Department of the Treasury

PRESS RELEASES

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
April 4, 1996

STATEMENT OF TREASURY SECRETARY ROBERT E. RUBIN

"Ron Brown was a friend, and I and so many others will miss him greatly. America has lost an extraodinarily energetic, creative and decent public servant. From the very beginning, Ron and the rest of us on the President's economic team worked so well together. His spirit and his good sense were invaluable to all of us. Ron Brown's record as Commerce Secretary is without peer in the Department's history. His loss is deeply tragic, and my thoughts and prayers are with his family, his friends, and his staff."

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RR-989

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
April 4, 1996

STATEMENT BY DEPUTY TREASURY SECRETARY LAWRENCE H. SUMMERS

"Lee Jackson, United States Executive Director of the European Bank for Reconstruction and Development, died in the crash of the plane carrying the U.S. trade mission to Croatia April 3. This news was a great shock to his many friends and colleagues both within and outside the Treasury and the EBRD. Lee will be remembered and sorely missed here for his diligence, intellect and thoughtfulness. He faced even the most difficult situations with good judgment and good cheer.

"During his tenure at the EBRD, Lee vigorously advanced U.S. interests and provided effective leadership at the Board and throughout the Bank. The Bank was a seriously troubled institution when Lee arrived there in 1993. Today it is a healthy one that is making a major contribution in bringing free markets to the Former Soviet Union and Eastern Europe. Lee's work there was a major part of that transformation. We are enormously grateful for his exceptional service to the Treasury Department and to the nation. Our deepest sympathies are with his family and friends."

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RR-990

PUBLIC DEBT NEWS

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

FOR RELEASE AT 3:00 PM
April 4, 1996

Contact: Peter Hollenbach
(202) 219-3302

PUBLIC DEBT ANNOUNCES ACTIVITY FOR SECURITIES IN THE STRIPS PROGRAM FOR MARCH 1996

Treasury's Bureau of the Public Debt announced activity figures for the month of March 1996, of securities within the Separate Trading of Registered Interest and Principal of Securities program (STRIPS).

Dollar Amounts in Thousands

Principal Outstanding (Eligible Securities)	$884,881,516
Held in Unstripped Form	$659,454,478
Held in Stripped Form	$225,427,038
Reconstituted in March	$12,009,137

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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(RR-991)

TABLE VI – HOLDINGS OF TREASURY SECURITIES IN STRIPPED FORM, MARCH 31, 1996
(In thousands)

Loan Description	Maturity Date	Principal Amount Outstanding: Total	Principal Amount Outstanding: Portion Held in Unstripped Form	Principal Amount Outstanding: Portion Held in Stripped Form	Reconstituted This Month #1
7-3/8% Note C-1996	05/15/96	20,085,643	16,068,043	4,017,600	43,200
7-1/4% Note D-1996	11/15/96	20,258,810	16,591,610	3,667,200	3,200
8-1/2% Note A-1997	05/15/97	9,921,237	8,359,237	1,562,000	118,000
8-5/8% Note B-1997	08/15/97	9,362,836	7,006,036	2,356,800	91,200
8-7/8% Note C-1997	11/15/97	9,808,329	6,957,129	2,851,200	24,000
8-1/8% Note A-1998	02/15/98	9,159,068	7,746,588	1,412,480	20,800
9% Note B-1998	05/15/98	9,165,387	7,065,587	2,099,800	30,600
9-1/4% Note C-1998	08/15/98	11,342,646	8,569,846	2,772,800	118,400
8-7/8% Note D-1998	11/15/98	9,902,875	6,778,075	3,124,800	113,600
8-7/8% Note A-1999	02/15/99	9,719,623	8,258,823	1,460,800	51,200
9-1/8% Note B-1999	05/15/99	10,047,103	7,026,303	3,020,800	0
8% Note C-1999	08/15/99	10,163,644	7,575,969	2,587,675	58,600
7-7/8% Note D-1999	11/15/99	10,773,960	7,285,960	3,488,000	68,800
8-1/2% Note A-2000	02/15/00	10,673,033	7,967,833	2,705,200	8,400
8-7/8% Note B-2000	05/15/00	10,496,230	5,763,430	4,732,800	19,200
8-3/4% Note C-2000	08/15/00	11,080,646	6,950,886	4,129,760	74,560
8-1/2% Note D-2000	11/15/00	11,519,682	7,370,882	4,148,800	116,000
7-3/4% Note A-2001	02/15/01	11,312,802	8,112,802	3,200,000	133,600
8% Note B-2001	05/15/01	12,398,083	8,931,708	3,466,375	93,000
7-7/8% Note C-2001	08/15/01	12,339,185	9,663,985	2,675,200	108,800
7-1/2% Note D-2001	11/15/01	24,226,102	21,501,382	2,724,720	140,480
7-1/2% Note A-2002	05/15/02	11,714,397	10,032,957	1,681,440	121,600
6-3/8% Note B-2002	08/15/02	23,859,015	22,702,215	1,156,800	108,800
6-1/4% Note A-2003	02/15/03	23,562,691	23,060,451	502,240	195,392
5-3/4% Note B-2003	08/15/03	28,011,028	27,773,428	237,600	0
5-7/8% Note A-2004	02/15/04	12,955,077	12,953,477	1,600	0
7-1/4% Note B-2004	05/15/04	14,440,372	14,435,572	4,800	3,200
7-1/4% Note C-2004	08/15/04	13,346,467	13,312,867	33,600	0
7-7/8% Note D-2004	11/15/04	14,373,760	14,373,760	0	0
7-1/2% Note A-2005	02/15/05	13,834,754	13,834,354	400	21,280
6-1/2% Note B-2005	05/15/05	14,739,504	14,739,504	0	0
6-1/2% Note C-2005	08/15/05	15,002,580	15,002,580	0	0
5-7/8% Note D-2005	11/15/05	15,209,920	15,209,920	0	0
5-5/8% Note A-2006	02/15/06	15,513,587	15,513,587	0	0
11-5/8% Bond 2004	11/15/04	8,301,806	4,383,406	3,918,400	334,400
12% Bond 2005	05/15/05	4,260,758	2,522,708	1,738,050	123,150
10-3/4% Bond 2005	08/15/05	9,269,713	7,412,113	1,857,600	558,400
9-3/8% Bond 2006	02/15/06	4,755,916	4,750,604	5,312	0
11-3/4% Bond 2009-14	11/15/14	6,005,584	2,187,184	3,818,400	186,400
11-1/4% Bond 2015	02/15/15	12,667,799	9,761,399	2,906,400	628,640
10-5/8% Bond 2015	08/15/15	7,149,916	2,331,356	4,818,560	27,200
9-7/8% Bond 2015	11/15/15	6,899,859	3,605,459	3,294,400	321,600
9-1/4% Bond 2016	02/15/16	7,266,854	6,704,454	562,400	23,200
7-1/4% Bond 2016	05/15/16	18,823,551	18,600,351	223,200	75,200
7-1/2% Bond 2016	11/15/16	18,864,448	18,140,208	724,240	340,480
8-3/4% Bond 2017	05/15/17	18,194,169	9,858,489	8,335,680	541,120
8-7/8% Bond 2017	08/15/17	14,016,858	9,183,258	4,833,600	348,800
9-1/8% Bond 2018	05/15/18	8,708,639	2,590,239	6,118,400	451,200
9% Bond 2018	11/15/18	9,032,870	2,969,870	6,063,000	235,000
8-7/8% Bond 2019	02/15/19	19,250,798	5,546,798	13,704,000	744,000
8-1/8% Bond 2019	08/15/19	20,213,832	16,714,952	3,498,880	617,920
8-1/2% Bond 2020	02/15/20	10,228,868	6,321,668	3,907,200	139,600
8-3/4% Bond 2020	05/15/20	10,158,883	4,346,403	5,812,480	518,080
8-3/4% Bond 2020	08/15/20	21,418,606	5,577,646	15,840,960	1,266,560
7-7/8% Bond 2021	02/15/21	11,113,373	10,188,573	924,800	65,600
8-1/8% Bond 2021	05/15/21	11,958,888	4,829,608	7,129,280	249,920
8-1/8% Bond 2021	08/15/21	12,163,482	3,738,842	8,424,640	340,160
8% Bond 2021	11/15/21	32,798,394	6,276,544	26,521,850	493,875
7-1/4% Bond 2022	08/15/22	10,352,790	8,264,790	2,088,000	120,800
7-5/8% Bond 2022	11/15/22	10,699,626	3,672,426	7,027,200	83,200
7-1/8% Bond 2023	02/15/23	18,374,361	14,503,961	3,870,400	348,800
6-1/4% Bond 2023	08/15/23	22,909,044	22,571,988	337,056	216,480
7-1/2% Bond 2024	11/15/24	11,469,662	4,955,262	6,514,400	281,840
7-5/8% Bond 2025	02/15/25	11,725,170	7,075,570	4,649,600	441,600
6-7/8% Bond 2025	08/15/25	12,602,007	12,466,647	135,360	0
6% Bond 2026	02/15/26	12,904,916	12,904,916	0	0
Total		884,881,516	659,454,478	225,427,038	12,009,137

#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 p m 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

AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
April 8, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 2-YEAR NOTES

Tenders for $18,250 million of 2-year notes, Series AD-1998, to be issued April 10, 1996 and to mature March 31, 1998 were accepted today (CUSIP: 912827X31).

The interest rate on the notes will be 6 1/8%. All competitive tenders at yields lower than 6.144% were accepted in full. Tenders at 6.144% were allotted 48%. All noncompetitive and successful competitive bidders were allotted securities at the yield of 6.144%, with an equivalent price of 99.965. The median yield was 6.102%; that is, 50% of the amount of accepted competitive bids were tendered at or below that yield. The low yield was 6.070%; that is, 5% of the amount of accepted competitive bids were tendered at or below that yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$35,300,203	$18,250,003

The $18,250 million of accepted tenders includes $1,167 million of noncompetitive tenders and $17,083 million of competitive tenders from the public.

In addition, $1,818 million of tenders was awarded at the high yield to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional $1,598 million of tenders was also accepted at the high yield from Federal Reserve Banks for their own account in exchange for maturing securities.

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AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
April 8, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $13,580 million of 13-week bills to be issued April 11, 1996 and to mature July 11, 1996 were accepted today (CUSIP: 9127942Z6).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	5.00%	5.13%	98.736
High	5.03%	5.16%	98.729
Average	5.03%	5.16%	98.729

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

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$51,216,952	$13,580,152
Type		
Competitive	$45,962,940	$8,326,140
Noncompetitive	1,484,792	1,484,792
Subtotal, Public	$47,447,732	$9,810,932
Federal Reserve	3,307,320	3,307,320
Foreign Official Institutions	461,900	461,900
TOTALS	$51,216,952	$13,580,152

5.01 -- 98.734 5.02 -- 98.731

AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
April 8, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $13,561 million of 26-week bills to be issued April 11, 1996 and to mature October 10, 1996 were accepted today (CUSIP: 9127943K8).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	5.17%	5.38%	97.386
High	5.19%	5.40%	97.376
Average	5.19%	5.40%	97.376

Tenders at the high discount rate were allotted 28%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$50,348,670	$13,560,510
Type		
Competitive	$44,487,485	$7,699,325
Noncompetitive	1,226,185	1,226,185
Subtotal, Public	$45,713,670	$8,925,510
Federal Reserve	3,300,000	3,300,000
Foreign Official Institutions	1,335,000	1,335,000
TOTALS	$50,348,670	$13,560,510

5.18 - 97.381

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
April 9, 1996

Contact: Jon Murchinson
(202) 622-2960

MOZELLE THOMPSON PROMOTED TO PRINCIPAL DEPUTY ASSISTANT SECRETARY

Treasury Secretary Robert E. Rubin announced Tuesday he has promoted Mozelle W. Thompson to the position of Principal Deputy Assistant Secretary for Government Financial Policy.

"Mozelle Thompson has been an integral member of the Treasury Department for the past two and a half years," Secretary Rubin remarked. "He has provided valuable counsel on a host of important issues related to government financing and privatization."

As Principal Deputy Assistant Secretary, Mr. Thompson is responsible for the oversight of the Federal credit and finance policies for domestic agencies and corporations. Included in this portfolio are the operations of the Federal Financing Bank and the Office of Corporate Finance, which provides guidance on the privatization of Federal assets and operations.

Mr. Thompson will continue to oversee Treasury's privatization activities regarding the United States Uranium Enrichment Corporation, the College Construction Loan Administration (Connie Lee) and the Naval Petroleum Reserves at Elk Hills, CA. He will also continue to lead Treasury's initiatives on the financing of the District of Columbia.

Mr. Thompson joined Treasury as Deputy Assistant Secretary in August 1993. Prior to joining the department, he held a number of positions with the State of New York. Mr. Thompson was most recently senior vice president, counsel and secretary to the boards of the New York State Housing Finance Agency, the State of New York Mortgage Agency and the New York State Medical Care Facilities Finance Agency. He has practiced law with the firm of Skadden, Arps, Slate, Meagher and Flom in New York City and was a law clerk for U.S. Federal Judge William M. Hoeveler in Miami.

Mr. Thompson is a graduate of Columbia College and Columbia Law School and holds a Masters in Public Administration from Princeton University's Woodrow Wilson School of Public and International Affairs. He was born in Pittsburgh, PA on December 11, 1954.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR RELEASE AT 2:30 P.M.
April 9, 1996

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $21,000 million, to be issued April 18, 1996. This offering will result in a paydown for the Treasury of about $47,825 million, as the maturing bills total $68,829 million (including the 55-day cash management bill issued on February 23, 1996, in the amount of $29,192 million and the 15-day cash management bill issued on April 3, 1996, in the amount of $14,008 million).

Federal Reserve Banks hold $7,172 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 $12,631 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) 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

RR-996

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED APRIL 18, 1996

April 9, 1996

<u>**Offering Amount**</u>	$10,500 million	$10,500 million
<u>**Description of Offering**</u>**:**		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 3A 0	912794 Z9 8
Auction date	April 15, 1996	April 15, 1996
Issue date	April 18, 1996	April 18, 1996
Maturity date	July 18, 1996	October 17, 1996
Original issue date	January 18, 1996	October 19, 1995
Currently outstanding	$12,547 million	$18,482 million
Minimum bid amount	$10,000	$10,000
Multiples	$ 1,000	$ 1,000

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

<u>Submission of Bids</u>:

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

Competitive bids . . . .
(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%.
(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.

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

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

<u>Receipt of Tenders</u>:

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

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

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

AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
April 9, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 5-YEAR NOTES

Tenders for $12,006 million of 5-year notes, Series G-2001, to be issued April 10, 1996 and to mature March 31, 2001 were accepted today (CUSIP: 912827X49).

The interest rate on the notes will be 6 3/8%. All competitive tenders at yields lower than 6.415% were accepted in full. Tenders at 6.415% were allotted 53%. All noncompetitive and successful competitive bidders were allotted securities at the yield of 6.415%, with an equivalent price of 99.832. The median yield was 6.397%; that is, 50% of the amount of accepted competitive bids were tendered at or below that yield. The low yield was 6.350%; that is, 5% of the amount of accepted competitive bids were tendered at or below that yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$31,190,351	$12,006,231

The $12,006 million of accepted tenders includes $604 million of noncompetitive tenders and $11,402 million of competitive tenders from the public.

In addition, $650 million of tenders was awarded at the high yield to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional $1,500 million of tenders was also accepted at the high yield from Federal Reserve Banks for their own account in exchange for maturing securities.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
April 9, 1996

CONTACT: Office of Financing
202-219-3350

TREASURY CLARIFIES WEEKLY BILL ANNOUNCEMENT OF APRIL 9, 1996

Federal Reserve Banks hold $12,631 million as agents for foreign and international monetary authorities. Up to $3,000 million of these securities 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 to the extent the aggregate amount of new bids exceeds $3,000 million.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
Remarks as prepared for delivery
April 11, 1996

REMARKS OF TREASURY SECRETARY ROBERT E. RUBIN
RETIREMENT SAVINGS AND SECURITY ACT

This is an important day for Americans with respect to retirement. In a few moments, the President will discuss the Retirement Savings and Security Act which contains some very concrete proposals to expand access to pensions, to help small businesses set up pensions, and to encourage Americans to save more.

Raising our savings rate is critical to continuing and improving upon the solid economic growth of the past three years. It is also central to ensuring that Americans have sufficient resources for their retirement years. Last year, Americans' personal savings were just four and one-half percent of disposable income, and that's far too little. Other industrialized nations, and the rapidly developing nations of Asia, save significantly more, with savings rates often ranging from half again as high as ours to double ours.

This administration has worked long and hard on the nation's overall savings rate, starting with bringing down the deficit. Two years ago the President signed legislation my friend and predecessor as Secretary of the Treasury, Lloyd Bentsen, was instrumental in developing. That legislation has reduced pension underfunding for the first time in a decade and protects the benefits of over 40 million workers. Just a few months ago the President vetoed a bill that would have let corporations broadly tap pension plans. Today, we're building on that success.

Lloyd Bentsen recognized long ago that American workers must be given access to pensions and that their pensions must be protected, and almost singlehandedly put through the most sweeping pension reform program in our history in the 1970s. He is also known as the father of the Individual Retirement Account.

It is my pleasure to introduce a man deeply concerned with the retirement security of working Americans, Senator and Secretary Lloyd Bentsen.

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RR-999 http://www.ustreas.gov

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
April 11, 1996

Contact: Peter Hollenbach
(202) 219-3302

TREASURY CALLS 8 PERCENT BONDS OF 1996-01

The Treasury today announced the call for redemption at par on August 15, 1996, of the 8% Treasury Bonds of 1996-01, dated August 16, 1976, due August 15, 2001 (CUSIP No. 912810 BW 7). There are $1,485 million of these bonds now outstanding, of which $728 million are held by private investors. Securities not redeemed on August 15, 1996, will cease to earn interest.

These bonds are being called to reduce the cost of financing the public debt. The Treasury plans to refinance the call of the $728 million that is held by private investors through additions to regularly scheduled securities over the next several months. We estimate that the budget outlay savings from the call will be about $55 - $65 million.

Payment will be made automatically by the Treasury for bonds in book-entry form, whether held on the books of the Federal Reserve Banks or in TREASURY DIRECT accounts. Bonds held in coupon or registered form should be presented for redemption through a financial institution, or to a Federal Reserve Bank or Branch, or to the Bureau of the Public Debt, Washington, D. C.

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(RR-1000)
PA-217

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

Remarks by
Lawrence H. Summers
Deputy Secretary of the Treasury
at the Donors' Conference for Bosnia and Herzegovina
April 13, 1996
Brussels

For the past year, all of us in the Clinton Administration have worked tirelessly to bring peace to Bosnia. Ron Brown's tragic trip to the region was part of that effort. Ron Brown's vision of a peaceful and prosperous Bosnia did not die with Ron Brown. We are here today to carry on this important work.

The Dayton peace agreement has stopped the war in Bosnia -- a war that saw some one-quarter of a million people killed and atrocities on a scale not seen in Europe for half a century. But the peace is by no means assured. Dayton was but one giant step down a long road. This donors' conference is another essential step toward a lasting peace. For the armaments of war to be laid permanently to rest, Bosnia's people must reap a peace dividend While reconstructing Bosnia's economy is not sufficient to guarantee the peace, it almost certainly is necessary if peace is to be preserved.

The World Bank's excellent report for these meetings highlights the severe economic and human toll of this war:

o Per capita income in Bosnia is one-quarter of its pre-war levels and industrial production less than 10%.

o Bosnia's infrastructure has been damaged to a degree we have not seen since World War II. Roughly 75% of the Federation's people are unemployed and 80% of the people require some humanitarian aid.

RR-1002

- Three hundred thousand soldiers must be demobilized in the coming months. There are one million refugees spread throughout Europe. Widows and orphans have been left behind, desperately needing support for basic survival. Some three million mines need to be removed and destroyed.

These are but a few of the enormous challenges we face. Only through a concerted international effort by everybody around this table will we succeed. That is why this conference is so critical and that is why the stakes are so high today.

I want to thank the co-chairs of today's conference, Jim Wolfensohn and Hans van den Broek. The World Bank merits special praise for the energy and vision it has brought to tackling Bosnia's reconstruction. The $5.1 billion, three-year reconstruction plan provides the international community with an agreed blueprint for reconstruction and reform. By listing the key reconstruction projects across vital sectors of the economy -- such as agriculture, industry, and transportation -- we in the donor community see clearly what must be done.

The United States will do its part to support Bosnia's reconstruction. President Clinton has stated repeatedly that the United States' contribution to Bosnia's economic reconstruction would be $600 million over several years. On March 29, we made good on this claim -- Congress approved a supplemental $198 million package for Bosnia.

My country's total contribution to civilian implementation in 1996 is $550 million. And today, we are contributing $219 million in new commitments.

This $219 million pledge includes $148 million for economic reconstruction and revitalization. It also includes $50 million for police training and monitors, which are essential to build Bosnia's institutions, $8.5 million for demining activities, and $12.5 million for emergency shelter repair.

This pledge is in addition to the $62.7 million we announced at the mini-donors conference here in Brussels last December Moreover, the United States is making substantial contributions for humanitarian aid, peacekeeping, elections, and other activities needed to implement civilian aspects of the Dayton Accords.

This substantial contribution underscores the seriousness with which the United States views today's conference. Last December, we urged donors not to let our efforts get bogged down in burden-sharing, but rather to do the maximum possible, as quickly as possible. This total U.S. commitment of $281.7 million for 1996 for Bosnia's reconstruction and related purposes represents my country's very best efforts. I urge all of my colleagues around the table to join us in making the most generous contributions possible.

As Prime Minister Muratovic has said, Bosnia bears important responsibilities for the success of civilian implementation. Both the Federation and the Republika Srpska must comply fully with all aspects of the Dayton Accord. They must both build basic governmental institutions and structures. They must both undertake market-oriented reforms to shed the socialist legacy. They must both continue to do their part in supporting the peace process.

One special challenge in this respect is for the Bosnian Federation to become a unified economic entity. Customs and tax revenues must be collected by the Federation. A budget law must be implemented. These are the kinds of essential steps that must be taken to attract large-scale conditional support. The most urgent step is for Bosnia to secure IMF financing. In turn, this would allow us to address Bosnia's inherited debts. We welcome the progress that has been made since the March 30th Federation agreement and we urge that this progress be sustained.

Also, we as donors cannot be complacent. There are signs of progress, but there is much more that urgently needs to be done.

- First, donors must move more quickly to establish and enlarge their presence on-the-ground in Sarajevo. This requires greater international manpower.

- Second, implementation of reconstruction support must be accelerated. Today's conference will ensure that the project pipeline remains full. All of us want our projects to be soundly prepared because we have responsibilities to our taxpayers. But if we are to be successful in investing the parties in peace during this critical IFOR year, we need also to translate these commitments rapidly into disbursements.

- Third, sectoral task forces have been established for the ten sectors under the Bank's program. Donors should dedicate their funds to the completion of the sectoral programs identified by the Bank and Bosnia, and full coordination should take place in the sector task forces. I am pleased to announce USAID has offered to lead the task force on industry and industrial finance. The quality of our support is every bit as important as the quantity of our support.

The next few months are critical. We need to redouble our efforts on all aspects of civilian implementation so that Bosnians begin to reap the peace dividend; so that they can find productive job opportunities, especially for the demobilized soldiers; and so that they can see they have more to gain from peace than war.

To paraphrase Winston Churchill, we are not at the end, not even at the beginning of the end, but perhaps with this donors conference we are nearing the end of the beginning of our efforts to help rebuild Bosnia. It is, however, a critical step to build momentum for Bosnia's recovery and to encourage all the people of Bosnia to persist on the path of peace. Let me assure you that the Clinton Administration, working hand in hand with Bosnia and the international community, is fully committed to doing its utmost on economic reconstruction. We are here for the long haul. Thank you.

April 13, 1996

FACT SHEET ON U.S. ASSISTANCE TO THE RECOVERY OF BOSNIA AND HERZEGOVENIA

U.S. contributions this year for all civilian implementation in Bosnia will reach USD 550 million. As part of that package, the United States today announced the commitment of an additional USD 219 million dollars to support Bosnia's recovery. This pledge, announced by Treasury Deputy Secretary Lawrence Summers, U.S. delegation head at the Brussels Donors Conference, is in addition to the USD 62.7 million for economic reconstruction pledged by the United States last December.

The new USD 219 million U.S. contribution announced today includes USD 148 million for economic reconstruction and revitalization, USD 12.5 million for emergency shelter repair, and USD 8.5 million for demining. An additional USD 50 million is identified for police training and police monitors, essential ingredients in rebuilding Bosnia's institutions and public confidence. Of the USD 281.7 million program described below, approximately USD 200 million is economic reconstruction assistance targeted against President Clinton's pledge of USD 600 in economic reconstruction assistance for Bosnia over the next few years. Substantial contributions also have been made this year by the United States for humanitarian assistance, peacekeeping, elections, and other civilian aspects of the Dayton Accords.

BREAKDOWN OF U.S. PLEDGES:

—	Economic Revitalization	$148.0 million
—	Emergency Shelter Repair	$ 12.5 million
—	Demining	$ 8.5 million
	Police Training and Monitors	$ 50.0 million
	Total New Commitments	**$219.0 million**
—	Previously pledged at December's Conference	$ 62.7 million

TOTAL 1996 U.S. FUNDING FOR BOSNIA'S RECOVERY AND ECONOMIC REVITALIZATION: **$281.7 million**

4/13 - 09.13

FACT SHEET ON TOTAL U.S ASSISTANCE TO CIVILIAN IMPLEMENTATION PROGRAMS IN BOSNIA AND HERZEGOVENIA FOR FY '96

*	New economic reconstruction pledge announced April 13, 1996	$219.0 million
*	FY '96 funds for Bosnia economic reconstruction and economic and democratic reforms pledged for first fiscal quarter in December Donor's Conference	$ 62.7 million
*	FY '96 on-going Humanitarian and Relief Programs	$149.3 million
*	FY '96 U.S. contribution to international support for Bosnian elections, police monitors, peacekeeping and war crimes tribunal	$119.0 million

FY '96 TOTAL U.S CIVILIAN ASSISTANCE TO BOSNIA: **$550.0 million**

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

Remarks as prepared for delivery
April 12, 1996

DEAD WEIGHT AND A DISTANT SHORE

Remarks of Richard S. Carnell
Assistant Secretary of the Treasury
for Financial Institutions

The Jerome Levy Economics Institute
Annandale-on-Hudson, New York

On the last day of 1896, a journalist embarked on a rogue steamship smuggling ammunition from the United States to Cuba. He had won fame recounting the American Civil War. Now he sought to witness Cuba's struggle for independence. But the ship sank, and the journalist drifted for days in a small open boat through the jagged, wintry waves of the Atlantic. As the boat neared the Florida coast, breakers swamped it, tossing the journalist into the sea. Cold, exhausted, gripped by an undertow, he contemplated his own death as a welcome relief. Here's how he described what happened next:

> "Presently he saw a man running along the shore. He was undressing with most remarkable speed. Coat, trousers, shirt, everything flew magically off him.
>
> . . .
>
> "Then he saw the man . . . come bounding into the water. . . . He was naked, naked as a tree in winter, but a halo was about his head, and he shone like a saint. He gave a strong pull, and a long drag, and a bully heave at the correspondent's hand. The correspondent, schooled in the minor formulae, said: 'Thanks, old man.'"

The shipwrecked journalist was Stephen Crane, author of *The Red Badge of Courage*. He described the rescue in a short story entitled "The Open Boat." And, as it happens, the rescuer shedding what he knew would be the dead weight of his clothing was my great-great-grandfather, John Kitchel.

RR-1003

Now I'm *not* planning to talk about any financial shipwrecks here. Our financial system is healthy -- healthier than it's been for many years. But this ancestral disrobing provides a metaphor for current efforts to shed the dead-weight encumbrance of outmoded, overly restrictive laws like the Glass-Steagall Act and the Bank Holding Company Act.

Strengths of Our Financial System

I'd like to begin by talking about the strengths of our nation's financial system. Let me name six of those strengths, and put them in a global perspective.

First, we have the broadest, deepest capital markets in the world -- capable of financing innovation and growth at relatively low cost.

Second, our financial workforce is highly skilled, from the backroom to the boardroom. It's a tremendous, and often under-appreciated, resource.

Third, our financial institutions and financial markets are highly competitive and responsive to customers' needs.

Fourth, our nation's consumers are knowledgeable and demanding.

Fifth, our system has, to a great degree, democratized credit. Most people in this country have access to some form of credit. Credit is not, as it once was, the preserve of the affluent. That's not to say the system works perfectly. It doesn't. But compared to many other countries or to this country a century ago, consumers in the United States generally have very good access to credit.

And sixth, our financial system is remarkably innovative and adaptable. (Of course, given our legal and regulatory structure, it has to be.) Americans remain the Thomas Edisons, the Henry Fords, even the Michelangelos of the financial world.

Outmoded and Overly Restrictive Bank Structure Laws

Against the backdrop of these strengths, our financial system does have some very real shortcomings. One of the more conspicuous shortcomings is a set of outmoded and overly restrictive bank structure laws, notably the Glass-Steagall Act and the Bank Holding Company Act. As I will contend, these laws dampen innovation and impose needless costs -- costs not necessary for safety and soundness or anything else worth having.

Now that's a bit ironic because, as I've indicated, innovation and adaptability are hallmarks of our financial services sector. Naturally, financial institutions put this same ingenuity to work inventing their way around, or flourishing in spite of, outmoded legal constraints. As Adam Smith noted 220 years ago:

"The uniform, constant, and uninterrupted effort of every man to better his condition, the principle from which public and national, as well as private opulence is originally derived, is frequently powerful enough to maintain the natural progress of things toward improvement, in spite both of the extravagance of government, and of the greatest errors of administration."

But spending time devising ways to circumvent Glass-Steagall and the Bank Holding Company Act diverts resources that financial institutions could more productively employ elsewhere. It's the financial services equivalent of swimming in the Atlantic fully clothed.

Expertise in circumventing laws and regulations has much more limited utility than other financial innovation. If you develop electronic money or home-banking software, you could potentially market some variation of it worldwide. But you'd sure have trouble exporting Glass-Steagall avoidance techniques, or the latest strategies for coping with Regulation Y. Since other countries don't inflict the same constraints on themselves, they have little use for these innovations.

The fact that our bank structure laws are out of date is not for lack of trying. And we can take satisfaction that in 1994, the Riegle-Neal Interstate Banking and Branching Efficiency Act largely resolved a debate over geographic restrictions on banking that went back more than a century -- perhaps the longest-running battle in American banking law.

Forces Transforming Our Financial System

Nonetheless, even after decades of debate, our bank structure laws still fail to provide the structural flexibility needed to maintain efficient production and satisfy customer convenience. This failure becomes all the more glaringly apparent when we consider the profound changes now occurring in our financial system.

The financial services industry looks very different today than it did a decade ago because of some very powerful forces beyond its control. I want to talk about three forces in particular: technological innovation, financial innovation, and globalization. That's hardly an exhaustive list, but it illustrates some of the key issues. Let me walk through them with you.

Technological Innovation

The first -- and perhaps most significant -- force for change is technological innovation. It has a remarkably broad reach. Technology has connected global markets, driven down the cost of backroom operations, brought us ATMs. It's at the forefront of electronic money and electronic banking. And technology may well be creating economies of scale and scope that could drive consolidation within the financial services industry for many years to come.

Much of the technological revolution has centered on information technology. We can process and communicate information more quickly and cheaply than ever before. And that brings us closer to the frictionless capitalism described by Microsoft Chairman Bill Gates, in which increasingly well-developed electronic markets link buyers and sellers directly.

This information revolution has profound implications for financial services. Think of how bank lending originated. People with money to lend often couldn't assess the credit of people who needed to borrow. But they knew the *bank's* credit -- represented by its reputation for meeting all its obligations. Moreover, the bank, as holder of its customers' deposits, enjoyed unique access to information on potential borrowers' financial condition. That informational advantage was its stock in trade.

What does it mean for banking, then, if information and communication improve to the point that investors, and borrowers, and other participants in financial markets can link up with one another much more readily than in the past? Of course, that's exactly what happened with large corporations' commercial borrowing. Corporations turned from commercial loans to commercial paper. But it does appear that this process -- this disintermediation -- will spread into new areas. If market participants can communicate directly with one another, share information, buy, and sell almost effortlessly in a virtual marketplace, then we have to expect that the pace of disintermediation will accelerate. As former Citicorp Chairman Walter Wriston noted a decade ago:

> "The technology that creates, transmits and stores the almost unlimited and constant flow of data will neither abate, slow down, nor stop.
>
> . . .
>
> "If we in the banking business are to do anything but try to protect old turf and hold on to yesterday a little longer, we have to address the real issue of operations in a changed world. The real issue is that the information society is robbing us of our comparative advantage and we have to find new products and new customers to survive over time."

Financial Innovation

Technological innovation has also played an important role in facilitating financial innovation, a second major force for change. Let me use one example. Thirty years ago, Americans couldn't legally own monetary gold. Today, they can buy CMOs, MBSs, floating rate bonds, interest-only and principal-only strips, financial futures, options on indexes, knock-out call options, caps, floors, collars, income warrants, dual currency bonds, commodity-linked bonds, yield-curve notes, interest-rate swaps, currency swaps, equity swaps, floor-ceiling swaps, ratio swaps, spread locks, wedding bands, swaptions, and, yes, even a Libor-squared turbo swap.

It's a dizzying array of financial products. And some recent episodes make clear that those who use them don't always understand what they're doing. But these seemingly exotic instruments, properly used, play an important and legitimate role in managing risk. Financial innovation has meant lower costs, greater flexibility for users, increased liquidity, and better risk allocation. Yet the complexity of many of these financial products has perplexed regulators. For example, are institutions using those products to hedge existing risks or to create new exposures? Often it's hard to say. This presents enormous challenges for regulators and has contributed to the federal banking agencies' decision to orient examinations more toward assessing banks' systems and procedures for managing risk and less toward detailed analysis of current portfolios (which can, after all, change very rapidly).

Globalization

Globalization is a third force transforming our financial system. As in every other line of commerce, global financial competition promises enormous benefits for consumers in the form of better, more varied, and less expensive services. Financial markets are increasingly integrated, with large volumes and ranges of financial instruments being traded across borders. Firms today can "pass the book" and engage in 24 hour trading in markets around the globe. Large multinational offerings of stock are commonplace and mutual funds have strong international components as investors chase the higher returns of riskier emerging markets or seek to invest in equities on the London or Tokyo exchanges. In some recent years, foreign institutions supplied 30 percent or more of the dollar amount of commercial and industrial loans to U.S. borrowers.

Of course, this increased globalization carries with it many risks, as well as many opportunities. Today financial services increasingly operate in an enormous, unpredictable market. As financial markets become even more integrated, and even more globalized, numerous questions arise: Could new challenges to systemic stability arise? What is an appropriate regulatory scheme? How should home countries and host countries allocate responsibility for various supervisory functions, including the lender of last resort for domestic offices of foreign institutions? We must think through these and other issues very carefully.

Some Implications

These changes have dramatic implications for our financial system, and I'd like to touch on several of them.

Disintermediation is virtually certain to continue, reducing the role of traditional financial intermediation and increasing the role of informational intermediation. In short, knowledge is power, and those who deal in information -- for example, non-financial firms such as developers of computer software -- will be important participants.

The convergence of different types of financial services and financial institutions will continue, thereby undercutting the existing regulatory structure.

This still leaves us with a specific problem: Markets have changed, and customers' needs have changed, but financial intermediaries remain constrained by antiquated laws designed for different circumstances. Of course, this has led to calls for financial modernization -- which in Washington is often equated with repeal of the Glass-Steagall Act.

In Glass-Steagall we have an easily identifiable target -- the separation of commercial and investment banking. And we want to remedy the problem.

But we still need to ask the following question: Is Glass-Steagall reform what we need for the next century? Is it responsive to the changes that have occurred, and continue to occur, in the financial services industry? You can answer that question in two ways.

The first answer is: Yes. Glass-Steagall repeal is a necessary, long overdue part of financial modernization. Glass-Steagall is an artificial constraint, imposed under dramatically different circumstances, that raises financial institutions' operating costs. These increased costs are not justified by the Act's contributions to safety and soundness -- a conclusion supported by a long and growing list of empirical studies over the past two decades. Despite the old conventional wisdom to the contrary, the evidence does not indicate that securities activities contributed to the banking collapse of the 1930s. Nor does the evidence indicate that we need to segregate such activities in a holding company subsidiary to protect banks from the risks of those activities. Maybe some day, when you peruse an economics textbook on CD ROM, you might just click on the words "misallocated resources" and get pictures of Carter Glass and Henry Steagall.

The second answer is that Glass-Steagall reform as currently proposed -- accompanied by scores of statutory pages specifying how to conduct the activities and prescribing a cumbersome structure for organizations that choose to offer them -- is a short-term fix that represents only a marginal improvement over what a decade or two of regulatory and legal rulings have already put in place.

Looking ahead, what we really need is a regulatory and legal structure that will bring us into the 21st century -- a structure that will support the institutions and products that comprise the future financial services industry in such a way as to promote efficiency, stability, and equity. Globalization and disintermediation are realities. But is the regulatory and legal system equipped to meet their challenges?

I can't tell you what the financial services industry of the next century will look like. I don't have a crystal ball. But I can tell you that it must, by and large, be shaped by the market -- not the government. Certainly, the government will continue to address such issues as safety and soundness, systemic stability, and access. But the government also needs to create a legal and regulatory structure that enhances free-market competition.

Financial modernization in that respect is an issue for the long-term, but we should be addressing it right now. If we wait too long, we run the risk of falling behind our competitors around the globe, who operate in the same global marketplace but without the same restrictions.

My concern is that the bill currently pending in the House would have the effect of locking the financial services industry into the 1980s or early 1990s. This bill provides some nice irony. It's being advanced in the name of modernizing our financial system. Yet its very premise is an archaic segregation of financial services. It segregates deposit-taking from securities activities, and reinforces the separation of banking and insurance. This flies in the face of serious research on the subject and the direction taken by virtually all other major industrial countries, both of which suggest the desirability of allowing such combinations to facilitate integrated risk management or to achieve potential economies of scope.

Yes, let's modernize our financial system. But let's not do it in a half-hearted way that would actually impede future change. The cost of taking a few steps forward should not be having our feet nailed to the floor. Let's shed the dead weight and move on.

-30-

AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
April 15, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $10,506 million of 13-week bills to be issued April 18, 1996 and to mature July 18, 1996 were accepted today (CUSIP: 9127943A0).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	4.85%	4.98%	98.774
High	4.87%	5.00%	98.769
Average	4.87%	5.00%	98.769

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

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$51,200,101	$10,506,275
Type		
Competitive	$45,798,009	$5,104,183
Noncompetitive	1,510,232	1,510,232
Subtotal, Public	$47,308,241	$6,614,415
Federal Reserve	3,671,860	3,671,860
Foreign Official Institutions	220,000	220,000
TOTALS	$51,200,101	$10,506,275

4.86 -- 98.772

RR-1004

AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
April 15, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $10,544 million of 26-week bills to be issued April 18, 1996 and to mature October 17, 1996 were accepted today (CUSIP: 912794Z98).

RANGE OF ACCEPTED COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	5.02%	5.22%	97.462
High	5.03%	5.23%	97.457
Average	5.03%	5.23%	97.457

$3,900,000 was accepted at lower yields.
Tenders at the high discount rate were allotted 12%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$44,681,670	$10,543,843
Type		
Competitive	$38,104,280	$3,966,453
Noncompetitive	1,204,790	1,204,790
Subtotal, Public	$39,309,070	$5,171,243
Federal Reserve	3,500,000	3,500,000
Foreign Official Institutions	1,872,600	1,872,600
TOTALS	$44,681,670	$10,543,843

4.86 - 97.543   4.98 - 97.482

RR-1005

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

April 15, 1996

The Honorable Newt Gingrich
Speaker
U.S. House of Representatives
Washington, D. C. 20515

Dear Mr. Speaker:

The President is committed to balancing the budget, providing real tax cuts to middle income families and small businesses, and maintaining our investments in education, training, and protecting our nation's retirement security systems.

At the same time, our Administration strongly opposes H.J. Res. 159, as amended by the text of H.J. Res. 169. A Constitutional Amendment requiring a two-thirds vote in both Houses of Congress to "increase the internal revenue" is bad public policy. A democratic majority rule is clearly preferable to rule by a minority in determining the direction of the nation's fiscal policy.

H.J. Res. 159 would make it more difficult to correct, as well as to reform, the tax laws. The amendment would make it harder to close special interest tax loopholes. Under the proposed amendment, new tax loopholes could be enacted with a simple majority, but it would require a two-thirds vote by Congress to eliminate them.

In addition, the amendment would make it difficult to enact necessary legislation to maintain essential services that are in the nation's best interest. For example, the amendment would require a two-thirds majority in order to reinstate funding for the Airport and Airways Trust Fund.

Enforcement of the proposed amendment would also raise a number of serious problems. If the proposed amendment is read to authorize judicial enforcement, courts would be drawn into fundamental policy and political disputes better resolved by elected officials. In contrast, if judicial enforcement is unavailable, those who would seek to invoke the amendment would be left without a remedy, and the public's confidence in the authoritative force of the Constitution would be undermined. The difficulty in enforcing the proposed amendment would be heightened by the ambiguity of many of its pivotal provisions, such as the exception for "de minimis" increases to the internal revenue and the scope of the phrase "internal revenue laws."

We urge that Congress not pass this proposal to amend the Constitution of the United States.

Sincerely,

Robert E. Rubin

Robert E. Rubin

cc: The Honorable Bill Archer
The Honorable Sam Gibbons
The Honorable Henry Hyde
The Honorable John Conyers

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

April 15, 1996

The Honorable Richard A. Gephardt
Democratic Leader
U.S. House of Representatives
Washington, D. C. 20515

Dear Mr. Leader:

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The Honorable Sam Gibbons
The Honorable Henry Hyde
The Honorable John Conyers

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

April 15, 1996

The Honorable Richard Armey
Majority Leader
U.S. House of Representatives
Washington, D. C. 20515

Dear Mr. Leader:

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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TESTIMONY OF GEORGE MUNOZ
ASSISTANT SECRETARY OF THE TREASURY
FOR MANAGEMENT/ CHIEF FINANCIAL OFFICER
HOUSE SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION AND TECHNOLOGY
APRIL 16, 1996

RR-1006

Computer Challenge
Dateline: 1/01/00

Testimony
by
George Muñoz
Assistant Secretary (Management)
& Chief Financial Officer
Department of the Treasury

Before the
Committee on Government Reform
and Oversight
Subcommittee on Government
Management, Information and Technology
U.S. House of Representatives

April 16, 1996

Introduction

Representative Horn, distinguished members of the Committee, ladies and gentlemen. On behalf of the Department of the Treasury and Secretary Rubin, I want to thank you for the opportunity to speak with you about the Year 2000 Date Transition, more commonly known now as the Y2K problem.

I want to commend Representative Horn and this Committee for taking the leadership to bring this important issue before Congress. As you have heard from the other witnesses in this hearing, it is essential that the Federal government begin defining the government solution for the century date change and, by drawing attention to it at this level, much needed resources can be focused on that process.

I would also like to applaud OMB for having taken the initiative to sponsor the Interagency Committee work that has recently begun. GSA and NIST are also to be commended for their part in developing recommended guidelines and standards.

