kazakhstan. If Russia does not, neither will Kazakhstan. One central reality is clear. If Kazakhstan wishes to control its own destiny in achieving low inflation and fully utilizing available multilateral support, it must introduce its own currency and implement strong stabilization policies.

Belarus has been able to maintain macroeconomic balance, in part due to continued transfers from Russia. These transfers are now decreasing and adherence to the STF program and further policy reform will be needed to maintain discipline. Progress on structural reform has also not been rapid. Moldova is soon expected to have an STF program approved by the IMF Board.

The economic situation in Ukraine is a matter of serious concern. Ukraine left the ruble zone nearly one year ago. But its economic policies have failed to protect the new currency and to advance necessary structural reforms. As a result, Ukraine is beginning to experience the first stages of hyper-inflation, as evidenced by the recent collapse in its currency.

Turkmenistan and Uzbekistan are countries with great potential due to strong natural resource endowments. But the movement toward reform has been gradual at best and they have not sought to engage the IMF and World Bank in a meaningful dialogue on reform. Other countries in the FSU, especially in the Caucasus, have been beset with domestic instability, sharply limiting their capacity to design reforms or to carry them out.

Conclusion

The nations of the FSU are now well into the second year of their historic transformation to free markets. Much has been accomplished in many of the countries, especially Russia, and the results are clear. However, much more remains to be done.

The United States remains committed as one of its top foreign economic policy priorities to supporting fundamental transformation. In Russia, the momentum for reform stalled over the late summer months, but I have detected a renewed commitment to reform during my recent trip to Moscow. This commitment should be quickly translated into reality.

The G-7's multilateral support package for Russian reform has been designed with the goal of being able to encourage Russia to pursue the path of reform in just such a circumstance. We urge Russia to reinvigorate and intensify it reform process and to secure the support of the international financial community.

We also urge the other nations of the FSU to deepen and accelerate their reform efforts, and we urge the international financial institutions to work with these nations in intensifying international support for market reform. Thank you.

TREASURY NEWS

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

Text as Prepared for Delivery
FOR IMMEDIATE RELEASE
September 21, 1993

REMARKS OF TREASURY SECRETARY LLOYD BENTSEN ECONOMIC CLUB OF NEW YORK NEW YORK, NEW YORK

Back in '87 when I was last here I talked trade -- trade with Japan. I remember during the questions, I got beat up on taxes, because the major tax reforms of '86 had just been enacted. And I remember the one applause I got all night was when I said: "There'd be no more major changes in the tax law."

I don't want to be Johnny-one-note, but I'm going to talk trade again, trade with Mexico and Canada. Then I suspect I'll get hit with a few tax questions -- but this time I'm not so sure I'll get any applause!

Ever since I took this job, I've felt an obligation to tell audiences how we're doing with the books of the United States. My way of reminding everyone why we need deficit reduction.

Well, tonight instead of telling you how many hot checks I've written, I want to tell you about a check I just received -- for $83,644.

It comes from a man named Clement Dorn ... who was a poultry farmer in upstate New York. He wrote in his will: "It is my desire to leave these funds to the United States Government ... because I arrived in the United States of America in 1923 from Germany and this country has been good to me."

Makes you proud to be an American, doesn't it?

I remember a couple summers ago I was in Denmark, where my grandfather was born. I was talking to the American Ambassador, and he said: "Lloyd, are you here visiting your ancestor's castles?" I said: "If my family had castles, they would never have left this place."

There aren't many Americans with kings or queens in our genes. We're a country of risk takers, whose ancestors came looking for a better standard of living.

I've seen many leaders come to Washington since the end of the Cold War. They tell us how we have served as their example. How they have looked to us and said: "That's what I want for my country."

There's a big irony in all this, though. Just as we're reshaping the world, inspiring it, leading it -- we're now torn in this country over a free trade agreement.

We have two neighbors who want to do a little business with us -- and we're acting like the little guy sandwiched between two big bullies out to do us in. It's pretty laughable to say that if NAFTA passes we are in danger of being inundated by Mexico -- a country with an economy 5 percent the size of our economy -- but that's what is happening.

In trade battles, and I've seen many in this country, there are two extremes. On the one side, are all the elitists. All they know is the word "free" trade. Probably never spent a day in their lives working at a business that competes with foreign products. Probably never tried selling a product in Japan. But they have this knee-jerk reaction opposing anyone who preaches anything but totally free trade.