Credit is also due to those agencies like Social Security and Department of Defense which have demonstrated foresight in initiating projects within their own departments. I also want to recognize the Financial Systems Committee of the Chief Financial Officers Council (CFO) for their leadership in this effort. In addition, I would like to thank the Treasury Office of Security and the Office of Information Systems as well as our bureau information technology officers for having identified this issue and coordinated our response.

I plan to present here not only the position of Treasury, but, as Executive Vice Chair of the Chief Financial Officers Council, my comments will reflect information gathered from several state governments, Federal agencies, and the CFO Council's Financial Systems Committee.

My comments today will briefly address the three main components of the Year 2000 Date Transition:

- o The reality and severity of the problem;
- o The additional risks in the Federal environment and how we in Treasury are addressing the problem; and
- o Finally, lessons learned, opportunities, and recommendations for successfully moving into the 21st Century.

Severity of the Problem

A description of the problem here may be repetitive of what my colleagues have presented, but I would like to define the issue from the financial perspective. Clearly, if a solution were delayed, we would be courting disaster and may be facing chaos. That would not happen.

When I use the term "problem," I am referring to the challenges that I and many other managers have to assure that key systems will process smoothly into the next century. It is a challenge which we will meet. I am confident that systems in the Treasury Department and other agencies will work on January 1, 2000. As others have said, the challenge comes from the inability of some computer systems to process dates after 1999 accurately.

It is not a problem that is limited to either the Federal government or other public sector information systems. It is widespread throughout the public and private sector information systems, systems that impact our lives daily. It involves deeply embedded manipulations that have the potential to affect almost all automated systems, from small, single user systems, to massive transaction systems.

In reviewing the missions of our agencies, the effect of Federal government computer processing on the American economy becomes abundantly clear. For example, in the Treasury Department, we have large, extensively complex systems:

- Treasury collects $1.4 trillion annually through IRS, Customs and ATF, representing over 97% of the total Federal revenues. Last year, 250 million returns were processed.

- The Treasury Financial Management Service (FMS) oversees a daily cash flow in excess of $10 billion and issues over 800 million payments totaling over $1 trillion each year for all executive agencies.

- The Customs Service collects over $20 billion in duties, taxes, and fees. They assist in the administration and enforcement of some 400 provisions of the law on behalf of more than 40 government agencies and process 456 million persons and 127 million conveyances a year.

- Public Debt auctions $2 trillion marketable Treasury securities annually. They issue and redeem 150 million savings bonds annually and they account for the $4.9 trillion Federal debt and over $300 billion in annual interest charges.

I have described these key activities to provide you with a sense of diverse areas of potential impact and the magnitude of work needed to address these seemingly simple date problems. It is important to stress that the business of the Federal government is intricately interwoven with the commerce and welfare of the rest of this country as well as other nations. Because of those critical relationships, it is essential that we in the Federal government address the Year 2000 problem aggressively.

Before I go any further, I think it is important to address a question which naturally emerges from a cursory examination of this problem: "Did this problem arise because of someone's negligence?" To this, we emphatically respond: NO!!! Not many years ago, computers were not measured in gigabytes and terabytes, but in kilobytes. As is often quoted these days, people today have computers in their homes that have more storage space and processing capacity than many mainframes of thirty years ago.

In those days, saving storage space in computer files was critical to the efficient operation of systems that used very expensive resources. As a result, software was developed to solve complex technical problems and serve intricate, critical business needs using only two digits for the year. Many of those systems are still in use, which is a testimony to their quality but also, to the complexity and cost of migrating these systems to newer technology. These systems are central to many of our most critical operational functions--they are at the heart of the Year 2000 problem.

The enormous scope of this conversion effort is only clear when the steps involved locally within an organization are multiplied across the world-wide enterprise of information systems. Resolving Year 2000 issues will require extensive examination of applications, data items, and systems. While the legacy systems are the most likely to include the two-digit year, we must be sure that all dependencies have been identified and addressed.

For some Year 2000 compliant systems, complex interfaces will need to be built to handle data to and from systems that may or may not be compliant yet. Typical of most organizations, within the portfolio of Treasury production systems, not all systems will be updated at one time, requiring complex configuration management as sections of code are made compliant.

Bridges will have to be built between systems as changes are introduced. Firewalls and other protections will need to be developed as part of contingency plans to ensure the success of critical system if interfaces fail. Comprehensive test environments will have to be built to ensure that applications can successfully process 21st century dates.

Finally, all of this must be accomplished while still operating these systems for critical production activities.

Government Environment

As we prepare to address this issue, it is important to recognize the realities of the environment in which these conversion activities will take place in the Federal government. Many Federal systems are larger and older, and perform unique tasks so they are less likely to be included in the Year 2000 upgrades provided by vendors. Simply put, our challenge is greater than that faced by the private sector.

In addition, there are some obstacles to resolution of the problem, which hinder, rather than support, the technical and project management efforts to move the Federal Sector forward toward full compliance. Those obstacles include the limitations of the acquisition cycles, dwindling pool of experienced personnel, application systems unique to the Federal sector, and a huge inventory of legacy software and hardware. Further, as opportunities to cut expenditures are sought, the budget environment may limit aggressive conversion activity in favor of continuing current operations.

Given the size of this effort for the Federal government, sufficient quantities of competent vendor support services are absolutely essential. There will be fierce competition for technical contracting services to assist public and private organizations world-wide with this conversion effort. The longer the Federal government agencies wait to purchase these services the higher the costs and the more likely all competent sources will already be fully committed. In this regard, the recently enacted Information Technology Management Reform Act of 1996 should help immensely to provide flexibility in acquiring the needed technology and systems.

Personnel issues are another category of Federal government difficulty. Work on this problem is occurring at the time of downsizing the Federal workforce. We must be careful as we downsize to maintain the critical expertise we will need to address this Year 2000 problem.

One of the most significant features of the government environment is the huge inventory of legacy software. Many times that software is characterized as being monstrously complex and run on outdated hardware. As can be seen from the attached charts, the Federal government has large numbers of older mainframe systems which may be suspect. For many of these legacy systems, the vendors who originally provided the software are either no longer in business or not upgrading these early versions of their products. Funds may be required to upgrade or replace that software, in order to ensure the continuing operation of systems.

Finally, the testing environment for implementing the solution may require duplicate resources for a limited period of time. There has never been a time when so much code was being examined, changed and tested at the same time. Not only will most of the software in each agency be changing, but simultaneously, most of the code in every other interfacing agency will also be changing. The rigorous testing environments required to implement such a complex scenario will require careful planning.

Budget cycles for purchasing much needed services, software, and hardware require extensive multi-year projections and must be submitted months and years in advance. It may be difficult to finance a conversion effort of this magnitude within existing program funds.

Treasury Year 2000 Initiatives

As I stated earlier, Treasury's systems will not fail at the beginning of the next century. To ensure that, we have already begun necessary steps to address the Year 2000 issue. Every bureau within Treasury has made progress towards the Year 2000 solution and some have made significant progress within their information systems in resolving the Year 2000 problem.

o The Department has been an active participant in the OMB Interagency Year 2000 Committee since its beginning in December 1995.

o A Treasury-wide group has been established to highlight the problems, work the issues, and share lessons learned.

o Milestones have been given to bureau information technology executives which will provide a vehicle by which the Department can track progress.

o The bureaus are at various levels of progress. Some bureaus have completed one or more of the following key steps in the Year 2000 conversion process:
  - used four-digit year fields for many years;
  - completed conversions for legacy applications;
  - developed blueprints;
  - inventoried systems;
  - evaluated tools; or
  - identified potential systems at risk..

o The bureaus have been requested to include estimated Year 2000 costs in the FY 1998 budget submissions.

o Our Chief Financial Officers are aware of the issue and are monitoring the compliance of fiscal systems across Treasury.

Lessons Learned

Turning now to what can be done, I would like to discuss the lessons that have been learned, the opportunities that we have for making improvements, and how Congress can proactively address the Year 2000 problem.

No silver bullet. There is no one solution for all situations because of the inherent complexities. Huge legacy systems are full of homegrown routines, adapted for specific agency requirements, many of which have dates. There is no way a quick fix or new product can address all of the embedded date usage. The only solution is addressing each technical problem internally and coordinating the project centrally.

Planning is paramount. The temptation to rush in and attack the technical problem is great, especially with the added pressure of the inflexible deadline. This would be a huge mistake. Planning is essential because approaching a project of this size must be done strategically and tactically. Thinking outside the box may give us the chance to evaluate opportunities to improve business processes and computer processing. Taking the additional time to plan is imperative and will prevent costly errors later, when there will be no time to recover.

Good project management is essential. The challenge of project management in an effort of this size is unprecedented in the information systems environment. This is not strictly, or even primarily, a technical problem. Treasury's financial systems, especially those related to revenue collection and disbursement of funds, represent the crossroads of financial activity for the Federal government. Consequently while addressing the Year 2000 issue, Treasury must also ensure that the integrity of all existing financial systems is maintained during this conversion. We cannot off-load these processes while we make corrections to them. It is analogous to trying to repair a Boeing 747 while in flight. Managing all of the components simultaneously while continuing to execute the mission is absolutely imperative.

More effort than expected. Planning and testing, which are critical to success in this effort, are requiring significantly more resources than expected. Neither the government nor industry has ever attacked a computer systems problem this massive or pervasive. The brittle nature of the homegrown systems, the monumental coordination with external agencies, the heterogeneous existing technical environment all contribute to the complexity, and therefore to the effort, of this project.

More costly than expected. As the effort was underestimated, so was the cost. Because of all the elements that must be brought to bear (planning, testing, project management, unexpected hardware and software upgrades) cost estimates continue to rise. And, as increasing numbers vie for the same limited number of service providers, rates may escalate as well. A year ago initial projections indicated that anticipated costs would be less than $.50 per line of code. Today, current industry metrics reflect that estimates have risen to $1 - 2 per line. Even this number primarily reflects conversion costs and may not include testing, hardware replacements, and systems software upgrades.

Testing is the key According to industry estimates, the actual conversion may represent only 10 -20% of the total effort. The critical component, testing, will actually consume most of the resources: 45 - 55% of the total effort. With so much of the code being modified, we must verify that, in the process, we do not break something that was not broken. Certifying those changes will be essential to continuing our normal processes. The remaining 25 - 35% is accounted for with required planning.

Standards facilitate process. A recommended standard for data exchange was developed by NIST and endorsed by the OMB Interagency Committee recently. Such standards will help to create much needed common ground for project coordination and data exchange between government agencies and the business community.

Good solutions - Bad solutions. There are several ways to approach this project. Anyone who promises to quickly and cheaply fix the problem is offering a "silver bullet" and clearly is not doing us a favor. The Year 2000 problem emerges from the context of the technical and organizational environment in which it was created and in which it resides. And it will require the functional and technical stewardship of the individual government owners to correct it.

Allow agencies to perform their own solutions. The key to success is that the converters must know the systems. Each department and agency internally has the best perspective on what should be done to resolve the technical issues. In-house expertise is your best expertise.

Chain is only as strong as its weakest link. Government agencies and the business community continually exchange data, creating intricate interdependencies. Those interdependencies create potential weaknesses that are not related to the internal health of systems, but to those external groups upon which certain processes and business functions are dependent. Firewalls can be built to protect each agency's information assets, and that covers the possibility of unconverted data. But if their systems fail and data is not available, contingency plans are needed.

<u>Opportunities -- Silver Lining</u>

Coming Out Ahead. If we address these problems correctly, some significant benefits can come out of the effort. We will not only ensure survival but also improve practices.

Specifically, we will end up with a more complete, accurate and usable inventory of hardware and software assets; a comprehensive evaluation of our capabilities; relevant metrics and measures; streamlined project management practices; and the technical infrastructure to improve tracking, accounting and transitioning. This information is what was envisioned under the Government Performance and Results Act in terms of well-defined outcomes and performance measures, resulting in better service.

Leveraging Government Resources. An immediate benefit of multiple agencies working together is the opportunity to leverage tools, expertise, and best practices. Already, OMB's Interagency Committee has put a website in place to facilitate the exchange of best practices and project experience (http://www.itpolicy.gsa.gov). Software routines that have been developed for the government have also been exchanged. The development of common approaches and standards will benefit the government by using common resources to build benchmarking frameworks and to encourage franchise funds for sharing products and deliverables.

Next Steps

Expand OMB Year 2000 Interagency Committee. OMB has demonstrated leadership in establishing the Year 2000 Interagency Committee to provide a forum for exchanging information and making Year 2000 recommendations. This Committee should be expanded to include all agencies and formally chartered. While each agency would be responsible for ensuring Year 2000 compliance for its information systems, the Committee could provide high-level direction to agencies for resolving the Year 2000 problem. Its responsibilities would include the development and communication of Year 2000 data exchange, contracting, and software procurement guidelines. Likewise, the Committee would facilitate the exchange of strategies, best practices and resources across the government.

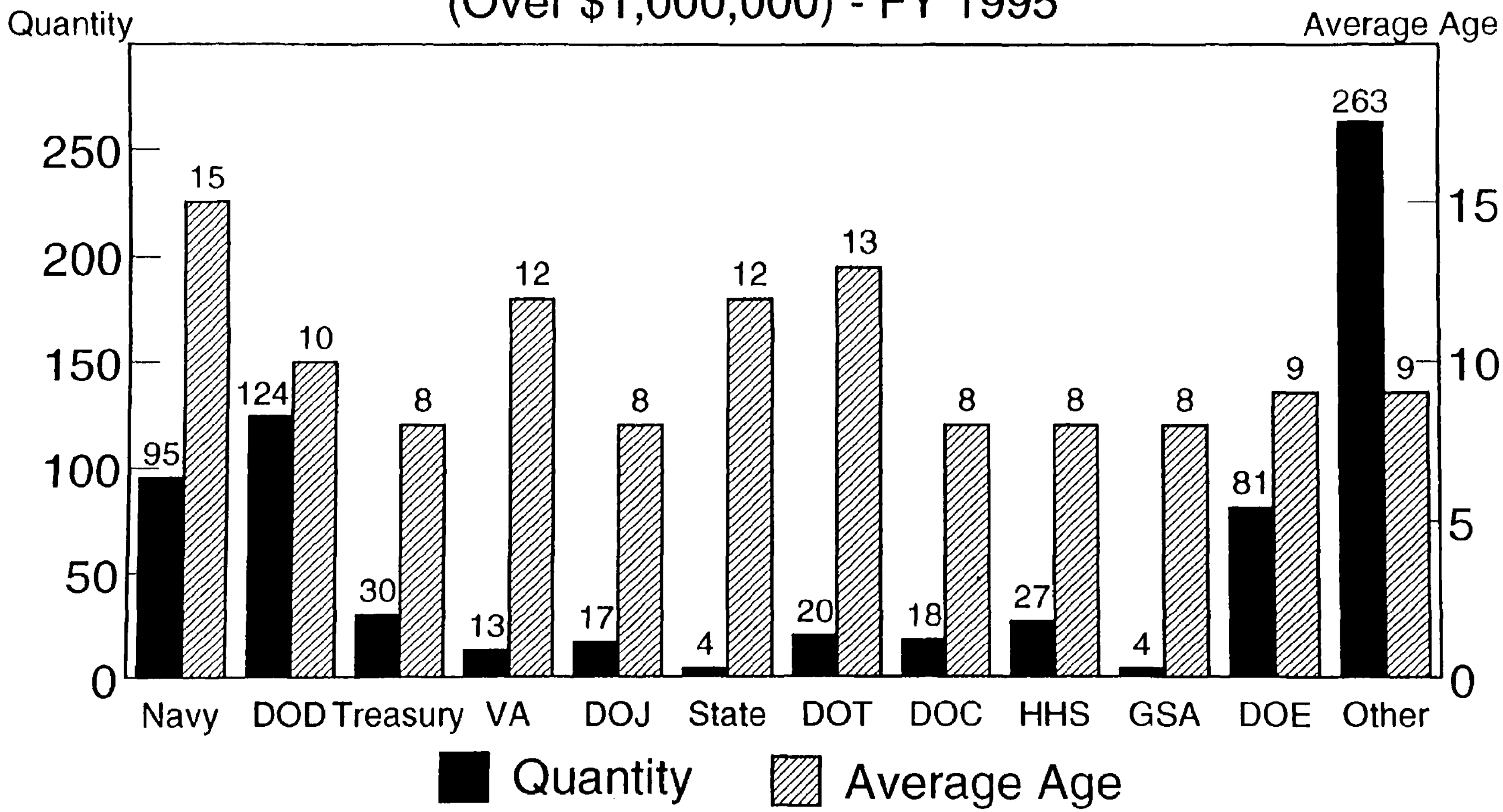
As a first order of priority, each agency must assess its own systems for vulnerability to the Year 2000 problem, decide which of the systems to convert, prioritize its application inventory, and prepare a Year 2000 conversion project plan. As part of its prioritization, each agency must, with a very critical eye, identify which systems will be upgraded, what solutions will be employed, and which systems will be replaced. This battlefield triage is absolutely necessary to protecting the most vital systems from failure.

Support from Congress. Congress can assist the Federal community by understanding the enormity of this challenge. I commend you, Representative Horn, and your Committee for having taken leadership in promoting Year 2000 awareness. An increased awareness of these issues will be critical when considering legislative requirements that will result in new tasks that affect information systems. In addition, understanding these issues will be essential as budgets are being considered. In fact, financial resources are needed to address all the tasks discussed in the testimony heard today.

I would like to thank this Committee for the opportunity to speak to this issue which is so important to our financial and Federal community.

Average Age and Quantity of Large Computers

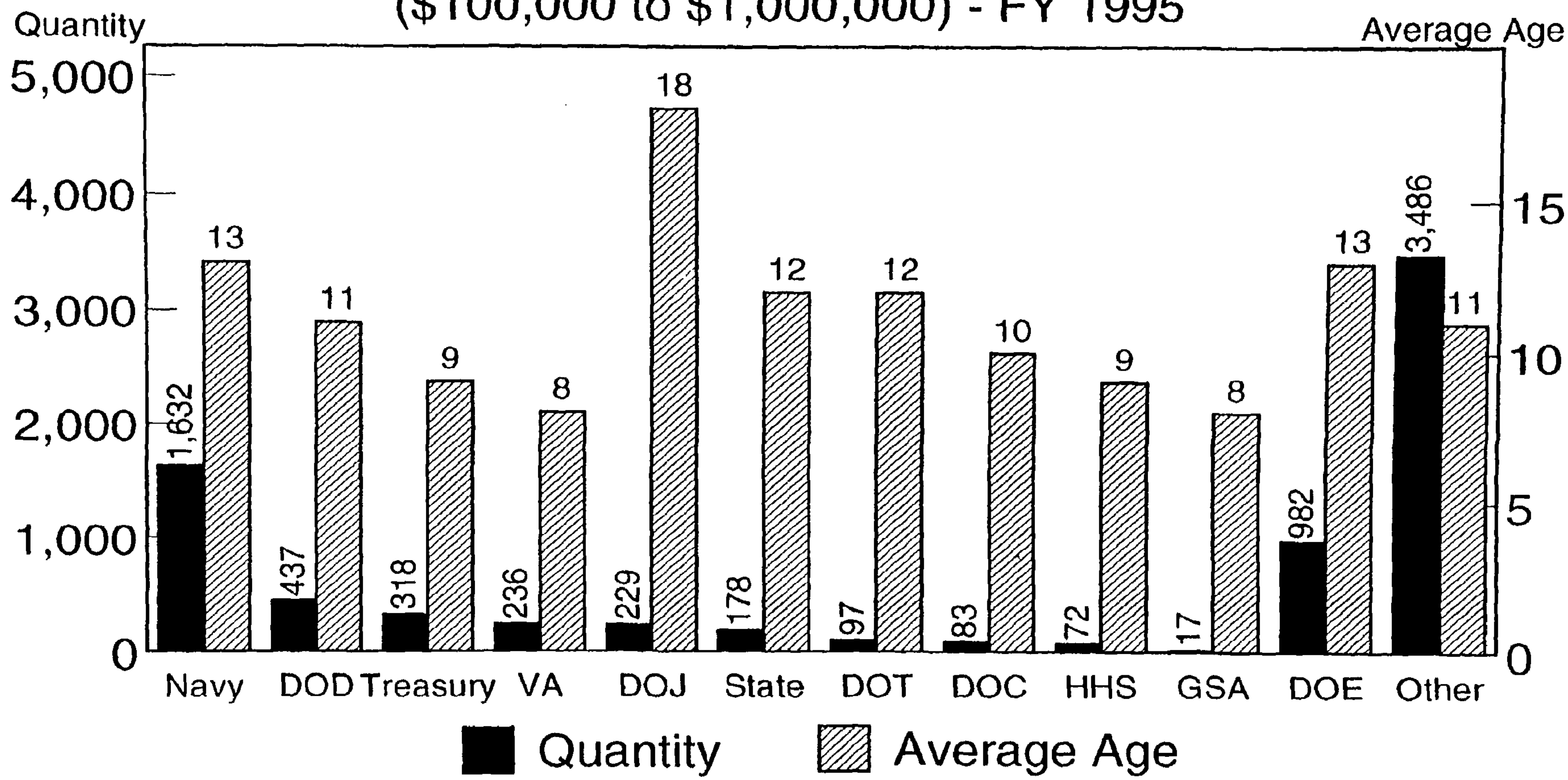
(Over $1,000,000) - FY 1995



Source: GSA ADPE/DS as of 9/30/95

Average Age and Quantity of Medium Computers

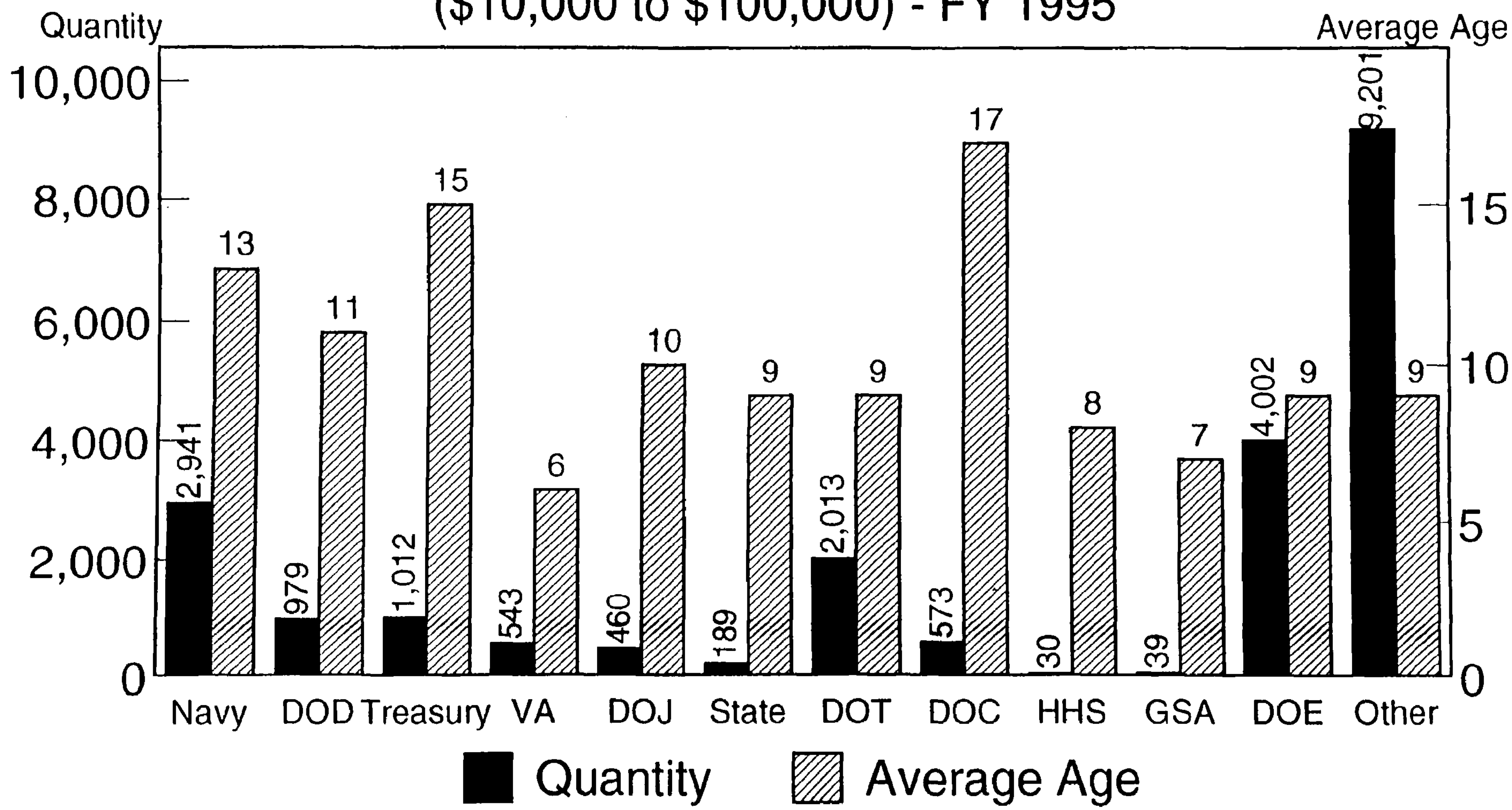
($100,000 to $1,000,000) - FY 1995



Source: GSA ADPE/DS as of 9/30/95

Average Age and Quantity of Small Computers

($10,000 to $100,000) - FY 1995



Source: GSA ADPE/DS as of 9/30/95

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
April 16, 1996

Contact: Calvin A. Mitchell III
(202) 622-2920

Statement of Assistant Secretary for Tax Policy Les Samuels on the Taxpayer Bill of Rights

Yesterday was tax day. Taxpayers work hard, and it is our responsibility to give them the best value for every dollar they pay. President Clinton has done that government-wide, by reducing the deficit, by making a dramatic cut in the federal workforce, and by reinventing government.

With the filing season over, we must continue to protect taxpayer rights with respect to the IRS as their returns are processed and evaluated.

First, we have taken 17 administrative steps since January to strengthen the rights of taxpayers. These actions constitute about one-third of the changes contained in legislation before Congress called the "Taxpayer Bill of Rights," Part II. Rather than waiting for this bill to become law, we acted on a number of fronts.

For example, we are giving the IRS ombudsman more power to act as an advocate on behalf of taxpayers to resolve disputes, to direct the issuance of refunds for people facing hardships, and to stop collection actions. We now require the IRS to inform divorced or separated spouses about attempts to collect joint taxes from the other spouse. And we have launched an important study of the problems facing divorced or separated taxpayers.

Second, taxpayers' rights should be written down in plain English and made generally available to the public. Treasury and IRS have developed a simple, straightforward explanation of eight fundamental rights of taxpayers who must deal with the IRS.

RR-1007

The Commissioner of the IRS will include this "Declaration of Taxpayer Rights" at the front of the main publication that goes to taxpayers who deal with the IRS. For example, the declaration makes clear taxpayers' rights of privacy, the availability of administrative and judicial review, and good- faith rules that shield taxpayers from certain penalties. The Declaration also lets taxpayers know that if they believe an IRS employee has not treated them in a professional or courteous manner, they can report that conduct to the employee's supervisor and, in turn, to the IRS District Director or Service Center Director.

Third, we will continue to work with Congress to resolve a few remaining issues in the Taxpayer Bill of Rights legislation that the House is voting on today. We urge Congress to pass that bill promptly. This bipartisan legislation would, for example, extend the period during which taxpayers can make a payment of tax without owing any interest after receiving a bill from the IRS. It gives the IRS needed legal authority to correct errors in the collection process, for example, with respect to tax liens. Finally, when the IRS has acted improperly, it would make it easier for taxpayers to claim relief in court and to recover attorneys' fees. This bill provides simple fairness for taxpayers, and it should be passed promptly.

The IRS is also making it easier for taxpayers to file. Electronic and telephone filings are up, tax information is available on the Internet, and in 31 states, filing electronically permits certain taxpayers to transmit their state and federal returns at the same time. Taxpayers who are owed refunds are receiving them faster. And at the President's direction, we have proposed "equitable tolling" to make it easier for incapacitated taxpayers to get the refunds they are owed.

Working together, we can improve taxpayer service, protect taxpayer rights, and make tax collection fairer for all Americans.

Attachment

-30-

DECLARATION OF TAXPAYER RIGHTS

I. PROTECTION OF YOUR RIGHTS: IRS employees will explain and protect your rights as a taxpayer throughout your contact with us.

II. PRIVACY AND CONFIDENTIALITY: The IRS will not disclose to anyone the information you give us, except as authorized by law. You have the right to know why we are asking you for information, how we will use it, and what happens if you do not provide requested information.

III. PROFESSIONAL AND COURTEOUS SERVICE: If you believe that an IRS employee has not treated you in a professional manner, you should tell the employee's supervisor. If the supervisor's response is not satisfactory, you should write to your IRS District Director or Service Center Director.

IV. REPRESENTATION: You may either represent yourself or, with proper written authorization, have someone else represent you in your place. You can have someone accompany you at an interview. You may make sound recordings of any meetings with our Examination or Collection personnel, provided you tell us that in writing 10 days before the meeting.

V. PAYMENT OF ONLY THE CORRECT AMOUNT OF TAX: You are responsible for paying only the correct amount of tax due under the law -- no more, no less.

VI. HELP FROM THE PROBLEM RESOLUTION OFFICE: Problem Resolution Officers can help you resolve tax problems and can offer you special help if you would have a significant hardship as a result of a tax problem. For more information, write to the Problem Resolution Office at the District Office or Service Center where you have the problem, or call 1-800-829-1040 (1-800-829-4059 for TDD users).

VII: APPEALS AND JUDICIAL REVIEW: If you disagree with us about the amount of your tax liability or certain collection actions, you have the right to ask the IRS Appeals Office to review your case. You may also ask a court to review your case.

VIII. RELIEF FROM CERTAIN PENALTIES: We will waive penalties where allowed by law if you can show us you acted reasonably and in good faith or relied on the incorrect advice of one of our employees.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR RELEASE AT 2:30 P.M.
April 16, 1996

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $23,000 million, to be issued April 25, 1996. This offering will result in a paydown for the Treasury of about $21,750 million, as the maturing bills total $44,739 million (including the 42-day cash management bill issued on March 14, 1996, in the amount of $9,060 million and the 22-day cash management bill issued on April 3, 1996, in the amount of $11,062 million).

Federal Reserve Banks hold $6,933 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 $7,923 million as agents for foreign and international monetary authorities. Up to $3,000 million of these securities 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 to the extent the aggregate amount of new bids exceeds $3,000 million.

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) 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

RR-1008

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED APRIL 25, 1996

April 16, 1996

Offering Amount	$11,500 million	$11,500 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 Z6 4	912794 3L 6
Auction date	April 22, 1996	April 22, 1996
Issue date	April 25, 1996	April 25, 1996
Maturity date	July 25, 1996	October 24, 1996
Original issue date	July 27, 1995	April 25, 1996
Currently outstanding	$29,967 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

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FOR IMMEDIATE RELEASE
April 16, 1996

G-7 PRESS ADVISORY

Treasury Secretary Robert E. Rubin will hold a press briefing on this weekend's G-7 ministerial meeting at 2:30 p.m., Thursday, April 18, in Room 4121 of the Treasury Department, 1500 Pennsylvania Avenue, N.W.

The G-7 finance ministers and central bank governors will meet Sunday, April 21 at the Blair House. Arrivals of the ministers will be from 11 a.m. and will be on the Pennsylvania Avenue entrance of the Blair House. There will be a "class photo" opportunity with the ministers and central bank governors at 1:15 p.m. at the Blair House, followed by a pooled photo opportunity of the participants in the working session.

Secretary Rubin will hold a press conference at 5:30 p.m. (time tentative) in Room 4121 at the Treasury Department following the meeting.

The G-7 is comprised of the following countries: United States, Canada, France, Germany, Italy, Japan and the United Kingdom.

Cameras may begin setting up 45 minutes prior to the two press conferences. Media without Treasury, White House, State, Defense or Congressional credentials wishing to attend should contact the Office of Public Affairs by phone at (202) 622-2960 or by fax at (202) 622-1999, with the following information: name, social security number and date of birth, by close of business Wednesday.

Treasury press office contacts:

Michelle Smith	General G-7 issues
Hamilton Dix	Press Pools
Hortense Henderson	Clearance

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RR-1009

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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TESTIMONY OF JAMES E. JOHNSON
ASSISTANT SECRETARY OF THE TREASURY (ENFORCEMENT)
BEFORE THE SUBCOMMITTEE ON TREASURY, POSTAL SERVICE AND GENERAL GOVERNMENT OF THE SENATE APPROPRIATIONS COMMITTEE
APRIL 17, 1996

RR-1010

DEPARTMENT OF THE TREASURY

Statement of James E. Johnson
Assistant Secretary (Enforcement)

April 17, 1996

FY 1997 Appropriations Hearing with the

U.S. Customs Service
Bureau of Alcohol, Tobacco and Firearms
U.S. Secret Service
Federal Law Enforcement Training Center
Financial Crimes Enforcement Network

Before the Senate Committee on Appropriations
Subcommittee on Treasury, Postal Service and General Government

Chairman Shelby, Senator Kerrey, Members of the Committee, I appreciate the opportunity to testify on the Department's FY 1997 request for Treasury enforcement. I look forward to continuing and building on our productive relationship with the Members and staff of this Committee.

With me today are George Weise, Commissioner of Customs, John Magaw, Director of the Bureau of Alcohol, Tobacco and Firearms, Eljay Bowron, Director of the Secret Service, Charles Rinkevich, Director of the Federal Law Enforcement Training Center (FLETC), and Stanley Morris, Director of the Financial Crimes Enforcement Network. These representatives can provide greater detail and insight into the law enforcement initiatives of their respective agencies, and how those initiatives relate to our current budget requests.

Even in my short time on the job, I have learned a great deal concerning the important work performed by Treasury enforcement. These bureaus' missions are vital to the protection of our nation. I have acquired already a deeper appreciation of the professionalism and skill they bring to the fulfillment of such missions. Let me refer to a few current examples. Due to their law enforcement expertise, two Treasury bureaus, Internal Revenue Service's Criminal Investigation Division (IRS/CID) and the Bureau of Alcohol, Tobacco and Firearms (ATF) are assisting on-site with execution of the search warrant that began April 3, 1996, at the premises of Ted Kaczynski near Lincoln, Montana. Similarly, the Department of the Treasury is involved with the terrorism bill currently before the Congress. Several sections of the bill directly impact upon our operations. For example, Treasury is responsible for studying the use of tracer elements in certain explosive materials. These so-called "taggants" will enable law enforcement officers to develop leads when conducting investigations of explosive incidents.

I am making it a high priority to ensure that our enforcement bureaus maintain complementary and supplementary jurisdictions; therefore I plan to identify and address any areas of duplication. Also, it is my goal to set tough but achievable performance measurements across-the-board.

Professionalism, training, and integrity are high priority issues. The Department of the Treasury's Report of the Good O' Boys Roundup Policy Review contains fifteen recommendations for changes in law enforcement personnel policy. It is my responsibility to oversee the implementation of these recommendations. The Policy Review recommendations reach the issues of racism and bias in hiring, training, evaluation, and discipline. Simply put, the new rules will make clear that we won't tolerate racist or biased conduct from Treasury's law enforcement officers whether on- or off-duty.

Treasury Enforcement Strategies

Treasury's enforcement bureaus collect revenues, provide valuable regulatory services, and enforce criminal laws. The multiple functions of collection, regulation and enforcement have created both a unique expertise within our bureaus on each issue for which they are responsible, as well as important synergies within such bureaus and across the entire Department.

The experience, expertise, and synergy within and across our bureaus enhance their capacities to meet their important strategic priorities which include:

- Ensuring the safety of the President and other protectees while maintaining a balance between security needs and appropriate public access;
- Reducing gun violence and promoting the safety and security of Americans;
- Preventing the smuggling of narcotics and other contraband, enforcing trade laws through traditional enforcement methods, promotion of voluntary compliance, and ensuring compliance with economic sanctions;
- Helping to support and maintain the integrity of our financial institutions by combating money laundering and other financial crimes by blending Treasury's law enforcement and financial services regulatory oversight expertise to track proceeds generated by such criminal entities as drug traffickers and organized crime organizations;
- Deterring the counterfeiting of our currency and suppressing the illegal use of access card privileges by strategically increasing the number and deployments of personnel at domestic and foreign locations, and by anticipating and addressing vulnerabilities introduced by emerging technologies associated with the electronic environment; and

- Preparing the Treasury enforcement workforce for the 21st century by promoting integrity, operational excellence, and diversity while ensuring respect for the importance of family, civic, and individual priorities. The FLETC helps by applying innovative and proven teaching methods and sophisticated technology.

Despite the success that they have had in meeting their law enforcement challenges, our bureaus continue to explore ways to improve their service to the public. I would like to discuss some more recent initiatives, by bureau.

U.S. Customs Service

Customs extraordinary work is most apparent in narcotics interdiction, money laundering, and trade enforcement.

-- As smugglers have changed their methods, Customs, too, is using different tools and strategies. In FY 1995, Customs discovered and/or seized 66 percent of federal cocaine seizures, 87 percent of all federal heroin seizures, and 57 percent of all federal marijuana seizures. Customs continues to seize more drugs than all other federal law enforcement agencies combined.

-- In 1995, Customs introduced Operation Hard Line to strengthen and tighten the ports of entry through facility improvements and the use of technology. The results on the Southwest border after one year of Hard Line are dramatic. Port running incidents declined by 42 percent, and Customs agents and inspectors seized 19 percent more cocaine, 108 percent more heroin, and 25 percent more marijuana last year than the year before.

-- To respond to the threat in the Caribbean area, Customs has launched Operation Gateway to advance a comprehensive and unified securing of Puerto Rico, the U.S. Virgin Islands, and their surrounding waters and airspace from narcotics smugglers. Narcotics traffickers are increasingly using this area as a strategic location for the introduction and transshipment of narcotics into the U.S. and Europe. In FY 1995, Puerto Rico transshipment cocaine seizures increased by 500 percent. As further evidence of the increase in trafficking through Puerto Rico and the Virgin Islands, the current prices of narcotics in those locations are the lowest in the U.S., second only to South American prices; and local usage has skyrocketed.

Bureau of Alcohol, Tobacco and Firearms

ATF serves as the regulator for the legal commercial activities carried out by the alcohol, tobacco and firearms industries and for the explosives industry. ATF oversees the collection of nearly $13 billion in alcohol, tobacco, firearms, and ammunition excise taxes annually, and protects $27 billion in bonded liabilities while conducting almost 4,000 alcohol compliance inspections. ATF has initiated innovative programs in both federal and local law enforcement communities.

-- The ATF, working with the private sector, has developed a remarkable computer system that enables investigators to trace bullets to guns the way fingerprint experts can trace prints on a glass to a specific person. Technology incorporated into ATF's "Ceasefire" program saves hundreds and hundreds of hours of staff time matching up the unique signatures left on bullets and shell casings. This means if you find the gun, in just hours, you can trace connections with seemingly unrelated crimes.

-- ATF maintains four regional National Response Teams (NRT) to help federal, state, and local investigators overcome the difficulty inherent in large-scale arson or explosives' crime scene investigations. Each NRT consists of special agents, explosives and arson technicians, and forensic scientists. Since 1979, ATF has activated NRTs to several hundred incidents involving more than 400 deaths, thousands of injuries, and billions of dollars in property damage.

Included among these cases, of course, are the Oklahoma City and World Trade Center bombings. The responses to these attacks provided textbook examples of cooperation between federal, state, and local law enforcement authorities. They also proved, yet again, ATF's unrivaled expertise on explosives investigations. Such expertise will be invaluable as we attempt to further strengthen law enforcement and society against future terrorist attacks. In this regard, ATF, as well as all of the Treasury law enforcement bureaus and offices, will be called upon to shoulder an even greater load against terrorists upon passage of an antiterrorism bill. We hope the Committee will support the Administration when it seeks to secure actual appropriations needed to fulfill our antiterrorism mandate.

-- Using the National Law Enforcement Telecommunications System, ATF field offices are beginning to submit trace requests electronically. Also, ATF recently developed state-of-the-art computer software (i.e., Project LEAD) which analyzes firearms trace data from the National Tracing Center (NTC). As part of this effort, system upgrades enhanced the NTC's capability so that more information about firearms transactions, recovery, multiple sales, and stolen weapons are made available to federal and local law enforcement communities.

U.S. Secret Service

In an increasingly hostile world, the Secret Service accomplishes its protective and investigative missions effectively. The Secret Service investigates and prevents the counterfeiting of our currency, stamps, bonds, and checks. The Secret Service represents the world's foremost experts on counterfeiting. It played a critical role in the redesign of the $100 note which Treasury introduced last month. Moreover, the Secret Service and FinCEN are developing ways to protect Americans and our financial system from crimes involving credit and debit cards, smart cards and electronic cash. They are examining and responding to practices within the services industry that may encourage white collar crimes through partnerships with industry representatives. This is an example, with both the new currency and the matter of electronic payments, of prevention-- rather than trying to enforce the law after the fact.

-- The Secret Service has implemented many White House Security Review recommendations, including the closure of Pennsylvania Avenue in front of the White House, to ensure the security of the President and the First Family and the White House Complex.

-- The Secret Service provided security for the Pope's visit to the U.S. and the unprecedented gathering of 150 Heads of State at the 50th Anniversary celebration of the U.N. General Assembly.

-- During the five-year period FY 1990 through FY 1994, the Secret Service seized more than $266 million of the $310 million in counterfeit bills produced domestically before the violators circulated it. (More than 65 percent of the our currency is in circulation abroad.) During that same period, the Secret Service arrested more than 9,000 individuals on counterfeiting charges.

Federal Law Enforcement Training Center

At the training center, the staff teaches new officers about enforcement tactics, how to shoot, how to drive, cybercrime, and how international crime syndicates use computers and financial systems to help hide their gains. FLETC prepares new officers to deal with both violent and high-tech criminals. They design this training to ensure that enforcement personnel are prepared to combat emerging criminal trends. Let me add that in my oversight function, I believe training is essential to having effective law enforcement that gains the necessary respect of the American public. Such respect is critical to the success of law enforcement.

-- During FY 1995, FLETC provided 77,659 student weeks of training to 21,810 students. In FY 1996, FLETC estimates it will provide 116,699 student training weeks to 25,408 students. Most of the increases in training workloads are due to the INS "build up" to buttress border control.

-- FLETC's current facilities (Glynco, Georgia and Artesia, New Mexico) cannot accommodate projected training; therefore FLETC is establishing a temporary facility in Charleston, South Carolina.

FinCEN

FinCEN implements Treasury anti-money laundering regulations through administration of the Bank Secrecy Act. It also supports federal, state and local law enforcement authorities as a financial intelligence center for data collection and analysis. FinCEN's goal is to improve the ability to analyze financial intelligence derived primarily from commercial, financial and other law enforcement databases. This will permit an expanded distribution of money laundering information to federal, state, and local law enforcement agencies, regulators, and the financial sector by using advanced technologies.

-- This month FinCEN implemented the new national Suspicious Activity Reporting System (SARS). The new system will aid criminal investigations while cutting burdensome and costly paperwork for America's banking system. SARS merges and revolutionizes two older reporting systems that had been in place for more than a decade. In a unique partnership, FinCEN will administer it with the IRS Detroit Computing Center, other federal law enforcement, and the five bank regulatory agencies. It will improve our ability to detect, analyze, and understand criminal financial activity, to assure that information about the activity gets to the appropriate law enforcement and regulatory authorities as close to real time as possible. SARS exemplifies interagency cooperation and the importance of working with industries who interact with law enforcement.

These enforcement efforts have been enhanced greatly by the leadership and support for law enforcement provided by Secretary Rubin. Under the Secretary's leadership, Treasury's Office of Enforcement provides policy oversight, coordination, guidance, and support to and between our bureaus. I meet regularly with the bureau and office heads, and make myself available to ensure that this role is carried out. Deputy Secretary Summers also meets regularly with our bureau heads to ensure better oversight and support. He also meets with his counterpart at the Department of Justice, Deputy Attorney General Gorelick, to ensure coordination between the Treasury and Justice bureaus.

FY 1997 Budget Request

Now I will turn to our FY 1997 request. While the bureau representatives will speak in greater detail on our budget requests, I would like to touch on several important budget themes and highlights. The FY 1997 budget seeks resources to help Treasury combat violence, money laundering, and other financial crimes, fraud, and narcotics smuggling. The $2.760 billion request for Treasury law enforcement bureaus includes $97.2 million available under the Violent

Crime Reduction Trust Fund which the Congress established in 1994. These resources will continue investments begun in FY 1995 and FY 1996, and will achieve selected program enhancements. The following are some of our initiatives.

- **U. S. Customs Service:** To further strengthen our efforts to fight the importation of illegal narcotics at the border, we are requesting $65 million and 657 FTE for the Customs Service to enhance enforcement operations on the Southwest Border. Specifically, the requested funds would allow for the hiring of new agents, inspectors, canine enforcement officers, and support personnel, as well as the purchase of non-intrusive inspection technology, the construction of infrastructure improvements to reduce border violence, and the purchase of other support equipment.

- **Bureau of Alcohol, Tobacco and Firearms**: To support arson investigation functions, we are requesting $62 million for laboratory facilities. The new fund would allow ATF to purchase land, and design and construct both a new laboratory facility and a unique fire research facility which will support our arson investigative function. An analysis shows building instead of leasing will save the federal government in excess of $100,000,000 over the period of a 20 year lease.

  To strengthen our efforts to deal with armed career criminals, we are requesting $29 million and 62 FTE for ATF for firearms trafficking, training state and local enforcement personnel, equipment and personnel for ATF's firearms tracing center, and integrated ballistics imaging system machines.

- **U.S. Secret Service:** To build upon the progress we made last year in protecting the White House Complex and combating counterfeiting, we are requesting $26.2 million and 179 FTE for additional personnel, replacement vehicles, and equipment to support security, protection, and crime fighting efforts.

- **Federal Law Enforcement Training Center:** To capture savings and efficiencies associated with new technologies, we are requesting $.8 million and 2 FTE for distance learning and new computer-based training techniques.

- **Financial Crimes Enforcement Network:** To enhance our capability to address the ever changing complex world of money laundering and other financial crimes, we are requesting $1 million and 5 FTE to expand our knowledge of emerging technologies associated with cyberpayment systems, including the vulnerabilities they pose.

Mr. Chairman, I would like to close by thanking you, Senator Kerrey, and the other Members of this Committee for having us here today and for your support of Treasury enforcement.

I will be happy to answer any questions you may have.

JAMES EDWARD JOHNSON
ASSISTANT SECRETARY OF THE TREASURY FOR ENFORCEMENT

James E. Johnson was sworn into office as Assistant Secretary of the Treasury for Enforcement on March 15, 1996.

As Assistant Secretary for Enforcement, Mr. Johnson oversees all Treasury law enforcement bureaus and offices, including the U.S. Customs Service ("USCS"), the U.S. Secret Service ("USSS"), the Bureau of Alcohol, Tobacco and Firearms ("ATF"), the Federal Law Enforcement Training Center ("FLETC"), the Financial Crimes Enforcement Network ("FinCEN"), the Office of Foreign Asset Control ("OFAC") and the Executive Office for Asset Forfeiture ("EOAF"). He also has policy oversight responsibility for the Criminal Investigation Division of the Internal Revenue Service. He is responsible for Treasury law enforcement direction and policy communication with other U.S. government departments on these matters. This includes the suppression of narcotics and dangerous drug smuggling, monitoring the movement of large amounts of currency into and out of financial institutions, implementing U.S. government embargo programs, enforcing tariff and trade regulation, protecting the President, the Vice President and visiting heads of state and collecting excise taxes and regulating trade in tobacco, alcohol and firearms.

From March 1990 until his appointment at Treasury, Mr. Johnson served as Assistant United States Attorney for the Southern District of New York where he was the Deputy Chief of the Criminal Division.

From November 1994 to March 1995, Mr. Johnson was Assistant Director of Treasury's White House Security Review. From 1987 to 1990, he was a litigation associate with the law firm Debevoise & Plimption in New York City. From 1986 to 1987, he was a law clerk for United States District Judge Robert E. Keeton in Boston, Massachusetts.

Mr. Johnson graduated cum laude from Harvard Law School, receiving his J.D. in 1986. He graduated cum laude from Harvard University with a B.A. in 1983. Mr. Johnson was born in Montclair, New Jersey on December 29, 1960.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
April 17, 1996

Contact: Joyce McDonald
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NEW BANK REPORTING RULE TO CUT PAPERWORK BY 20 PERCENT

The Treasury Department today announced a new bank reporting rule designed to both significantly reduce unnecessary paperwork for America's banks and improve the quality of information routinely provided to law enforcement.

The new rule will go into effect May 1, 1996, changing the previous requirement for banks to file forms reporting every currency transaction in excess of $10,000. Such transactions will no longer need to be reported if they involve the following:

* Another bank in the United States.

* Any federal, state or local government (including the District of Columbia, U.S. territories and possessions, and various tribal government authorities).

* Any listed corporation whose stock is traded on the New York Stock Exchange, the American Stock Exchange (excluding stock listed on the Emerging Company Marketplace of the American Stock Exchange), is designated as a Nasdaq National Market Security listed on the Nasdaq Stock Market (excluding stock issued under the separate Nasdaq Small-Cap Issues heading), and any consolidated subsidiary of a listed corporation that files combined federal income tax returns.

By exempting these entities from routine reporting, Treasury estimates that banks will be required to file 2 million fewer forms in the first year alone, amounting approximately to a 20 percent reduction. However, the new rule will continue to require that all apparently suspicious currency transactions -- even those of newly exempted entities -- be reported according to rules issued earlier this year. These reports are used by law enforcement for criminal investigations.

"This streamlined reporting system has resulted from Treasury's firm commitment to constructive cooperation among the financial, regulatory and enforcement communities," said Treasury Secretary Robert Rubin. "It will provide law enforcement with a more focused

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(more)

stream of quality information and allow our financial institutions to operate more efficiently."

The new rule is issued by Treasury's Financial Crimes Enforcement Network (FinCEN) under the Bank Secrecy Act (BSA). The BSA authorizes reporting requirements and is a key component of the Treasury's effort to fight financial crimes such as money laundering, bank fraud and tax evasion.

Information provided by transaction reports is vital to investigators, but reporting requirements had been criticized by banks because they mandated repetitive paperwork for the routine transactions of legitimate cash intensive businesses and governments. Banks will now be able to make a one-time filing of the standard transaction report form simply to designate an exempted entity. An exemption may be revoked by Treasury with notice at any time.

"This rule is a major step in our continued efforts to eliminate from the system reports of little or no value to law enforcement," said FinCEN Director Stanley Morris. "This improvment will enable banks to concentrate resources where they will do the most good, quickly reporting suspicious activity to law enforcement authorities."

Once the new rule goes into effect, it will be considered on an interim basis for 90 days during which all interested parties are invited to offer comments. Following the 90-day comment period, FinCEN will prepare a final rule. The interim rule was sent to the Federal Register today and will be published soon.

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FOR IMMEDIATE RELEASE
Remarks as prepared for delivery
April 18, 1996

RECORD TESTIMONY OF TREASURY SECRETARY ROBERT E. RUBIN HOUSE APPROPRIATIONS SUBCOMMITTEE ON FOREIGN OPERATIONS

Mr. Chairman and members of the Subcommittee: We meet at a time of challenge for those who make and fund the foreign policy of the United States. It would be an error of major proportions to turn away now from a world that is becoming more democratic, more capitalist and more open to trade than at any time in our history. That is why we ask you to do the politically difficult but substantively correct thing with regard to support for the International Financial Institutions (IFIs).

In recent months, I have personally observed the results of just some of the work of the multilateral development banks.

In a shantytown in Brazil last year a woman told me that before the World Bank began a community development program to install a sewage system and build a community center, she would sit up nights to make sure rats did not harm her children as they slept, and she feared for their future. Now, she and the children sleep nights, and the children go off in the morning for schooling and training. She has hope not just for her children's future, but for her own. I saw families in a poor town in India who are raising their living standards with a bank-sponsored water and soil conservation program. Last month, a woman in a poor suburb of Manila told me how a small loan from a cooperative backed by the Asian Development Bank -- a loan on the order of $200 -- is helping her family build a business ferrying people and packages with a motorcycle and sidecar. She came to tell me this -- even though her father died just hours earlier -- because she wanted not just me, but you to know how lives are being changed for the better.

In these places, and countless others across the globe, the work of the international financial institutions -- the World Bank, regional development banks, and the International Monetary Fund (IMF) -- has a broad impact on our economy. Every American, directly or indirectly, is affected by these institutions and has an interest in continuing to support the banks and the Fund.

RR-1012 (more)

Why? Because they encourage economic reforms that turn economies around and open markets -- markets for American goods and services, and well-paying jobs for Americans. They also support improved environmental protection. Six years ago, India was on the verge of economic collapse. Today, given India's recovering economy and more open markets, the United States is the largest foreign investor in India. Twenty nations that two and three decades ago were in dire condition have now graduated from concessional lending programs and are among our fastest growing markets -- Korea, Indonesia, Thailand, Turkey to name a few. The IFIs also provide opportunities for U.S. business to supply goods and services for bank-sponsored projects.

The IFIs are rebuilding shattered economies. In Bosnia, the World Bank has been extraordinarily pro-active in assessing Bosnia's needs for postwar reconstruction. Plans to construct and transform nine economic sectors are moving forward. The European Bank for Reconstruction and Development is gearing up to help Bosnia's private sector get back on its feet. Our Executive Director, Lee Jackson, gave his life in that effort on Secretary Ron Brown's ill-fated mission. In a similar vein, the World Bank is equally active supporting peace in the Middle East.

The IFIs help debt-saddled nations. A decade ago, many Latin nations were in serious difficulty. The debt problem was immense. Today, after IFI support for budget and financial market reform, privatization and liberalization, Latin America has come to a new consensus to pursue market-based economies. Democracy has spread, U.S. commercial interests have thrived, and it is the world's second fastest growing region. That would not have happened without IFI support. The IFIs also now are at the forefront in helping the region address its vast social development needs.

The institutions support the transition from communism to free market democracy and are taking the lead in reforming the legal, regulatory and financial systems that have stifled entrepreneurship, investment, trade and efficiency.

The IFIs protect the global environment. For example, the North American Development Bank is preparing to finance environmental infrastructure work on both sides of the U.S. Mexico border. The IFIs also help protect Americans from deterioration of the global environment. At the urging of the United States, the IFIs have adopted strong environmental policies and significantly increased their investments in environmentally oriented projects. This supports our trade and commercial interests by raising developing countries' environmental standards as well as their use of environmentally efficient technology, an important growth area for U.S. industry. The Global Environment Facility is the primary institution for defining development strategies that are both pro-growth and pro-environment.

And in area after area, the IFIs have an important impact on Americans, because they directly influence growth, development and reform that means new and growing markets for our goods, and better jobs and living standards for Americans.

Moreover, as Secretary Christopher discussed with you last month, the institutions further our key foreign policy goals, and our international economic policy aims, by directly contributing to economic and political stability in areas important to our national security. They are the international community's economic tools for times of crisis, and they also help fulfil U.S. obligations under international agreements, such as the climate change convention. In Mexico, the Middle East, Bosnia, Haiti, or wherever crisis lies around the corner, the institutions can concentrate highly leveraged economic assistance -- to be blunt, a great deal of other people's money and a little of ours. They can direct the long-term reforms that are necessary. Beyond their role in crisis management, the IFIs are tools to create growth, open and integrate markets, and address the global problems of endemic poverty, environmental degradation, mass refugee flows, and unsustainable population growth which are too large for any one nation to address alone.

As the Clinton Administration exercises a policy of global leadership and engagement in a period of unprecedented change and extraordinary opportunity, the IFIs make a difference for America. It is imperatively in our long-term economic, environmental and national security interests to support these institutions vigorously.

Mr. Chairman, U.S. participation in the international financial institutions is at a crossroad. We must honor our international commitments. In these important institutions, it is critical that we ensure our continued capacity to lead, especially when forceful U.S. leadership over a period of years is yielding dividends. At the same time, we must also set priorities when budget resources are scarce.

1. Priority Objectives

The Administration's FY 1997 budget request of just under $1.48 billion for the IFIs and debt reduction programs is a carefully crafted approach intended to achieve five priority objectives:

- maintain a major and vital U.S. leadership role in system in which we have a major investment, and on which we increasingly rely;

- build on an impressive record of success in shaping IFI lending programs and priorities to serve critical U.S. economic, political and commercial interests;

- support cost-effective multilateral programs for poverty reduction, sustainable growth and market-building, which pay high long-term dividends both at home, in terms of jobs and higher living standards for Americans, and abroad;

- reinvigorate policy reform efforts and sustained economic growth by extracting the poorest countries from the spiral of escalating debt; and,

- meet existing U.S. financial commitments to the IFIs with minimal further delay.

The Administration is committed to achieving these goals with less budget resources than in the past. We have framed a medium-term approach that reduces U.S. expenditures on the IFIs through FY 2002, without harming our interests or forcing a budget-led withdrawal from the world. We recognize your concern that the United States get the most for its investment in these institutions.

The United States, with voting shares ranging from less than 6 percent in the African Development Bank to over 30 percent in the Inter-American Development Bank, does not have the voting power unilaterally to set the policies and priorities that influence IFI lending. This requires skillful U.S. leadership and persuasion to advance our development agenda.

While financial support is not the only determining factor of member influence in the IFIs, it is particularly important. The U.S. share of IFI financing has been declining, and given our budget realities, this trend is likely to continue. Key European countries and Japan have become aggressive in their efforts to increase their own policy influence to a level more commensurate with the increased support they are providing to the institutions. The significant funding reductions approved by the Congress in FY 1996 severely undermine U.S. credibility and leverage throughout the multilateral financial system.

2. Responding to U.S. Policy Concerns

We recognize, as do you, that these institutions, for as much good as they are doing, have their shortcomings, which we are using our leadership to remedy. The institutions have been extremely responsive to an ambitious U.S.-inspired reform agenda. While more must be done, significant progress has been made to: improve lending quality and portfolio performance; strengthen efforts to promote private sector development; deepening support for poverty reduction; increase transparency, accountability and public participation; integrate environmental considerations into development programs; and improve management efficiency and institutional responsiveness.

For example, IFI operations and projects have adopted much higher standards for transparency, accountability, public participation and environmental sustainability. Ordinary citizens now have important new information about, and an important new voice in, the development activities of their own governments.

Moreover, they are shifting the focus of development efforts to the private sector wherever possible. They are sharpening attention on human resource investments rather than infrastructure, establishing sensible environmental regulation, working to improve primary education, especially for girls, to improve primary health care and to provide safe water supplies. These are areas in which there is no realistic prospect, at least in the medium term, for private sector or bilateral investments.

Other changes in IFI operations include the development of comprehensive policy guidelines; restructuring for institutional efficiency; the preparation of detailed country assistance strategies, including an examination of borrowers' spending priorities encompassing military expenditures; the systematic incorporation of private sector development objectives in operations; and the revision of procurement guidelines and policies.

Mr. Chairman, no shareholder has pressed more aggressively than the United States for the IFIs to address these important concerns and adapt their operations to new realities.

Looking ahead, our priorities are to ensure effective implementation of the reforms, to make further progress in reorienting the institutions toward private sector development and social needs, and to encourage greater institutional activism in reducing military expenditures, promoting basic worker rights, and combating bribery and corruption. A continued forceful U.S. presence in the institutions -- both financially and intellectually -- is central to continued success.

I would like to stress that there are clearly defined U.S. national interests for both bilateral and multilateral lending programs. Each has different comparative advantages depending on the U.S. objectives they are intended to meet. The efforts of these programs to promote free markets and reduce poverty complement, rather than substitute for, each other.

3. FY 1997 Request for the IFIs and Debt Programs

Three factors have shaped our budget request for FY 1997:

- The first is the deep backlog in U.S. commitments -- some \$1.5 billion, created by deep funding cuts in MDB and debt reduction accounts. In the current fiscal year, funding was 51% below the Administration's request and 38% below the FY 1995 appropriated level.

- A commitment to meet our existing funding commitments to, and remain effectively engaged in, the international financial institutions, and to deliver on our pledge to participate in international debt relief efforts.

- A commitment to lower future U.S. contributions to the institutions, leading to substantial further reductions in the IFI/debt accounts through FY 2002.

The Administration's budget request for FY 1997 is an effort to achieve these objectives in a balanced, prudent and realistic manner that merits congressional support. U.S. interests, U.S. credibility, and the future U.S. role in the international financial system are all on the line. The specifics of our request are in an attached table.

<u>World Bank Group -- $1041.2 million</u>

- $934.5 million to meet the full amount of outstanding and overdue U.S. commitments to the IDA-10 replenishment.

- $6.7 million to meet an outstanding and overdue U.S. commitment to the International Finance Corporation (IFC).

- $100 million for the Global Environment Facility (GEF), leaving overdue commitments of $67.5 million.

Our investment in the GEF serves our short- and long-term economic and environmental security interests both effectively and inexpensively. The bulk of future threats to the global environment comes from developing countries, and the GEF plays a key role in our efforts to avert those threats. The GEF also provides important procurement opportunities for U.S. companies. U.S. firms dominate markets for many cutting edge environmental technologies, and these are key growth sectors worldwide. U.S. firms are major players in biotechnology and low-impact resource extraction. Our firms will benefit from the GEF's portfolio of sustainable resource use projects.

<u>Asian Development Bank Group -- $113.2 million</u>

- $100 million for the Asian Development Fund (ADF), a partial payment on a 1991 replenishment commitment, leaving an outstanding and overdue commitment of $237 million.

- $13.2 million for a scheduled capital subscription payment for the Asian Development Bank (ADB) capital increase agreed in 1994.

It is imperative that we maintain the current level of funding for the Asian Development Fund. The ADF operates in a region that is home to two-thirds of the world's poor. The ADF faces its challenges by taking the lead, for example, in developing strategies that enhance child nutrition and encourage governments in the region to invest more in children, particularly education. We owe the ADF $337 million, putting us fully two years behind schedule. Contributing to the ADF yields important dividends. U.S. firms are number one among donor countries in winning ADB procurement contracts. Last year, U.S. firms won $320 million in contracts. More important is the follow-on business. The $2 trillion developing Asian economy -- a $1 trillion market for exports -- offers enormous opportunities for U.S. business, and U.S. exports to developing Asia have virtually tripled since 1987.

<u>Inter-American Development Bank Group -- $84.5 million</u>

- $31.4 million for the Inter-American Bank's Fund for Special Operations (FSO), comprising a scheduled payment of $20.6 million and payment of overdue commitments amounting to $10.8 million.

- $27.5 million to the Inter-American Bank's Multilateral Investment Fund (MIF), leaving outstanding and overdue commitments of $178.8 million.

- $25.6 million for a scheduled capital subscription payment for the Inter-American Development Bank (IDB) capital increase agreed in 1994.

The 1994 IDB capital increase has ensured that the Bank can meet the region's needs by lending, at a sustainable level, over $7 billion a year. This includes concessional lending to the region's poorest nations. This means that the IDB will soon be able to operate without continued infusion of government funds, but still address U.S. policy priorities into the next century.

<u>African Development Bank Group -- $66 million</u>

- $50 million for the initial payment of a proposed $200 million U.S. share in the replenishment of the African Development Fund (AfDF), now under negotiation.

- $16 million for an initial payment of an approximately $135 million paid-in portion of the U.S. capital subscription to an African Development Bank (AfDB) capital increase, now under negotiation.

<u>Other International Financial Institutions -- $127.7 million</u>

- $56.3 million for a scheduled capital subscription payment to the North American Development Bank (NADBank).

- $52.5 million for the first of five annual capital subscription payments to the new Bank for Reconstruction and Development in the Middle East and North Africa (MEDB).

- $11.9 million for the overdue and outstanding U.S. commitments under the initial European Development Bank (EBRD) capitalization agreed in 1990.

- $7 million toward the $75 million outstanding U.S. commitment to the International Monetary Fund's Enhanced Structural Adjustment Facility (ESAF).

<u>Debt Reduction Programs -- $47 million</u>

- $47 million for debt reduction programs, including $22 million for the poorest countries and $25 million for Jordan.

<u>4. Discussion of Specific Requests</u>

<u>International Development Association (IDA)</u>.

For the United States, as well as the 3 billion people living in the world's poorest countries, IDA is the single most important provider of concessional development assistance, as well as technical assistance and policy guidance. Established at President Eisenhower's initiative in 1960, IDA provides funding and technical assistance primarily to promote open-market policy reform and to support priority social and human development investments such as primary education and health care, and critical infrastructure such as clean water and rural roads. IDA continues to sharpen its focus on these broad priorities, on the poorest countries which do not have access to alternative sources of finance, and on integrating environmental and market-building considerations systematically into its operations.

U.S. payments to IDA are currently being made in respect of the Bush Administration's $3.75 billion, three-year commitment to IDA's tenth replenishment (IDA-10). This Administration's FY 1996 funding request was sharply reduced in the legislative process. The $700 million appropriation for FY 1996 leaves $934.5 million still outstanding under on our IDA-10 commitment.

These circumstances figured prominently in international negotiations for a new multi-year replenishment of IDA (IDA-11), which were recently concluded. Our emphasis throughout the negotiations on the three following fundamental positions, developed in consultation with Congress, delayed the conclusion of the negotiations:

- clearing the outstanding $934.5 million U.S. commitment to IDA would be our first priority;

- we would not make any pledge to IDA-11 in advance of indications from Congress of what it would be prepared to consider;

- any new U.S. commitment to IDA will be substantially below past U.S. commitments.

The Administration's IDA request for FY 1997 and proposed approach for the years ahead specifically incorporate these important considerations.

- **For FY 1997, we are requesting the $934.5 million needed to pay down fully the existing and overdue IDA commitments.** This would not include any new U.S. funding for IDA-11, effectively delaying U.S. participation beyond the FY 1997 start-up date already committed by IDA's other donors. Other donors, however, did not want to disrupt IDA's operations by leaving a one-year gap in new funding. They therefore agreed to establish a one-year Interim Fund of approximately $3 billion, to help support IDA operations during fiscal 1997. These donors also agreed that procurement eligibility for IDA credits financed by the Interim Trust Fund should be limited to nationals of countries contributing to the fund and those member countries eligible to borrow from the World Bank. Projects funded by "regular" IDA resources will not be affected.

  Treasury and the U.S. Executive Director's office are working closely with the World Bank to ensure that the selection of projects for Interim Trust Fund financing will be random, transparent and open.

  Prior to July 1, there will be a random drawing of all IDA projects scheduled from Oct. 1, 1996, through June 30, 1997. The resulting list of projects selected for Trust Fund financing will be disseminated in early July. Treasury, based on its dialogue with U.S. private sector leaders, will ensure that this advance notification occurs. We will also conduct a detailed briefing for U.S. companies during the next two weeks on the administration of the Interim Trust Fund.

  Of the $7 billion in IDA resources expected to be available in fiscal 1997, U.S. firms will still be eligible to bid on more than 50 percent -- over $3.5 billion -- funded from IDA-10 payments and sources other than the Trust Fund. We have strongly opposed procurement restrictions and resisted their inclusion in funds in which the United States participates. Most donors participating in the Interim Trust Fund confront budgetary pressures similar or more serious than our own. For them, procurement restrictions are essential to generating domestic and political support for their participation.

- **We are also seeking Congressional concurrence with Administration commitments of $800 million to IDA-11 in each of FY 1998 and FY 1999.** This would represent a total U.S. commitment to IDA-11 of $1.6 billion, or a total of less than half of the previous pledge to IDA-10 ($3.75 billion). A new U.S. annual commitment of $800 million to IDA would be the lowest such commitment in nominal terms since 1980, and the lowest commitment in real terms since 1974.

While this approach has weakened the U.S. leadership role, if this funding proposal is implimented, IDA will continue and the United States will be able to maintain an effective role. This approach is also consistent with congressional concerns and budgetary realities.

Debt Reduction

Several years ago, the global community recognized that over the past two to three decades many of the poorest countries in the world have accumulated external debts which would prove impossible for them to service. To break this negative cycle, and improve such countries' capacity to develop and grow, the United States and other creditor governments have pledged to reduce debts owed them by the poorest countries by as much as 67 percent, provided the debtor nation maintains its reform efforts. As in a corporate workout, for that small group of countries with truly unmanageable debt loads, the intent is to clear out part of the old debts, and help put these countries back on their feet -- for their benefit and ours.

To date, we have participated in Paris Club bilateral debt reduction for seven of the poorest countries whose outstanding debt we were holding. We expect others to become eligible for Paris Club treatment both this year and next. The budgetary costs of such programs will vary from year to year, but will remain extremely small, compared to the debt reduction effected. The Administration has requested $22 million to cover expected costs for FY 1997, which could leverage as much as $9.5 billion in debt reduction by all creditor governments. The potential benefits of debt reduction in terms of growing economies, export opportunities, long-term enhanced political stability, and hope for the future far outweigh the near-term cost to the United States and others. Indeed, our failure to act, if it leads to political turmoil and economic crisis, would be far more costly.

For some 10 to 20 of the world's poorest countries, however, even 67 percent reduction of debts owed to governments will not assure a manageable debt profile. For them, additional action will be necessary -- including measures to ease the burden of debt to international financial institutions. A comprehensive approach by creditor governments and multilateral institutions is therefore necessary. Neither we nor the multilateral institutions can afford to keep feeding a growing whirlpool of debt. We have strongly advocated timely action to put debtor countries back on a manageable path. We welcome the preliminary proposals of the World Bank and IMF, and seek more specific proposals from them in the coming weeks for our heads of state to consider at the G-7 Summit in Lyon, so that we can make final decisions as soon as possible.

In summary, U.S. participation in the International Financial Institutions deepens our engagement in the global economy, opens and strengthens developing markets that hold enormous prospect for our future economic growth, and contributes significantly to our economic and security interests. Whether it is a direct benefit, such as an export-related job, or an indirect benefit such as broad growth in our economy as a function of global growth, every American has a very important interest in vigorous U.S. participation in the international financial institutions.

Thank you.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR RELEASE AT 2:30 P.M.
April 17, 1996

CONTACT: Office of Financing
202/219-3350

TREASURY TO AUCTION 2-YEAR AND 5-YEAR NOTES TOTALING $31,250 MILLION

The Treasury will auction $18,750 million of 2-year notes and $12,500 million of 5-year notes to refund $26,576 million of publicly-held securities maturing April 30, 1996, and to raise about $4,675 million new cash.

In addition to the public holdings, Federal Reserve Banks hold $1,726 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 $2,627 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) 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

RR-1013

HIGHLIGHTS OF TREASURY OFFERINGS TO THE PUBLIC OF
2-YEAR AND 5-YEAR NOTES TO BE ISSUED APRIL 30, 1996

April 17, 1996

Offering Amount	$18,750 million	$12,500 million
Description of Offering:		
Term and type of security	2-year notes	5-year notes
Series	AE-1998	H-2001
CUSIP number	912827 X5 6	912827 X6 4
Auction date	April 23, 1996	April 24, 1996
Issue date	April 30, 1996	April 30, 1996
Dated date	April 30, 1996	April 30, 1996
Maturity date	April 30, 1998	April 30, 2001
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	October 31 and April 30	October 31 and April 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 three decimals, e.g., 7.123%

(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

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EMBARGO TO BE SET AT BRIEFING
Remarks as prepared for delivery
April 18, 1996

REMARKS OF TREASURY SECRETARY ROBERT E. RUBIN
PRE-G-7 PRESS CONFERENCE

In the coming days, we'll have the G-7 and G-10 meetings, as well as the Interim and Development Committee Spring meetings.

Looking over the agenda, I'm struck by how rich in content this year's meetings are. It is important to view what's on the table not through the lens of what may make a headline on one day or the next, but from the perspective of how these matters will have lasting impact over a long period of time.

These meetings offer the opportunity to advance America's economic interests in the world in two fundamental ways.

The first is by encouraging growth and development in the world economy, not just in the G-7, but also in the developing and transition economies. The United States is an integral part of, and significantly affected by the global economy. Our jobs, exports and living standards are tied to whether our global partners are prosperous and growing. These forums are an opportunity to advance policies that encourage global growth, and that is deeply in America's self-interest.

In the G-7 session, we'll touch on the global picture and the issues all of us face -- Japan, where growth has begun again but needs to be sustained; Europe, where growth has slowed and needs to be strengthened. Toward that objective, we welcome the action announced by the German monetary authorities this morning.

The U.S. economy has performed remarkably well over the past three years. We have the most dynamic economy in the G-7. We have the best job creation record -- 8.5 million new jobs. And we have the lowest budget deficit to GDP ratio. It will be 2 percent this fiscal year, and even lower next year. We have done what our G-7 partners for years said we needed -- drastically reduce the deficit. Now, we are looking at steady growth and low inflation in this year.

RR-1014

(more)

The second opportunity for advancing U.S. economic interests in the global economy is to make the international financial institutions and the international financial structure as modern as the global economy and the markets, to prevent and deal with future financial crises. This is an adjustment of historical importance with regard to the institutions. The President began the process two years ago in Naples, and then outlined an extensive set of initiatives which were adopted by the G-7 at the Halifax Summit. While these measures won't all take effect overnight, they are very real and very significant.

During these meetings, we expect important progress in several areas:

- The IMF will adopt strong disclosure standards to help markets better anticipate and thus avert financial crises.

- Participants in discussion to enhance the General Arrangement to Borrow have reached agreement on a set of broad principles to guide the establishment of new arrangements to borrow.

- The G-10 will adopt a report on the resolution of sovereign liquidity crises with important recommendations to reduce the expectation of official finance, and encourage private investors to pay more attention to risk.

- Financial supervisors are making real progress toward identifying ways to enhance cooperation in the supervision of global financial markets and the supervision of the major active in those markets.

- The Development Committee, I believe, will adopt an important report on improving the effectiveness of the development banks and thus increase the return on our investment in these key institutions.

- The G-7 will call on the IMF and World Bank to outline more specific proposals for reducing debt owed the multilateral institutions by the poorest countries.

These steps represent a hard-headed, realistic approach in support of important long-term U.S. interests.

It clearly will be three days that can make an important difference both for Americans and the global community, both in the immediate future and in the years and decades to come.

I would note that as part of the G-7 process, we will also be joined by Russian Central Bank Governor Dubinin and other Russian officials for a discussion of Russia's economic outlook. As you know, Russia's performance in 1995 was extremely strong. I have welcomed Russia's 1996 program, which earned the IMF's support under the $10.2 billion extended arrangement, and underscore that if this progress is rigorously implemented, Russia should reap the real benefits of reform.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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ADV 10 A.M. EST
Remarks as prepared for delivery
April 18, 1996

ORAL TESTIMONY OF TREASURY SECRETARY ROBERT E. RUBIN HOUSE APPROPRIATIONS SUBCOMMITTEE ON FOREIGN OPERATIONS

Mr. Chairman and members of the Subcommittee -- this morning I want tc discuss our fiscal 1997 request for $1.4796 billion for the international financial institutions (IFIs). I have a longer statement which I'd like to submit for the record.

The programs run by the IFIs are exceedingly important for peace and prosperity, and it is enormously in our self-interest that they be adequately funded. In area after area, the IFIs have an important impact on Americans, because they directly influence the growth, development and reform overseas that creates new and growing markets for our exports, and better jobs and living standards for Americans, and they contribute to our national security.

Our participation in these institutions is at a crossroads. We cannot unilaterally set the policies and priorities for the IFIs. We must rely on leadership and persuasion to advance our development agenda. The reductions made last year are severely undermining U.S. credibility and leverage throughout the multilateral financial system. We must honor our international commitments to ensure our continuing capacity to lead, and forceful U.S. leadership over a period of years has yielded and is yielding large dividends. At the same time, we must also set priorities when budget resources are scarce.

We recognize your concerns that we get the most for our investment. We are presenting a lean funding request, one that honors past obligations and simultaneously reduces our contributions in coming years to make an important contribution to a goal we all share, continuing to reduce the deficit.

RR-1015 (more)
http://www/ustreas.gov

We are seeking just over $1 billion for the World Bank group, including $934.5 million to meet our outstanding and overdue commitments to the 10th replenishment of the International Development Association (IDA), $100 million for the Global Environment Facility and $6.7 million to meet an overdue commitment to the International Finance Corporation. We seek $263.7 million for the regional development banks -- for Africa, Asia, Eastern Europe and the former Soviet Union, and Latin America; $127.7 million for other international financial institutions, and $47 million for debt reduction programs.

We are also seeking congressional concurrence with a commitment of $800 million to IDA-11 in each of 1998 and 1999 -- less than half our pledge to IDA-10. This amount would be the lowest U.S. pledge to IDA in nominal terms since 1980 and the lowest in real terms since 1965.

While this approach has weakened the U.S. leadership role, if this funding proposal is implemented, IDA will continue and the United States will be able to maintain an effective role. This approach is also consistent with congressional concerns and budgetary realities.

Let me add a few words regarding IDA-11 and procurement. We are making no fiscal 1997 commitment to IDA-11. Other donors, however, did not want to disrupt IDA's operations by leaving a one-year gap in new funding. They therefore agreed to establish a one-year Interim Fund of approximately $3 billion, to help support IDA operations during fiscal 1997. These donors also agreed that procurement eligibility for IDA credits financed by the Interim Trust Fund should be limited to nationals of countries contributing to the fund and those member countries eligible to borrow from the World Bank. Projects funded by "regular" IDA resources will not be affected.

Of the $7 billion in IDA resources expected to be available in fiscal 1997, U.S. firms will still be eligible to bid on more than 50 percent -- over $3.5 billion -- funded from IDA-10 payments and sources other than the Trust Fund. We have strongly opposed procurement restrictions and resisted their inclusion in funds in which the United States participates. Most donors participating in the Interim Trust Fund confront budgetary pressures similar or more serious than our own. For them, procurement restrictions are essential to generating domestic and political support for their participation.

It must be remembered, in looking at this situation, that there are enormous long-term benefits to American firms from the growth to which IDA contributes and the exports we are able to provide as a result of that growth.

I've addressed debt reduction in detail in my written statement, so I'll just say that the aim is to assist the poorest countries to break the cycle of debt and help put them back on their feet. We welcome the preliminary proposals of the World Bank and IMF, and seek more specific proposals from them in the coming weeks for our heads of state to consider at the G-7 Summit in Lyon, so that we can make final decisions as soon as possible.

Mr. Chairman, it is fair to ask, what have we gotten for our participation in these institutions?

Twenty nations that two and three decades ago were in dire condition now have graduated from concessional lending and are among our fastest growing markets -- Korea, Indonesia, Thailand and Turkey to name a few. Our 1994 exports to those 20 nations totalled $48 billion. Forty percent of all our exports go into developing economies.

The IFIs are rebuilding shattered economies -- in Bosnia and the Middle East.

In Latin America, with IFI guidance and support, there is a new consensus to pursue market-based economies. Democracy has spread, and U.S. commercial interests have thrived. That would not have happened without IFI support.

In Eastern Europe, the former Soviet Union, and Indo-China, the institutions support the transition from communism to free market democracy.

And, as Secretary Christopher discussed with you last month, the institutions further our key foreign policy goals by directly contributing to economic and political stability in areas important to our national security. They are the international community's economic tools for times of crisis. And they are tools to create growth, open and integrate markets, and address the global problems of endemic poverty, environmental degradation, mass refugee flows, and unsustainable population growth which are too large for any one nation to address alone.

We agree with Congress that these institutions, for as much good as they are doing, have their shortcomings, and we are using our leadership to remedy that and ensure the best return on our investment. The IFIs have been extremely responsive to an ambitious, U.S.-inspired reform agenda. While more must be done, significant progress has been made to: improve lending quality and portfolio performance; strengthen efforts to promote private sector development; deepen support for poverty reduction; improve primary education, particularly for girls; improve primary health care; increase transparency, accountability and public participation; integrate environmental considerations into development programs; and improve management efficiency and institutional responsiveness.

Mr. Chairman, the work of the international financial institutions has a broad impact. Every American, directly or indirectly, is affected by these institutions and has an interest in continuing to support then.

In the past year I've seen where the impact on America has its roots, and that is at the grass roots level overseas -- where economies are developing and markets being opened.

In a shantytown in Brazil last year a woman told me that before the World Bank began to install a sewage system and build a community center, she would sit up nights to make sure rats did not harm her children as they slept, and she feared for their future. Now, she and the children sleep nights, and the children go off in the morning for schooling and training. She has hope not just for her children's future, but for her own. I saw families in a poor town in India who are raising their living standards and entering the consumer class with a bank-sponsored water and soil conservation program. Last month, a woman in a poor suburb of Manila told me how a small loan from a cooperative backed by the Asian Development Bank -- a loan of only about $200 -- is helping her family build a business. She came to tell me this -- even though her father died just hours earlier -- because she wanted not just me, but you to know how lives are being changed for the better.

These are the actions that, collectively, develop economies and open and build markets for America, spread democracy and encourage stability, and through all of this, further our national security. For all these reasons, it is imperatively in the interest of every American that there be vigorous U.S. participation in the international financial institutions.

Thank you.

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U.S. TRADE POLICY WITH JAPAN: ASSESSING THE RECORD

An Update

The Council of Economic Advisers
U.S. Treasury Department

April 10, 1996

President Clinton has made opening the Japanese market a key priority.

One month after taking office, President Clinton set forth a simple but powerful mission statement to guide trade policy: "We must compete, not retreat." At the same time, he made clear that his trade policy would not be business as usual. "We will continue to welcome foreign products and services into our markets but insist that our products and services be able to enter theirs on equal terms." Since that time, President Clinton has been unwavering in his commitment to secure tough but fair trade agreements -- and to make sure that those agreements are enforced.

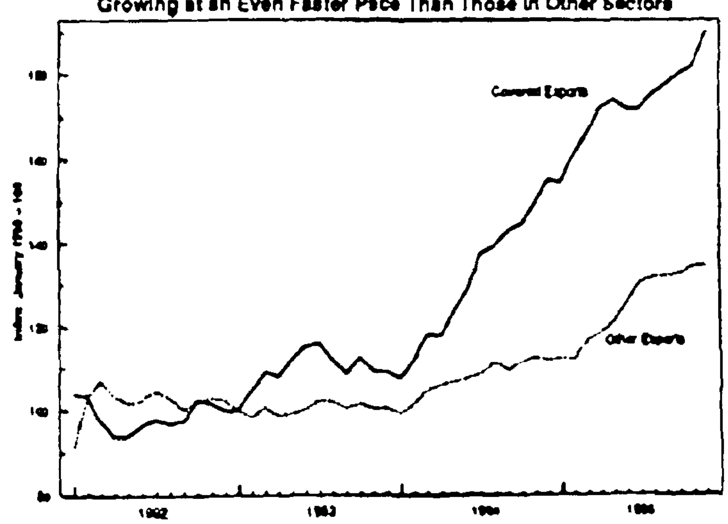
President Clinton has made the economic relationship with Japan a model for his distinctive approach to trade policy. Accordingly, one of his first trade initiatives was to establish a "framework for a new trade relationship with Japan." In the 33 months since the Framework Agreement was signed, the Administration has concluded more trade agreements with Japan than any previous administration. And in keeping with the President's commitment to America's companies, workers and farmers, the Administration has followed through on implementing, reviewing, and enforcing these agreements. The President's consistent application of the principles he laid out in his first months in office is now producing convincing results.

U.S. exports to Japan in targeted sectors are growing rapidly.

The Clinton Administration has negotiated 20 trade agreements with Japan, including Uruguay Round, Framework, and other bilateral agreements. The agreements cover priority areas from general market access and deregulation, to intellectual property rights protection for U.S. goods and services, to important services sectors such as insurance and construction, to specific goods sectors such as automobiles and apples. The trade agreements are "win-win", yielding lower prices and higher quality for Japanese purchasers and consumers and increasing market access for U.S. companies, workers and farmers. Free and fair trade has long been recognized as the basis for increasing living standards for all trading partners.

The Administration's strategy is results-oriented. The agreements include objective criteria for measuring progress and timelines for review of the agreements. The Administration has placed a high priority on enforcing the agreements, which is helping to ensure they deliver real benefits for American companies, workers, and farmers.

U.S. Exports to Japan In Sectors Covered by Trade Agreements Are Growing at an Even Faster Pace Than Those In Other Sectors



The Administration's strategy is showing positive results. In the goods sectors covered by our Uruguay Round, Framework, and other bilateral agreements, U.S. exports to Japan have grown over 85 percent since this Administration took office. Growth in exports to Japan in these sectors is 3 times greater than growth in other U.S. exports to Japan -- which has also been strong. Indeed, growth in all U.S. exports to Japan of 34 percent has been over twice as great as growth in U.S. exports to the European Union. Total U.S. exports to Japan reached a record $64 billion in 1995.

The July 1993 Framework Agreement is the cornerstone of the Administration's trade policy with Japan. The Framework focuses on all three aspects of the economic relationship with Japan--macroeconomic, structural and sectoral--and it establishes guidelines for review of the agreements to ensure that the desired results are achieved. This strategy is now paying off: in the goods sectors covered by the Framework Agreement alone, U.S. exports to Japan have risen 120 percent since the Agreement was signed -- four times as fast as other U.S. exports to Japan.

U.S. businesses and workers are achieving successes in sectors covered by Clinton Administration trade agreements.

Autos and Auto Parts: Since the auto and auto parts agreement was signed in August 1995, U.S. auto and auto parts exports to Japan have risen over 35 percent, totalling $3.8 billion in 1995 -- already exceeding exports to the European Union. In 1995, the Big Three and Japanese transplant producers exported over 140,000 U.S.-made vehicles to Japan, up nearly 40 percent from 1994.

Recognizing that U.S. auto makers could expand their sales if given adequate opportunity to display their products in Japan, the Administration targeted access to dealerships as an important part of the August 1995 auto and auto parts agreement. Since the agreement was signed, the Big Three U.S. automakers have added 30 high-quality, high-volume dealer outlets in Japan, but more progress is required.

Deregulatory actions in Japan are beginning to lead to more sales for competitive U.S. suppliers in the auto parts aftermarket. U.S. parts suppliers will now have the opportunity to sell their products through Japan's major auto parts retailers and service stations. Such access will dramatically increase U.S. auto parts sales to Japan: For example, as result of opportunities created by the agreement, Tenneco Automotive, which has made efforts to break into this market for years, expects to expand its sales of shocks and struts in Japan from the existing level of 70,000 units per year to 105,000 in 1996.

Telecommunications Equipment: Since two agreements on telecommunications procurement were signed on November 1, 1994, U.S. exports of telecommunications equipment to Japan have increased nearly 50 percent, to $1.7 billion in 1995. This is almost twice as fast as the growth of U.S. exports of telecommunications equipment to the European Union, albeit starting from a lower base.

Cellular Telephones: After years of stalled negotiations, the Clinton Administration concluded an agreement in March 1994 with Japan to open the cellular telephone market in the Tokyo-Nagoya area, the largest population center in Japan. Since the agreement was signed and the Japanese Government instituted deregulation measures, subscribers to the North American designed system have grown from 22,000 to 600,000. Motorola, which tried unsuccessfully for years to break into this market, provides the bulk of the equipment to build and maintain this system, with sales values in the hundreds of millions of dollars per year. Greater competition in the region has also benefitted Japanese consumers -- they now not only have greater choice but also enjoy lower prices for cellular phone services. Initiation and monthly service fees are now one-third the previous rates.