On the other side are the protectionists. They'd have us put up walls. They'd have us duck foreign competition. They'd have us go back 60 years to Smoot-Hawley, when we had tariffs in this country of 55 percent.

You know, last week when I watched Yitzhak Rabin and Yasser Arafat, and I saw Rabin's fidgeting because it was wrenching what he was doing for his country, and I heard his remarkable words, and I saw Arafat's outstretched hand -- I saw two extremes come together.

They left ideology behind. And Israelis and Palestinians came together because it was the only practical thing to do.

The next day, at the signing of the NAFTA side agreements, I saw four Presidents -- different parties, different ideologies, different alignments -- come together. Come together, because, it too, is the only practical alternative.

They recognize that the world has changed. You can't be pure free traders. You can't be pure protectionists. Not when jobs can go to any low-wage country in the world, treaty or no treaty -- and no amount of protectionism can stop that. Not when we've seen how free trade fails miserably, unless it's also fair trade. Low tariffs in one country, and high tariffs in another is not fair and won't create jobs. The only trade agreements we should sign are agreements that create jobs for all parties who sign up.

One in eight jobs in this country depends on trade. One in six in Canada. One in six in Mexico. No country can create jobs unless its businesses export, and they can't export unless we all play by the same rules.

We're not going to send out our team in tennis shorts, while the other guys are in football pads, and say -- let's play ball.

This is a practical treaty, concerned with pocketbook issues -- jobs. But so far the discussion of it has be anything but practical. It's been all emotional.

This will not be easy to get through. If we had to take the vote today, it would be tough in the House. Better in the Senate, but tough in the House. But passage has been tough for almost every big treaty we've ever signed. People who oppose a treaty are clearer about their opposition than people who support it this far in advance of a vote.

In the end, I think we will win.

Now some skeptics -- some of them in the business world -- think the President doesn't really have his heart in this one. He's more worried about health care, and when the shooting really starts, he'll walk from it.

That is not the case. This President has his heart and soul in this. You saw the former Presidents last Tuesday endorse it. I don't know a President in the last 50 years who hasn't tried improving relations with Mexico.

Franklin Roosevelt went to Mexico, and he talked about the day when Presidents of both countries would freely meet and communicate. Jack Kennedy went there, and he talked about being economic partners.

In fact, I recall my first year in the Senate, the first trip I made was to Mexico, and we talked about economic partnerships between our countries.

I was born and reared on that border. Believe me, on the Mexican side, I haven't always seen a willingness to be partners. I've watched Mexican politicians for years campaign against the United States as the colossus of the north, the gringos.

But that isn't the way they're looking at us now. Their President -- Salinas -- is looking to us as a trading partner. A true one.

For the last six years, they have opened their markets and bought our products, and that has created 400,000 jobs in this country. They didn't do it because we held a gun to their heads -- they did it in good faith.

I don't understand why the opposition is so against this. What do you need in business to sell products?

First, a growing market. In Mexico, you have 90 million customers, who spend 70 cents of every dollar on imports buying American goods. Last year, each Mexican, on average, purchased more U.S.-made products than the average Japanese, German, or Canadian -- who make a lot more money than the average Mexican.

What else do you need? Low tariffs -- or no tariffs. Right now, in spite of liberalization, the average product entering Mexico from the U.S. is slapped with a 10 percent tariff. Mexican products entering the U.S. get, on average, a 4 percent tariff.

So, tariffs there are two-and-a-half times higher than what they are here. I don't see fairness, and we're the country on the bad end of that deal.

When this thing passes, that changes. Half of all goods Americans export to Mexico will be eligible for zero tariffs. Within five years, two-thirds will be. And these lower tariffs are only for our goods and Canada's goods. Not Japan's. Not the EC's.

If you sell into a growing market, with lower tariffs, American companies do well. We can measure the results since Mexico's voluntary tariff liberalization. We've gone from a $6 billion trade deficit with them, to a $5 billion surplus.

This thing will help virtually every industry, including financial services. It will help small businesses -- the risk-takers in this country creating all the jobs. Last Thursday, I was in Chicago at a small steel company -- 450 employees, many union members -- and they can't wait for NAFTA.