Medical Technology: The Clinton Administration concluded a Framework Agreement with Japan covering public sector procurement of medical technology (such as MRI machines and CT scanners) on November 1, 1994. A review of the agreement in July 1995 determined that the Japanese Government has made good progress toward implementing the transparent and open procurement procedures called for in the agreement. Since the agreement was signed, U.S. exports of medical technology to Japan have increased over 35 percent, to nearly $2 billion in 1995.

Rice: The Clinton Administration targeted rice in the Uruguay Round negotiations. Although American medium-grain rice has been highly rated on quality by the Japanese Food Agency, imported rice was virtually banned in Japan for decades. With the successful conclusion of the Uruguay Round, Japan finally opened its market to imported rice and American rice has been well-received by Japanese consumers.

In 1993, a major failure of the rice crop in Japan led to the first taste of American rice for many Japanese consumers. Since that time, U.S. farmers have sold $287 million of rice exports to Japan, more than the previous 25 years combined. And although Japan's rice crop subsequently recovered, U.S. exports of rice to Japan in 1995 totalled $31 million.

Apples: The Clinton Administration targeted apples as one of its first bilateral trade initiatives with Japan, and an agreement was concluded on September 13, 1993. Since that time, the Administration has continued to work with Japanese officials to increase the number of U.S. apple growers and apple varieties certified to supply the Japanese market. These sustained efforts are beginning to pay off: where U.S. apple exports to Japan were once banned, apple exports approached $7 million in 1995. Meanwhile, imports of apples have brought lower prices to Japanese consumers, which will help increase overall apple sales in Japan.

Copper: The Clinton Administration targeted copper in the Uruguay Round negotiations. Since the Uruguay Round Agreement was signed, U.S. exports of copper to Japan have increased by over 80 percent, to $350 million in 1995. The United States sells 1.5 times as much copper to Japan as to the European Union, and U.S. exports of copper to Japan are growing faster than those to the European Union.

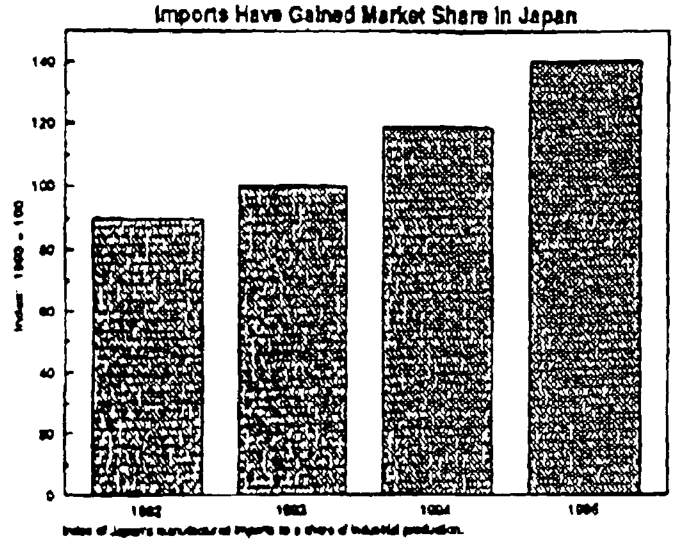
Chemicals: The Clinton Administration targeted chemicals in the Uruguay Round negotiations. Since the Uruguay Round Agreement was signed, U.S. exports of chemicals to Japan have grown nearly 25 percent, reaching $2.8 billion in 1995.

Flat Glass: Until the flat glass agreement was signed in January 1995, Japan's $4.5 billion market for flat glass had been dominated by an oligopoly of 3 Japanese producers. U.S. exports of flat glass to Japan doubled in 1995 to nearly 5 million square meters.

Japan's market is also opening up more broadly.

Realizing that progress in individual sectors would depend in part on addressing overall imbalances, the Administration targeted macroeconomic and structural adjustment in Japan as important aspects of the Framework agreement. On these fronts as well, the results have been positive. Japan's imports have been growing rapidly. This strong import growth is especially encouraging given low overall growth in Japan and the recent depreciation of the yen against the dollar. Indeed, recent evidence suggests Japan may be experiencing a structural shift towards greater acceptance of imports.

Imports Have Gained Market Share In Japan

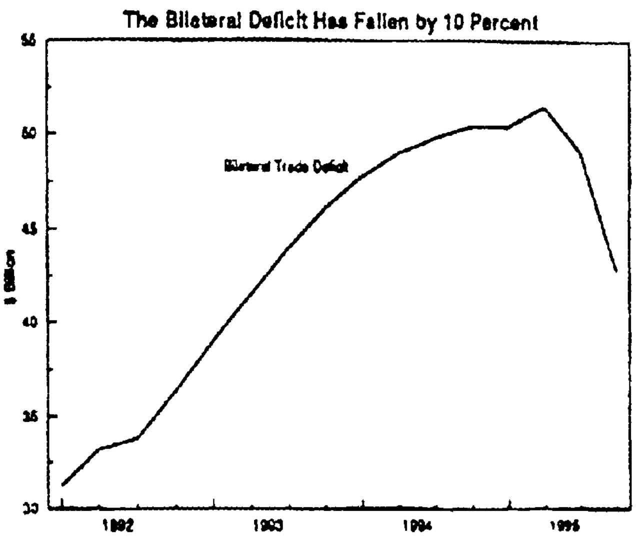


By the last quarter of 1995, the Japanese current account surplus had fallen below 2 percent as a share of the economy. Moreover, *Consensus Economics* forecasts continued reduction in Japan's current account surplus from $110 billion in 1995 to $88 billion in 1996 and $69 billion in 1997.

Japan's Current Account Surplus Has Fallen as a Percent of GDP to Its Lowest Level Since 1991

And the bilateral trade deficit with Japan has begun to decline.

Despite slow growth in Japan during 1995, U.S. merchandise exports to Japan grew five times faster than our imports from Japan. Overall, U.S. merchandise exports to Japan grew 20 percent in 1995 alone. As a result, the trade deficit with Japan declined by nearly 10 percent -- the first decline in five years. Trade in autos accounted for half of the improvement in the trade deficit: U.S. auto exports to Japan increased by nearly 40 percent while imports fell for the first time in a decade.



The improvement in the trade deficit in part reflects economic recovery in Japan. While we welcome the improvement in the bilateral deficit, it is important to note that the bilateral deficit is not a scorecard for trade policy. The goal of our trade policy is to improve the economic well-being of Americans by expanding trade.

The recent success of our Japan trade policy parallels improvement in overall U.S. competitiveness.

Our strong export performance in general and to Japan in particular is attributable to a variety of factors, in addition to the numerous market opening agreements concluded during this Administration. The President's overall economic plan, with its emphasis on deficit reduction and investment, has led to strong sustained growth with low inflation. This has encouraged strong growth in U.S. investment and employment, and helped to strengthened U.S. business confidence and the fundamental competitiveness of U.S. industries and workers. The economic results have been impressive by any measure: during the last three years, the American economy has produced 8.5 million new jobs; the federal budget deficit has been cut nearly in half; home ownership is at a 15-year high; the combined rate of inflation and unemployment is the lowest in 27 years; and an all-time high of almost 2 million new businesses have been created. U.S. exports have surged, rising 31 percent since the beginning of the Administration, and the World Economic Forum has ranked the United States number one on competitiveness for two years in a row, up from number 5 in 1992.

For more information, please contact Michele Jolin at 202-395-5084.

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TRANSCRIPT OF PRE-G-7 PRESS BRIEFING
WITH TREASURY SECRETARY ROBERT E. RUBIN
APRIL 18, 1996

Page 1

UNITED STATES DEPARTMENT OF TREASURY
PRESS BRIEFING
THURSDAY, APRIL 18, 1996
2:30 o'clock p.m..

Page 2

SECRETARY RUBIN: Good afternoon. Welcome to treasury. Well, as you all know, in the coming days we will have G-7 and G-10 meetings, as well as the Interim and Development Committee spring meetings.

The United States is now an integral part of a global economy. What happens abroad is of enormous importance to our economic interests and our national security, and that's what these next few days are about.

We were reviewing the agenda over the last few days, as we got ready for this meeting, and the thing that struck me more than anything else is how rich in content this year's meeting is – this year's meetings are, counting all the different meetings, G-7, G-10, the Interim Development Committee's.

A lot of these issues are not the kind of issues that create headlines or are enormous news on any given day, but are indeed, without question, they are of far greater importance over time to our country than an awful lot of the things that attract far more attention on any particular given day.

The issues we'll be discussing affect

Page 3

America's economic interests, and thereby also our national security interests, in two fundamental ways:

1, we will be discussing the question of growth. At the G-7 meeting particularly we will be discussing growth in the industrial countries, as well as in the developing transitional economies.

In the industrial countries, we'll be focusing on the issues that each of us faces. In Japan, the growth has begun again, but clearly it's very important that there be focus on continuing policies that will sustain growth going forward.

In Europe, growth is very slow, and clearly it's in the interest of Europe, but also the rest of the world, that Europe begin growing again. In that respect, we very much welcome the actions of the Bundesbank this morning.

The United States has been criticized in these forums for many, many years, in the '80s and early '90s, for not dealing with our fiscal problems for the effects that had on this country and the rest of the world.

I can remember in 1993, I went to the Tokyo

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G-7 meeting, the President was able to say, "We have now put forth a program that really begins to address this very serious economic issue in the United States."

Today I can go to a G-7 finance ministers meeting and we have the lowest deficit GDP ratio in the G-7, and our deficit is heading even lower. So we have done – we have addressed the issue the rest of the world told us we needed to address, and that puts us in a very strong position to discuss with the other nations the issues that face them, just as they deserve to discuss with us the issues that continue to face us.

The other major focus of these next few days will be in the national financial institutions and on making those institutions as modern as the global markets and the global economy. I believe the adjustments that are going on in the national financial institutions today are of an importance that can be fairly called historic.

Just as the economies of the world have changed so dramatically and have globalized with great

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speed, so we must have institutions that are commensurately modern.

This process began two years ago, some of you may remember, in the Naples G-7 meeting. Then we went to Halifax, where the President proposed, and the leaders adopted, a wide range of initiatives.

None of these were easy to do, because you have to deal with a very large number of countries. Each of those countries have their own political substantive issues. But a lot is happening. It doesn't happen quickly, but it is happening.

In the aggregate of these four meetings that we will be having with respect to the international financial institutions, cover the following six issues:

1, the IMF will adopt strong disclosure standards, to help markets that anticipate and thus avert financial crisis.

I don't think there's any question that these disclosure standards had been in effect at the time preceding the Mexican financial crisis, that the global investors would have been affected by them, the

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tesobono buildup would have been far less, and that situation never would have reached the dire straights that it did reach.

Just as disclosure is at the heart of the American regulatory system, I think that disclosure can be at the heart, much more effective regulatory system, in the international markets.

Participants in discussions with respect to the GAB, the General Agreements to Borrow, have reached agreement on broad principles. Now we need to continue and deal with the various technical issues, so that can be brought to conclusion.

Third, the G-10 will adopt a report on the resolution of sovereign liquidity crisis. And I don't want to get ahead of that report, but let me say that I do think that what you will see are recommendations to reduce the expectations amongst private lenders with regard to official finance, and to encourage private investors to pay more attention to risk and to the ways of dealing with risk.

Fourth, the xxx BIS and IOSCO are making real progress towards enhancing cooperation,

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regulatory cooperation, both with respect to the markets and with respect to the firms that operate in the global economy and across national borders, regarding supervision.

5th, the Development Committee will adopt a report that's already been released on improving the effectiveness of development banks, both with respect to how they use their resources and with respect to the manner in which they operate. As you know, that focuses on investing more in the environment, on investing in education, on investing particularly with respect to women in less developed countries, and then with regard to the operations of these institutions, transparency, and other related matters.

And finally, the G-7 will call on the IMF and World Bank to continue developing their proposals, that is to say the IMF and World Bank proposals, with regard to reducing debt owed to the most lateral institutions. It's our view that the poorest countries in some cases will need not only bilateral debt reduction, but also IMF and World Bank or sister bank debt reduction in order to be on a viable basis.

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You put all of these together and what you have are an array of initiatives of enormous importance to our self-interest, our economic interest, our national security interest.

Let me say, we will also be joined, as we have been for now quite some period of time, by representatives of the Russian Government, at the end of our meeting, G-7, we will be joined by the Russian Central Bank Governor other Russian officials, for a brief discussion of the economic output in Russia.

Russia had a good 1995. They adopted a 1996 program which was sufficient to get them a three year extended arrangement with the IMF, which we in the United States very strongly supported.

It is our belief that if Russia continues on the reform path that they've been on, that they are now poised to begin growing again and to reap the benefits of reform.

Let me close by saying that these are clearly three days that will deal with issues of great importance to this country and countries around the world, could make a real difference both for Americans

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and the global community.

This is part of an ongoing process that we need to focus on and devote ourselves to, year in and year out, in order to deal effectively with the issues of the global economy that we are now all part of.

With that, I'd be delighted to respond to questions. Way in the Back.

CORRESPONDENT: Mr. Secretary, we saw a trade deficit with Japan last year of $59 billion, which while down from the preceding year, was still the largest bilateral deficit of any country.

Has the recent appreciation in the value of the dollar against the yen, does that help the U.S. to reduce its trade deficit with Japan?

SECRETARY RUBIN: Let me give you a two-part answer to that, and then I'll give you the third part, which will be the piece that I won't respond to.

What I won't respond to is what I think the end dollar relationship ought to be. So I'll give you my third part first.

But I do think the question of

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competitiveness of American industry -= leave aside currency rate for the moment - is obviously a very important focus of public policy. Because of the effors of both the private sector and the public sector, if you look at American industry today, it is competitive across a broader range of industries, something which was certainly not true seven, eight, nine years ago. I think a great deal has been accomplished with respect to the competitive position of this country.

In terms of the trade deficit with Japan, I think there are two pieces to that. One, I think we need to continue to be competitive and to energize energetic, we pursue export opportunities to Japan; and we need to continue to work with the Japanese Government as they continue to open their markets, which is of benefit to both Japan and the other countries of the world, and ourself. Yes, ma'am.

CORRESPONDENT: Mr. Secretary, you said you wouldn't speak about yen-dollar levels.

SECRETARY RUBIN: Correct. Or dollar-yen levels.

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CORRESPONDENT: And you did omit to say that you would be discussing currency questions at the G-7 meeting, although the other finance ministers did say that they would.

SECRETARY RUBIN: Well they undoubtedly will, then.

CORRESPONDENT: One would assume that you would be there.

SECRETARY RUBIN: Yes, I will be there, I have to chair the meeting, so I will without doubt be there.

CORRESPONDENT: My question really is, there's been some discussion about levels at which the dollar would be too high against the yen. Do you expect that you will be discussing this type of thing at the meeting?

SECRETARY RUBIN: Well, I was jesting a little bit. There are always discussions about matters like - when finance ministers get together they have an irresistible urge to discuss exchange rates.

But my view with respect - what I say with

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respect to the dollar is always the same, but it is the policy of the United States Government, which is we believe a strong dollar is very much in our national interests, and that we will continue to cooperate with the other nations, with G-7 and elsewhere in the world where appropriate.

CORRESPONDENT: Could I follow-up on that?

SECRETARY RUBIN: You sure can.

CORRESPONDENT: Do you expect that there will be such consensus on how high the dollar should go?

SECRETARY RUBIN: No, I don't think that there will be discussion of level, I really don't. I think what there will be discussion of are our economic policies and the fundamentals of these various countries, and I think that's what the focus will be on. I'm sure that we will reiterate, as we always do our willingness to work together, when it's appropriate to do so, with respect to currency. Yes, ma'am.

CORRESPONDENT: Mr. Rubin, you were quoted as saying yesterday that the economic fundamentals in

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the U.S. currently are about run. Are these economic fundamentals now fully reflected in the value of the dollar?

SECRETARY RUBIN: That's what I didn't comment on.

CORRESPONDENT: Would you like to expand on that a little.

SECRETARY RUBIN: No. I'll expand on the fundamentals. I think that we have come a long way in the last three years. The private sector has done a good job in terms of beginning to become competitive. We brought down the deficit by 50 percent - actually we are below 50 percent as a percentage of GDP - and I think we're very much on the right path going forward. And I think -

CORRESPONDENT: Does the dollar appropriately reflect that?

SECRETARY RUBIN: That I will not comment on. Yes, sir?

CORRESPONDENT: On the issue of debt relief, could you talk about the U.S. position on the joint IMF-World Bank effort to grant relief? Some of

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the developing countries believe that the World Bank and the IMF should be doing more. Is the U.S. of that view?

SECRETARY RUBIN: We are of the view, and have been of the view, that there are countries, the poorest countries, that some of the poor countries have a debt load that simply is not sustainable, and in order for them to be viable, there has to be debt reduction.

We believe that that has to be done through the Paris Club, which is to say official government debt; and be done through the London Club, which is private debt. But an important piece of that in some of these countries is the multinational withdrawal institution of debt.

We think that should be done with the resources, or at least predominantly with the resources of the IMF and the World Bank. It's not been the position that that should require contributions from the donor nations, or the member nations, I should say, except those that choose voluntarily to contribute to that purpose.

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CORRESPONDENT: So in other

words, you're saying that the U.S. did not support enhancing the Naples task of controlling greater debt relief on a bilateral basis; is that what you're saying?

SECRETARY RUBIN: No. I'm saying that the United States supports bilateral debt relief, but it also supports debt relief by the IMF and the World Bank.

What we do not support, and neither does anybody in the G-7, to my knowledge - what we do support is the World Bank and the IMF doing this with their owe resources, rather than calling on the member countries to donate additional resources for that purpose. Yes.

CORRESPONDENT: Secretary Rubin, will the cheap yen and the bad loan problems in Japan come up in the bilaterals with your Japanese counterpart? Have they done enough to deal with those problems, as well?

SECRETARY RUBIN: Well, clearly, the Government of Japan has an important thing to deal with. As I said before, and I'll say it again, I

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think there was a point many, many months ago when the Japanese government crossed the bridge. They clearly internalized the need to deal with these issues, just as we at some point in our history years ago needed to deal with the S&L problem.

The question of how they do that is really a matter for them, not for us. But I'm sure that there will be some discussion of the measures they're taking, what their plans are. Yes, sir?

CORRESPONDENT: Along with the yen problem, recently the lower house of Japan passed their budget after many months of struggling. You have been calling for greater transparency in the - in the Japanese resolving of this problem. One of the things that you have been asking for, or have been suggesting, is that there is greater transparency in the system.

What they came up with to solve the problem in the latest budget, do you think that reflects your request for more transparency?

SECRETARY RUBIN: Well, I think I'm going to keep out of the business of commenting on their

Page 17

particular policy proposals, because I think that's the appropriate thing to do. But I'll just reiterate what I said a moment ago, I think that part of the battle is recognizing you've got a problem and commiting to deal with it, which the Japanese Government certainly has done. And I'm sure we'll have discussions at these meetings about where they think their various approaches are heading. I think I rather limit myself to that.

Yes, ma'am, way in the back.

CORRESPONDENT: Mr. Rubin, you said that you welcomed the interest rate cut by the Bundesbank today, do you see further room for further interest rate reductions in the future? And second question, if I may, the IMF in its world economic outlook report also mentioned the high fiscal debt accrued by the industrialized countries and mentioned that that was - the level of debt was unprecedented.

Will you also be discussing that also in view of the upcoming problems with tensions and helping in Asia, so forth?

SECRETARY RUBIN: Well, that's a

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complicated question with a lot of pieces to it. But, yeah, I have no doubt we'll be discussing fiscal situations in the various countries. There's the whole other separate question which you correctly referred to which is the underfunding of future pension operations.

I'm sure we'll be discussing the fiscal conditions with various countries and their plans, Maastrick and all of the related issues.

In terms of future actions by the Bundesbank, I think I'd rather restrict myself to saying that growth in Europe obviously is very slow. It is very much in the interest of Europe and the rest of the world that Europe began growing again.

What policy measures they take to accomplish that purpose is something they're going to have to - is really appropriate for them to deal with.

Yes, sir? Well, I was actually talking about your neighbor, but; okay?

CORRESPONDENT: Mr. Secretary, the IMF just predicted a 3 percent growth in the Mexican economy

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for 1996. We want the Mexican Government to increase domestic savings. Do you agree with this prediction, and what is your final view of the next level - the next savings of the final savings by the Mexican Government?

SECRETARY RUBIN: Well, we have avoided having these specific predictions with respect to Mexican growth, but I think it is very fair to say that an enormous amount has been accomplished in Mexico.

If you think about where Mexico was in January or February of 1995, and you think about where things are today, the tesobonos have been eliminated, the reserves have increased from 6 billion to about 15 billion - I'm talking in dollars - someplace in that area.

There clearly are many issues the banking system need to dealt with but they are being addressed. We think that they've had quarter reported or least one quarter maybe two - I mean, two quarters now at least these two quarters.

We believe there will be solid growth in

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1996. I don't want to comment on a specific number, but solid growth in 1996. Obviously there are issues left to deal with - a lot of issues left - I don't want to say "a lot of issues," let me say a lot left to do, and I think it's absolutely critical that Mexico remain on the reform a path it's been on.

But I will tell you, I think that President Zedillo, Minister Ortiz, and the others have just - been an enormous political courage in undertaking the very tough program that they've undertaken, and I think it's very gratifying to see that begin to pay off in a relatively short period of time.

CORESPONDENT: Given that next week is the experation of yet another continuing resolution. Does the lack of a budget for the Federal Government and a lack of a budget plan for the next several years, have an effect on the economy for 1996?

SECRETARY RUBIN: That's a very good question. I don't think so. I think we can point to a very solid record of accomplishment on deficit reduction. As I say, the 1993 deficit reduction plan, which was a tough plan, which was criticized by a lot

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of political advisors to the President has produced very substantial - in fact gets us down to over 50 percent of percent of GDP. Predictions this year by the CBO for the deficit are, I think $140 billion for 1996, which is less than half it was when the President was elected.

Clearly, it would be good to put in place a budget that goes to balance in seven years, and the CBO testified yesterday, I believe, in the House, and I think they're testifying again today at the Senate, that the President's budget, by their scoring, does in fact balance over seven years. In fact I think they said it's a $3 billion surplus, or something like that.

So I think that the Administration is very strongly positioned, where generally the President said that he is ready anytime to sit down and try to work through the budget, as long as there's a budget that makes sense for the future of this country and meets the priorities that he has.

I think there is a broad recognition around the rest of the world that this country is committed

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to fiscal discipline, though clearly to have a budget in place or not. Yes, sir.

CORRESPONDENT: Sir, on the question of multilateral debt relief, your German counterpart Mr. Waigel, said this morning, reiterated his opposition to IMF gold sale? How far do you sympathize with this? He talked about using their own resources to relieve that.

SECRETARY RUBIN: We believe they should use their own resours, and it obviously can lead you into the question that Mr. Waigel addressed. I guess the answer that I would give is that it seems to me that the IMF has to do is to look at its resources and mobilize them in the manner that will generate the resources they need.

Yes, sir.

CORRESPONDENT: Mr. Rubin, are you concerned at all by some of the noise made by the Democrats in the Senate with regard to Mr. Greenspan's nomination? He's meeting with Mr. Harken today. Apparently there's some concerns about his renomination. Is that a concern to you, at all?

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SECRETARY RUBIN: Oh, I don't have any questions that Mr. Greenspan is going to be reconfirmed. There may be people who have issues that they think – you know, that they feel they'd like to discuss further and explore further with Mr. Greenspan, but in the final analysis, I don't think there's any question that he will be reconfirmed.

Why don't we do two more questions?

CORRESPONDENT: Secretary Rubin, I think you were quoted yesterday. Tell me if I got this right, that you don't see any real threat to the economic rest of the world from the U.S. because of the recent run upon long-term rates?

SECRETARY RUBIN: Well, that's not-

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CORRESPONDENT: Okay. I'm glad I asked.

SECRETARY RUBIN: Let me tell you what I think I said. If I was quoting myself, let me tell you what I would say.

I said the same thing over the past three years, the whole time we've been here, and that is that once the President came out with the Deficit

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Reduction Program, even before it was enacted, once he came out with the Deficit Reduction Program; the markets accepted the credibility of that program more rapidly, frankly, than I thought they would.

And interest rates came down. And I think what happened is that the deficit premium, which in my view has been quite large, the deficit premium in very large measure came out of intermediate long-term rates that really impact the economy. And I think with that circumstance, that long-term rates over time will be at levels that are consistent with maintaining solid growth.

Now at any given time, as markets fluctuate, they may be higher they should be lower. I'm not commenting on the level rates right now. I'm not commenting on that at all. I'm just saying over time, with the deficit premium out, for a very large measure; very, very large measure at this point. Out of rates, I believe the rates will be consistent with solid growth.

CORRESPONDENT: Is it fair to say you don't see any risks in the near future then –

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SECRETARY RUBIN: Risks of what?

CORRESPONDENT: Of long-term rates jeopardizing economic growth.

SECRETARY RUBIN: I think I'll stick with just what I said. I think the most likely scenario this year is the continuation of solid growth, low inflation; and I think the long-term rates will hit levels that are consistent with that expectation.

CORRESPONDENT: The London bank suggested reducing debt relief in the Paris group to 90 percent, you said you would be happy with 80 percent. What percent would the U.S. be happy with?

SECRETARY RUBIN: Well, I believe now it's sixty-six and two-thirds percent; right? I think that the question of taking that sixty-six and two-thirds of some other percentages is a very important issue that is legitimately raised to discussion.

I think I'd rather not express our view other than to say that as a general proposition, I think, when you get to these very poor countries that have very large debt loads, if they're on the right path, if they're really on a reform path, they're

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trying to do right things, I think both bilaterally and multilaterally, multilaterally being the bank, the fund, that it's important to give them the debt service that makes them viable.

SENIOR TREASURY OFFICIAL: Why don't we do one more?

SECRETARY RUBIN: You always do one more and get the question you don't want.

CORRESPONDENT: Do you still favor the renewal of China's most favorate nation status?

SECRETARY RUBIN: Yes.

CORRESPONDENT: Even in the light of the present circumstances?

SECRETARY RUBIN: The question is: Does the President favor the renewal of MFN and the answer is "yes." Now, as you correctly say, because that was another piece of your question, there are issues, very important issues that need to be addressed and resolved in our relationship with China. As you correctly say, the nuclear proliferation is one, IPR is another, human rights is an area in which this country has a long, long, long position of strong

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advocacies, and that's another.

And while at the same time that we extend MFN because we believe that China – it's in China's interest and our interest for China to be more and more part of the global economy and the global institutions that we have in this economy. At the same time that we pursue that path, we are also commited to a vigorous pursuit of our interests or our views in these other areas.

CORRESPONDENT: Do you anticipate the debate over MFM to be particularly vigorous this year?

SECRETARY RUBIN: I suspect we'll have a vigorous debate this year, yes.

We'll take two more questions. Blair?

CORRESPONDENT: This morning Mr. Templeton said that the orderly reversal that G-7 called for last year has been a success, and he said that broadly speaking the G-7 currencies are now reflecting funding. Would you agree?

SECRETARY RUBIN: As I indicated in our discussion earlier, I neither agree nor disagree.

We'll take one more, I guess over here.

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CORRESPONDENT: Mr. Secretary, the IMF demands strong disclosure standards to avoid another crisis like Mexico. That is nice, but it's useless if you don't get any reliable statistics data which are not manipulated. Now we know in the past they have been manipulated many times. Do you want to make sure that –

SECRETARY RUBIN: Well, that's a good question. They're going to have to monitor the quality of the data. But if you look at the American regulatory system in securities, disclosure is the heart of that regulatory system.

I believe that disclosure can be similarly important in international markets. Now as you know, once they put out the disclosure standards, then countries can elect to comply or not comply. I think there's something like a two-year period for a country's initial phase to sign up.

My view is that over time, in the fullness of time, countries will not have a real choice on that issue; because international investors are going to get very focused on these standards. And if you don't

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sign up, I think you'll substantially disadvantage yourself in international capital markets.

So I think that signing up for this program you will find disclosure requirements is going to become requisite for effectively functioning and borrowing any capital in the local bank market.

I think there's going to be enormous importance over time. Clearly, I represent the IMF is going to have to monitor, as you correctly said, the quality of information. We'll take one more question and then we're gone.

CORRESPONDENT: Is it more important for the administration to have an election issue or election issues than a budget this year?

CORRESPONDENT: That's the last question?

SECRETARY RUBIN: Tnat's the last question? Let me answer it this way. I'll give you a very solid substantive answer. There is no question that the President is committed to putting a budget agreement in place, if he can get one, on terms that he thinks are right for the people of the country. And as you know, as now independent CBO has now validated yes, or

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they did yesterday and they already did today in testimony, we have put out a seven-year budget that goes to balance, by CBO scoring, as has the congressional majority.

The question is, what are your priorities after that? The President's priorities are education, the environment, training, Medicare, Medicaid. They have much larger tax cuts than we do, but they have much larger tax. Their tax cuts are much more aimed toward the affluent.

In order to finance those majority tax cuts, they have to have relative and significant cuts in the areas that we think are critical are important to the economic future of the country and to our social conditions of Medicare and Medicaid. That is the guts of the difference. But the President in that context is ready at any time to sit down with Republicans to reach a balanced budget agreement.

CORRESPONDENT: But is it worth it to compromise now, or would you rather take that issue to the American people in November?

SECRETARY RUBIN: The President wants a

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balanced budget. He wants to put it in place now, but it's got to be consistent with the principles that he thinks are right for the future of this country.

Clearly, if you can work out such an agreement, there will be important issues for them to debate before the American people in the election, and I think that will be an important part of the election campaign. But none of that should stand in the way of putting together a balanced budget.

The President said in his State of the Union Address, that if you look at the numbers in the underlying policies, there's enough common ground on numbers and underlying policy to replace the budget now. It's his belief that we should do it, and I think he's absolutely right in that respect. Thank you, very much.

(Conclusion)

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

April 18, 1996

The Honorable Richard K. Armey
Majority Leader
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Leader:

I am writing to urge the Congress to move as promptly as possible to enact the proposed legislation recapitalizing the Savings Association Insurance Fund (SAIF). This legislation, proposed jointly by the Administration and the Federal Deposit Insurance Corporation, with strong support from the Federal Reserve Board, passed both Houses of the Congress last year as Title II of the budget reconciliation bill.

The legislation would accomplish three important objectives. It would:

- require SAIF members to pay a $5.5 billion special assessment to bring SAIF up to its statutorily required reserve ratio;
- spread the $780 million annual interest cost on the so-called FICO bonds pro rata among all depository institutions that benefit from FDIC insurance; and
- provide for a conditional merger of these two FDIC funds within two years.

This legislation is critically important. Because SAIF is seriously undercapitalized, it charges healthy institutions 23 cents per $100 of deposits, while the Bank Insurance Fund (which is fully capitalized) charges healthy institutions virtually nothing. As Chairman Greenspan has forcefully testified, this extreme disparity in premium costs will impel depository institutions to use all means at their disposal to reduce their SAIF-insured deposits.

As that portion of the SAIF assessment base from which FICO interest is paid diminishes -- and it has been decreasing at an average annual rate of about 11 percent since 1989 -- the prospect of SAIF reaching the point where it is unable to pay the interest on the FICO bonds in the relatively near future becomes quite realistic. If the base were to decline at the rate of 20 percent, which could readily occur if SAIF members concluded that

Congress will not act soon on the proposed legislation, that point could be reached as early as next year.

There is no better time than now for Congress to pass this legislation. Both BIF and SAIF members are realizing record earnings, and the two industries are in excellent condition. The additional premium cost that BIF members would bear from sharing FICO interest would not be more than 2.5 cents per $100 of deposits. This is far below the 6.8 cents in average annual net premiums paid by banks over the history of the FDIC. It would affect banks' return on assets by less than 1/100th of 1 percent.

If there is delay in the enactment of this legislation, we and the FDIC fear that the willingness of SAIF members to capitalize the fund with a $5.5 billion payment this year may dissipate, as thrifts seek other ways to reduce their reliance on SAIF-insured deposits. This could leave SAIF vulnerable to industry and economic shocks, and could result in Congress having to revisit this issue at a time when the condition of the two industries is far less favorable than it is now.

Two suggestions have been made for changes in the language of the proposal, on which we would like to comment:

First, we oppose moving the record date for the special assessment from March 31, 1995, to some later date.

Second, under the current legislative language, BIF members would receive a rebate of premiums paid since January 1, 1996 -- a total of about $10 million. It has been suggested that the language be changed to provide a retroactive rebate of premiums paid during the last half of 1995. We understand that such a change could have adverse scoring consequences as high as $500 million.

We cannot support any change in the rebate language that would have adverse scoring consequences. We note, however, that the FDIC has concluded that under the current legislative language, BIF members would not begin sharing in FICO payments until July 1, 1996 -- six months later than originally contemplated, which would be equivalent to a $300 million rebate. We understand there have been discussions of having BIF members begin sharing in FICO payments on January 1, 1997, and we would not object to that change.

The SAIF and FICO problems are the last vestiges of the problems of the thrift industry that caused such concern for Congress during the 1980s, and that imposed a cost on American taxpayers of more than $125 billion. The bipartisan solution that is now proposed, which Congress has already approved once, can put these problems to rest with no further cost to taxpayers.

We urge Congress to act immediately and not to pass up this important opportunity to achieve a result of which we can all be proud.

We stand ready to work with you in any way we can to accomplish this result.

Sincerely,

Robert E. Rubin

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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April 19, 1996

Monthly Release of U.S. Reserve Assets

The Treasury Department today released U.S. reserve assets data for the month of March 1996.

As indicated in this table, U.S. reserve assets amounted to $84,212 million at the end of March 1996, down from $84,270 million in February 1996.

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/
1996					
February	84,270	11,053	11,106	47,298	14,813
March	84,212	11,053	11,049	46,861	15,249

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/ Includes holdings of Treasury and Federal Reserve System; beginning November 1978, these are valued at current market exchange rates or, where appropriate, at such other rates as may be agreed upon by the parties to the transactions.

RR-1016

Monthly Treasury Statement

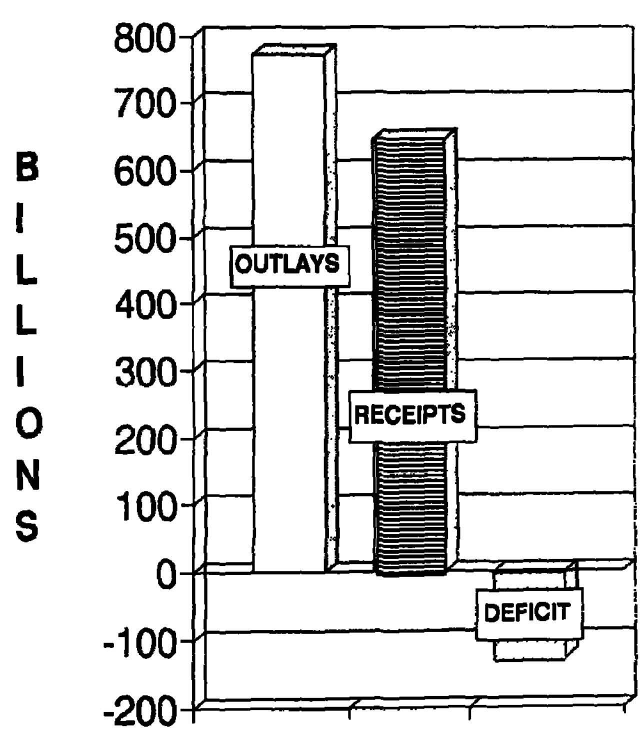
of Receipts and Outlays
of the United States Government

For Fiscal Year 1996 Through **March 31, 1996,** and Other Periods

Highlight

The cumulative outlays for the Earned Income Credit are $13.8 billion, $5.9 billion more than Fiscal Year 1995. This is due primarily to elimination of delays experienced in 1995 that were associated with Internal Revenue Service fraud prevention measures.

RECEIPTS, OUTLAYS, AND SURPLUS/DEFICIT THROUGH MARCH 1996



Contents

Compiled and Published by

Department of the Treasury
Financial Management Service

Introduction

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

Audience

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

Disclosure Statement

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

Triad of Publications

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

Data Sources and Information

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

Table 1. Summary of Receipts, Outlays, and the Deficit/Surplus of the U.S. Government, Fiscal Years 1995 and 1996, by Month

[$ millions]

Period	Receipts	Outlays	Deficit/Surplus (−)
FY 1995			
October	89,024	120,365	31,342
November	87,673	124,915	37,242
December	130,810	135,613	4,803
January	131,801	116,166	−15,635
February	82,544	120,899	38,355
March	92,532	143,074	50,543
April	165,392	115,673	−49,720
May	90,405	129,958	39,553
June	147,868	135,054	−12,814
July	92,749	106,328	13,579
August	96,560	130,411	33,851
September	[1]143,221	[1,2]135,978	−7,243
Year-to-Date	**[3]1,350,577**	**[3]1,514,433**	**[3]163,856**
FY 1996			
October	95,593	118,352	22,758
November	90,008	128,458	38,450
December	138,271	132,984	−5,286
January	142,922	123,647	−19,274
February	89,349	133,644	44,295
March	89,011	136,286	47,275
Year-to-Date	**645,154**	**773,372**	**128,218**

[1]Receipts have been increased by $2 million and outlays have been increased by $1 million in September 1995 to reflect additional reporting by the Corporation for National and Community Service

[2]Outlays have been increased by $5 million in September 1995 to reflect additional reporting by the Department of Justice

[3]The receipt, outlay and deficit figures differ from the *FY 1997 Budget*, released by the Office of Management and Budget on March 19, 1996 by $64 million due mainly to revisions in data following the release of the Final September Monthly Treasury Statement

Table 2. Summary of Budget and Off-Budget Results and Financing of the U.S. Government, March 1996 and Other Periods

[$ millions]

Classification	This Month	Current Fiscal Year to Date	Budget Estimates Full Fiscal Year[1]	Prior Fiscal Year to Date (1995)	Budget Estimates Next Fiscal Year (1997)[1]
Total on-budget and off-budget results:					
Total receipts	89,011	645,154	1,426,775	614,383	1,495,238
On-budget receipts	56,677	474,378	1,059,334	448,738	1,107,223
Off-budget receipts	32,334	170,776	367,441	165,644	388,015
Total outlays	136,286	773,372	1,572,411	761,033	1,635,329
On-budget outlays	108,365	627,804	1,270,292	621,514	1,317,655
Off-budget outlays	27,921	145,568	302,119	139,519	317,674
Total surplus (+) or deficit (−)	−47,275	−128,218	−145,636	−146,650	−140,091
On-budget surplus (+) or deficit (−)	−51,688	−153,426	−210,958	−172,776	−210,432
Off-budget surplus (+) or deficit (−)	+4,413	+25,208	+65,322	+26,125	+70,341
Total on-budget and off-budget financing	47,275	128,218	145,636	146,650	140,091
Means of financing:					
Borrowing from the public	38,189	113,798	165,272	125,615	164,326
Reduction of operating cash, increase (−)	9,283	16,075	−2,051	17,845	......
By other means	−197	−1,655	−17,585	3,190	−24,235

[1]These figures are based on the *FY 1997 Budget*, released by the Office of Management and Budget on March 19, 1996.

... 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 1995 and 1996

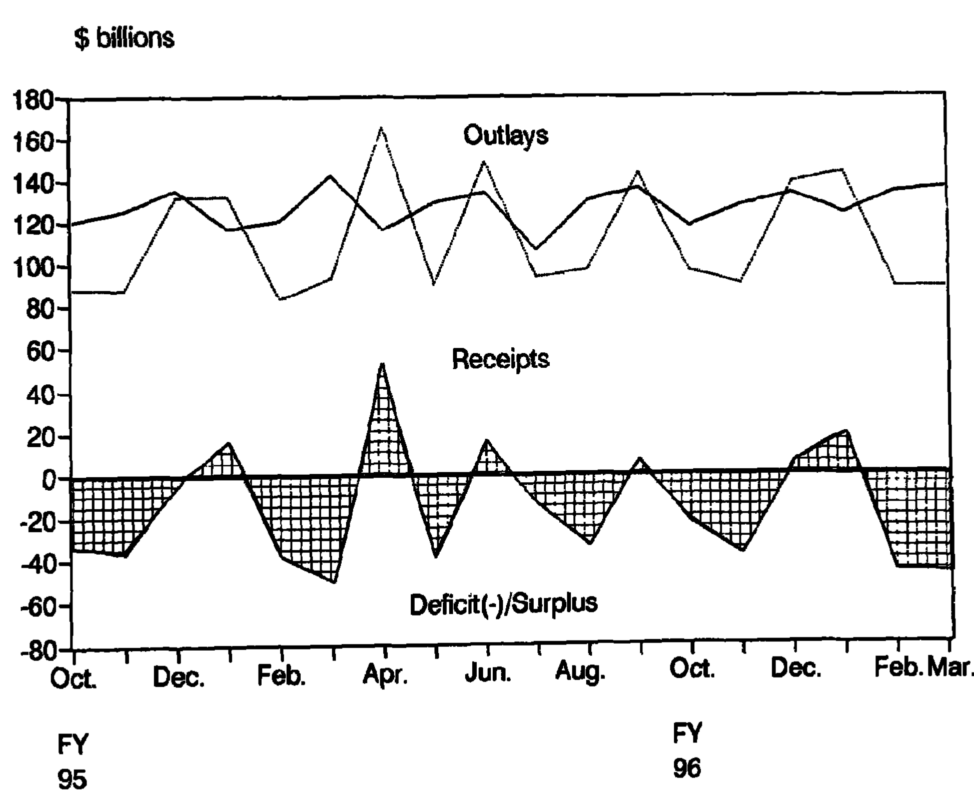


Figure 2. Monthly Receipts of the U.S. Government, by Source, Fiscal Years 1995 and 1996

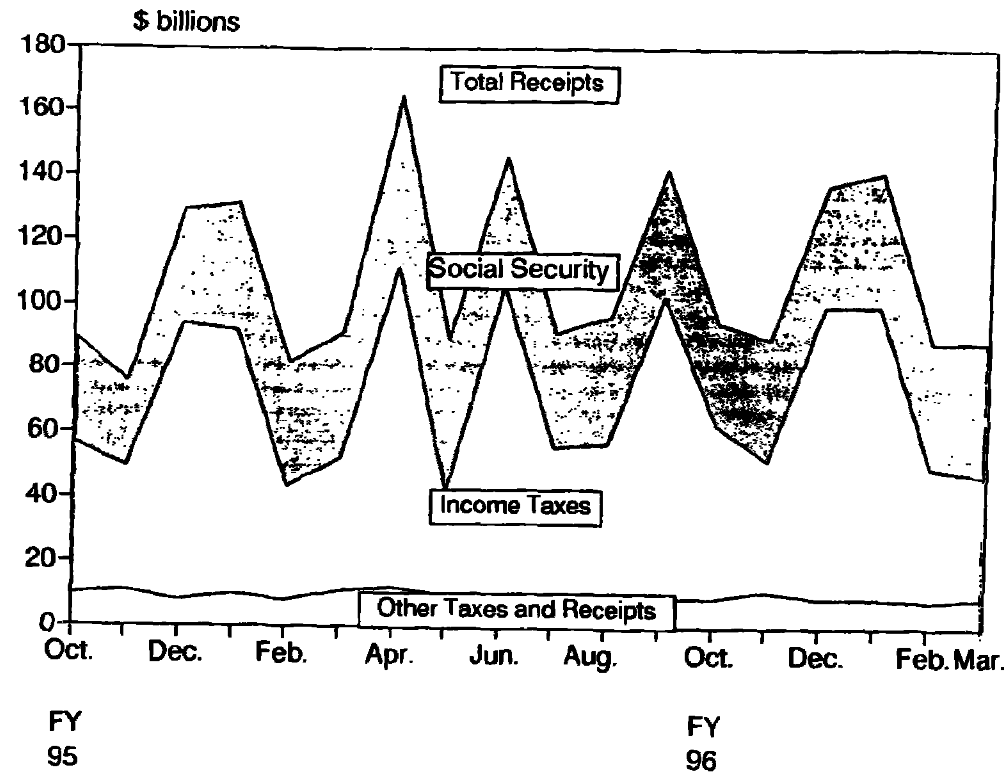


Figure 3. Monthly Outlays of the U.S. Government, by Function, Fiscal Years 1995 and 1996

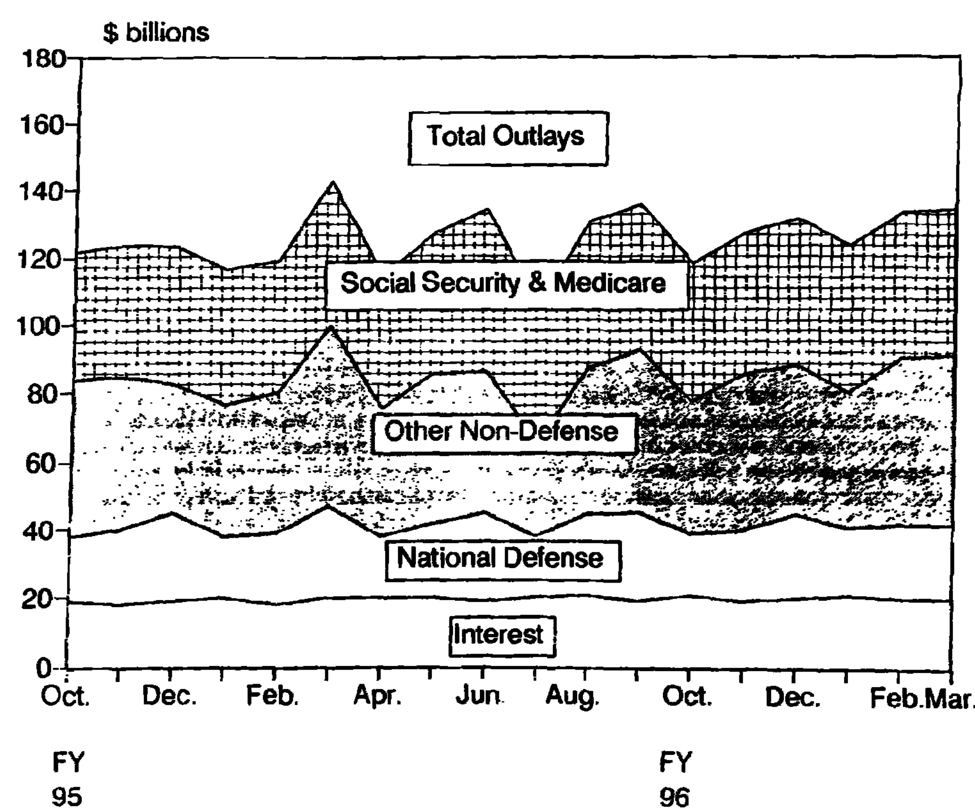


Table 3. Summary of Receipts and Outlays of the U.S. Government, March 1996 and Other Periods

[$ millions]

Classification	This Month	Current Fiscal Year to Date	Comparable Prior Period	Budget Estimates Full Fiscal Year[1]
Budget Receipts				
Individual income taxes	22,523	293,584	274,680	630,873
Corporation income taxes	15,460	64,205	56,650	167,108
Social insurance taxes and contributions:				
Employment taxes and contributions (off-budget)	32,334	170,776	165,644	367,441
Employment taxes and contributions (on-budget)	8,752	49,654	48,416	105,745
Unemployment insurance	258	8,261	8,571	29,810
Other retirement contributions	419	2,294	2,275	4,539
Excise taxes	4,133	27,159	27,680	53,886
Estate and gift taxes	1,137	7,405	6,653	15,924
Customs duties	1,528	9,284	9,865	19,313
Miscellaneous receipts	2,467	12,532	[2]13,949	32,136
Total Receipts	**89,011**	**645,154**	**614,383**	**1,426,775**
(On-budget)	**56,677**	**474,378**	**448,738**	**1,059,334**
(Off-budget)	**32,334**	**170,776**	**165,644**	**367,441**
Budget Outlays				
Legislative Branch	162	1,129	1,464	2,695
The Judiciary	215	1,366	1,406	3,297
Executive Office of the President	25	99	112	206
Funds Appropriated to the President	825	6,357	7,124	10,445
Department of Agriculture	3,916	28,437	35,022	54,840
Department of Commerce	287	1,842	1,770	3,789
Department of Defense—Military	21,556	122,926	130,088	254,325
Department of Defense—Civil	2,664	16,194	15,656	32,255
Department of Education	2,620	15,096	16,207	30,404
Department of Energy	1,222	8,022	8,927	14,678
Department of Health and Human Services	26,366	155,035	148,383	327,429
Department of Housing and Urban Development	3,122	14,069	14,653	26,432
Department of the Interior	485	3,262	3,812	6,939
Department of Justice	920	5,596	[3]5,214	12,964
Department of Labor	2,990	16,811	15,748	34,404
Department of State	432	2,466	3,092	5,500
Department of Transportation	2,915	18,567	19,111	38,994
Department of the Treasury:				
Interest on the Public Debt	20,739	170,951	161,985	344,628
Other	7,171	14,507	8,592	20,328
Department of Veterans Affairs	3,287	17,619	18,862	37,606
Environmental Protection Agency	481	3,059	3,077	6,329
General Services Administration	396	1,591	709	469
National Aeronautics and Space Administration	1,057	6,558	6,472	14,190
Office of Personnel Management	3,758	20,959	20,205	42,374
Small Business Administration	41	386	473	957
Social Security Administration	31,384	182,683	176,776	377,255
Other independent agencies	−117	1,806	[2]−2,105	9,192
Allowances	......	......	......	−647
Undistributed offsetting receipts:				
Interest	−143	−47,851	−45,534	−97,598
Other	−2,490	−16,170	−16,270	−42,268
Total outlays	**136,286**	**773,372**	**761,033**	**1,572,411**
(On-budget)	**108,365**	**627,804**	**621,514**	**1,270,292**
(Off-budget)	**27,921**	**145,568**	**139,519**	**302,119**
Surplus (+) or deficit (−)	**−47,275**	**−128,218**	**−146,650**	**−145,636**
(On-budget)	**−51,688**	**−153,426**	**−172,776**	**−210,958**
(Off-budget)	**+4,413**	**+25,208**	**+26,125**	**+65,322**

[1]These figures are based on the *FY 1997 Budget*, released by the Office of Management and Budget on March 19, 1996.

[2]Receipts have been increased by $2 million and outlays have been increased by $1 million in September 1995 to reflect additional reporting by the Corporation for National and Community Service.

[3]Outlays have been increased by $5 million in September 1995 to reflect additional reporting by the Department of Justice.

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

Table 4. Receipts of the U.S. Government, March 1996 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	41,834			281,367 0			263,677		
Presidential Election Campaign Fund	16			25			24		
Other	5,790			51,231			44,730		
Total—Individual income taxes	**47,640**	**25,118**	**22,523**	**332,623**	**39,039**	**293,584**	**308,431**	**33,752**	**274,680**
Corporation income taxes	**17,793**	**2,332**	**15,460**	**74,794**	**10,589**	**64,205**	**66,948**	**10,298**	**56,650**
Social insurance taxes and contributions:									
Employment taxes and contributions:									
Federal old-age and survivors ins. trust fund:									
Federal Insurance Contributions Act taxes	26,797	......	26,797	143,217	643	142,574	123,806	......	123,806
Self-Employment Contributions Act taxes	634	......	634	2,268	......	2,268	2,943	......	2,943
Deposits by States	2	......	2	1	......	1	1	......	1
Other	(* *)	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)
Total—FOASI trust fund	27,433	......	27,433	145,486	643	144,843	126,751	......	126,751
Federal disability insurance trust fund:									
Federal Insurance Contributions Act taxes	4,788	......	4,788	25,511	119	25,391	37,840	......	37,840
Self-Employment Contributions Act taxes	113	......	113	542	......	542	1,053	......	1,053
Receipts from railroad retirement account	......	......	......	......	......	......	......	......	......
Deposits by States	(* *)	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)
Other	......	......	......	......	......	......	......	......	......
Total—FDI trust fund	4,901	......	4,901	26,052	119	25,933	38,894	......	38,894
Federal hospital insurance trust fund:									
Federal Insurance Contributions Act taxes	8,081	......	8,081	46,665	−13	46,678	44,936	......	44,936
Self-Employment Contributions Act taxes	259	......	259	988	......	988	1,326	......	1,326
Receipts from Railroad Retirement Board	......	......	......	......	......	......	......	......	......
Deposits by States	(* *)	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)
Total—FHI trust fund	8,340	......	8,340	47,653	−13	47,666	46,263	......	46,263
Railroad retirement accounts:									
Rail industry pension fund	209	[1]−45	254	1,120	88	1,031	1,185	9	1,176
Railroad Social Security equivalent benefit	158	......	158	956	......	956	978	......	978
Total—Employment taxes and contributions	41,041	−45	41,086	221,267	838	220,430	214,070	9	214,061
Unemployment insurance:									
State taxes deposited in Treasury	210	......	210	6,594	......	6,594	6,753	......	6,753
Federal Unemployment Tax Act taxes	49	1	48	1,687	31	1,656	1,836	30	1,806
Railroad unemployment taxes	(* *)	......	(* *)	11	......	11	12	......	12
Railroad debt repayment	......	......	......	......	......	......	......	......	......
Total—Unemployment insurance	259	1	258	8,292	31	8,261	8,601	30	8,571
Other retirement contributions:									
Federal employees retirement – employee contributions	401	......	401	2,238	......	2,238	2,228	......	2,228
Contributions for non-federal employees	18	......	18	56	......	56	47	......	47
Total—Other retirement contributions	419	......	419	2,294	......	2,294	2,275	......	2,275
Total—Social insurance taxes and contributions	**41,719**	**−44**	**41,763**	**231,854**	**869**	**230,985**	**224,946**	**39**	**224,907**
Excise taxes:									
Miscellaneous excise taxes[2]	2,341	−189	2,530	14,579	148	14,430	14,270	693	13,577
Airport and airway trust fund	31	[3]10	21	1,490	16	1,474	2,589	9	2,580
Highway trust fund	1,836	298	1,538	11,356	395	10,961	11,427	211	11,217
Black lung disability trust fund	44	......	44	294	......	294	307	......	307
Total—Excise taxes	**4,252**	**119**	**4,133**	**27,718**	**559**	**27,159**	**28,593**	**913**	**27,680**
Estate and gift taxes	**1,170**	**34**	**1,137**	**7,604**	**198**	**7,405**	**6,850**	**197**	**6,653**
Customs duties	**1,608**	**80**	**1,528**	**9,831**	**547**	**9,284**	**10,694**	**829**	**9,865**
Miscellaneous Receipts:									
Deposits of earnings by Federal Reserve banks	2,051	......	2,051	10,344	......	10,344	11,756	......	11,756
All other	417	1	416	2,193	5	2,188	[4]2,199	7	2,192
Total — Miscellaneous receipts	**2,469**	**1**	**2,467**	**12,537**	**5**	**12,532**	**13,956**	**7**	**13,949**
Total — Receipts	**116,652**	**27,641**	**89,011**	**696,961**	**51,807**	**645,154**	**660,417**	**46,035**	**614,383**
Total — On-budget	**84,318**	**27,641**	**56,677**	**525,422**	**51,044**	**474,378**	**494,773**	**46,035**	**448,738**
Total — Off-budget	**32,334**	......	**32,334**	**171,539**	**763**	**170,776**	**165,644**	......	**165,644**

[1]Includes a prior period adjustment

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

[3]Represents a quarterly adjustment of excise tax receipts for the period ending September 30, 1995

[4]Receipts have been increased by $2 million in September 1995 to reflect additional reporting by the Corporation for National and Community Service

...... No Transactions.

(* *) Less than $500,000

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

Table 5. Outlays of the U.S. Government, March 1996 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	36	(* *)	36	211	1	210	217	1	216
House of Representatives	60	(* *)	60	353	1	352	369	1	367
Joint items	6	......	6	40	......	40	38	......	38
Congressional Budget Office	2	......	2	11	......	11	10	......	10
Architect of the Capitol	13	1	13	78	3	74	94	4	90
Library of Congress	31	......	31	169	......	169	450	......	450
Government Printing Office:									
Revolving fund (net)	–26	......	–26	2	......	2	27	......	27
General fund appropriations	9	......	9	48	......	48	47	......	47
General Accounting Office	30	......	30	207	......	207	202	......	202
United States Tax Court	4	......	4	16	......	16	15	......	15
Other Legislative Branch agencies	2	......	2	13	......	13	16	......	16
Proprietary receipts from the public	......	1	–1	......	5	–5	......	8	–8
Intrabudgetary transactions	–2	......	–2	–11	......	–11	–7	......	–7
Total—Legislative Branch	**164**	**2**	**162**	**1,139**	**10**	**1,129**	**1,478**	**14**	**1,464**
The Judiciary:									
Supreme Court of the United States	2	......	2	14	......	14	13	......	13
Courts of Appeals, District Courts, and other judicial services	202	(* *)	202	1,297	3	1,294	1,338	3	1,335
Other	11	......	11	58	......	58	58	......	58
Total—The Judiciary	**215**	**(* *)**	**215**	**1,369**	**3**	**1,366**	**1,408**	**3**	**1,406**
Executive Office of the President:									
Compensation of the President and the White House Office	3	......	3	19	......	19	18	......	18
Office of Management and Budget	5	......	5	26	......	26	28	......	28
Other	16	......	16	54	......	54	66	......	66
Total—Executive Office of the President	**25**	**......**	**25**	**99**	**......**	**99**	**112**	**......**	**112**
Funds Appropriated to the President:									
International Security Assistance:									
Foreign military loan program	35	81	–46	228	308	–80	467	341	126
Foreign military financing program	52	......	52	2,202	......	2,202	2,461	......	2,461
Economic support fund	97	......	97	1,667	......	1,667	2,112	......	2,112
Peacekeeping Operations	4	......	4	25	......	25	46	......	46
Other	1	......	1	12	......	12	12	......	12
Proprietary receipts from the public	......	4	–4	......	450	–450	......	405	–405
Total—International Security Assistance	189	85	104	4,135	758	3,377	5,099	746	4,353
International Development Assistance:									
Multilateral Assistance:									
Contribution to the International Development Association	......	......	......	627	......	627	509	......	509
International organizations and programs	67	......	67	84	......	84	397	......	397
Other	98	......	98	336	......	336	250	......	250
Total—Multilateral Assistance	165	......	165	1,047	......	1,047	1,156	......	1,156
Agency for International Development:									
Sustainable development assistance program	63	......	63	678	......	678	561	......	561
Assistance for eastern europe and the baltic States	26	......	26	172	......	172	188	......	188
Assistance for the new independent States of the former soviet union	102	......	102	356	......	356	405	......	405
Development fund for Africa	58	......	58	301	......	301	389	......	389
Operating expenses	39	......	39	235	......	235	255	......	255
Payment to the Foreign Service retirement and disability fund	–2	......	–2	44	......	44	45	......	45
Other	25	6	19	148	32	116	141	24	116
Proprietary receipts from the public	......	71	–71	......	423	–423	......	413	–413
Intrabudgetary transactions	(* *)	......	(* *)	(* *)	......	(* *)	......	......	......
Total—Agency for International Development	311	77	233	1,933	455	1,478	1,983	438	1,546
Overseas Private Investment Corporation	4	13	–9	40	146	–106	24	122	–99
Peace Corps	21	......	21	97	......	97	114	......	114
Other	7	......	7	42	......	42	44	......	44
Total—International Development Assistance	506	90	416	3,160	601	2,559	3,321	560	2,761
International Monetary Programs	75	......	75	444	......	444	–798	......	–798
Military Sales Programs:									
Special defense acquisition fund	5	(* *)	5	28	53	–25	89	90	–1
Foreign military sales trust fund	1,228	......	1,228	7,130	......	7,130	6,753	......	6,753
Kuwait civil reconstruction trust fund	(* *)	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)
Proprietary receipts from the public	......	1,007	–1,007	......	7,149	–7,149	......	5,958	–5,958
Other	5	......	5	20	......	20	14	......	14
Total—Funds Appropriated to the President	**2,008**	**1,183**	**825**	**14,918**	**8,561**	**6,357**	**14,477**	**7,353**	**7,124**

Table 5. Outlays of the U.S. Government, March 1996 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	58	......	58	372	......	372	373		373
Cooperative State Research Education and Extension Service									
Cooperative state research activities	35	......	35	201	......	201	217	......	217
Extension Service	35	......	35	190	......	190	218	......	218
Other	3	......	3	14	......	14	23	......	23
Animal and Plant Health Inspection Service	37	......	37	230	......	230	255	......	255
Food Safety and Inspection Service	37	......	37	254	......	254	250	......	250
Agricultural Marketing Service	12	......	12	401	......	401	460	......	460
Farm Service Agency									
Salaries and expenses	85	......	85	262	......	262	494	......	494
Conservation programs	6	......	6	1,779	......	1,779	1,801	......	1,801
Federal crop insurance corporation fund	155	5	150	1,319	343	976	401	448	46
Commodity Credit Corporation									
Price support and related programs	461	848	−387	6,897	4,090	2,807	13,450	4,612	8,838
National Wool Act Program	......	......	......	−1	......	−1	5	......	5
Agricultural credit insurance fund	38	112	−75	317	782	−464	561	884	−323
Other	1	......	1	2	......	2	1	......	1
Total—Farm Service Agency	745	965	−220	10,576	5,215	5,361	16,715	5,944	10,770
Natural Resources Conservation Service:									
Conservation operations	46	......	46	306	......	306	286	......	286
Watershed and flood prevention operations	18	......	18	121	......	121	148	......	148
Other	16	......	16	74	......	74	56	......	56
Rural Utilities Service									
Rural electrification and telephone fund	268	246	22	1,181	1,867	−686	1,413	1,592	−178
Rural development insurance fund	84	32	51	337	242	96	381	248	133
Other	36	13	23	300	103	197	211	107	104
Rural housing and Community Development Service									
Rural housing insurance fund	392	229	163	1,575	1,285	290	1,894	1,259	635
Other	83	......	83	130	......	130	−68	......	−68
Foreign Agricultural Service	74	......	74	237	......	237	594	......	594
Food and Consumer Service									
Food stamp program	2,121	......	2,121	12,917	......	12,917	13,062	......	13,062
State child nutrition programs	803	......	803	4,376	......	4,376	4,033	......	4,033
Women, infants and children programs	332	......	332	1,900	......	1,900	1,836	......	1,836
Other	21	......	21	168	......	168	258	......	258
Total—Food and Consumer Service	3,277	......	3,277	19,360	......	19,360	19,189	......	19,189
Forest Service									
National forest system	85	......	85	644	......	644	653	......	653
Forest and rangeland protection	26	......	26	169	......	169	345	......	345
Forest service permanent appropriations	23	......	23	406	......	406	435	......	435
Other	48	......	48	400	......	400	[1]398	......	398
Total—Forest Service	182	......	182	1,619	......	1,619	1,832	......	1,832
Other	34	4	30	230	20	210	291	19	272
Proprietary receipts from the public	......	67	−67	......	495	−495	......	[1]545	−545
Intrabudgetary transactions	(* *)	......	(* *)	−46	......	−46	(* *)	......	(* *)
Total—Department of Agriculture	**5,472**	**1,556**	**3,916**	**37,663**	**9,226**	**28,437**	**44,736**	**9,714**	**35,022**
Department of Commerce:									
Economic Development Administration	33	1	32	233	5	229	173	7	166
Bureau of the Census	21	......	21	146	......	146	216	......	216
Promotion of Industry and Commerce	29	......	29	158	......	158	187	......	187
Science and Technology									
National Oceanic and Atmospheric Administration	176	1	175	1,032	6	1,026	968	12	956
National Institute of Standards and Technology	47	......	47	272	......	272	220	......	220
Other	−8	3	−11	38	14	24	57	16	41
Total—Science and Technology	214	3	211	1,341	19	1,321	1,245	28	1,217
Other	5	......	5	52	......	52	47	(* *)	47
Proprietary receipts from the public	......	11	−11	......	64	−64	......	63	−63
Intrabudgetary transactions	(* *)	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)
Offsetting governmental receipts	......	......	......	......	......	......	......	......	......
Total—Department of Commerce	**302**	**15**	**287**	**1,930**	**88**	**1,842**	**1,868**	**98**	**1,770**

Table 5. Outlays of the U.S. Government, March 1996 and Other Periods—Continued

[$ millions]

Classification	This Month			Current Fiscal Year to Date			Prior Fiscal Year to Date		
	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays	Gross Outlays	Applicable Receipts	Outlays
Department of Defense—Military:									
Military personnel:									
Department of the Army	2,092	......	2,092	11,413	......	11,413	12,791	......	12,791
Department of the Navy	1,892	......	1,892	11,485	......	11,485	13,089	......	13,089
Department of the Air Force	1,569	......	1,569	8,707	......	8,707	9,676	......	9,676
Total—Military personnel	5,552	......	5,552	31,606	......	31,606	35,556	......	35,556
Operation and maintenance:									
Department of the Army	1,946	......	1,946	10,789	......	10,789	11,209	......	11,209
Department of the Navy	2,155	......	2,155	10,892	......	10,892	11,306	......	11,306
Department of the Air Force	1,983	......	1,983	11,509	......	11,509	12,358	......	12,358
Defense agencies	1,478	......	1,478	9,617	......	9,617	9,604	......	9,604
Total—Operation and maintenance	7,562	......	7,562	42,806	......	42,806	44,477	......	44,477
Procurement:									
Department of the Army	638	......	638	3,360	......	3,360	3,796	......	3,796
Department of the Navy	1,896	......	1,896	9,501	......	9,501	11,998	......	11,998
Department of the Air Force	1,749	......	1,749	8,651	......	8,651	11,206	......	11,206
Defense agencies	279	......	279	1,816	......	1,816	1,972	......	1,972
Total—Procurement	4,562	......	4,562	23,328	......	23,328	28,972	......	28,972
Research, development, test, and evaluation:									
Department of the Army	460	......	460	2,587	......	2,587	2,520	......	2,520
Department of the Navy	817	......	817	4,317	......	4,317	4,819	......	4,819
Department of the Air Force	1,194	......	1,194	6,245	......	6,245	6,438	......	6,438
Defense agencies	728	......	728	4,152	......	4,152	3,956	......	3,956
Total—Research, development, test and evaluation	3,199	......	3,199	17,301	......	17,301	17,733	......	17,733
Military construction:									
Department of the Army	82	......	82	450	......	450	464	......	464
Department of the Navy	−2	......	−2	260	......	260	422	......	422
Department of the Air Force	104	......	104	618	......	618	655	......	655
Defense agencies	332	......	332	1,941	......	1,941	1,655	......	1,655
Total—Military construction	517	......	517	3,269	......	3,269	3,197	......	3,197
Family housing:									
Department of the Army	114	......	114	631	......	631	588	......	588
Department of the Navy	119	......	119	658	......	658	502	......	502
Department of the Air Force	89	......	89	513	......	513	531	......	531
Defense agencies	11	7	4	70	36	34	71	24	48
Revolving and management funds:									
Department of the Army	11	......	11	63	......	63	−22	......	−22
Department of the Navy	69	......	69	565	......	565	185	......	185
Department of the Air Force	......	......	......	......	......	......	......	......	......
Defense agencies:									
Defense business operations fund	−129	......	−129	1,976	......	1,976	−1,195	......	−1,195
Other	−12	(* *)	−12	−23	2	−26	−131	2	−133
Trust funds:									
Department of the Army	(* *)	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)
Department of the Navy	1	(* *)	(* *)	21	10	11	15	3	12
Department of the Air Force	(* *)	(* *)	(* *)	4	4	(* *)	(* *)	(* *)	(* *)
Defense agencies	11	......	11	94	......	94	99	......	99
Proprietary receipts from the public:									
Department of the Army	......	57	57	......	211	−211	......	161	−161
Department of the Navy	......	13	−13	......	77	−77	......	138	−138
Department of the Air Force	......	−19	19	......	177	−177	......	426	−426
Defense agencies	......	−10	10	......	54	−54	......	188	−188
Intrabudgetary transactions:									
Department of the Army	−27	......	−27	49	......	49	38	......	38
Department of the Navy	−24	......	−24	736	......	736	377	......	377
Department of the Air Force	−5	......	−5	127	......	127	113	......	113
Defense agencies	−11	......	−11	−290	......	−290	−76	......	−76
Offsetting governmental receipts:									
Department of the Army	......	4	−4	......	7	−7	......	1	−1
Defense agencies	......	(* *)	(* *)	......	(* *)	(* *)	......	(* *)	(* *)
Total—Department of Defense—Military	**21,610**	**53**	**21,556**	**123,504**	**578**	**122,926**	**131,031**	**943**	**130,088**

Table 5. Outlays of the U.S. Government, March 1996 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	85	......	85	525	......	525	533	......	533
Operation and maintenance, general	105	......	105	547	......	547	727	......	727
Other	91	......	91	921	......	921	723	......	723
Proprietary receipts from the public	......	13	−13	......	78	−78	......	64	−64
Total—Corps of Engineers	281	13	268	1,993	78	1,915	1,983	64	1,919
Military retirement:									
Payment to military retirement fund	......	......	......	10,699	......	10,699	11,470	......	11,470
Military retirement fund	2,385	......	2,385	14,241	......	14,241	13,662	......	13,662
Intrabudgetary transactions	......	......	......	−10,699	......	−10,699	−11,470	......	−11,470
Education benefits	7	......	7	12	......	12	43	......	43
Other	6	(* *)	5	37	2	35	40	2	38
Proprietary receipts from the public	......	2	−2	......	9	−9	......	6	−6
Total—Department of Defense—Civil	**2,679**	**15**	**2,664**	**16,283**	**89**	**16,194**	**15,729**	**72**	**15,656**
Department of Education:									
Office of Elementary and Secondary Education:									
Education for the disadvantaged	555	......	555	3,504	......	3,504	3,455	......	3,455
Impact aid	77	......	77	296	......	296	610	......	610
School improvement programs	127	......	127	663	......	663	718	......	718
Other	55	......	55	172	......	172	57	......	57
Total—Office of Elementary and Secondary Education	814	......	814	4,635	......	4,635	4,839	......	4,839
Office of Bilingual Education and Minority Languages Affairs	22	......	22	86	......	86	108	......	108
Office of Special Education and Rehabilitative Services:									
Special education	295	......	295	1,707	......	1,707	1,706	......	1,706
Rehabilitation services and disability research	183	......	183	1,204	......	1,204	1,161	......	1,161
Special institutions for persons with disabilities	3	......	3	54	......	54	70	......	70
Office of Vocational and Adult Education	134	......	134	816	......	816	772	......	772
Office of Postsecondary Education:									
College housing loans	5	1	4	5	24	−20	14	35	−21
Student financial assistance	573	......	573	4,073	......	4,073	4,204	......	4,204
Higher education	57	......	57	403	......	403	415	......	415
Howard University	8	......	8	84	......	84	108	......	108
Federal direct student loan program	107	......	107	403	......	403	230	......	230
Federal family education loans	333	......	333	1,214	......	1,214	2,207	......	2,207
Other	(* *)	......	(* *)	1	......	1	−2	......	−2
Total—Office of Postsecondary Education	1,082	1	1,081	6,182	24	6,158	7,177	35	7,142
Office of Educational Research and Improvement	69	......	69	223	......	223	203	......	203
Departmental management	35	......	35	238	......	238	238	......	238
Proprietary receipts from the public	......	17	−17	......	26	−26	......	33	−33
Total—Department of Education	**2,639**	**18**	**2,620**	**15,147**	**51**	**15,096**	**16,274**	**68**	**16,207**
Department of Energy:									
Atomic energy defense activities	869	......	869	5,998	......	5,998	6,081	......	6,081
Energy programs:									
General science and research activities	84	......	84	524	......	524	780	......	780
Energy supply, R and D activities	207	......	207	1,544	......	1,544	1,663	......	1,663
Uranium supply and enrichment activities	11	......	11	56	......	56	49	......	49
Fossil energy research and development	37	......	37	235	......	235	217	......	217
Energy conservation	56	......	56	326	......	326	306	......	306
Strategic petroleum reserve	22	......	22	118	......	118	110	......	110
Clean coal technology	......	......	......	......	......	......	......	......	......
Nuclear waste disposal fund	13	......	13	113	......	113	171	......	171
Other	76	(* *)	76	426	1	425	486	1	486
Total—Energy programs	507	(* *)	507	3,343	1	3,342	3,783	1	3,782
Power Marketing Administration	88	222	−135	714	1,015	−301	906	988	−82
Departmental administration	31	......	31	193	......	193	234	......	234
Proprietary receipts from the public	......	92	−92	......	862	−862	......	848	−848
Intrabudgetary transactions	42	......	42	−345	......	−345	−231	......	−231
Offsetting governmental receipts	......	(* *)	(* *)	......	4	−4	......	9	−9
Total—Department of Energy	**1,536**	**315**	**1,222**	**9,904**	**1,882**	**8,022**	**10,772**	**1,846**	**8,927**

Table 5. Outlays of the U.S. Government, March 1996 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:									
Public Health Service:									
Food and Drug Administration	68	(* *)	68	381	2	379	397	3	394
Health Resources and Services Administration	442	......	442	1,780	......	1,780	1,232	......	1,232
Indian Health Services	247	......	247	1,131	......	1,131	1,127	......	1,127
Centers for Disease Control and Prevention	205	......	205	1,208	......	1,208	872	......	872
National Institutes of Health	928	......	928	4,742	......	4,742	5,100	......	5,100
Substance Abuse and Mental Health Services Administration	106	......	106	938	......	938	1,283	......	1,283
Agency for Health Care Policy and Research	9	......	9	63	......	63	67	......	67
Assistant secretary for health	50	......	50	344	......	344	256	......	256
Total—Public Health Service	2,056	(* *)	2,055	10,587	2	10,585	10,333	3	10,330
Health Care Financing Administration:									
Grants to States for Medicaid	7,787	......	7,787	43,952	......	43,952	43,845	......	43,845
Payments to health care trust funds	12,351	......	12,351	34,626	......	34,626	22,353	......	22,353
Federal hospital insurance trust fund:									
Benefit payments	10,335	......	10,335	59,970	......	59,970	54,559	......	54,559
Administrative expenses	76	......	76	572	......	572	613	......	613
Interest on normalized tax transfers	......	......	......	......	......	......	......	......	......
Total—FHI trust fund	10,410	......	10,410	60,542	......	60,542	55,171	......	55,171
Federal supplementary medical insurance trust fund:									
Benefit payments	5,222	......	5,222	32,617	......	32,617	30,806	......	30,806
Administrative expenses	145	......	145	863	......	863	834	......	834
Total—FSMI trust fund	5,367	......	5,367	33,480	......	33,480	31,640	......	31,640
Other	4	......	4	8	......	8	22	......	22
Total—Health Care Financing Administration	35,920	......	35,920	172,609	......	172,609	153,031	......	153,031
Administration for children and families:									
Family support payments to States	1,080	......	1,080	8,624	......	8,624	8,684	......	8,684
Low income home energy assistance	171	......	171	654	......	654	990	......	990
Refugee and entrant assistance	43	......	43	178	......	178	212	......	212
Payments to States for the job opportunities and basic skills training program	70	......	70	450	......	450	492	......	492
State legalization impact assistance grants	(* *)	......	(* *)	−2	......	−2	144	......	144
Payments to States for the child care and development block grant	59	......	59	496	......	496	452	......	452
Social services block grant	241	......	241	1,395	......	1,395	1,417	......	1,417
Children and families services programs	408	......	408	2,542	......	2,542	2,555	......	2,555
Payments to States for foster care and adoption assistance	256	......	256	1,738	......	1,738	1,560	......	1,560
Other	[2]−23	......	−23	84	......	84	9	......	9
Total—Administration for children and families	2,306	......	2,306	16,157	......	16,157	16,515	......	16,515
Administration on aging	73	......	73	382	......	382	480	......	480
Departmental management	20	......	20	130	......	130	208	......	208
Proprietary receipts from the public	......	1,657	−1,657	......	10,203	−10,203	......	9,829	−9,829
Intrabudgetary transactions:									
Payments for health insurance for the aged:									
Federal hospital insurance trust fund	......	......	......	......	......	......	......	......	......
Federal supplementary medical insurance trust fund	−11,783	......	−11,783	−32,915	......	−32,915	−20,632	......	−20,632
Payments for tax and other credits:									
Federal hospital insurance trust fund	−568	......	−568	−1,711	......	−1,711	−1,721	......	−1,721
Other	......	......	......	......	......	......	......	......	......
Total—Department of Health and Human Services	**28,023**	**1,657**	**26,366**	**165,240**	**10,205**	**155,035**	**158,214**	**9,831**	**148,383**

Table 5. Outlays of the U.S. Government, March 1996 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:									
Housing programs									
Public enterprise funds	8	6	3	63	36	27	80	54	26
Credit accounts									
Federal housing administration fund	556	682	−127	4,170	5,283	−1,113	3,932	3,787	145
Housing for the elderly or handicapped fund	−10	56	−66	217	293	−76	277	329	52
Other	59	......	59	324	......	324	285	......	285
Rent supplement payments	9	......	9	57	......	57	68	......	68
Homeownership assistance	9	......	9	52	......	52	59	......	59
Rental housing assistance	52	......	52	328	......	328	324	......	324
Rental housing development grants	......	......	......	......	......	......	(* *)	......	(* *)
Low-rent public housing	42	......	42	398	......	398	413	......	413
Public housing grants	336	......	336	2,010	......	2,010	1,804	......	1,804
College housing grants	1	......	1	8	(* *)	8	9	(* *)	9
Lower income housing assistance	1,077	......	1,077	4,443	......	4,443	4,931	......	4,931
Section 8 contract renewals	938	......	938	2,915	......	2,915	2,470	......	2,470
Other	39	......	39	174	......	174	86	......	86
Total—Housing programs	3,116	744	2,372	15,159	5,612	9,547	14,739	4,170	10,569
Public and Indian Housing programs:									
Low-rent public housing—Loans and other expenses	4	(* *)	4	244	187	57	254	197	57
Payments for operation of low-income housing projects	225	......	225	1,387	......	1,387	1,325	......	1,325
Community Partnerships Against Crime	23	......	23	114	......	114	78	......	78
Other	7	......	7	42	......	42	8	......	8
Total—Public and Indian Housing programs	260	(* *)	260	1,787	187	1,600	1,665	197	1,468
Government National Mortgage Association:									
Management and liquidating functions fund	......	......	......	......	(* *)	(* *)	......	(* *)	(* *)
Guarantees of mortgage-backed securities	9	46	−36	103	396	−293	196	421	−226
Total—Government National Mortgage Association	9	46	−36	103	397	−294	196	422	−226
Community Planning and Development:									
Community Development Grants	360	......	360	2,279	......	2,279	2,118	......	2,118
Home investment partnerships program	102	......	102	578	......	578	582	......	582
Other	29	10	19	182	59	123	159	61	97
Total—Community Planning and Development	491	10	481	3,039	59	2,979	2,859	61	2,797
Management and Administration	66	......	66	352	......	352	251	......	251
Other	5	......	5	25	......	25	31	......	31
Proprietary receipts from the public	......	19	−19	......	136	−136	......	233	−233
Offsetting governmental receipts	......	6	−6	......	6	−6	......	5	−5
Total—Department of Housing and Urban Development	**3,947**	**825**	**3,122**	**20,465**	**6,396**	**14,069**	**19,742**	**5,089**	**14,653**
Department of the Interior:									
Land and minerals management:									
Bureau of Land Management:									
Management of lands and resources	44	......	44	324	......	324	383	......	383
Other	15	......	15	94	......	94	236	......	236
Minerals Management Service	58	......	58	323	......	323	363	......	363
Office of Surface Mining Reclamation and Enforcement	18	......	18	176	......	176	165	......	165
Total—Land and minerals management	136	......	136	916	......	916	1,146	......	1,146
Water and science:									
Bureau of Reclamation:									
Construction program	21	......	21	126	......	126	151	......	151
Operation and maintenance	18	......	18	117	......	117	130	......	130
Other	33	16	17	191	66	125	209	98	111
Central utah project	6	......	6	27	......	27	25	......	25
United States Geological Survey	26	......	26	225	......	225	265	......	265
Bureau of Mines	12	3	9	79	13	66	88	13	75
Total—Water and science	116	19	97	767	80	687	868	111	757
Fish and wildlife and parks:									
United States Fish and Wildlife Service	112	......	112	617	......	617	611	......	611
National Biological Survey	12	......	12	62	......	62	65	......	65
National Park Service	110	......	110	715	......	715	773	......	773
Total—Fish and wildlife and parks	234	......	234	1,395	......	1,395	1,449	......	1,449

Table 5. Outlays of the U.S. Government, March 1996 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 Interior:—Continued									
Bureau of Indian Affairs:									
Operation of Indian programs	156	......	156	730	......	730	807	......	807
Indian tribal funds	27	......	27	139	......	139	101	......	101
Other	20	3	17	164	8	156	207	6	201
Total—Bureau of Indian Affairs	203	3	200	1,033	8	1,025	1,115	6	1,109
Territorial and international affairs	7	......	7	174	......	174	353	......	353
Departmental offices	−2	......	−2	55	......	55	50	......	50
Proprietary receipts from the public	......	162	−162	......	869	−869	......	938	−938
Intrabudgetary transactions	−24	......	−24	−121	......	−121	−112	......	−112
Offsetting governmental receipts	......	(* *)	(* *)	......	(* *)	(* *)	......	3	−3
Total—Department of the Interior	**669**	**184**	**485**	**4,219**	**957**	**3,262**	**4,870**	**1,058**	**3,812**
Department of Justice:									
Legal activities	273	......	273	1,322	......	1,322	1,298	......	1,298
Federal Bureau of Investigation	175	......	175	1,111	......	1,111	987	......	987
Drug Enforcement Administration	1	......	1	358	......	358	458	......	458
Immigration and Naturalization Service	182	......	182	1,016	......	1,016	[3]825	......	825
Federal Prison System	244	10	234	1,537	66	1,471	1,371	63	1,309
Office of Justice Programs	143	......	143	548	......	548	291	......	291
Other	−30	......	−30	195	......	195	432	......	432
Intrabudgetary transactions	4	......	4	−18	......	−18	−27	......	−27
Offsetting governmental receipts	......	61	−61	......	406	−406	......	358	−358
Total—Department of Justice	**991**	**72**	**920**	**6,068**	**472**	**5,596**	**5,635**	**421**	**5,214**
Department of Labor:									
Employment and Training Administration:									
Training and employment services	339	......	339	1,992	......	1,992	2,103	......	2,103
Community Service Employment for Older Americans	29	......	29	202	......	202	191	......	191
Federal unemployment benefits and allowances	31	......	31	149	......	149	140	......	140
State unemployment insurance and employment service operations	43	......	43	85	......	85	38	......	38
Payments to the unemployment trust fund	......	......	......	......	......	......	......	......	......
Advances to the unemployment trust fund and other funds	......	......	......	......	......	......	573	......	573
Unemployment trust fund:									
Federal-State unemployment insurance:									
State unemployment benefits	2,304	......	2,304	12,026	......	12,026	11,249	......	11,249
State administrative expenses	252	......	252	1,584	......	1,584	1,628	......	1,628
Federal administrative expenses	34	......	34	130	......	130	127	......	127
Veterans employment and training	15	......	15	77	......	77	93	......	93
Repayment of advances from the general fund	......	......	......	......	......	......	......	......	......
Railroad unemployment insurance	7	......	7	39	......	39	35	......	35
Other	1	......	1	10	......	10	10	......	10
Total—Unemployment trust fund	2,613	......	2,613	13,865	......	13,865	13,141	......	13,141
Other	4	......	4	37	......	37	45	......	45
Total—Employment and Training Administration	3,060	......	3,060	16,329	......	16,329	16,231	......	16,231
Pension Benefit Guaranty Corporation	79	323	−245	484	723	−239	789	1,010	−220
Employment Standards Administration:									
Salaries and expenses	15	......	15	108	......	108	121	......	121
Special benefits	109	......	109	91	......	91	−345	......	−345
Black lung disability trust fund	43	......	43	271	......	271	286	......	286
Other	9	......	9	70	......	70	69	......	69
Occupational Safety and Health Administration	18	......	18	137	......	137	149	......	149
Bureau of Labor Statistics	40	......	40	125	......	125	135	......	135
Other	27	......	27	223	......	223	234	......	234
Proprietary receipts from the public	......	1	−1	......	3	−3	......	3	−3
Intrabudgetary transactions	−87	......	−87	−302	......	−302	−909	......	−909
Total—Department of Labor	**3,315**	**325**	**2,990**	**17,537**	**726**	**16,811**	**16,761**	**1,013**	**15,748**

Table 5. Outlays of the U.S. Government, March 1996 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 State:									
Administration of Foreign Affairs:									
Diplomatic and consular programs	175	......	175	911	......	911	760	......	760
Acquisition and maintenance of buildings abroad	40	......	40	271	......	271	265	......	265
Payment to Foreign Service retirement and disability fund	......	......	......	56	......	56	129	......	129
Foreign Service retirement and disability fund	38	......	38	228	......	228	226	......	226
Other	37	......	37	184	......	184	266	......	266
Total—Administration of Foreign Affairs	290	......	290	1,649	......	1,649	1,646	......	1,646
International organizations and Conferences	78	......	78	521	......	521	1,229	......	1,229
Migration and refugee assistance	44	......	44	282	......	282	349	......	349
Other	20	......	20	114	......	114	49	......	49
Proprietary receipts from the public	......	......	......	......	......	......	......	......	......
Intrabudgetary transactions	(* *)	......	(* *)	−100	......	−100	−182	......	−182
Offsetting governmental receipts	......	......	......	......	......	......	......	......	......
Total—Department of State	**432**	......	**432**	**2,466**	......	**2,466**	**3,092**	......	**3,092**
Department of Transportation:									
Federal Highway Administration:									
Highway trust fund:									
Federal-aid highways	1,455	......	1,455	9,089	......	9,089	8,735	......	8,735
Other	17	......	17	94	......	94	86	......	86
Other programs	12	......	12	108	......	108	96	......	96
Total—Federal Highway Administration	1,483	......	1,483	9,291	......	9,291	8,917	......	8,917
National Highway Traffic Safety Administration	11	......	11	126	......	126	127	......	127
Federal Railroad Administration:									
Grants to National Railroad Passenger Corporation	1	......	1	390	......	390	547	......	547
Other	36	1	35	138	6	131	100	5	95
Total—Federal Railroad Administration	37	1	36	528	6	522	648	5	642
Federal Transit Administration:									
Formula grants	101	......	101	351	......	351	503	......	503
Discretionary grants	211	......	211	1,104	......	1,104	993	......	993
Other	32	......	32	709	......	709	830	......	830
Total—Federal Transit Administration	344	......	344	2,164	......	2,164	2,326	......	2,326
Federal Aviation Administration:									
Operations	196	......	196	1,219	......	1,219	1,123	......	1,123
Airport and airway trust fund:									
Grants-in-aid for airports	116	......	116	852	......	852	985	......	985
Facilities and equipment	199	......	199	1,147	......	1,147	1,260	......	1,260
Research, engineering and development	22	......	22	115	......	115	107	......	107
Operations	185	......	185	1,111	......	1,111	1,321	......	1,321
Total—Airport and airway trust fund	522	......	522	3,225	......	3,225	3,673	......	3,673
Other	(* *)	(* *)	(* *)	(* *)	1	−1	(* *)	(* *)	(* *)
Total—Federal Aviation Administration	718	(* *)	718	4,445	1	4,444	4,797	(* *)	4,796
Coast Guard:									
Operating expenses	240	......	240	1,209	......	1,209	1,298	......	1,298
Acquisition, construction, and improvements	12	......	12	173	......	173	127	......	127
Retired pay	59	......	59	282	......	282	268	......	268
Other	33	(* *)	32	106	3	103	154	3	151
Total—Coast Guard	344	(* *)	343	1,770	3	1,767	1,846	3	1,844
Maritime Administration	73	98	−25	307	159	148	368	80	288
Other	21	1	19	145	4	141	205	4	200
Proprietary receipts from the public	......	(* *)	(* *)	......	2	−2	......	3	−3
Intrabudgetary transactions	......	......	......	7	......	7	......	......	......
Offsetting governmental receipts	......	14	−14	......	39	−39	......	27	−27
Total—Department of Transportation	**3,030**	**115**	**2,915**	**18,782**	**215**	**18,567**	**19,234**	**122**	**19,111**