But let's face it -- the biggest cause of our trade deficits and the loudest labor opponents to this is the auto sector. The Big Three can build cars in Mexico and export them to the U.S. without restrictions. But they can't produce a car or a minivan in the U.S. and then sell it in Mexico without facing tremendous barriers.

So, Chrysler sold five Jeep Cherokees in Mexico all last year. Five. One every 10 weeks. They sold more in Japan, where they drive on the right-hand side.

Look at the list of the Big Three's top 10 best selling cars in this country last year. They sold 2.1 million units here. And a grand total of -- listen to this -- 162 in Mexico.

When this passes, the auto industry thinks they can sell 60,000 autos the first year out.

You're going to hear people say, yeah, but they'll move the plants to Mexico because of the low wages. They don't tell you this, but it costs $410 more to build a car in Mexico than here.

Something else I don't get is: Why is the opposition so afraid of low wages? If it was just low wages, you'd have Somalia as an industrial power.

Last time I looked, the American worker was the most productive in the world and any differential in wages is more than made up by superior productivity.

Who are this country's biggest competitors? Japan. The Europeans. The average Japanese worker now makes 30 percent more than the average American worker, and I don't see them afraid to compete with us because their paycheck is bigger.

When Europe opened its market to Spain and Portugal, everybody said it would be terrible for northern Europe. All the jobs would go there. It didn't happen, and a lucrative market opened up.

And insofar as the opposition pointing to the downsizing of the Fortune 500 and saying we're losing too many jobs, I say look at some of the big companies that have announced staff reductions recently. Things would be worse without Mexican business.

Look at Procter & Gamble. Six years ago, they exported nothing to Mexico. When this thing passes, they say they'll be able to export $200 million in products. That's 1,500 to 2,000 jobs that would not be there or at their suppliers if this thing fails.

Let me tell you what will happen if this thing fails. Our market will stay open, but Mexico will be able to jack trade barriers right back up.

They could raise them up to 50 percent, and still be in compliance with GATT. So the 15,500 jobs in New York that are supported by trade with Mexico will be up for grabs.

If this thing fails, we'll watch Japan and Europe take advantage of the economic opportunities in Mexico.

If this thing fails, we'll hurt our chances to open more markets in Latin America, which after Asia, is the fastest growing market around -- and already our exports there are rising substantially faster than they are, for example, to Europe.

If this thing fails, how can we point our finger at Europe or Japan or anybody else and say: Why don't you pass the GATT agreement?

If this thing fails, we won't be addressing the environmental concerns on the border. For years, in the Senate of the United States, I talked about concerns on the border, and nobody seemed to listen. Finally, we have something that will help clean up the environment, that many environmental groups support, and it's not good enough!

And, we'll still be importing immigrants from Mexico. There's an awful lot of truth to the statement that if Mexicans don't have jobs, Americans will have Mexicans.

In all my years, I can't remember a political debate like this one. 41 of 50 governors support it. And they know about jobs, because they get elected only if they create jobs. Economists say this will create 200,000 jobs.

And the opposition is led by one businessman. One. I give him a lot of credit for speaking his mind. He's saying how he thinks business will respond to this -- that they'll move plants to Mexico.

What disappoints me is that hardly any CEOs are responding to him. Here we have something that will help you increase business and create jobs -- but I haven't heard many business leaders say that. You are the opinion makers in this country, and we need you out there influencing opinion.

Now, tonight I wanted to focus on NAFTA, but let me just say something about health care reform. The President will be going before Congress tomorrow evening.

Bill Clinton is not the first U.S. President to try to achieve affordable universal coverage. But he will be the first to frame the issue in economic terms -- and he is absolutely right.

Right now our system is the most expensive. We spend 50 percent more on health care than the average industrial country -- but we're no healthier.

The system in inefficient. Our corporations pay a higher percentage of gross profits toward coverage than their foreign competition. And health care costs are rising three times inflation.

That's a drag on the economy we can't afford. If we do nothing, health care costs will be 20 percent of our GDP by the end of the decade, and no other industrialized country will be over 10 percent. We have to control costs. We have to reform the system.

And like NAFTA it will be a tough fight -- a very tough one. But I think when Americans understand the economics behind this, we'll see reform.