Table 5. Outlays of the U.S. Government, March 1996 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:									
Departmental offices:									
Exchange stabilization fund	−12	15	−28	−806	70	−875	−1,262	10	−1,272
Other	8	......	8	206	......	206	98	......	98
Financial Management Service:									
Salaries and expenses	19	......	19	119	......	119	126	......	126
Payment to the Resolution Funding Corporation	......	......	......	1,164	......	1,164	1,164	......	1,164
Claims, judgements, and relief acts	57	......	57	440	......	440	389	......	389
Net interest paid to loan guarantee financing accounts	15	......	15	48	......	48	766	......	766
Other	[4]261	......	261	300	......	300	60	......	60
Total—Financial Management Service	352	......	352	2,071	......	2,071	2,505	......	2,505
Federal Financing Bank	−113	......	−113	4	......	4	8	......	8
Bureau of Alcohol, Tobacco and Firearms:									
Salaries and expenses	36	......	36	159	......	159	189	......	189
Internal revenue collections for Puerto Rico	9	......	9	115	......	115	108	......	108
United States Customs Service	143	......	143	918	......	918	898	......	898
Bureau of Engraving and Printing	3	......	3	33	......	33	67	......	67
United States Mint	64	182	−118	269	622	−353	−62	......	−62
Bureau of the Public Debt	46	......	46	151	......	151	145	......	145
Internal Revenue Service:									
Processing, assistance, and management	104	......	104	704	......	704	866	......	866
Tax law enforcement	291	......	291	2,091	......	2,091	2,046	......	2,046
Information systems	101	......	101	693	......	693	730	......	730
Payment where earned income credit exceeds liability for tax	7,221	......	7,221	13,826	......	13,826	7,878	......	7,878
Health insurance supplement to earned income credit	......	......	......	......	......	......	......	......	......
Refunding internal revenue collections, interest	242	......	242	1,145	......	1,145	1,592	......	1,592
Other	(* *)	......	(* *)	(* *)	......	(* *)	3	......	3
Total—Internal Revenue Service	7,959	......	7,959	18,459	......	18,459	13,114	......	13,114
United States Secret Service	41	......	41	267	......	267	271	......	271
Comptroller of the Currency	28	2	26	187	191	−4	216	196	20
Office of Thrift Supervison	15	1	13	89	75	14	85	78	7
Interest on the public debt:									
Public issues (accrual basis)	20,470	......	20,470	120,929	......	120,929	114,018	......	114,018
Special issues (cash basis)	269	......	269	50,022	......	50,022	47,967	......	47,967
Total—Interest on the public debt	20,739	......	20,739	170,951	......	170,951	161,985	......	161,985
Other	9	......	9	40	......	40	25	......	25
Proprietary receipts from the public	......	491	−491	......	2,077	−2,077	......	2,384	−2,384
Receipts from off-budget federal entities	......	......	......	......	......	......	......	......	......
Intrabudgetary transactions	−654	......	−654	−4,037	......	−4,037	−4,629	......	−4,629
Offsetting governmental receipts	......	70	−70	......	583	−583	......	515	−515
Total—Department of the Treasury	**28,671**	**762**	**27,909**	**189,075**	**3,616**	**185,459**	**173,761**	**3,183**	**170,577**

Table 5. Outlays of the U.S. Government, March 1996 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 Veterans Affairs:									
Veterans Health Administration									
Medical care	1,297		1,297	7,845	..	7,845	7,881		7,881
Other	48	17	32	309	99	210	346	138	208
Veterans Benefits Administration									
Public enterprise funds									
Guaranty and indemnity fund	139	56	83	498	313	185	365	237	128
Loan guaranty revolving fund	48	29	19	199	169	30	259	201	57
Other	12	7	5	69	59	9	94	62	32
Compensation and pensions	1,569	.....	1,569	7,713	.....	7,713	8,853	.....	8,853
Readjustment benefits	127	.....	127	649	.....	649	665	.....	665
Post-Vietnam era veterans education account	5	.....	5	22	.....	22	37	.....	37
Insurance funds									
National service life	127	.	127	598	.....	598	612	.....	612
United States government life	2	.....	2	8	.....	8	9	.....	9
Veterans special life	15	3	12	74	89	-15	74	89	15
Other	6	.....	6	10	.....	10	15	.....	15
Total—Veterans Benefits Administration	2,048	95	1,953	9,838	631	9,207	10,982	589	10,393
Construction	58	.....	58	341	(* *)	341	316	(* *)	316
Departmental administration	18	.	18	473	.....	473	574	.....	574
Proprietary receipts from the public									
National service life	.	22	22	...	118	-118	.....	138	138
United States government life		(* *)	(* *)	.....	(* *)	(* *)	.....	(* *)	(* *)
Other	...	48	48	.....	333	-333	.....	358	-358
Intrabudgetary transactions	1	.....	1	6	.....	-6	-15	.....	-15
Total—Department of Veterans Affairs	**3,468**	**182**	**3,287**	**18,801**	**1,182**	**17,619**	**20,085**	**1,223**	**18,862**
Environmental Protection Agency:									
Program and research operations	(* *)	....	(* *)	44	.....	44	450	.....	450
Abatement, control, and compliance	126	.....	126	850	.....	850	716	.....	716
Water infrastructure financing	221	.....	221	1,338	.....	1,338	1,168	.....	1,168
Hazardous substance superfund	113	...	113	669	.....	669	677	.....	677
Other	42	(* *)	42	280	(* *)	280	470	(* *)	470
Proprietary receipts from the public	.....	20	20	.....	115	115	.....	150	-150
Intrabudgetary transactions	.	.....	...	.....	...	.....	-250	.....	-250
Offsetting governmental receipts	....	1	-1	..	5	-5	.....	4	-4
Total—Environmental Protection Agency	**502**	**22**	**481**	**3,180**	**121**	**3,059**	**3,231**	**155**	**3,077**
General Services Administration:									
Real property activities	368	.....	368	1,381	.....	1,381	496	.....	496
Personal property activities	9	...	9	-83	.....	-83	-5	.....	-5
Other	20	..	20	308	.....	308	217	.....	217
Proprietary receipts from the public	..	(* *)	(* *)	.....	15	15	.....	-1	1
Total—General Services Administration	**396**	**(* *)**	**396**	**1,606**	**15**	**1,591**	**708**	**-1**	**709**
National Aeronautics and Space Administration:									
Human space flight	424	...	424	2,594	.....	2,594	1,065	.....	1,065
Science, aeronautics and technology	376	..	376	2,233	.....	2,233	953	.....	953
Mission support	181	.....	181	1,098	.....	1,098	889	.....	889
Research and development	48	...	48	335	.....	335	2,242	.....	2,242
Space flight, control and data communications	7	.	7	146	.....	146	1,071	.....	1,071
Construction of facilities	20	..	20	141	.....	141	156	.....	156
Research and program management	(* *)	..	(* *)	3	.....	3	89	.....	89
Other	1	.	1	8	....	8	7	.....	7
Total—National Aeronautics and Space Administration	**1,057**	**......**	**1,057**	**6,558**	**......**	**6,558**	**6,472**	**......**	**6,472**
Office of Personnel Management:									
Government payment for annuitants, employees health and life insurance benefits	305	.	305	1,733	.....	1,733	1,987	.....	1,987
Payment to civil service retirement and disability fund		.	....	..	.....	.....	.....	.....	.....
Civil service retirement and disability fund	3,350	.	3,350	19,542	.....	19,542	18,946	.....	18,946
Employees life insurance fund	136	124	12	814	1,303	-489	806	1,261	-456
Employees and retired employees health benefits fund	1,341	1,257	84	7,841	7,669	172	7,737	8,027	-290
Other	8	.	8	14	.....	14	35	.....	35
Intrabudgetary transactions									
Civil service retirement and disability fund									
General fund contributions				.	.....	.....	.....	.....	.....
Other	-2		-2	-14	.....	-14	16	.....	-16
Total—Office of Personnel Management	**5,139**	**1,381**	**3,758**	**29,930**	**8,972**	**20,959**	**29,494**	**9,288**	**20,205**

Table 5. Outlays of the U.S. Government, March 1996 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
Small Business Administration:									
Public enterprise funds:									
Business loan fund	46	40	6	318	231	88	186	169	17
Disaster loan fund	24	27	–3	222	168	54	291	127	164
Other	1	1	1	6	7	(* *)	11	7	4
Other	38	......	38	244	(* *)	244	288	(* *)	288
Total—Small Business Administration	**109**	**68**	**41**	**791**	**405**	**386**	**776**	**304**	**473**
Social Security Administration:									
Payments to Social Security trust funds	25	......	25	2,701	......	2,701	2,259	......	2,259
Special benefits for disabled coal miners	56	......	56	338	......	338	365	......	365
Supplemental security income program	2,305	......	2,305	11,627	......	11,627	13,007	......	13,007
Office of the Inspector General	–1	......	–1	4	......	4	......	......	......
Federal old-age and survivors insurance trust fund (off-budget):									
Benefit payments	25,253	......	25,253	148,688	......	148,688	142,789	......	142,789
Administrative expenses	84	......	84	828	......	828	725	......	725
Payment to railroad retirement account	......	......	......	......	......	......	......	......	......
Quinquennial military service credit adjustment	......	......	......	129	......	129	......	......	......
Total—FOASI trust fund	25,337	......	25,337	149,646	......	149,646	143,514	......	143,514
Federal disability insurance trust fund (off-budget):									
Benefit payments	3,714	......	3,714	21,087	......	21,087	19,650	......	19,650
Administrative expenses	71	......	71	512	......	512	556	......	556
Payment to railroad retirement account	......	......	......	......	......	......	......	......	......
Quinquennial military service credit adjustment	(* *)	......	(* *)	203	......	203	......	......	......
Total—FDI trust fund	3,786	......	3,786	21,802	......	21,802	20,205	......	20,205
Proprietary receipts from the public:									
On-budget	......	94	–94	......	393	–393	......	311	–311
Off-budget	......	6	–6	......	9	–9	......	4	–4
Intrabudgetary transactions:									
On-budget:									
Quinquennial Adjustment for Military Service Credits from FOASI and FDI:	......	......	......	–332	......	–332	......	......	......
Off-budget[5]	–25	......	–25	–2,701	......	–2,701	–2,258	......	–2,258
Total—Social Security Administration	**31,483**	**100**	**31,384**	**183,085**	**402**	**182,683**	**177,091**	**315**	**176,776**
Other independent agencies:									
Board for International Broadcasting	(* *)	......	(* *)	(* *)	......	(* *)	94	......	94
Corporation for National and Community Service	40	......	40	220	......	220	[8]211	......	211
Corporation for Public Broadcasting	......	......	......	275	......	275	286	......	286
District of Columbia:									
Federal payment	......	......	......	457	......	457	714	......	714
Other	–1	......	–1	1	12	–11	1	12	–11
Equal Employment Opportunity Commission	15	......	15	104	(* *)	104	123	(* *)	123
Export-Import Bank of the United States	52	57	–5	220	687	–466	852	556	296
Federal Communications Commission	[2]–99	3	–101	85	11	74	78	30	49
Federal Deposit Insurance Corporation:									
Bank insurance fund	156	97	59	623	1,343	–720	1,364	5,903	–4,539
Savings association insurance fund	3	145	142	[7]35	[7]550	–515	24	528	–504
FSLIC resolution fund:									
Resolution Trust Corporation closeout	82	720	–638	516	5,608	–5,092	2,832	8,928	–6,096
Other	34	67	–33	803	477	326	1,170	628	541
Affordable housing and bank enterprise	(* *)	......	(* *)	1	......	1	3	......	3
Total—Federal Deposit Insurance Corporation	275	1,029	–753	1,978	7,978	–6,000	5,393	15,987	–10,595
Federal Emergency Management Agency:									
Public enterprise funds	124	25	99	492	142	351	257	159	98
Disaster relief	183	......	183	1,043	......	1,043	1,291	......	1,291
Emergency management planning and assistance	19	......	19	117	......	117	132	......	132
Other	24	(* *)	23	123	10	113	159	6	153
Federal Trade Commission	8	......	8	47	......	47	38	......	38
Interstate Commerce Commission	(* *)	......	(* *)	8	......	8	20	......	20
Legal Services Corporation	22	......	22	118	......	118	227	......	227
National Archives and Records Administration	13	(* *)	12	93	(* *)	92	119	(* *)	119
National Credit Union Administration:									
Credit union share insurance fund	56	54	2	93	51	42	–13	169	–182
Central liquidity facility	......	......	......	......	......	......	5	5	(* *)
Other	–13	(* *)	–13	–15	3	–17	–8	2	–11

Table 5. Outlays of the U.S. Government, March 1996 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	10	......	10	72	......	72	92	......	92
National Endowment for the Humanities	10	......	10	73	......	73	81	......	81
National Labor Relations Board	12	......	12	79	......	79	87	......	87
National Science Foundation	240	......	240	1,337	......	1,337	1,263	......	1,263
Nuclear Regulatory Commission	42	11	31	243	235	8	264	268	-4
Panama Canal Commission	48	52	-3	299	323	-25	276	306	-31
Postal Service									
Public enterprise funds (off-budget)	4,016	4,690	-674	26,481	28,977	-2,496	24,930	27,781	-2,851
Payment to the Postal Service fund	......	......	......	79	......	79	84	......	84
Railroad Retirement Board:									
Federal windfall subsidy	20	......	20	119	......	119	128	......	128
Federal payments to the railroad retirement accounts	(* *)	......	(* *)	102	......	102	109	......	109
Rail industry pension fund:									
Benefit payments	240	......	240	1,415	......	1,415	1,395	......	1,395
Advances from FOASDI fund	-93	......	-93	-555	......	-555	-548	......	-548
OASDI certifications	93	......	93	555	......	555	548	......	548
Administrative expenses	5	......	5	34	......	34	35	......	35
Interest on refunds of taxes	[2]-13	......	-13	23	......	23	16	......	16
Other	1	......	1	3	......	3	3	......	3
Intrabudgetary transactions:									
Payments from other funds to the railroad retirement trust funds	......	......	......	......	......	......	......	......	......
Other	......	......	......	-102	......	-102	-109	......	-109
Supplemental annuity pension fund:									
Benefit payments	7	......	7	44	......	44	46	......	46
Interest on refund of taxes	(* *)	......	(* *)	1	......	1	1	......	1
Railroad Social Security equivalent benefit account:									
Benefit payments	413	......	413	2,470	......	2,470	2,451	......	2,451
Interest on refund of taxes	[2]-9	......	-9	19	......	19	(* *)	......	(* *)
Other	(* *)	......	(* *)	1	......	1	1	......	1
Total—Railroad Retirement Board	664	......	664	4,126	......	4,126	4,077	......	4,077
Oversight Board	(* *)	......	(* *)	558	......	558	-3	......	-3
Securities and Exchange Commission	3	......	3	7	......	7	62	......	62
Smithsonian Institution	35	......	35	209	......	209	217	......	217
Tennessee Valley Authority	668	775	-106	4,564	4,266	297	4,763	3,864	899
United States Information Agency	92	(* *)	92	585	(* *)	585	568	(* *)	568
Other	169	149	20	1,317	984	333	1,437	1,136	301
Total—Other independent agencies	**6,727**	**6,844**	**-117**	**45,486**	**43,680**	**1,806**	**48,176**	**50,281**	**-2,105**
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	-938	......	-938	-5,552	......	-5,552	-6,107	......	-6,107
Department of Health and Human Services:									
Federal hospital insurance trust fund:									
Federal employer contributions	-100	......	-100	-910	......	-910	-909	......	-909
Postal Service employer contributions	-43	......	-43	-241	......	-241	-276	......	-276
Payments for military service credits	......	......	......	......	......	......	......	......	......
Department of State:									
Foreign Service retirement and disability fund	-12	......	-12	-55	......	-55	-55	......	-55
Office of Personnel Management:									
Civil service retirement and disability fund	-804	......	-804	-5,026	......	-5,026	-4,843	......	-4,843
Social Security administration (off-budget):									
Federal old-age and survivors insurance trust fund:									
Federal employer contributions	-326	......	-326	-2,443	......	-2,443	-2,504	......	-2,504
Payments for military service credits	......	......	......	......	......	......	17	......	17
Federal disability insurance trust fund:									
Federal employer contributions	-58	......	58	-436	......	-436	-448	......	-448
Payments for military service credits	......	......	......	......	......	......	-17	......	-17
Independent agencies:									
Court of veterans appeals retirement fund	......	......	......	(* *)	......	(* *)	......	......	......
Total—Employer share, employee retirement	-2,282	......	-2,282	-14,663	......	-14,663	-15,141	......	-15,141

Table 5. Outlays of the U.S. Government, March 1996 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	(* *)	......	(* *)	−11	......	−11	−9	......	−9
Department of Defense—Civil:									
Corps of Engineers	−2	......	−2	−11	......	−11	−9	......	−9
Military retirement fund	92	......	92	−5,689	......	−5,689	−5,541	......	−5,541
Education benefits fund	(* *)	......	(* *)	−19	......	−19	−22	......	−22
Soldiers' and airmen's home permanent fund	(* *)	......	(* *)	−3	......	−3	−5	......	−5
Other	......	......	......	−1	......	−1	−1	......	−1
Department of Health and Human Services:									
Federal hospital insurance trust fund	−29	......	−29	−5,232	......	−5,232	−5,381	......	−5,381
Federal supplementary medical insurance trust fund	−21	......	−21	−601	......	−601	955	......	−955
Department of Labor:									
Unemployment trust fund	−23	......	−23	−1,704	......	−1,704	−1,351	......	−1,351
Department of State:									
Foreign Service retirement and disability fund	(* *)	......	(* *)	−312	......	−312	−299	......	−299
Department of Transportation:									
Highway trust fund	−8	......	−8	−605	......	−605	−543	......	−543
Airport and airway trust fund	−8	......	−8	−405	......	−405	−388	......	−388
Oil spill liability trust fund	−1	......	−1	−4	......	−4	−4	......	−4
Department of Veterans Affairs:									
National service life insurance fund	−1	......	−1	−527	......	−527	−535	......	−535
United States government life Insurance Fund	(* *)	......	(* *)	−4	......	−4	−4	......	−4
Environmental Protection Agency	(* *)	......	(* *)	−1	......	−1	−1	......	−1
National Aeronautics and Space Administration	(* *)	......	(* *)	−1	......	−1	−1	......	−1
Office of Personnel Management:									
Civil service retirement and disability fund	−13	......	−13	−14,242	......	−14,242	−13,886	......	−13,886
Social Security administration (off-budget):									
Federal old-age and survivors insurance trust fund	−101	......	−101	−16,676	......	−16,676	−15,285	......	−15,285
Federal disability insurance trust fund	−10	......	−10	−1,118	......	−1,118	−851	......	−851
Independent agencies:									
Railroad Retirement Board	−6	......	−6	−638	......	−638	−349	......	−349
Other	(* *)	......	(* *)	−16	......	−16	−9	......	−9
Other	−11	......	−11	−34	......	−34	−105	......	−105
Total—Interest received by trust funds	−143	......	−143	−47,851	......	−47,851	−45,534	......	−45,534
Rents and royalties on the outer continental shelf lands	......	8	−8	......	1,306	−1,306	......	1,128	−1,128
Sale of major assets	......	......	......	......	......	......	......	......	......
Spectrum auction proceeds	......	200	−200	......	200	−200	......	......	......
Total—Undistributed offsetting receipts	**−2,424**	**208**	**−2,632**	**−62,514**	**1,507**	**−64,021**	**−60,675**	**1,128**	**−61,803**
Total outlays	**152,187**	**15,900**	**136,286**	**872,730**	**99,358**	**773,372**	**864,553**	**103,520**	**761,033**
Total on-budget	**119,570**	**11,204**	**108,365**	**698,175**	**70,371**	**627,804**	**697,250**	**75,736**	**621,514**
Total off-budget	**32,617**	**4,696**	**27,921**	**174,555**	**28,987**	**145,568**	**167,304**	**27,785**	**139,519**
Total surplus (+) or deficit			**−47,275**			**−128,218**			**−146,650**
Total on-budget			**−51,688**			**−153,426**			**−172,776**
Total off-budget			**+4,413**			**+25,208**			**+26,125**

MEMORANDUM

Receipts offset against outlays [$ millions]

	Current Fiscal Year to Date	Comparable Period Prior Fiscal Year
Proprietary receipts	23,654	24,321
Receipts from off-budget federal entities	......	......
Intrabudgetary transactions	115,653	103,061
Governmental receipts	1,494	1,195
Total receipts offset against outlays	140,801	128,577

[1]Includes an adjustment of $350 million in September 1995 to report offsetting receipts erroneously reported as outlays by the Department of Agriculture.

[2]Includes a prior period adjustment.

[3]Outlays have been increased by $5 million in September 1995 to reflect additional reporting by the Department of Justice.

[4]Includes $255 million for restitution of forgone interest to the Federal Retirement Thrift Investment Board.

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

[6]Outlays have been increased by $1 million in September 1995 to reflect additional reporting by the Corporation for National and Community Service.

[7]Outlays and collections have been decreased by $119 million in January 1996 to reflect additional reporting by the Federal Deposit Insurance Corporation.

... 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, March 1996 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	100,746	143,803	171,366	4,958,983	5,002,041	5,102,786
Federal Financing Bank	.....	......	......	15,000	15,000	15,000
Total, public debt securities	100,746	143,803	171,366	4,973,983	5,017,041	5,117,786
Plus premium on public debt securities	-8	-46	-48	1,236	1,198	1,190
Less discount on public debt securities	-328	-1,573	2,761	81,231	79,986	79,658
Total public debt securities net of Premium and discount	101,066	145,331	168,557	4,893,989	4,938,253	5,039,319
Agency securities, issued under special financing authorities (see Schedule B for other Agency borrowing, see Schedule C)	-666	8,547	-1,743	26,962	36,174	35,508
Total federal securities	100,400	153,878	166,813	4,920,950	4,974,428	5,074,828
Deduct:						
Federal securities held as investments of government accounts (see Schedule D)	62,553	40,832	41,570	1,320,800	1,299,079	1,361,632
Less discount on federal securities held as investments of government accounts	342	753	372	3,188	3,598	3,940
Net federal securities held as investments of government accounts	62,211	40,079	41,199	1,317,612	1,295,481	1,357,692
Total borrowing from the public	38,189	113,798	125,615	3,603,338	3,678,947	3,717,136
Accrued interest payable to the public	15,599	642	920	50,611	35,654	51,253
Allocations of special drawing rights	-37	-221	456	7,380	7,196	7,159
Deposit funds	-22,466	-1,225	2,313	8,186	29,426	6,960
Miscellaneous liability accounts (includes checks Outstanding etc.)	12,387	6,954	8,149	4,813	-620	11,767
Total liability accounts	**43,672**	**119,947**	**137,454**	**3,674,329**	**3,750,604**	**3,794,276**
Asset accounts (deduct)						
Cash and monetary assets:						
U.S. Treasury operating cash:[1]						
Federal Reserve account	1,389	-1,599	-2,305	8,620	5,632	7,021
Tax and loan note accounts	-10,672	-14,477	-15,540	29,329	25,525	14,853
Balance	-9,283	-16,075	-17,845	37,949	31,157	21,874
Special drawing rights:						
Total holdings	-57	14	1,680	11,035	11,106	11,049
SDR certificates issued to Federal Reserve banks	.....	......	......	-10,168	-10,168	-10,168
Balance	-57	14	1,680	867	938	881
Reserve position on the U.S. quota in the IMF:						
U.S. subscription to International Monetary Fund:						
Direct quota payments	......	......	.....	31,762	31,762	31,762
Maintenance of value adjustments	-198	-1,197	2,470	8,196	7,197	6,999
Letter of credit issued to IMF	512	1,014	555	-26,315	-25,814	-25,302
Dollar deposits with the IMF	-3	-5	-7	-105	-107	-110
Receivable/Payable (-) for interim maintenance of value adjustments	123	753	-1,672	1,145	1,774	1,898
Balance	434	565	1,347	14,682	14,813	15,247
Loans to International Monetary Fund	......	......	......	(* *)	(* *)	(* *)
Other cash and monetary assets	207	-308	3,295	30,525	30,010	30,216
Total cash and monetary assets	-8,699	-15,805	-11,524	84,023	76,918	68,219
Net activity, guaranteed loan financing	-342	-126	-839	-12,714	-12,498	-12,840
Net activity, direct loan financing	1,135	6,975	3,325	19,732	25,571	26,706
Miscellaneous asset accounts	4,303	685	197	-1,725	-5,342	-1,040
Total asset accounts	**-3,603**	**-8,271**	**-8,841**	**89,316**	**84,648**	**81,045**
Excess of liabilities (+) or assets (-)	**+47,275**	**+128,218**	**+146,295**	**+3,585,012**	**+3,665,955**	**+3,713,231**
Transactions not applied to current year's surplus or deficit (see Schedule a for Details)	......	......	355	......	......	......
Total budget and off-budget federal entities (financing of deficit (+) or disposition of surplus (-))	**+47,275**	**+128,218**	**+146,650**	**+3,585,012**	**+3,665,955**	**+3,713,231**

[1]Major sources of information used to determine Treasury's operating cash income include Federal Reserve Banks, the Treasury Regional Finance Centers, the Internal Revenue Service Centers, the Bureau of the Public Debt and various electronic systems. 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, March 1996 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	3,665,951	3,584,970	3,422,146
Adjustments during current fiscal year for changes in composition of unified budget:			
Revisions by federal agencies to the prior budget results	4	43	−268
Excess of liabilities beginning of period (current basis)	3,665,955	3,585,012	3,421,878
Budget surplus (−) or deficit:			
Based on composition of unified budget in prior fiscal yr	47,275	128,218	146,650
Changes in composition of unified budget	......	......	......
Total surplus (−) or deficit (Table 2)	47,275	128,218	146,650
Total-on-budget (Table 2)	51,688	153,426	172,776
Total-off-budget (Table 2)	−4,413	−25,208	−26,125
Transactions not applied to current year's surplus or deficit:			
Seigniorage	......	......	−355
Profit on sale of gold	......	......	(* *)
Total-transactions not applied to current year's Surplus or deficit	......	......	−355
Excess of liabilities close of period	**3,713,231**	**3,713,231**	**3,568,173**

Table 6. Schedule B—Securities Issued by Federal Agencies Under Special Financing Authorities, March 1996 and Other Periods

[$ millions]

Classification	Net Transactions (−) denotes net reduction of 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:						
FSLIC resolution fund	......	−32	−32	158	126	126
Obligations guaranteed by the United States, issued by:						
Department of Defense:						
Family housing mortgages	......	......	......	6	6	6
Department of Housing and Urban Development:						
Federal Housing Administration	17	−35	−47	87	35	52
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	−1	−1	182	180	181
Department of Defense:						
Homeowners assistance mortgages	......	(* *)	......	......	(* *)	(* *)
Independent agencies:						
Farm Credit System Financial Assistance Corporation	......	......	......	1,261	1,261	1,261
National Archives and Records Administration	......	−2	−2	295	293	293
Postal Service	......	4,665	......	......	4,665	4,665
Tennessee Valley Authority	−685	3,951	−1,662	24,960	29,595	28,911
Total, agency securities	**−666**	**8,547**	**−1,743**	**26,962**	**36,174**	**35,508**

... 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, March 1996 and Other Periods

[$ millions]

Classification	Transactions: This Month	Transactions: Fiscal Year to Date: This Year	Transactions: Fiscal Year to Date: Prior Year	Account Balances Current Fiscal Year: Beginning of: This Year	Account Balances Current Fiscal Year: Beginning of: This Month	Account Balances Current Fiscal Year: Close of This month
Borrowing from the Treasury:						
Funds Appropriated to the President:						
International Security Assistance:						
Foreign military loan program	......	343	337	788	1,131	1,131
Agency for International Development:						
International Debt Reduction	......	......	......	335	335	335
Housing and other credit guaranty programs	......	......	......	125	125	125
Private sector revolving fund	......	......	......	1	1	1
Overseas Private Investment Corporation	3	21	22	52	71	73
Department of Agriculture:						
Farm Service Agency:						
Commodity Credit Corporation	......	−6,836	−8,196	6,987	151	151
Agricultural credit insurance fund	......	604	−1,748	1,605	2,209	2,209
Natural Resources Conservation Service	......	......	......	4	4	4
Rural Utilities Service:						
Rural electrification and telephone revolving fund	......	678	720	8,666	9,344	9,344
Rural Telephone Bank	−1	−20	85	664	644	644
Rural development insurance fund	......	220	715	2,806	3,026	3,026
Rural communication development fund	......	......	......	25	25	25
Rural housing and Community Development Service:						
Rural housing insurance fund	......	951	1,192	5,353	6,304	6,304
Self-help housing land development fund	......	......	1	(* *)	(* *)	(* *)
Rural Business and Cooperative Development Service:						
Rural development loan fund	......	17	40	61	78	78
Rural economic development loan fund	......	......	8	30	30	30
Foreign Agricultural Service	......	......	97	563	563	563
Department of Education:						
Federal direct student loan program	......	7,607	4,868	5,067	12,674	12,674
Federal family education loan program	......	......	......	1,134	1,134	1,134
College housing and academic facilities fund	......	......	18	184	184	184
College housing loans	......	(* *)	......	360	359	359
Department of Energy:						
Isotope production and distribution fund	......	......	−14	......	......	......
Bonneville power administration fund	−205	−115	−5	2,563	2,653	2,448
Department of Housing and Urban Development:						
Housing programs:						
Federal Housing Administration	......	−68	−21	1,647	1,579	1,579
Housing for the ederly and handicapped	......	−805	−770	7,714	6,909	6,909
Public and Indian housing:						
Low-rent public housing	20	......	−135	20	......	20
Department of the Interior:						
Bureau of Reclamation Loans	......	9	......	17	26	26
Bureau of Mines, Helium Fund	......	......	......	252	252	252
Bureau of Indian Affairs:						
Revolving funds for loans	......	......	8	28	28	28
Department of Justice:						
Federal prison industries, incorporated	......	......	......	20	20	20
Department of Transportation:						
Federal Highway Administration:						
High priority quarters loan fund	......	......	40	32	32	32
Federal Railroad Administration:						
Railroad rehabilitation and improvement financing funds	......	......	(* *)	(* *)	(* *)	(* *)
Amtrak corridor improvement loans	......	......	(* *)	3	3	3
Other	......	......	......	(* *)	(* *)	(* *)
Federal Aviation Administration:						
Aircraft purchase loan guarantee program	......	......	(* *)	(* *)	(* *)	(* *)
Minority business resource center fund	......	7	14	15	22	22
Department of the Treasury:						
Federal Financing Bank revolving fund	−1,312	−17,572	−11,091	69,297	53,037	51,725
Department of Veterans Affairs:						
Guaranty and indemnity fund	......	1,161	586	302	1,463	1,463
Loan guaranty revolving fund	......	722	903	1,272	1,994	1,994
Direct loan revolving fund	......	(* *)	(* *)	1	1	1
Native american veteran housing fund	......	18	12	7	25	25
Vocational rehabilitation revolving fund	(* *)	−1	(* *)	2	1	1

Table 6. Schedule C (Memorandum)—Federal Agency Borrowing Financed Through the Issue of Public Debt Securities, March 1996 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 from the Treasury:—Continued						
Environmental Protection Agency:						
Abatement, control, and compliance loan program	......	10	11	37	47	47
Small Business Administration:						
Business loan and revolving fund	−13	−13	......	342	342	329
Disaster loan fund	......	......	......	7,999	7,999	7,999
Independent agencies:						
District of Columbia	......	232	......	147	379	379
Export-Import Bank of the United States	......	59	30	2,665	2,723	2,723
Federal Emergency Management Agency:						
National insurance development fund	106	341	......	268	503	609
Disaster assistance loan fund	−37	−37	169	222	222	185
Pennsylvania Avenue Development Corporation:						
Land aquisition and development fund	......	......	......	85	85	85
Railroad Retirement Board:						
Rail industry pension fund	......	......	......	2,128	2,128	2,128
Social Security equivalent benefit account	270	1,546	1,518	2,828	4,104	4,374
Smithsonian Institution:						
John F. Kennedy Center parking facilities	......	......	......	20	20	20
Tennessee Valley Authority	......	......	......	150	150	150
Total agency borrowing from the Treasury financed through public debt securities issued	**−1,168**	**−10,920**	**−10,584**	**134,892**	**125,140**	**123,972**
Borrowing from the Federal Financing Bank:						
Funds Appropriated to the President:						
Foreign military financing program	−48	−136	−150	3,493	3,405	3,357
Department of Agriculture:						
Farm Service Agency:						
Agriculture credit insurance fund	−55	−55	−610	1,470	1,470	1,415
Rural Utilities Service:						
Rural electrification and telephone revolving fund	9	−227	−24	21,875	21,639	21,648
Rural development insurance fund	......	......	......	3,675	3,675	3,675
Rural housing and Community Development Service:						
Rural housing insurance fund	......	−685	−760	21,700	21,015	21,015
Department of Defense:						
Department of the Navy	......	......	......	1,624	1,624	1,624
Defense agencies	......	−49	−47	−192	−242	−242
Department of Health and Human Services:						
Medical facilities guarantee and loan fund	......	......	−18	33	33	33
Department of Housing and Urban Development:						
Low rent housing loans and other expenses	......	−62	−58	1,689	1,627	1,627
Community Development Grants	−3	−8	−14	89	84	81
Department of Interior:						
Territorial and international affairs	......	−1	−1	21	20	20
Department of Transportation:						
Federal Railroad Administration	(* *)	−1	−3	14	13	13
Federal Transit Administration	......	......	−665	......	......	......
General Services Administration:						
Federal buildings fund	−1	−12	102	1,893	1,882	1,881
Small Business Administration:						
Business loan fund	−5	−25	−62	361	342	337
Independent agencies:						
Export-Import Bank of the United States	−35	−498	−777	2,506	2,044	2,008
FSLIC resolution fund:						
Resolution Trust Corporation closeout	−1,181	−5,704	−6,763	13,209	8,686	7,504
Pennsylvania Avenue Development Corporation	7	55	58	374	421	429
Postal Service	......	−6,965	−1,100	7,265	300	300
Tennessee Valley Authority	......	−3,200	−200	3,200	......	......
Total borrowing from the Federal Financing Bank	**−1,312**	**−17,572**	**−11,092**	**84,298**	**68,038**	**66,726**

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

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

Table 6. Schedule D—Investments of Federal Government Accounts in Federal Securities, March 1996 and Other Periods

[$ millions]

Classification	Net Purchases or Sales ( )			Securities Held as Investments Current Fiscal Year		
	This Month	Fiscal Year to Date		Beginning of		Close of This month
		This Year	Prior Year	This Year	This Month	
Federal funds:						
Department of Agriculture	1	2	1	......	1	2
Department of Commerce	-5	-2	4	20	23	18
Department of Defense—Military						
Defense cooperation account		(* *)	4	1	1	1
Department of Energy	-71	554	321	4,951	5,575	5,504
Department of Housing and Urban Development						
Housing programs						
Federal housing administration fund	599	822	-571	6,678	6,901	7,500
Government National Mortgage Association						
Management and liquidating functions fund						
Agency securities		-15	......	15	......	......
Guarantees of mortgage-backed securities						
Public debt securities	36	286	250	4,210	4,460	4,496
Agency securities		-1	......	1	......	......
Other	-31	-21	-11	209	219	188
Department of the Interior	-27	14	537	3,431	3,472	3,445
Department of Labor	254	179	220	5,796	5,721	5,975
Department of Transportation	10	-72	37	481	399	409
Department of the Treasury	1,209	1,546	-2,588	2,559	2,896	4,105
Department of Veterans Affairs						
Canteen service revolving fund	1	2	6	38	39	40
Veterans reopened insurance fund	-4	5	8	526	535	531
Servicemen's group life insurance fund		(* *)	-38	4	4	4
Independent agencies						
Export-Import Bank of the United States	27	188	22	135	350	323
Federal Deposit Insurance Corporation						
Bank insurance fund	-56	752	4,597	21,017	21,825	21,769
Savings association insurance fund	142	516	509	3,600	3,974	4,116
FSLIC resolution fund	33	-193	-573	528	302	335
Federal Emergency Management Agency						
National flood insurance fund			-120	......	......	......
National Credit Union Administration	11	-34	192	3,325	3,280	3,291
Postal Service	566	523	1,740	1,249	1,206	1,772
Tennessee Valley Authority	-149	384	-2,701	1,242	1,775	1,626
Other	1	178	198	1,422	1,599	1,600
Other	89	271	374	2,978	3,160	3,249
Total public debt securities	2,584	5,901	2,408	64,399	67,716	70,300
Total agency securities		-16	......	16	......	......
Total Federal funds	**2,584**	**5,885**	**2,408**	**64,415**	**67,716**	**70,300**
Trust funds:						
Legislative Branch						
Library of Congress	(* *)	2	9	13	14	14
United States Tax Court		(* *)	(* *)	5	5	5
Other	(* *)	1	5	31	32	32
The Judiciary						
Judicial retirement funds	-2	43	36	287	331	330
Department of Agriculture	10	56	16	310	356	366
Department of Commerce			(* *)	(* *)	(* *)	(* *)
Department of Defense—Military						
Voluntary separation incentive fund	-5	200	(* *)	685	889	885
Other	2	-20	1	88	67	69
Department of Defense—Civil						
Military retirement fund	-1,558	6,614	10,284	112,963	121,135	119,577
Other	-1	130	52	1,495	1,625	1,624

Table 6. Schedule D—Investments of Federal Government Accounts in Federal Securities, March 1996 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:						
Federal hospital insurance trust fund	1,510	−3,792	1,034	129,864	127,583	126,072
Federal supplementary medical insurance trust fund	8,373	9,204	−1,675	13,513	14,345	22,718
Other	56	58	87	992	994	1,050
Department of the Interior	−93	59	24	315	467	374
Department of Justice	5	77	47	......	72	77
Department of Labor:						
Unemployment trust fund	−2,088	−3,018	−2,099	47,141	46,212	44,123
Other	46	1	7	77	32	78
Department of State:						
Foreign Service retirement and disability fund	−27	254	365	7,801	8,082	8,055
Other	−2	−29	−9	29	2	(* *)
Department of Transportation:						
Highway trust fund	−331	785	1,349	18,531	19,648	19,317
Airport and airway trust fund	−488	−1,195	−751	11,145	10,439	9,950
Other	−7	29	144	1,880	1,917	1,909
Department of the Treasury	−14	−21	−19	235	228	215
Department of Veterans Affairs:						
General post fund, national homes	......	(* *)	−1	36	35	35
National service life insurance	−88	57	66	11,954	12,099	12,011
United States government life Insurance Fund	−1	−4	−4	106	103	102
Veterans special life insurance fund	−9	15	16	1,546	1,570	1,561
Environmental Protection Agency	−117	133	524	7,243	7,494	7,377
National Aeronautics and Space Administration	(* *)	(* *)	(* *)	16	16	16
Office of Personnel Management:						
Civil service retirement and disability fund:						
Public debt securities	53,920	−6,516	1,985	366,126	305,690	359,610
Agency securities	......	7,865	......	......	7,865	7,865
Employees life insurance fund	−12	488	456	15,839	16,339	16,327
Employees and retired employees health benefits fund	−81	−153	298	7,890	7,817	7,736
Social Security Administration:						
Federal old-age and survivors insurance trust fund	2,541	16,790	5,929	447,947	462,196	464,737
Federal disability insurance trust fund	1,191	5,861	20,520	35,225	39,896	41,087
Independent agencies:						
Harry S. Truman memorial scholarship trust fund	(* *)	1	1	54	55	55
Japan-United States Friendship Commission	2	1	(* *)	16	16	18
Railroad Retirement Board	257	972	339	14,440	15,156	15,413
Other	1	−3	127	544	540	542
Total public debt securities	59,969	27,082	39,162	1,256,385	1,223,498	1,283,467
Total agency securities	......	7,865	......	......	7,865	7,865
Total trust funds	**59,969**	**34,947**	**39,162**	**1,256,385**	**1,231,363**	**1,291,332**
Grand total	**62,553**	**40,832**	**41,570**	**1,320,800**	**1,299,079**	**1,361,632**

...... 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 1996

[$ 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	51,840	39,524	53,179	86,192	40,327	22,523							293,584	274,680
Corporation income taxes	2,180	1,694	38,021	5,158	1,692	15,460							64,205	56,650
Social insurance taxes and contributions:														
Employment taxes and contributions	30,549	34,919	37,123	40,742	36,011	41,086							220,430	214,061
Unemployment insurance	1,214	2,940	223	1,081	2,546	258							8,261	8,571
Other retirement contributions	342	340	416	374	403	419							2,294	2,275
Excise taxes	4,453	5,154	4,870	4,241	4,308	4,133							27,159	27,680
Estate and gift taxes	1,160	1,349	1,383	1,288	1,090	1,137							7,405	6,653
Customs duties	1,786	1,593	1,439	1,482	1,456	1,528							9,284	9,865
Miscellaneous receipts	2,070	2,496	1,618	2,364	1,517	2,467							12,532	13,949
Total—Receipts this year	**95,593**	**90,008**	**138,271**	**142,922**	**89,349**	**89,011**							**645,154**	......
(On-budget)	**72,200**	**63,651**	**110,322**	**110,615**	**60,913**	**56,677**							**474,378**	......
(Off-budget)	**23,393**	**26,357**	**27,949**	**32,307**	**28,437**	**32,334**							**170,776**	......
Total—Receipts prior year	*89,024*	*87,673*	*130,810*	*131,801*	*82,544*	*92,532*							......	*614,383*
(On budget)	*65,384*	*62,083*	*103,860*	*101,036*	*54,405*	*61,970*							......	*448,738*
(Off budget)	*23,639*	*25,590*	*26,950*	*30,765*	*28,139*	*30,562*							......	*165,644*
Outlays														
Legislative Branch	175	173	158	262	199	162							1,129	1,464
The Judiciary	197	196	226	320	212	215							1,366	1,406
Executive Office of the President	14	14	14	18	15	25							99	112
Funds Appropriated to the President:														
International Security Assistance	120	764	239	138	2,012	104							3,377	4,353
International Development Assistance	801	256	240	585	261	416							2,559	2,761
Other	−199	183	−286	350	67	305							421	10
Department of Agriculture:														
Commodity Credit Corporation and Foreign Agricultural Service	820	2,104	352	112	−31	−313							3,043	9,438
Other	4,990	4,436	3,888	4,138	3,713	4,229							25,394	25,585
Department of Commerce	353	280	250	363	307	287							1,842	1,770
Department of Defense:														
Military:														
Military personnel	3,033	5,927	8,009	3,325	5,760	5,552							31,606	35,556
Operation and maintenance	5,957	6,721	7,265	7,723	7,579	7,562							42,806	44,477
Procurement	3,616	3,250	3,924	4,579	3,396	4,562							23,328	28,972
Research, development, test, and evaluation	2,645	2,689	2,905	2,985	2,878	3,199							17,301	17,733
Military construction	535	611	635	543	429	517							3,269	3,197
Family housing	307	287	296	337	283	327							1,836	1,669
Revolving and management funds	796	1,105	702	−145	182	−61							2,579	−1,165
Other	381	−328	253	24	−28	−101							201	−351
Total Military	17,270	20,262	23,988	19,371	20,478	21,556							122,926	130,088
Civil	2,660	2,707	2,593	2,718	2,853	2,664							16,194	15,656
Department of Education	2,056	2,336	1,891	3,624	2,568	2,620							15,096	16,207
Department of Energy	1,495	1,383	1,498	1,139	1,285	1,222							8,022	8,927
Department of Health and Human Services:														
Public Health Service	1,902	1,696	1,478	1,632	1,821	2,055							10,585	10,330
Health Care Financing Administration:														
Grants to States for Medicaid	7,252	8,071	6,702	6,730	7,411	7,787							43,952	43,845
Federal hospital ins. trust fund	9,082	9,869	10,302	10,169	10,709	10,410							60,542	55,171
Federal supp. med. ins. trust fund	5,367	5,913	6,032	5,758	5,043	5,367							33,480	31,640
Other	3,934	3,792	3,577	6,161	4,814	12,356							34,635	22,375
Administration for children and families	2,426	2,972	2,607	3,051	2,795	2,306							16,157	16,515
Other	−5,545	−5,485	−4,931	−8,049	−6,390	−13,915							−44,316	−31,494
Department of Housing and Urban Development	1,087	2,350	2,701	2,646	2,162	3,122							14,069	14,653
Department of the Interior	641	477	499	536	624	485							3,262	3,812
Department of Justice	809	985	838	1,112	933	920							5,596	5,214
Department of Labor:														
Unemployment trust fund	1,786	1,864	2,133	2,872	2,596	2,613							13,865	13,141
Other	730	957	298	661	−76	377							2,946	2,608
Department of State	531	341	439	300	423	432							2,466	3,092
Department of Transportation:														
Highway trust fund	1,632	1,873	1,492	1,315	1,401	1,471							9,183	8,821

Table 7. Receipts and Outlays of the U.S. Government by Month, Fiscal Year 1996—Continued

[$ millions]

Classification	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Fiscal Year To Date	Comparable Period Prior F.Y.
Outlays—Continued														
Other	1,506	1,427	1,630	1,800	1,578	1,443							9,384	10,290
Department of the Treasury:														
Interest on the public debt	21,631	26,006	60,676	20,923	20,977	20,739							170,951	161,985
Other	−30	−1,053	1,146	406	6,870	7,171							14,507	8,592
Department of Veterans Affairs:														
Compensation and pensions	101	1,488	2,911	83	1,561	1,569							7,713	8,853
National service life	75	63	63	83	91	105							480	474
United States government life	1	1	1	1	1	2							8	9
Other	1,442	1,710	1,441	1,985	1,231	1,612							9,419	9,526
Environmental Protection Agency	484	538	435	595	526	481							3,059	3,077
General Services Administration	339	389	477	−393	382	396							1,591	709
National Aeronautics and Space Administration	1,128	1,119	973	1,208	1,073	1,057							6,558	6,472
Office of Personnel Management	3,576	3,418	3,576	3,379	3,252	3,758							20,959	20,205
Small Business Administration	16	238	76	−9	23	41							386	473
Social Security Administration:														
Federal old-age and survivors ins. trust fund (off-budget)	24,544	24,413	25,064	25,126	25,163	25,337							149,646	143,514
Federal disability ins. trust fund (off-budget)	3,516	3,475	3,773	3,581	3,671	3,786							21,802	20,205
Other	174	2,233	3,941	254	2,372	2,261							11,235	13,057
Independent agencies:														
Fed. Deposit Ins. Corp:														
Bank insurance fund	−609	−69	20	−110	−10	59							−720	4,539
Savings association insurance fund	−40	−14	−82	−235	−2	−142							−515	−504
FSLIC resolution fund:														
RTC closeout	−1,502	−840	−638	−797	−676	−638							−5,092	−6,096
Other	407	87	−71	−37	−27	−33							326	541
Affordable housing and bank enterprise	(* *)	......	(* *)	(* *)	(* *)	(* *)							1	3
Postal Service:														
Public enterprise funds (off-budget)	−374	−618	333	−883	−280	−674							−2,496	−2,851
Payment to the Postal Service fund	55	......	3	21	......	......							79	84
Oversight Board	556	(* *)	(* *)	(* *)	(* *)	(* *)							558	−3
Tennessee Valley Authority	123	186	96	106	−108	−106							297	899
Other independent agencies	2,026	1,792	1,069	1,408	1,655	1,417							9,368	10,361
Undistributed offsetting receipts:														
Employer share, employee retirement	−2,404	−2,365	−2,562	−2,491	−2,559	−2,282							14,663	−15,141
Interest received by trust funds	−415	−5,736	−40,465	−65	−1,028	−143							−47,851	−45,534
Rents and royalties on outer continental shelf lands	−361	−200	−121	−322	−295	−8							−1,306	−1,128
Other	(* *)	(* *)	......	(* *)	......	−200							−200	(* *)
Totals this year:														
Total outlays	**118,352**	**128,458**	**132,984**	**123,647**	**133,644**	**136,286**							**773,372**	......
(On-budget)	**92,151**	**101,767**	**121,753**	**98,056**	**105,711**	**108,365**							**627,804**	......
(Off-budget)	**26,201**	**26,691**	**11,231**	**25,591**	**27,933**	**27,921**							**145,568**	......
Total-surplus (+) or deficit (−)	**−22,758**	**−38,450**	**+5,286**	**+19,274**	**−44,295**	**−47,275**							**−128,218**	......
(On-budget)	**−19,951**	**−38,116**	**−11,431**	**+12,558**	**−44,799**	**−51,688**							**−153,426**	......
(Off-budget)	**−2,807**	**−334**	**+16,717**	**+6,716**	**+504**	**+4,413**							**+25,208**	......
Total borrowing from the public	**13,353**	**38,339**	**−18,358**	**−4,747**	**47,022**	**38,189**							**113,798**	**125,615**
Total-outlays prior year	*120,365*	*124,915*	*135,613*	*116,166*	*120,899*	*143,074*							......	*761,033*
(On-budget)	*95,307*	*99,464*	*124,316*	*90,883*	*94,421*	*117,123*							......	*621,514*
(Off-budget)	*25,059*	*25,452*	*11,297*	*25,282*	*26,478*	*25,951*							......	*139,519*
Total-surplus (+) or deficit (−) prior year	*−31,342*	*−37,242*	*−4,803*	*+15,635*	*−38,355*	*−50,543*							......	*−146,650*
(On-budget)	*−29,922*	*−37,381*	*−20,456*	*+10,152*	*−40,016*	*−55,153*							......	*−172,776*
(Off-budget)	*−1,420*	*+138*	*+15,653*	*+5,483*	*+1,661*	*+4,610*							......	*+26,125*

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

Table 8. Trust Fund Impact on Budget Results and Investment Holdings as of March 31, 1996

[$ 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 and airway	28	522	-493	1,879	3,225	-1,347	11,145	10,439	9,950
Black lung disability	44	43	1	295	271	24	......	......	.....
Federal disability insurance	4,974	3,786	1,188	27,672	21,802	5,870	35,225	39,896	41,087
Federal employees life and health	.....	97	-97	......	−317	317	23,729	24,157	24,063
Federal employees retirement	1,249	3,390	−2,141	22,079	19,778	2,301	374,219	321,974	375,865
Federal hospital insurance	9,180	10,410	−1,230	56,294	60,542	−4,247	129,864	127,583	126,072
Federal old-age and survivors insurance	27,887	25,337	2,550	166,487	149,646	16,841	447,947	462,196	464,737
Federal supplementary medical insurance	13,359	5,367	7,992	43,164	33,480	9,684	13,513	14,345	22,718
Highways	1,546	1,698	−152	11,567	10,955	612	18,531	19,648	19,317
Military advances	1,007	1,228	−221	7,149	7,130	19	......	......	......
Railroad retirement	419	644	−225	2,727	4,007	−1,280	14,440	15,156	15,413
Military retirement	846	2,385	−1,539	21,939	14,241	7,698	112,963	121,135	119,577
Unemployment	368	2,613	−2,245	10,262	13,865	−3,603	47,141	46,212	44,123
Veterans life insurance	23	140	−117	650	590	60	13,606	13,772	13,675
All other trust	360	531	−171	2,426	2,419	7	14,060	14,851	14,735
Total trust fund receipts and outlays and investments held from Table 6-D	**61,292**	**58,190**	**3,101**	**374,591**	**341,636**	**32,955**	**1,256,385**	**1,231,363**	**1,291,332**
Less: Interfund transactions	14,914	14,914	......	111,535	111,535	......			
Trust fund receipts and outlays on the basis of Tables 4 & 5	46,378	43,276	3,101	263,056	230,101	32,955			
Total Federal fund receipts and outlays	**45,467**	**95,843**	**−50,377**	**400,284**	**561,458**	**−161,174**			
Less: Interfund transactions	49	49	.....	211	211	......			
Federal fund receipts and outlays on the basis of Table 4 & 5	45,418	95,794	−50,377	400,073	561,246	−161,174			
Less: Offsetting proprietary receipts	2,784	2,784	......	17,975	17,975	......			
Net budget receipts & outlays	**89,011**	**136,286**	**47,275**	**645,154**	**773,372**	**−128,218**			

..... No transactions.

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

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

Table 9. Summary of Receipts by Source, and Outlays by Function of the U.S. Government, March 1996 and Other Periods

[$ millions]

Classification	This Month	Fiscal Year To Date	Comparable Period Prior Fiscal Year
RECEIPTS			
Individual income taxes	22,523	293,584	274,680
Corporation income taxes	15,460	64,205	56,650
Social insurance taxes and contributions:			
Employment taxes and contributions	41,086	220,430	214,061
Unemployment insurance	258	8,261	8,571
Other retirement contributions	419	2,294	2,275
Excise taxes	4,133	27,159	27,680
Estate and gift taxes	1,137	7,405	6,653
Customs	1,528	9,284	9,865
Miscellaneous	2,467	12,532	13,949
Total	**89,011**	**645,154**	**614,383**
NET OUTLAYS			
National defense	22,479	129,377	136,665
International affairs	1,391	8,205	10,446
General science, space, and technology	1,381	8,418	8,514
Energy	131	975	2,577
Natural resources and environment	1,592	12,070	12,381
Agriculture	−62	4,726	10,279
Commerce and housing credit	−1,443	−8,058	−11,783
Transportation	2,864	18,446	19,008
Community and Regional Development	1,007	5,353	5,067
Education, training, employment and social services	4,270	25,549	26,919
Health	10,306	56,926	56,385
Medicare	14,123	83,841	77,005
Income security	25,968	119,362	112,373
Social Security	29,116	171,110	163,715
Veterans benefits and services	3,300	17,675	18,953
Administration of justice	1,342	8,143	7,949
General government	766	7,086	7,397
Interest	20,244	120,337	113,453
Undistributed offsetting receipts	−2,490	−16,169	−16,270
Total	**136,286**	**773,372**	**761,033**

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, January 1993* (Available from the U.S. General Accounting Office, P.O. Box 6015, Gaithersburg, Md. 20877). 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 State* (Available from GPO, Washington, D.C. 20402 on a subscription basi only). This publication provides detailed information concerning the publi debt.

- *Treasury Bulletin* (Available from GPO, Washington, D.C. 20402, b subscription or single copy). Quarterly. Contains a mix of narrative, table and charts on Treasury issues, Federal financial operations, internationa statistics, and special reports.

- *Budget of the United States Government, Fiscal Year 19 _* (Available from GPO, Washington, D.C. 20402). This publication is 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* (Availat from Financial Management Service, U.S. Department of the Treasu Washington, D.C. 20227). This annual report represents budget results at the summary level. The appendix presents the individual rece and appropriation accounts at the detail level.

Scheduled Release

The release date for the April 1996 Statement will be 2:00 pm EST May 21, 1996.

For sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402 (202) 512-1800. The subscription price is $35.00 per year (domestic), $43.75 per year (foreign).
No single copies are sold.

The Monthly Treasury Statement is now available on the Department of Commerce's Economic Bulletin Board.
For information call (202)482-1986.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR RELEASE AT 2:30 P.M.
April 19, 1996

CONTACT: Office of Financing
202/219-3350

TREASURY'S 52-WEEK BILL OFFERING

The Treasury will auction approximately $19,250 million of 52-week Treasury bills to be issued May 2, 1996. This offering will provide about $1,300 million of new cash for the Treasury, as the maturing 52-week bill is currently outstanding in the amount of $17,953 million. In addition to the maturing 52-week bills, there are $26,901 million of maturing 13-week and 26-week bills.

Federal Reserve Banks hold $11,395 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 $6,501 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 $567 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) 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

RR-1017

HIGHLIGHTS OF TREASURY OFFERING OF 52-WEEK BILLS TO BE ISSUED MAY 2, 1996

April 19, 1996

Offering Amount	$19,250 million
Description of Offering:	
Term and type of security .	364-day bill
CUSIP number	912794 2P 8
Auction date	April 25, 1996
Issue date	May 2, 1996
Maturity date	May 1, 1997
Original issue date	May 2, 1996
Maturing amount.	$17,953 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 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

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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EMBARGO TO BE SET AT BRIEFING
Remarks as prepared for delivery
April 21, 1996

REMARKS OF TREASURY SECRETARY ROBERT E. RUBIN
CHAIRMAN, G-7 APRIL CONFERENCE

Today's discussions touched on issues that are profoundly in the short- and long-run interests of the global economy, and of the United States. We talked about encouraging growth in the industrial nations. And we discussed strengthening the international financial institutions and global market mechanisms -- making them as modern as the markets in which they operate. These are steps that not only will encourage growth and development in developing and transitional economies, but also prevent and deal with crises in the global financial markets.

We assessed our economic outlooks and reviewed what policy paths appeared most promising. In the broad sense, we believe that despite the recent pause in some countries, the G-7's underlying fundamentals are promising, particularly in light of progress reducing inflation, but they require that policies continue to be directed at sustaining non-inflationary growth and, where necessary and appropriate, at strengthening recovery.

We touched on the conclusions of the Lille employment conference and welcomed, in particular, the call for continued reduction in structural obstacles to employment growth, through policies aiming at ensuring well-functioning markets -- including labor markets -- as well making economies more responsive to change, and providing improved educational and training opportunities.

The ministers and governors welcomed developments in the exchange markets since our last meeting and, more broadly, since a year ago. We also reaffirmed our standing commitment to reduce imbalances and cooperate closely in the exchange markets. We also took satisfaction from the ongoing adjustment in external imbalances, and underlying conditions should favor further adjustment.

RR-1018 (more)
http//www.ustreas.com

Looking to the Lyon Summit, we reviewed progress so far and the work under way to implement the Halifax Summit initiatives that President Clinton set in motion in Naples. These initiatives are extremely important so that our international financial institutions can deal effectively with the challenges in the greatly changed global financial system and the global economy. These changes deal with the operations and direction of the IFIs and represent a hard-headed, realistic and practical approach to global challenges. These changes will not occur overnight, but they are very real and very significant, in fact, far more significant for our long run economic and national security interests than the great preponderance of the issues that dominate the day to day news.

We're looking forward to proposals for enhanced cooperation by the Basle Committee on Banking Supervision and the IOSCO Technical Committee. And we welcomed the report of the Task Force on the Multilateral Development Banks and the agreement on an International Development Association replenishment.

We also covered the proposals for dealing with the multilateral debt of the most heavily indebted countries. Following other discussions this week, we expect the IMF and World Bank, in cooperation with the regional development banks, to offer more specific proposals, which the G-7 believes should involve the fullest use of their own resources to finance debt reduction. The ministers and governors agreed to ask our respective heads of state to provide further impetus and guidance in Lyon to move these proposals forward as rapidly as possible after that.

We welcomed the new financial disclosure program that will be adopted at the IMF Interim Committee meeting Monday, and we continue to move forward the work on developing an enhanced financing mechanism. There was also brief discussion of progress towards proposals on sovereign liquidity crises, with important recommendations to reduce the expectation of official finance, and encourage private investors to pay more attention to risk.

We met with our Russian counterparts, reviewed their economic situation and welcomed Russia's 1996 economic program. Russia's economic performance last year was favorable, and they have sustained that progress this year. We encouraged the Russian authorities to continue with the full implementation of their reform program which, if vigorously implemented, will help Russia build free markets and reap the real benefits of reform. We also took note of this week's Paris Club meeting on actions to address Russia's medium term debt problems.

Lastly, we discussed the success of the Brussels Conference and urged donors to coordinate reconstruction efforts closely with the World Bank and to expedite their implementation.

It was an extremely full agenda, and I believe the decisions taken today and the steps that will follow will contribute to growth in the industrial nations, as well as the developing and transition economies, and strengthen our international financial institutions and the markets and market mechanisms. And all of that is very much in the interests of the United States.

Questions?

DEPARTMENT OF THE TREASURY

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TRANSCRIPT OF POST G-7 PRESS BRIEFING
WITH TREASURY SECRETARY ROBERT E. RUBIN
APRIL 21, 1996

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
April 22, 1996

STATEMENT OF TREASURY SECRETARY ROBERT E. RUBIN
IMF INTERIM COMMITTEE
WASHINGTON, D.C.

Our meeting today provides an opportunity to take stock and add impetus to our efforts to promote a growing world economy in which all countries benefit and to advance those reforms that are important to meeting the challenges of a global financial marketplace.

Our goals for these meetings should be:

o to review policies that will help to sustain and broaden the current economic expansion;

o to make progress on our agenda to strengthen the IMF's capacity to deal with the new challenges of the global economy and global financial markets; and

o to move forward in working out ways for the IMF and World Bank to address more effectively the problems of unmanageable levels of debt of some of the poorest countries.

Sustaining economic expansion

Since our October meeting, a number of positive developments have strengthened underlying conditions and improved the outlook for non-inflationary growth. In many countries there is now more confidence that the period ahead will feature sustained growth. At the same time, growth has slowed in some countries, notably in Europe.

RR-1019 (more)
http://www.ustreas.gov

In the United States, there are signs of strength in the recent data on job creation and consumer spending, suggesting that the special factors which restrained growth earlier this year are waning. At the same time, U.S. inflation performance has been very favorable. Our current account deficit should decline further if growth in our major trading partners is as good as expected.

On the fiscal side, we are continuing to make progress toward balancing the budget by 2001 or 2002. Following the largest three-year decline of the deficit ever experienced, it is now at its lowest level in 16 years as a share of the economy. We continue to be hopeful that agreement can be reached on a multi-year balanced budget plan and are committed to pressing on toward that end.

Prospects in Japan have improved since we last met. Stimulative macroeconomic policies have contributed significantly to the improved outlook. The current account surplus has declined significantly, with additional adjustment still in the pipeline. But risks remain, and an early tightening of policy could undermine the recovery. It is important that the authorities continue to direct monetary and fiscal policies to ensuring strong and durable domestic demand-led growth.

In Europe, hopes for a resumption of growth have not yet been realized. Further, the current slowdown occurred after a relatively brief recovery from the previous recession, leaving unemployment too high. On the positive side, important progress is being made in many countries on fiscal consolidation. Also, inflation is low and declining, suggesting that policies aimed at bolstering expansion would not pose a significant inflationary risk.

We can all take satisfaction from exchange market developments over the past year.

Most of the economies in transition are now experiencing stronger growth or smaller output shortfalls, and additional progress has been made toward reducing inflation and strengthening market institutions and forces. The best results have been achieved in those countries which began at an early stage to introduce macroeconomic stabilization and structural reform programs and which have persevered the longest with these efforts.

Prospects for the developing countries are encouraging overall, with another year of favorable aggregate growth in prospect and inflation coming down. I am especially encouraged by the success that Mexico has had in getting back on track over the past year, and Argentina has coped well with a difficult period, too. Continued strong growth is once again in prospect for Asia, with inflation risks somewhat moderated. More ambitious stabilization efforts are being made by some in Africa

Despite these promising developments, we cannot be satisfied until all countries are experiencing sustained growth and rising living standards. We recognize only too well that too many countries have not reached this goal.

Strengthening the International Financial System

Over the past year, we have been working together to strengthen the tools we have to deal with threats to the stability of the international financial system. Considerable progress has been achieved in many areas.

Improved Disclosure

We believe that improved disclosure will help financial markets perform better in fulfilling the important function of channeling investment to where it can earn the highest return. Improved disclosure can also help expose possible risks in the underlying financial conditions and policies of countries -- and that in turn can help us better anticipate and thereby avert financial crises. I believe that the new IMF standard on the provision of data to the public is a truly important step forward. We recognize that full compliance with the more rigorous standard will require a change in practices for many countries and that some costs may be involved. Indeed, I have instructed that some changes be made at the Treasury Department, and we intend to subscribe at the outset. But it is a step that countries should take in their own interest. We hope that all countries which wish to tap the international financial markets will subscribe to the standard at an early date.

Strengthening Financial Market Oversight

International financial markets need to be strengthened by additional steps to improve prudential supervision and regulation and to increase international cooperation among supervisors and regulators. In this regard, we are encouraged by the substantial efforts underway in the Basle Committee on Banking Supervision and IOSCO to improve cooperation in a number of important areas that can help reduce risk in the system.

One critical area warranting further attention is financial market supervision in emerging markets. This is important not just to promote the basis for continued liberalization of the capital markets, but also because weak banking sectors can constrain the ability of policy makers to maintain macroeconomic stability.

As emerging markets grow in relative importance in the global economy, sound regulation will be all the more important to minimize the incidence and the impact of financial disruptions originating in these markets. It is crucial that national financial authorities raise their commitment to a market-oriented financial system and sound supervisory policies, and take steps to strengthen supervisory practices and capabilities.

The IMF can contribute to this process by promoting the development of a sound policy framework in the financial sector consistent with the maintenance of macroeconomic stability and by enhancing surveillance of banking sector soundness in the context of Article IV consultations. The IMF and the World Bank should continue to examine how they can contribute to strengthening banking sector supervision in emerging economies.

Dealing more effectively with financial crises

Even the best surveillance and complete market transparency, however, cannot prevent all crises. Experience has taught that such crises may have spillover effects and broader consequences. The IMF serves as our institutional fire fighter, encouraging practices that minimize the risk of eruption of a problem but acting swiftly if one occurs to help contain it and ultimately to deal with it.

The IMF has improved its response mechanism by putting in place expedited procedures to deal with emergencies.

I welcome the progress made toward the creation of new arrangements that could double the supplementary resources currently available under the General Arrangements to Borrow. This is an important initiative to ensure that the IMF will be able to discharge its responsibility to safeguard the international financial system. And it is a strong signal of increased international cooperation among a group of countries that share an interest in supporting the stability of the system.

It is important to recognize that the new arrangements would be reserved for exceptional situations to supplement the IMF's resources as needed, particularly for upper credit tranche programs entailing strong conditionality. Participation in the new arrangements would be based on the fundamental principle of equal rights and responsibilities, and would include appropriate activation procedures and equitable burden sharing.

We look forward to a further meeting of the potential participants in the new arrangements and hope that agreement can be reached on an appropriate institutional structure in the near future.

We recognize that the expansion of resources to deal with emergencies is not a substitute for ensuring that the IMF has adequate resources to fulfill its regular function to support members' stabilization and reform efforts. The IMF is and should remain a quota-based institution. The llth general review of quotas is proceeding on schedule and warrants the support of all IMF members. We are fortunate that the IMF's financial position is presently strong. It is important that it remain so. There are a number of important issues involved which require further work, including the question of bringing actual quotas more into line with members' calculated quotas.

The resolution of financial crises requires a cooperative approach involving sovereign debtors, the official community -- comprising official bilateral lenders and the multilateral institutions -- and private creditors. Financing is now provided by a much larger and more diverse pool of largely anonymous investors. However, the basic principle of shared responsibility remains valid.

In this regard, I very much welcome the report to G-10 Ministers and Governors on the Resolution of Sovereign Liquidity Crises, which will be released to the public. The report provides a cogent analysis of the implications, in the changed international financial market environment, of an actual or prospective suspension of payments on external debt to private creditors. It identifies ways to improve existing practices and procedures for dealing with payments suspensions in an evolutionary manner. It contains some recommendations for specific actions by the official and private sectors, including one directed at the IMF -- to consider extending the scope of IMF policy regarding support for countries that are facing the prospect of continuing to accumulate arrears to private sector creditors -- which we urge this Committee to endorse. Its recommendations reflect a realistic assessment of how markets work and are pragmatic. Follow-up on the report will be an important step. At the same time, it is unlikely that the final word has been written. We should remain open to further adaption of accepted practices and procedures.

Meeting the needs of poorer countries

Several years ago, the global community recognized that many of the poorer developing countries had accumulated external debts over the past two to three decades which would prove impossible for them to fully service. To improve their capacity to develop and grow, we have agreed as a community to reduce their debts to governments by as much as 67 percent -- provided they maintain their reform efforts. The intent is to clear out the old, and help put these countries back on their feet -- for their benefit and the benefit of the global community as a whole. The Paris Club has already provided deep relief under this approach for several countries, and for two has undertaken final reduction of the stock of debt.

For some of these countries, however, even this deep bilateral debt reduction will not assure a manageable debt profile. For them, additional action will be necessary -- including measures to ease the burden of debt to international financial institutions. The United States believes that timely action to put these countries back on a manageable path is needed to assure that new funding is truly productive -- not just servicing old debts.

Managing Director Camdessus and President Wolfensohn have produced preliminary proposals for addressing these problems. We appreciate and welcome the work which they and their staffs have undertaken during the past several months in analyzing the debt problems of the poorest countries and considering possible mechanisms for easing their debt burdens. As a result of these efforts, we now have common agreement that:

(1) There are a number of poorest countries for which action on multilateral debt is needed;

(2) We should aim to achieve sustainable debt burdens for these countries, in conjunction with continued strong reform efforts; and

(3) The multilateral institutions will need to use their own resources for this purpose, without heavy reliance on bilateral contributions.

We particularly welcome the concepts which World Bank and IMF management and staffs have advanced for action by the multilateral institutions to ease multilateral debt burdens for these countries: the concept of an IDA-administered trust fund; the possible use of IDA grants to restrict the further growth of IDA debt; and, within the IMF, preliminary ideas suggesting the possibility of more concessional terms on ESAF loans. These concepts need to be further developed, with specific proposals for implementation. We would urge the institutions, in advancing these proposals, to assure that the time frame for multilateral action is both reasonable and flexible, and that mechanisms are developed for coordination among the multilateral institutions and with the Paris Club. We share the concern of other governments that further action by the Paris Club not be a prerequisite for multilateral action. The creditor community should move forward together in this effort.

We would hope that specific proposals for action by all of the multilateral institutions can be advanced in the coming weeks, so that final decisions can be made at the latest by the fall IMF and World Bank meetings.

As noted above, the ongoing discussion of the future of the Enhanced Structural Adjustment Facility (ESAF) is very relevant to the effort underway in the institutions to deal with the multilateral debt problems of the poorest.

The pursuit of sound policies is a necessary foundation for sustained growth and development. The ESAF is the principal vehicle by which the Fund supports the stabilization and structural reform efforts of its poorest members. The ESAF merits our continued support. At the same time, the rapidly growing countries in Asia and the recent improved economic performance in some African countries demonstrate that poverty need not be a permanent condition. Hence, we should be looking to the day when the ESAF is no longer needed as a growing number of these countries pursue the policies that will enable them to access other sources of financing.

There is a broad consensus on continuing the ESAF and placing it on a self-sustaining basis. However, we confront the difficult task of mobilizing sufficient resources to finance ESAF operations during an interim 5-year period before the facility can function fully on its own. It is essential that meaningful support be provided to the ESAF, but in a realistic manner. At a time of serious budget constraints in many countries, including my own, this responsibility will inevitably have to fall primarily to the IMF, in particular through more efficient use of resources already available to the IMF. We are prepared to consider carefully the proposal to invest the profits on a modest portion of the IMF's gold assets to generate additional income for use by the ESAF without weakening the institution's financial base.

The Managing Director has proposed an approach that would permit the ESAF to continue lending at a high level for an indefinite period. This proposal deserves our full consideration. But we would caution against a plan the viability of which depends on sizeable bilateral contributions.

We should be prepared to examine alternative approaches that utilize the various building blocks of a possible solution in different ways to achieve a satisfactory outcome. This could involve -- altering the reliance on investment income relative to bilateral contributions for the interest subsidy; utilizing the resources in the ESAF reserve for loan principal rather than new borrowing or quota resources; and sustaining the level of lending by introducing a "sunset" provision which recognizes explicitly that our goal is an ESAF that works itself out of a job by promoting successful adjustment and reform. Each of these building blocks should be considered -- individually or in combination -- as we aim for a solution that offers the best prospect of achieving a consensus and that can win the necessary public support at home.

The IMF's contribution to resolving the debt problems of a number of the poorest countries in the world could be implemented through a modified ESAF that was financed at a level sufficient for the IMF to play a role in this initiative.

Conclusion

The period since the previous meeting of this Committee has been one of extraordinary, almost unprecedented activity on issues bearing on the management and adaption of the international monetary system, which is the Committee's primary sphere of responsibility. Some of this work has come to or is nearing fruition, at least conceptually, while other issues, like the name of this Committee, are at varying "interim" stages.

It is our strong hope and belief that the next half year can be equally productive and that our next meeting will be able to bear witness to further substantial progress on most if not all of the issues that remain under discussion.

AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
April 22, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $11,513 million of 13-week bills to be issued April 25, 1996 and to mature July 25, 1996 were accepted today (CUSIP: 912794Z64).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	4.96%	5.09%	98.746
High	4.97%	5.10%	98.744
Average	4.97%	5.10%	98.744

Tenders at the high discount rate were allotted 91%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$53,513,473	$11,512,520
Type		
Competitive	$48,146,850	$6,145,897
Noncompetitive	1,282,623	1,282,623
Subtotal, Public	$49,429,473	$7,428,520
Federal Reserve	3,732,500	3,732,500
Foreign Official Institutions	351,500	351,500
TOTALS	$53,513,473	$11,512,520

AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
April 22, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $11,729 million of 26-week bills to be issued April 25, 1996 and to mature October 24, 1996 were accepted today (CUSIP: 9127943L6).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	5.01%	5.21%	97.467
High	5.03%	5.23%	97.457
Average	5.02%	5.22%	97.462

Tenders at the high discount rate were allotted 9%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$50,898,973	$11,728,879
Type		
Competitive	$44,484,270	$5,314,176
Noncompetitive	1,021,403	1,021,403
Subtotal, Public	$45,505,673	$6,335,579
Federal Reserve	3,200,000	3,200,000
Foreign Official Institutions	2,193,300	2,193,300
TOTALS	$50,898,973	$11,728,879

RR-1021

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

TESTIMONY OF GEORGE MUNOZ
ASSISTANT SECRETARY OF THE TREASURY FOR MANAGEMENT/ CHIEF FINANCIAL OFFICER
HOUSE SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION AND TECHNOLOGY
APRIL 23, 1996

RR-1022

Federal Budget
and
Financial Management Reform

Testimony
by
George Muñoz
Assistant Secretary for Management
& Chief Financial Officer
Department of the Treasury

Before the
Committee on Government Reform
and Oversight
Subcommittee on Government
Management, Information and Technology
U.S. House of Representatives

April 23, 1996

INTRODUCTION

Representative Horn, distinguished members of the Committee, ladies and gentlemen. On behalf of Secretary Robert Rubin and the Department of the Treasury, I want to thank you for the opportunity to come before you today to discuss the Federal budget process and financial management reform. The best way we can serve the American people is by assuring them that the dollars they send to Washington, D.C. are being used responsibly, being spent with private sector style control and accountability. That idea is central to President Clinton, Vice President Gore and their related efforts to reinvent government. Central as well, is legislation like the CFO Act.

CFO ACT IS WORKING

First and foremost, the Chief Financial Officers Act is working. Because of the CFO Act, we are better off today than we were just five years ago when it comes to financial management reform. Let me list some of these successes Governmentwide and at the Treasury Department.

CFO Council Plays a Major Role. One of the most important actions of the CFOs, was the utilization of the CFO Council as a vehicle for improving financial management throughout the Federal Government. Over the past few years, the CFO Council's growing influence and leadership have positively affected key aspects of financial management across the Government. The CFO Council is comprised of the CFOs and Deputy CFOs from each of the 24 largest Federal Agencies. The CFO Council has been very active in helping to implement the CFO Act, and related statutes, as well as, the recommendations of the National Performance Review for "Improving Financial Management". I will highlight a few examples of this work, and would like to submit for the record a full listing of CFO Council activities, with respect to the National Performance Review financial management recommendations.

One of the more notable areas of improvement is with the preparation and audit of entities' financial statements. In 1990, there were three entities with audited financial statements -- only one of which obtained a clean audit opinion. Through the passage of the CFO Act and the support of the CFO Council, there has been significant growth in audited financial statements. As of July 1995, 100 entities have prepared audited financial statements of which 59 received clean audit opinions.

Guidelines on GPRA Implementation. The CFO Council issued guidance entitled "Implementation of the Government Performance and Results Act (GPRA)". As we approach 1997 when GPRA takes full effect, the CFO Council will continue its efforts to further integrate performance measures into the budget process and to assist all agencies in implementation, through the development of best practices, case studies, and outreach seminars.

Consolidating Multiple Reports into a Single Accountability Report. Under the authority of the Government Management Reform Act, the CFO Council has taken a leadership role in helping to define how the government should proceed with streamlining its financial management reporting process. Several Agencies have produced a single accountability report that combines core financial management reporting -- audited financial statements, Federal Managers' Financial Integrity Act, Prompt Payment Act, and Civil Monetary Penalties. Working with OMB, the CFO Council is assessing the pilot reports and will be recommending further actions.

Based on this short, but illustrative, list of actions taken by the Governmentwide CFO Council, I would hope that this Committee would view the CFO Council as a source of information and advice on the further development of financial management reform, legislation and ideas.

Treasury Advancements. The Department of the Treasury has also taken many actions to implement the CFO Act and financial management reform. It has established its own CFO Council in which all Treasury bureaus participate. Through this Treasury Council, we have:

One, We Have Reduced Core Accounting Systems from 9 to 5. Over the past five years, Treasury has reduced the number of core financial management systems within the Department from nine to five. Our goal is to further reduce to two systems, one for manufacturing and one for non-manufacturing by 1998. In addition, Treasury is developing a Departmental database containing current and historical information supplied by our bureaus. The Treasury Information Executive Repository (TIER), is designed to function as a warehouse where financial data will be collected through a Standard General Ledger (SGL) trial balance or by other data elements for every Treasury Fund Symbol maintained by the bureaus. Once the financial data is collected, we will be able to produce financial reports that will enable us to perform system-designed integrity checks, trend analysis, consolidations, comparisons, and projections for financial management decision making purposes;

Two, We Have Achieved Substantial Growth in Audit Coverage. The preparation and subsequent audit of entities financial statements has also grown over the last few years. For fiscal year 1994, approximately $1.316 trillion, or 81 percent of Treasury's total collections and expenditures, was audited. Audits performed include the Internal Revenue Service and the U.S. Customs Service. In fiscal year 1995, this list will grow to 82 percent by the inclusion of the Bureau of Alcohol, Tobacco and Firearms with an increase of $13.5 billion in revenue being audited. By the end of fiscal year 1996, it is planned that 100 percent of Treasury bureaus will have audited financial statements performed;

Three, We Have Integrated Performance Measures in the Budget. The Department of the Treasury has taken an aggressive posture in implementing GPRA. Under the direction of Secretary Rubin and the CFO's office, all Treasury bureaus are now required to submit Strategic Plans and financial statements containing performance information. This information will be incorporated into a comprehensive Departmental budget submission for fiscal year 1998. Further, the development of cost accounting systems has been identified as a priority for the Department, which will augment our ability to develop performance measurement information. The efforts of the CFO Council and our own internal efforts at Treasury, should position us well to meet all the requirements envisioned when GPRA takes full effect in 1997;

Four, Established the Framework for Financial Statements. The Department of the Treasury has been a major participant in the activities of the Federal Accounting Standards Advisory Board (the Board). The Board will soon finish the formidable task of completing the basic set of Federal accounting standards, as it was urged to do by the National Performance Review. These standards are approved by the Secretary of the Treasury, the Comptroller General, and the Director of the Office of Management and Budget, and then issued by OMB. We at Treasury are proud to have been a major player in this important effort; and,

Five, Prepared for Governmentwide Financial Statement. Treasury is working diligently with the Office of Management and Budget and the General Accounting Office to meet the mandate for a fiscal year 1997 consolidated governmentwide financial statement. A task force made up of agency CFOs and IGs is also providing valuable advice to ensure that all necessary financial information is available for the Governmentwide audited financial statement.

RECOMMENDATIONS

I do have some recommendations for the consideration by your Committee.

Important That All Agency CFOs Have Full Fiscal Responsibility Including Budget. Under the CFO Act, agencies do have some latitude in implementing an organizational structure for various functions. In particular, the budget formulation process is not identified as a mandatory duty of the agency CFO. At Treasury, I have the necessary leverage to ensure that fiscal matters are carried out with consistency. I have this necessary leverage by having the full support of Secretary Rubin. Further, I have both budget formulation and execution, as well as, all financial accounting and reporting under my span of control. Some CFOs at other agencies do not have this.

It is my personal opinion that for a CFO to be truly effective in carrying out the fiscal duties and responsibilities of an agency, both budget formulation and execution, as well as GPRA, must be under his or her span of control. My opinion is also supported by the Government-wide Chief Financial Officers Council. The CFO Council has made known its position through the approval and issuance of its "Guidance for CFO Organizations Required by the Chief Financial Officers Act."

Empower CFO with Flexibility in Audit Cycle. From either a Governmentwide or Departmentwide perspective, it may not always be cost effective to have full financial statement audits performed for all entities or accounts. Consideration should be given to the financial management discipline displayed by the entity which can be documented by previously issued audited financial statements. Once an entity can demonstrate they maintain sufficient management control structures, adequate financial management systems and reporting, and have received unqualified audit opinions for several years, you need to question the benefit of continuing a yearly audit.

For example, at Treasury, for fiscal year 1994, total revenue and expenditures subject to audit under GMRA would have been $1.6 trillion dollars from 12 Treasury bureaus and many accounts. The three largest revenue collectors are -- the Internal Revenue Service $1.21 trillion, the U.S. Customs Service $21.5 billion, and ATF $13.5 billion. Most likely, these entities would always be subject to audit. However, if smaller entities can demonstrate they maintain adequate financial management discipline as described above, the CFO should have the ability to decide if annual, full blown audits need to be performed each and every year, versus some other type of cyclical audit or review of selected accounts. I suggest this issue for your consideration as well.

CONCLUSION

I am in full agreement with my colleagues from the CFO Council who have worked very hard in bringing to life the CFO legislation. As every year passes by, our Federal Agencies are better able to protect the integrity of our operations, and more fairly report on our financial condition. I would like to conclude by asking this Committee to recognize that much of the Chief Financial Officers Act, the Government Performance and Results Act, and the Government Management Reform Act have set out the right goals and principles. Now, sufficient time and discipline is required to fully implement these statutes, before we begin to realize their full benefit.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

**STATEMENT OF TREASURY SECRETARY ROBERT E. RUBIN
AT THE DEVELOPMENT COMMITTEE OF THE
WORLD BANK AND THE INTERNATIONAL MONETARY FUND
WASHINGTON, D.C.
April 23, 1996**

In our increasingly interdependent world, support for development is a good investment in our future. As developing countries and countries in transition seek to consolidate the economic progress they have made -- and as we tackle the difficult task of helping those who lag behind -- effective and results-oriented international development cooperation is more essential than ever.

The object of international economic cooperation is to achieve equitable and sustainable development which enhances the quality of life and enlarges individual freedom, dignity, and opportunity. Our challenge is to complement sound domestic economic policies which promote the private sector and human resource development with external assistance which incorporates the cutting edge of best practice approaches for achieving development results on the ground.

The International Monetary Fund, the World Bank and the regional development banks play a critical role in promoting and strengthening this collaborative partnership. The Development Committee's discussions on the important issues on today's agenda -- IDA, Multilateral Debt, and the Committee' s Task Force on the MDBs -- provide an opportunity to further demonstrate our commitment to this partnership.

Replenishment of IDA Resources

The International Development Association is the linchpin of international development cooperation for the poorest countries. The United States is strongly committed to continued participation in IDA and I welcome last month's agreement to replenish IDA resources.

The President's FY 1997 budget includes $934.5 million to fully clear outstanding U.S. commitments to the tenth replenishment. Securing this funding will not be easy. It is also clear from the very strong Congressional response to my testimony last week before the

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House Appropriations Committee that the procurement restrictions contained in IDA's Interim Trust Fund have made a difficult task vastly more difficult. Nevertheless, securing this funding for IDA is and will remain a top Administration priority. I am committed to doing all that I can in this effort.

IDA's policies and practices set out a comprehensive approach for the effective use of IDA resources. We must all work hard to ensure that these policies and practices are strengthened and deepened in line with lessons learned from development experience. I particularly welcome and encourage IDA's increased efforts in primary health and basic education, especially for girls. It is also vital that the World Bank continue to use its very considerable expertise to improve the design and implementation of these and other projects to improve their beneficial impact on the poor.

The funding constraints on IDA underscore the importance of focussing its limited resources where they are most needed (i.e., to countries which lack access to alternative financing) and where they can be used most effectively (i.e., to countries with a demonstrated commitment to sound policies, poverty reduction, and environmental protection).

Multilateral Debt of the Poorest Countries

Several years ago, the global community recognized that many of the very poorest countries in the world had accumulated external debts over the past two to three decades which would prove impossible for them to fully service. To improve the capacity of these countries to develop and grow, we have agreed as a community to reduce their debts to governments by as much as 67 percent -- provided they remain committed to sound economic management and economic reform.. As in a corporate workout, the intent is to remove an unsustainable burden from the past and help put these countries back on their feet -- for their benefit and for the benefit of the global community as a whole. The Paris Club has already provided deep relief under this approach for several countries, and for two has undertaken final reduction of the stock of debt.