Let me wind down with this. I recall being at a meeting in France three years ago. A man got up and said: "Look at the great changes in the world. The end of the Cold War. Europe and Asia emerging as the world leaders. And America on the decline."

It's a little ironic that three years later much of Europe is in a recession, Japan is growing much too slowly, and America is not just a political and a military leader -- we remain the world's economic leader -- the engine of growth in the world.

We have cut the deficit -- finally. Insofar as the market's response, it's the lowest long-term interest rates in two decades, the highest stock market, an incredible bond rally, employment up by more than a million since January, we're the leading exporter in the world, and we're growing faster than any other G-7 country. Things are up beat.

And if we learn anything from last week's ceremonies at the White House -- let us learn to put ideologies aside. Let us learn that old thinking doesn't always work. That holding on to the special interests of a few will bring everyone down, and we can do better if we set policies that will bring everybody up in this world.

Thank you very much.

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TREASURY NEWS

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

September 21, 1993

STATEMENT BY TREASURY SECRETARY LLOYD BENTSEN ON BANK OF JAPAN'S DISCOUNT RATE CUT

I welcome today's decision by the Bank of Japan to cut its discount rate by 75 basis points. This, along with last week's stimulus package and other measures now under review, should contribute to higher Japanese growth and lower current account surpluses.

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TREASURY NEWS

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

FOR IMMEDIATE RELEASE
September 21, 1993

CONTACT: Michelle Smith
(202) 622-2960

STATEMENT BY TREASURY SECRETARY LLOYD BENTSEN:

I am very pleased by the Senate Banking Committee's approval of the Community Development, Credit Enhancement, and Regulatory Improvement Act of 1993. This legislation would promote community development banks, strengthen safeguards against mortgage lending abuses, facilitate small business capital formation and reduce paperwork for federally insured depository institutions.

The 18-1 vote demonstrates both the breadth of support for the President's community development banking proposal and the bipartisan spirit of cooperation within the committee. I commend Chairman Riegle and Senator D'Amato for their outstanding leadership in forging a balanced, workable package. The package builds on the President's program, includes other elements complementary to that program, and yet avoids miring the program in extraneous controversies.

The Administration will continue to work with the Congress to make capital and credit available throughout the nation, and particularly to small businesses and disadvantaged communities.

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AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
September 21, 1993

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 2-YEAR NOTES

Tenders for $16,018 million of 2-year notes, Series AB-1995, to be issued September 30, 1993 and to mature September 30, 1995 were accepted today (CUSIP: 912827M33).

The interest rate on the notes will be 3 7/8%. All competitive tenders at yields lower than 3.94% were accepted in full. Tenders at 3.94% were allotted 54%. All noncompetitive and sucessful competitive bidders were allotted securities at the yield of 3.94%, with an equivalent price of 99.876. The median yield was 3.91%; that is, 50% of the amount of accepted competitive bids were tendered at or below that yield. The low yield was 3.85%; 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	25,112	25,112
New York	40,191,350	14,844,470
Philadelphia	20,951	20,951
Cleveland	37,456	37,456
Richmond	111,823	100,443
Atlanta	85,108	35,108
Chicago	1,277,230	249,730
St. Louis	36,564	36,564
Minneapolis	18,283	18,283
Kansas City	68,259	68,259
Dallas	13,783	13,783
San Francisco	723,432	277,432
Treasury	289,982	289,982
TOTALS	$42,899,333	$16,017,573

The $16,018 million of accepted tenders includes $819 million of noncompetitive tenders and $15,199 million of competitive tenders from the public.

In addition, $900 million of tenders was awarded at the high yield to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional $961 million of tenders was also accepted at the high yield from Federal Reserve Banks for their own account in exchange for maturing securities.

TREASURY NEWS

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

FOR RELEASE AT 2:30 P.M.
September 21, 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 September 30, 1993. This offering will result in a paydown for the Treasury of about $1,450 million, as the maturing weekly bills are outstanding in the amount of $23,855 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 $2,945 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

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS TO BE ISSUED SEPTEMBER 30, 1993

September 21, 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 H2 3	912794 J7 0
Auction date	September 27, 1993	September 27, 1993
Issue date	September 30, 1993	September 30, 1993
Maturity date	December 30, 1993	March 31, 1994
Original issue date	July 1, 1993	September 30, 1993
Currently outstanding	$12,833 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