For a number of these poorest countries, however, even 67 percent reduction of debts owed to governments will not assure a manageable debt profile. For them, additional action is necessary -- including measures to ease the burden of debt to international financial institutions. The United States is a strong advocate of timely action to help place those countries with a demonstrated commitment to economic reform back on a more sustainable development path, and to minimize the share of increasingly scarce development resources required for servicing old debts. At the 1995 G-7 Halifax Summit, and again at last fall's Development Committee meeting, the World Bank and IMF were asked to develop a comprehensive approach to address the multilateral debt burdens of the poorest countries.

President Wolfensohn has made the multilateral debt issue a priority. We welcome the preliminary proposals which he and Managing Director Camdessus have produced. This is an important step forward. I urge the IMF and World Bank to present more specific proposals for measures by the international financial institutions within the next few weeks.

The United States supports the concept of an IDA-administered trust fund and the selective use of grants to ease current debt burdens and constrain the future growth of debt. And we urge the IMF to provide substantially more concessional terms on its ESAF lending to eligible countries in order to reduce the net present value of their IMF exposure. We also encourage the regional development banks and other multilateral institutions to participate on an equitable basis in this regard.

These actions by the multilateral institutions should be coordinated among themselves and with the Paris Club to assure a comprehensive approach. Moreover, relief should be provided within a reasonable time frame, closely linked to economic reform efforts. While the Paris Club can and should consider whether additional action by creditor governments is needed, it is vital that the Paris Club and multilateral efforts go forward in tandem. We feel strongly that the multilateral institutions should contribute their own resources toward this effort, and that the success of the program should not depend on contributions from bilateral donors which, in the case of the United States, will not be forthcoming.

I urge active and collaborative movement by all parties over the summer to assure that final mechanisms can be adopted in the fall. We believe this effort can make an substantial difference
in the economic and social development prospects of a number of the poorest countries. It is an initiative which should remain at the forefront of our development agenda.

Report of the Task Force on Multilateral Development Banks

All donors have a responsibility to adopt assistance policies that are efficient and effective in producing results on the ground, which focus on urgent development priorities, and which help catalyze private resource flows. The Development Committee Task Force has made a valuable and constructive contribution in assessing the vital development role being played by the multilateral development banks (MDBs) in our rapidly changing world. The Task Force has also presented us with a broad international consensus on how the MDBs can best and most effectively carry out their development mission. We strongly endorse the Report.

I would like to highlight, and provide particularly strong endorsement, to four of the Task Report's many valuable conclusions:

- the importance of having the MDBs "focus their assistance on countries demonstrating their strong commitment to reducing poverty as part of a soundly based economic and social reform program." This commitment by borrowers is necessary to make aid effective. And as we discussed at our meeting last October, the composition of public expenditure is one of the more important and visible measures of such a commitment, as is good governance -- i.e., accountability, the rule of law, and public participation. The MDBs should take timely steps to scale back or eliminate lending to governments which lack a genuine commitment to poverty reduction, and redirect these resources to governments which take development seriously.

- the importance of looking at the MDBs as a group. Effective development cooperation requires closer cooperation among the banks on the design and implementation of country-specific development strategies. Priority should be given to operations evaluation and to ensuring widespread dissemination of lessons learned from operational experience.
  I welcome the recent commitment of the heads of the MDBs to strengthen collaboration at all levels and to regularize their meetings. We hope this will lay the foundation for a productive day-to day working relationship among the institutions which harnesses the vast talent and development experience of each for the benefit of member countries. We also encourage a closer ongoing relationship between the heads of the MDBs and the Development Committee on key cross-cutting issues of concern.

- the imperative that MDB operations produce clear development impact. Each of the institutions needs to sharpen and strengthen its evaluation procedures to better determine what works and what doesn't, to distill our best practices, and to better provide themselves and their borrowers with the information needed to make the wisest development investment choices. In particular, each institution should give priority to developing clear, specific and monitorable performance indicators. We fully endorse the Task Force's judgment that this is an area ripe for institutional collaboration.

- the importance of the MDB role in helping to create and maintain an environment of effective government and a strong civil society, including a reliable framework of rules and institutions. As the Task Force states: "Good policy includes the rule of law, protection of legitimate economic activities and interests, a government's accountability to its citizens, effective measures to curb corruption, a participatory approach to development, easy access to important information and services, and sound decision-making reflecting the actual needs of people." Unfortunately, in all too many countries, corruption and corrupt practices are pervasive and seriously undermine both economic efficiency, social progress, and aid-effectiveness. Moreover, corruption is often associated with business practices that are inconsistent with viral development objectives, such as sound and sustainable use of natural resources. Promoting good governance must be a development priority.

I urge the banks and their members to incorporate these and other Task Force recommendations into the on-going reform efforts now under way in all the banks to improve their operational impact and better serve their borrowers. Successful reform will require a long-term commitment and is a process which will have to be strengthened and deepened with the benefit of experience.

International bribery undermines good governance and the effective use of scarce aid resources. This is an issue which should be targeted and combated by increased MDB collaboration. I support the Task Force recommendations that the MDBs should coordinate procurement policies and rules and suggest that this be on the agenda at a heads of MDB meeting. I support harmonization to the highest standard and applaud the numerous and significant revisions the World Bank made last year to strengthen its procurement guidelines. I urge all of the MDBs to work collaboratively to establish uniform rules, to require the use of standard bidding documents, and to have strong headquarters oversight of the procurement process. This would result in

increased transparency and efficiency gains for all of us as shareholders , for all bidders, and particularly for borrowers.

The North American Development Bank (NADBank) has taken this process one step further by including an anti-bribery certification in its procurement guidelines. Under NADBank guidelines, companies bidding for goods and services must certify that they do not bribe or engage in other illicit practices. I urge all Development Committee members to press for similar action in the World Bank and the regional development banks. I also suggest it be included on the agenda of the next meeting of MDB heads.

Conclusion

This meeting is taking place at a time of unprecedented public scrutiny of the international financial institutions. There is widespread skepticism of the value of "aid" and increasing criticism of the institutions which provide it. The overall improvements in human conditions which have occurred in the last half-century refute the suggestion that the development effort has been misconceived or a failure. At the same time, the uneven pace of progress among countries and regions and the enormity of the development challenges we still confront leave no room for complacency.

I therefore welcome and encourage the efforts which President Wolfensohn and his staff are making to strengthen the effectiveness and efficiency of the World Bank Group. I also appreciate the vast scope of challenges this entails. Development is not an easy process. There are no quick fixes. And so much relies on encouraging domestic effort -- local ownership, local commitment, local participation, and local implementation capacity.

The United States remains fully committed to working with the World Bank, and with the regional development banks, in support of sound development.

AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
April 23, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 2-YEAR NOTES

Tenders for $18,777 million of 2-year notes, Series AE-1998, to be issued April 30, 1996 and to mature April 30, 1998 were accepted today (CUSIP: 912827X56).

The interest rate on the notes will be 5 7/8%. All competitive tenders at yields lower than 5.939% were accepted in full. Tenders at 5.939% were allotted 38%. All noncompetitive and successful competitive bidders were allotted securities at the yield of 5.939%, with an equivalent price of 99.881. The median yield was 5.922%; that is, 50% of the amount of accepted competitive bids were tendered at or below that yield. The low yield was 5.890%; that is, 5% of the amount of accepted competitive bids were tendered at or below that yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$47,604,011	$18,776,806

The $18,777 million of accepted tenders includes $1,169 million of noncompetitive tenders and $17,608 million of competitive tenders from the public.

In addition, $1,650 million of tenders was awarded at the high yield to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional $926 million of tenders was also accepted at the high yield from Federal Reserve Banks for their own account in exchange for maturing securities.

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DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR RELEASE AT 2:30 P.M.
April 23, 1996

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $27,000 million, to be issued May 2, 1996. This offering will provide about $100 million of new cash for the Treasury, as the maturing 13-week and 26-week bills are outstanding in the amount of $26,901 million. In addition to the maturing 13-week and 26-week bills, there are $17,953 million of maturing 52-week bills. The disposition of this latter amount was announced last week.

Federal Reserve Banks hold $11,395 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 $6,173 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 $5,606 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) 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

RR-1025

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED MAY 2, 1996

April 23, 1996

<u>Offering Amount</u>	$13,500 million	$13,500 million
<u>Description of Offering</u>:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 3B 8	912794 3M 4
Auction date	April 29, 1996	April 29, 1996
Issue date	May 2, 1996	May 2, 1996
Maturity date	August 1, 1996	October 31, 1996
Original issue date	February 1, 1996	May 2, 1996
Currently outstanding	$14,020 million	- - -
Minimum bid amount	$10,000	$10,000
Multiples	$ 1,000	$ 1,000

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

<u>Submission of Bids</u>:

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

Competitive bids . . . .
(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%.
(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.

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

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

<u>Receipt of Tenders</u>:

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

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

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

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
April 24, 1996

Contact: Michelle Smith
(202) 622-2960

STATEMENT BY THE TREASURY DEPARTMENT ON FINANCIAL SUCCESSION ISSUES AMONG THE REPUBLICS OF THE FORMER SFRY

The United States Government (USG) supports the efforts of successor states of the former Socialist Federal Republic of Yugoslavia (SFRY) to reach negotiated arrangements with external creditor groups. Although the USG does not take a position on any related contractual disputes or issues, we welcome the progress a number of the former SFRY republics have already made in reaching such arrangements with official and commercial creditors. These are positive and necessary steps which these republics must take in order to regularize relations with international creditors and to gain new access to international capital markets.

In this context, we note the efforts undertaken by the Republic of Slovenia and its commercial bank creditors to normalize Slovenia's relations with the international financial community. Croatia has stated its intention to do likewise in the near future. Slovenia, Croatia and Macedonia have also made considerable progress in normalizing relations with official creditors. As part of efforts to support Bosnia, official creditors are examining ways to alleviate Bosnia's heavy debt burden. We continue to encourage all the successor states to the former SFRY to work cooperatively with the international financial community to reach agreement on all financial matters pertaining to SFRY succession.

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RR-1026

AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
April 24, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 5-YEAR NOTES

Tenders for $12,500 million of 5-year notes, Series H-2001, to be issued April 30, 1996 and to mature April 30, 2001 were accepted today (CUSIP: 912827X64).

The interest rate on the notes will be 6 1/4%. All competitive tenders at yields lower than 6.279% were accepted in full. Tenders at 6.279% were allotted 61%. All noncompetitive and successful competitive bidders were allotted securities at the yield of 6.279%, with an equivalent price of 99.877. The median yield was 6.250%; that is, 50% of the amount of accepted competitive bids were tendered at or below that yield. The low yield was 6.200%; that is, 5% of the amount of accepted competitive bids were tendered at or below that yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$29,679,335	$12,500,415

The $12,500 million of accepted tenders includes $404 million of noncompetitive tenders and $12,096 million of competitive tenders from the public.

In addition, $450 million of tenders was awarded at the high yield to Federal Reserve Banks as agents for foreign and international monetary authorities. An additional $800 million of tenders was also accepted at the high yield from Federal Reserve Banks for their own account in exchange for maturing securities.

RR-1027

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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TESTIMONY OF CYNTHIA G. BEERBOWER
DEPUTY ASSISTANT SECRETARY FOR TAX POLICY
BEFORE HOUSE WAYS AND MEANS OVERSIGHT SUBCOMMITTEE
APRIL 25, 1996

RR-1028

For Release Upon Delivery
Expected at 9:30 a.m.
April 25, 1996

STATEMENT OF
CYNTHIA G. BEERBOWER
DEPUTY ASSISTANT SECRETARY (TAX POLICY)
DEPARTMENT OF THE TREASURY
BEFORE THE
SUBCOMMITTEE ON OVERSIGHT
COMMITTEE ON WAYS AND MEANS
UNITED STATES HOUSE OF REPRESENTATIVES

Madam Chair and Members of the Subcommittee:

I am pleased to appear before you today in response to the Subcommittee's request to discuss some of the significant tax policy issues related to Federal debt collection practices. My testimony today will address the issues that you have expressly directed toward the Office of Tax Policy. In particular, you have asked for our comments on three issues related to outsourcing Federal tax debt collections: (1) which collection activities carried on by the Internal Revenue Service ("IRS") are "inherently governmental" and must be performed by Federal employees; (2) the appropriate method for compensating private debt collectors for tax debt collection services; and (3) the potential costs and benefits of using appropriated funds to contract with private debt collection agencies for Federal tax debt collection services compared to providing additional funding for collection efforts by IRS personnel.

You have also asked for our comments on (4) H.R. 757, which would expand the authority under section 6402 of the Internal Revenue Code of 1986 to offset Federal tax refunds to satisfy past-due State tax debts, and on (5) specific provisions of H.R. 2234, "The Debt Collection Improvement Act of 1995," that would enhance the IRS's authority to collect delinquent tax debts by establishing an automated system of levying on certain non-means tested Federal payments. After some preliminary comments on general policy issues raised by the private collection of delinquent taxes, I will discuss each of these five specific topics.

General tax policy concerns about private debt collection

A number of policy issues arise in the context of any tax debt collection proposal, and we would urge the Subcommittee to approach the topic of outsourcing tax debt collection especially cautiously. As you know, representatives of this Administration have previously expressed concerns about contracting out the collection of Federal taxes to private agencies. See, e.g., Letter from Commissioner of Internal Revenue Margaret Milner Richardson to Senator David Pryor (August 4, 1995), reprinted in 141 Cong. Rec. S11538. The Treasury Department too has concerns about turning over collection activity to private contractors.

First, this Administration and this Subcommittee are dedicated to protecting the rights of taxpayers in connection with our debt collection activities. In this regard, I want to commend the Committee on Ways and Means and the entire House of Representatives for their recent passage of the Taxpayer Bill of Rights 2 ("TBOR 2") legislation. The significance of taxpayer rights and the broad bipartisan support for protecting them are clearly reflected in the unanimous vote of the House to approve that bill. The Treasury Department has been very pleased with the bipartisan cooperation that has been demonstrated in developing and refining the provisions of this legislation.

As you know, our commitment to taxpayer rights has led us voluntarily to implement many of the TBOR 2 provisions through administrative actions. In January of this year, we issued a Notice discussing the TBOR 2 items that we would be undertaking administratively, see Announcement 96-5, "Administrative Initiatives to Enhance Taxpayer Rights," 1996-4 I.R.B. 99, and in late March we announced that the 17 specific TBOR 2 items identified in the Notice have all been implemented. This effort to accomplish administratively as much of TBOR 2 as was feasible under our authority provides tangible evidence of the Administration's ongoing commitment to protecting the rights of citizens in their contacts with the Federal tax system.

There is inevitably a tension between protecting taxpayer rights and aggressively collecting tax receivables. In its recent report, the General Accounting Office ("GAO") expressed "concern" that "the IRS may be sending the wrong message to its collection employees" by such actions as prohibiting the evaluation of collection employees based on amounts collected, increasing the use of installment agreements, and making additional use of offers in compromise. General Accounting Office, Internal Revenue Service Receivables 25-28, Report No. GAO/HR-95-6 (1995). We are concerned that the protection of taxpayer rights not be sacrificed in the enthusiasm to increase tax collections. Congress (in the first and second Taxpayer Bills of Rights) and the IRS (in our administrative TBOR 2 initiatives) have taken significant steps to ensure that taxpayers are treated fairly throughout the collection process. It would be, in our view, inappropriate to apply these taxpayer protections to the activities conducted by the IRS but not to private collection contractors. At a minimum, therefore, we think it would be necessary to require that private contractors respect all provisions of the law governing taxpayer rights.

Second, we are concerned about the difficulties that would result from disclosure of taxpayer information to contractors. As the Subcommittee knows, section 6103 of the Code protects the confidentiality of taxpayer return information, and the Administration firmly supports the policy behind this provision. Disclosures of return information may be inevitable under any system of privatized tax debt collection. What if individuals or entities that are in the business of debt collection duplicate IRS data or merge that information with their own private data bases? Disclosure to contractors will also present the IRS with more individuals and more physical locations that it must supervise and audit for compliance with security conditions and safeguards under section 6103(p) of the Code. Thus, any private system of tax debt collection must comply strictly with the privacy restrictions of section 6103 and related statutes.

In sum, we recognize that taxes must be collected, and that the system requires that where one taxpayer has paid his share and another hasn't, the IRS should pursue collection from the delinquent. However, the Administration believes that the important goal of improving debt collection procedures must be consistent with protecting taxpayer rights and maintaining taxpayer privacy and confidentiality. The proper resolution of this issue lies in a careful balance between these two aims and in thoughtful and well-considered implementation of any proposals.

As you know, however, in H.R. 2020, the Treasury, Postal Service and General Governmental Appropriations Act of 1996, Congress authorized $13 million for the Treasury Department to conduct a pilot program to test private collection of Federal tax debts, and the IRS has the pilot project underway. This provides an opportunity to evaluate the issues inherent in outsourcing of debt collection.

I will now turn to the specific topics you have asked us to comment on.

1. "Inherently governmental" functions

The Constitution provides that Congress has the power to levy and to collect taxes. Congressional authority to collect taxes has been given to the Secretary of the Treasury. Tax collection is intrinsic to government as an exercise of the state's sovereign authority, and the Supreme Court has held that sovereign powers generally cannot be contracted away. See Contributors to Pa. Hosp. v. City of Philadelphia, 245 U.S. 20 (1917); Texas & New Orleans R.R. Co. v. Miller, 221 U.S. 408 (1911). A key element of any proposal to privatize tax debt collection must be to evaluate the legal issues surrounding any attempted delegation of authority. In particular, there may be impediments to outsourcing tax debt collection functions under current Federal procurement acts.

For example, functions cannot be delegated by contract to persons other than officers or employees of the United States if those functions are "inherently governmental," which the Office of Management and Budget describes as "so intimately related to the public interest as to mandate performance by Government employees," such as activities that require the exercise of discretion in applying Government authority or that involve tax collection. See Office of Management and Budget, Circular No. A-76 (August 4, 1983); Office of Management and Budget, Policy Letter 92-1, 57 Fed. Reg. 45096 (Sept. 30, 1992).

Examples of tax collection powers that would not be delegable under current law would presumably include the authority to compromise a tax debt for less than the full amount due, the ability to seize property before a judgment confirming the amount of the tax debt, or other similar situations involving the judgment of an Executive Branch officer. On the other hand, delegable functions that might be obtained commercially include: providing locator services to establish a mailing address and phone number for delinquent taxpayers; mailing notices or letters that provide information on the amount of a tax delinquency and payment options; making telephone contacts to remind taxpayers of a delinquency, to provide information on payment options, and to secure intentions of repayment; providing lockbox service for receipt and processing of tax payments; providing data processing services that are performed in conjunction with tax collection activities; research and data gathering; and financial auditing support services. Id.

Further, certain ministerial acts are required under existing law, such as the prompt daily deposit into the Treasury of Federal taxes collected under section 7809 of the Code. This requirement parallels the similar Prompt Deposit Act, 31 U.S.C. § 3302, which generally applies in a non-tax context. The rule of these provisions would, for example, prohibit paying private collectors of Federal tax debts directly out of the amounts they collected. Also, rules related to tort liability, the applicability of state or Federal debt collection practices laws, and of course the taxpayer rights and privacy concerns discussed previously would all have to be examined.

Presumably, Congress can change all of these laws, but we would recommend that a thorough review of the extent of such changes be undertaken before Congress requires the IRS to privatize activities beyond the pilot program.

2. Compensation of private tax debt collectors

As this Subcommittee knows, the first Taxpayer Bill of Rights expressly prohibited the IRS from making compensation or personnel actions (such as evaluations) based on the revenue collected by its agents. See Omnibus Taxpayer Bill of Rights § 6231, Pub. L. No. 100-647, 102 Stat. 3730, 3734 (1988). The Administration supports this approach.

We are aware that contingent compensation arrangements are commonplace in private debt collection agencies. The Administration believes that the compensation for any private debt collection initiative should be subject to the same constraints as are imposed on the IRS. If such a contingent compensation arrangement is not allowable for our own employees, over whom we have supervisory control, why would we permit it for private contractors for whom the rights of citizens may not be the highest priority?

3. Use of appropriated funds

As I have noted, the prompt deposit requirements of existing Federal law would require private collectors of Federal tax debts to be paid with appropriated funds rather than out of the amounts they collected. We believe this restriction is a proper one.

Exceptions to the prompt deposit requirements have been rarely granted, and when they are, Congress closely monitors compliance. For example, in the TBOR 2 legislation recently passed by the House, the IRS was granted the authority to use the income earned in undercover activities to pay additional expenses of such operations. See H.R. 2337 § 1205. However, the authority was extended only temporarily, and section 7608(c)(4) of the Code, which requires annual reports by the IRS to Congress under this authority, was amended to impose additional reporting requirements with respect to the undercover operations, proceeds, and expenditures. Id., § 1205(c).

We believe that the general rule of payment only out of appropriated funds should apply to private debt collectors, and other approaches should only be considered after we have more experience.

Refund offset to collect state taxes -- H.R. 757

The Internal Revenue Code currently permits the IRS to offset Federal tax refunds in a variety of situations. Section 6402(a) authorizes offsetting Federal tax refunds in order to satisfy other Federal tax debts, and sections 6402(c) and (d) likewise authorize offsetting Federal tax refunds to collect past-due, legally enforceable debts other than delinquent Federal taxes. A taxpayer is entitled to a refund only to the extent that the tax overpayment exceeds these delinquent debts. The IRS thus currently has in place a four-tiered refund offset program, under which the IRS offsets Federal income tax overpayments by, in order of priority, the taxpayer's (1) delinquent Federal tax liabilities, (2) past-due child support obligations which have been assigned to a State under the Social Security Act ("AFDC child support"), (3) delinquent non-tax debts owed to other Federal agencies, most notably defaulted student loans, and (4) past-due child support obligations which have not been assigned to a State ("non-AFDC child support"). Each of these kinds of debts are offset based on a representation from the creditor agency that the debt is valid and enforceable and that certain procedural requirements have been met to ensure due process to the debtor. The IRS does not engage in an independent investigation of the validity of any claim.

H.R. 757 permits Federal tax overpayments to be offset to collect certified State tax debts. In general, the Treasury Department supports this proposal, which will foster and enhance cooperation between the Federal tax authority and State tax administrators. Treasury and the IRS identified some technical issues in the original bill introduced by Mr. Jacobs, involving the priorities for making offsets, the disclosure of tax information, and some other, relatively minor items. These technical problems have been resolved, and we expect the resolutions to be incorporated in the final drafting of the provision.

Some concerns have been expressed that States might ask the Federal government for refund offset of tax debts that are not valid or legitimate. H.R. 757 provides procedural guarantees intended to ensure that this does not occur. We would not support a refund offset provision that would require the Federal government to determine independently the validity of each underlying State tax debt presented to it for collection. Such a requirement would create a burden that would outweigh the benefit of the refund offset program to the Federal government.

Levy on Federal payments

Improving the Government's ability to recover delinquent debts is a priority of the Administration. Last summer, the Administration forwarded to Congress draft legislation intended to achieve this goal, which was introduced by Representative Horn as H.R. 2234. This legislation will provide enhanced tools to recover delinquent debt owed to the Federal government more efficiently and effectively, while protecting the due process rights of the debtors. H.R. 3019, the Continuing Appropriations for Fiscal Year 1996, as currently pending, contains many debt collection provisions drawn from this bill that do not involve Federal tax debts. I will confine my comments to the tax policy aspects of the Administration initiative.

First, by way of background, Congress has granted the IRS power to collect Federal taxes by levying on "all property or rights to property" of the taxpayer under section 6331 of the Internal Revenue Code. In particular, section 6331(e) permits a "continuous" levy on certain types of regular or continuous payments, such as salaries and wages. This authority permits the IRS to attach all or a portion of such regular payments by serving a single notice of levy on the person making such payments to the taxpayer. Section 6334(a) of the Code grants certain exceptions to the IRS's levy power for specifically enumerated categories of property.

The Administration's debt collection initiative, as reflected in H.R. 2234, contains two changes to the IRS's levy authority. First, this provision would permit a "continuous" levy to be made on certain kinds of non-means tested, recurring Federal payments, while continuing to exempt certain other Federal payments. This proposal, which would not change the kinds of property that the IRS can reach with its levy authority, is essentially a way to reduce paperwork burdens. It would eliminate the need for the IRS to serve repeated notices of levy in order to attach all or a portion of a non-exempt, recurring payment; instead, the IRS could simply serve the notice of levy a single time. Since the continuous levy power is already available to the IRS to collect delinquent taxes from salary and wage payments, we believe that it should also be available to collect delinquent taxes from other kinds of Federal payments, including in particular regular payments to Federal contractors for services provided.

As is now the case, the authority to make a continuous levy on Federal payments would be used only on a case-by-case basis at the discretion of individual revenue officers. As the IRS witnesses here today can explain, the levy procedure is ordinarily a "last resort" for revenue officers to use in the collection process, usually employed only after a taxpayer has ignored repeated notices of the delinquent tax account or has otherwise failed to make adequate payment arrangements. The Administration expects that this will remain the case, and that continuous levy on Federal payments will be used only as one of the last steps to collect unpaid taxes.

The second part of the Administration's proposal would change the exemptions from levy, so that the following non-means tested payments from the Federal government would no longer be exempt: Federal workmen's compensation payments, which are currently exempt under section 6334(a)(7); and annuity or pension payments under the Railroad Retirement Act, and benefits under the Railroad Unemployment Insurance Act, both of which are currently exempt under section 6443(a)(6). We have also recommended a change in the exempt amount of Federal wages, salary, and other income under sections 6334(a)(9) and 6334(d). Under current procedures, section 6334(d) provides a formula for computing a minimum exempt amount of wages, salaries, or other income received on a weekly basis. Because this formula is complex and unique to each taxpayer, we propose a new and simpler mathematical exemption, under which only up to 15% of Federal salaries or pensions would be subject to levy; in other words, at least 85% of such payments would continue to be exempt.

Congress has always permitted Social Security payments to be subject to levy, and the Administration's proposal would not change current law in this regard. As a practical matter, however, the authority to levy on Social Security is rarely used, and the only intended consequence of this proposal is to reduce paperwork burdens by making such levies continuous.

This legislation will improve collections while providing revenue officers with flexibility to take extraordinary situations into account. As noted above, the levy provisions are generally used only in the final stages of the collection process, after other efforts to collect delinquent taxes have failed. In the event that a levy on non-means tested Federal payments in excess of the exempt amounts were to cause a "significant hardship," the Administration anticipates that the Taxpayer Assistance Order procedure administered by local Problem Resolution Officers under section 7811 of the Code would provide additional relief.

Conclusion

The Administration looks forward to working with this Subcommittee in the future to enhance the collection of Federal tax debts, while protecting taxpayer rights and taxpayer information. In particular, we expect to report to the Subcommittee at the conclusion of the IRS private debt collection pilot project to evaluate the success of that program. Further, we ask that the Subcommittee favorably consider the two specific legislative proposals that I have discussed.

This concludes my testimony. I would be pleased to answer any question that you may have.

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TESTIMONY OF JEFFREY R. SHAFER
UNDER SECRETARY FOR INTERNATIONAL AFFAIRS
BEFORE HOUSE BANKING COMMITTEE
APRIL 25, 1996

RR-1030

Jeffrey Shafer
Under Secretary of the Treasury
for International Affairs
testimony before the
House Banking Sub-Committee on
International Monetary Policy
April 25, 1996

Mr. Chairman, Members of the Committee, I welcome the opportunity to testify before you this morning. We are requesting authorization for U.S. participation in the International Development Association, the IMF's Enhanced Structural Adjustment Facility, the African Development Bank, and the newly established Bank for Economic Cooperation in the Middle East and North Africa, which is in the process of creation.

Mr. Chairman -- let me speak frankly. Today, United States leadership and credibility are on the line. For several decades we have been the leading voice in these institutions. Several years ago we led these organizations' members in insisting that they undertake sweeping reforms -- to hone their work, cut costs, and ensure that they serve our interests -- as a condition for continued U.S. support.

By and large, the institutions for which we are requesting authorization today have undertaken the dramatic changes that we demanded. Here at home, we have honored the pledge made by then Secretary Bentsen, and reiterated by Secretary Rubin, to bring down significantly U.S. contributions to these institutions. The Administration has laid out a roadmap that will bring U.S. spending on the International Financial Institutions way down through FY 2002. Our IDA-11 commitment is less than half what we committed in IDA-10. Our request for the African Development Fund is also less than half our previous request. We do not foresee either the World Bank or the IDB ever needing another capital increase.

In short, we have accomplished what we set out to do. Now, we are at a crossroads. The United States owes some $1.56 billion in overdue obligations to these international financial institutions -- obligations made in good faith and with bipartisan support. These arrears threaten our ability to continue to lead these organizations. They threaten our ability to ensure that they continue to serve our interests. And they come at a time when European countries and Japan are demanding greater influence commensurate with their own levels of support, which are rising *vis-a-vis* our own.

Mr. Chairman, U.S. support for and leadership in these organizations is not a question of charity. Rather, it is based on their proven capacity to deliver concrete economic and security benefits to all Americans -- through exports, jobs, the expansion of new markets, and the enhancement of stability in sensitive regions.

The United States can have no more important economic goal than opening and expanding emerging markets for U.S. exports. To that end, nearly every developing nation that has prospered and become a major U.S. market -- South Korea, Indonesia, Thailand, Chile, and over a dozen more -- has seen economic growth launched and bolstered by multilateral development bank programs. Indeed, going further back, the World Bank was instrumental in lifting Europe and Japan out of post-war chaos.

We can have no more important security interest than anchoring peace and stability in countries formerly at war or emerging from communism. The development banks are active in every important region where the United States seeks to anchor stability -- in Central America, in Southeast Asia, in Southern Africa, and more recently in Eastern Europe and the former Soviet Union. Recently, IDA and the IMF began the critical job of helping to reconstruct Bosnia. With Congressional approval, the Bank for Economic Cooperation in the Middle East and North Africa will help former enemies of one another in that part of the world build the prosperity and economic relationships that are the underpinning for lasting peace and prosperity.

The historic embrace of democracy and market-based economics by many developing countries means that the opportunities for economic success and stability have never been greater. Developing countries doubled their purchases of our products over six years -- to \$218 billion in 1994. In fact, developing countries have become our fastest growing export markets, taking more than 40 percent of U.S. exports and supporting about 4 million U.S. jobs. Development banks have played an integral role in bringing about this welcome trend. They have provided unprecedented support for the trade and investment liberalization, regulatory and legal reform, and investments in nations' own people that have made this kind of growth possible.

Today, a whole new list of countries are embracing the kind of market-based reforms that will open their economies for growth. The opportunities for U.S. exports are enormous. All four of the programs for which we are requesting authorization are explicitly focused on market-based reform.

Mr. Chairman, never has it been more important for us to ensure that we continue to lead these institutions. Never have these re-engineered institutions been better poised to serve our interest in opening markets, and providing jobs for Americans. But if these institutions are going to continue to serve our economic and security interests, then the United States must maintain its leading role in them, even as our financial contribution declines. To do that, we must meet our obligations in a timely fashion. If we don't, our ability to steer IDA, the African Development Bank, the ESAF, and the Middle East Development Bank will weaken. Others may step up to the challenge, and reap the benefits that we abandon. That would be costly to us. But it would be even more costly if the institutions were to drift without clear direction. I fear that others cannot replace the leadership we have provided.

The International Development Association

Let me turn now to the specific institutions. The International Development Association, or IDA as it is known, is the largest element of our request. We are asking for an authorization of $550 million to meet the remainder of our standing commitment to the IDA-10 replenishment. Our appropriations request is for $934.5 million.

IDA was established by President Eisenhower in 1960 as an affiliate of the World Bank. Its role was to make loans to the poorest countries on concessional terms. Now, in 1996, it is appropriate to ask whether this program remains in our own national interest. I believe it does, for three compelling reasons.

First, IDA supports basic investments and market-building reforms that make capitalism in underdeveloped countries possible, so that they can become important United States trading partners. In effect, IDA is helping to remake developing countries in the image of the United States and the other industrialized democracies. It has not always been so, but this is what IDA is doing today. This type of reform does not come easily. There is no natural constituency for market-oriented capitalism in many of the poorest countries. IDA's support is essential in getting these nations on the right path.

India provides an excellent example. Since 1991, World Bank and IDA support for India has been conditioned on India's opening its market to U.S. and other goods and investment, and pursuing other economic reforms. World Bank-IDA lending conditioned on India's lowering its tariff barriers helped to bring maximum tariffs down from 400 percent to 65 percent. Since then, the United States has become India's largest foreign investor. In 1994, late Commerce Secretary Ron Brown announced additional contracts for U.S. firms amounting to more than $7 billion. From 1994 to 1995, our exports to India jumped from $2.3 billion to $3.3 billion.

India's achievements are but one example of IDA's market-building impact. Almost all of the major emerging market success stories -- including South Korea, Indonesia, Thailand and Turkey -- were once IDA recipients. All of these countries are now major customers for U.S. exports. In fact, IDA has 20 "graduates" which took $48 billion in U.S. exports in 1994 alone. That supported roughly 850,000 U.S. jobs.

This pattern of IDA support for market reform followed by large increases in U.S. exports repeats itself again and again. Today we find markets even in the poorest countries. Present IDA borrowers, for example, took some $20.2 billion in U.S. exports in 1994, up from $14 billion in 1988, and enough to support some 100,000 more U.S. jobs. The economic benefits to the United States have been clear: IDA-backed reforms lead to higher U.S. exports, which produce more jobs in our domestic economy.

Second, the United States relies on IDA to advance our strategic interests. IDA helps lay the foundation for stability in key regions, as it is doing by supporting economic transition and democracy in parts of the former Soviet Union. IDA cements incipient peace and democratization processes, as it is doing in Haiti, and just this spring, began to do in Bosnia. There, IDA is devoting some $550 million to support the nuts and bolts tasks needed to get the Bosnian economy up and running again -- everything from setting up lines of credit for small businesses to lending money for farm-seed to helping the Bosnians rebuild shattered government offices and homes. IDA is laying the foundations for the economic and social reconstruction without which peace in Bosnia will never be secure, and the courage of U.S. peacekeeping troops will have been for naught.

Third, IDA is a very cost-effective way for us to assist poor countries or nations in distress. Over thirty countries contribute to IDA. The U.S. share of funding has dropped dramatically -- from 42 percent to roughly 20 percent. Repayments on past loans now finance 25 percent of all new lending. This means that IDA is able to leverage about $7 dollars for every dollar the United States contributes. That is a highly effective way for us to invest our scarce resources.

Important Reforms

Three years ago, this Committee's predecessor authorized participation in the first two years of the tenth replenishment of IDA, leaving the third year unauthorized until certain reforms had been undertaken at the World Bank. Chief among these were establishment of a more transparent information policy and an independent inspection panel. I am pleased to report to you today that those important reforms are now in place.

Under U.S. leadership, the Bank has become far more transparent in its operations, making much more information available to the public. Procurement guidelines have been revised to bring competitive bidding up to a high standard. The Bank's independent inspection panel is ensuring that projects comply fully with Bank policies. Further, the Bank is undertaking a whole series of internal reforms to improve effectiveness, accountability, and the quality of its operations. For example:

-- Independent private sector and sustainable development departments are up and running.

-- The internal budgeting process is being put on a fully business like basis, making individual managers responsible for results and cost-efficiency.

-- Substantially greater resources are going to project supervision, implementation, and field work.

-- Comprehensive Country Assistance Strategies ensure that individual projects fully support the Bank's overall objectives in individual countries.

-- The Bank has put into place a rigorous set of policies on the environment. Environmental considerations are now at the heart of project development, not an afterthought.

The Bank has also responded to U.S. efforts to control administrative costs. Next year's administration budget will be 10 percent lower in real terms than the budget two years ago. First class air travel has been eliminated and benefits have been capped.

The Development Committee Task Force established in April 1994, and on which I represented the United States, endorsed these reforms as it laid out a broad set of recommendations for further change throughout the MDB system.

The Bank's culture and approach have changed, and continue to change in response to these efforts. In our view, the reforms address the concerns that have been expressed by this Committee and its predecessor in the past. Much of the credit must go to the vision exercised by the late Lew Preston, and the energetic leadership now exercised by Jim Wolfensohn.

To say that we are very pleased with this progress is not to say that the Bank is perfect. We will continue to exercise vigilance and oversight to ensure that the Bank continues to serve our interests, and does not slip back into failed policies.

Interim Trust Fund

Let me say a word about the Interim Trust Fund that IDA is establishing to finance some projects in fiscal 1997. Our FY 1997 request of $934.5 million will pay down our IDA-10 commitments. It will not cover any of our IDA-11 pledge. Other nations do not want IDA to wait for the United States before providing new resources to finance projects. To that end, these countries have agreed to set up a one year Interim Fund of approximately $3 billion. Procurement eligibility for IDA credits financed by this fund would be limited to nationals of countries contributing to the fund, and those member countries eligible to borrow from the World Bank. Projects funded by "regular" IDA resources will not be affected.

To determine which projects are to be financed by the Fund, rather than by "regular" resources, IDA on July 1 will hold a random drawing of all projects scheduled from October 1, 1996 through June 30, 1997. Treasury and the U.S. Executive Director's office are working closely with the World Bank to ensure that this process of project selection is truly transparent, open, and random. The resulting list of projects selected for Trust Fund financing will be disseminated shortly thereafter. Treasury, based on its dialogue with U.S. private sector leaders, will ensure that this advance notification occurs. We will also conduct a detailed briefing for U.S. companies during the next two weeks on the administration of the Interim Trust Fund.

Of the $7 billion in IDA resources expected to be available in FY 1997, U.S. firms will still be eligible to bid on more than 50 percent -- over $3.5 billion -- funded from IDA-10 payments and sources other than the Trust Fund. We have strongly opposed procurement restrictions and resisted their inclusion in funds in which the United States participates. But as a non-participant, we could not shape the Trust Fund's rules. Most donors participating in the Interim Trust Fund insisted on this approach because they confront budgetary pressures similar to or more serious than our own. For them, this step was seen as essential to generating domestic and political support for their participation, in the absence of the United States.

Mr. Chairman, the establishment of the Interim Fund illustrates why the United States has to remain in and contribute to IDA if it is to serve United States economic and security interests. The organization is doing essential work. It is anchoring the embrace of free markets, privatization, and economic reform around the world. IDA provides us with direct economic benefits. And the organization is implementing sweeping reforms advocated by the United States. For these reasons, we are requesting the support of this subcommittee for a full authorization of the remainder of the Bush Administration commitment to IDA-10.

Enhanced Structural Adjustment Facility

Mr. Chairman, the IMF's Enhanced Structural Adjustment Facility or ESAF is a natural complement to IDA. ESAF programs provide a medium-term framework for macroeconomic stabilization and structural reforms in the poorest countries. This in turn lays the foundation for successful IDA programs in support of longer-term structural measures and project lending. Together, ESAF and IDA provide the ingredients for sustainable, market-led growth.

Over half of ESAF's borrowers are in Africa, but the facility is increasingly supporting poor countries in the former Soviet Union as they make their transition to the market.

We are requesting authorization of the $75 million that remains outstanding from the United States' $100 million commitment to the ESAF. The money will be paid out over many years. Still, it is important to authorize that contribution now, to show that the U.S. Congress stands behind the U.S. commitment.

Let me offer three specific points about the ESAF.

First, ESAF is the only loan program in the world for the poorest countries that brings together the various components of successful adjustment under one coherent framework. This framework includes both macroeconomic stabilization -- such as reductions in budget deficits -- and free-market reforms designed to unleash the private sector. As I have said, ESAF and IDA lending go hand in hand. ESAF programs create the foundation for the kinds of longer-term efforts supported by IDA -- including prudent investments in infrastructure development, privatization, and reforms of financial and agriculture sectors.

ESAF loans are on terms which the poorest countries can afford, but on conditions that ensure that reforms are put in place. Loan disbursements are phased over a three-year period subject to satisfactory policy implementation. Policy objectives typically include reducing budget deficits, cutting inflation, privatizing, downsizing government bureaucracies, opening-up trade regimes to foreign competition, deregulating, and improving governance. The rest of the global financial community -- public and private -- generally look to the establishment of an ESAF framework before launching their own initiatives. ESAF support is a precondition for MDB initiatives in many instances, for Paris Club debt reschedulings, for commercial bank debt restructurings, and -- increasingly -- for bilateral assistance. In short, ESAF is the catalyst for change in poor countries. Actual ESAF funding is modest, but the impact is substantial.

Second, our pledge to ESAF is very modest in proportion to the size of our economy and the leadership we exercise in the organization. We are not contributing to the $15 billion ESAF loan account. Rather, the U.S. has pledged to contribute only $100 million to the $3.1 billion account that subsidizes interest payments by the poorest countries. That amounts to less than a nickel for every dollar contributed by others to this account.

Our contribution was also designed to minimize pressures on the already overburdened foreign assistance account. Therefore, the $100 million will be spent over a 15-year period, with outlays to begin in FY97. The fact that the outlays do not begin until next year should not be taken as a reason to delay authorization of the full balance of $75 million, however. It is important to authorize the full amount of our contribution, to demonstrate our continued support for reforms in the poorest countries of the world and to assure us the necessary leverage to influence the direction and content of ESAF programs.

Third, we have made progress in fulfilling the request put forward by Congress in agreeing to partial authorization for the extended and expanded ESAF, that the IMF provide greater disclosure of its activities. The Fund adopted a policy for automatically declassifying most documents of historical interest and making them available to the public. Provision has been made for timely release of background documents related to Article IV consultations if countries agree.

At our urging, the IMF has also become a force for greater disclosure by member countries. Just this month the Executive Board of the IMF gave final approval to its Special Data Dissemination Standard (SDDS) for provision of economic and financial statistics to the public by member countries. Invitations for subscription to the SDDS have been sent to all IMF member countries. Subscribers are expected to be countries that participate in international capital markets or aspire to do so. The standards call for advance dissemination of data release calendars and the simultaneous release of data to all interested parties. The Fund will establish and maintain an electronic bulletin board on the Internet which will identify members that subscribe to the standards. In addition, the bulletin board will provide wide and easy access to information about countries' statistical practices. Work is also underway within the IMF on General Data Dissemination Standards toward which the Fund would work with all its members to improve the quality of data that they regularly supply to the IMF.

There should be no further hesitation in authorizing our full pledge to this IMF facility. ESAF's success clearly advances our policy interests in promoting market-based sustainable development leading to economic growth and political stability in areas deficient in both. Not only is this the right and prudent direction to take, but it is also good for business.

IDA and ESAF

IDA and ESAF are working in tandem to support the near-term and longer-term reforms that countries must enact if they are to become dynamic markets for our exports. The U.S. exported over $2 billion in exports to ESAF countries in 1995. The largest markets were closest to home, in Latin America -- Honduras, Nicaragua and Bolivia -- but we had some notable successes in Africa as well -- Uganda and Cote D'Ivoire, for example.

Let me offer some examples of countries where <u>IDA and ESAF</u> are working together to put countries on the path to sustainable growth:

o **Uganda** is now in its fifth year of ESAF-backed reforms, and received an annual average of $190 million in IDA support over the last three years. It has used this support to introduce a fully market-determined exchange system and liberalize prices and interest rates. Inflation has declined from 240 percent in the late 1980s to single digits today. The civil service and military have been reduced in size. Real GDP growth last year was 10 percent, and is expected to be at least as high this year.

o **Armenia** received a three-year $148 million ESAF loan that will build upon achievements of previous short-term assistance it has received under other IMF programs. That, coupled with $117 million in IDA commitments for FY95, is helping Armenia maintain a stable exchange rate and low inflation, accelerate the pace of privatization, and contain the budget deficit within its targeted range. Stabilization and liberalization helped Armenia achieved an estimated 5 percent GDP growth rate last year, and the IMF projects 6.5 percent growth this year.

- **Cote d'Ivoire** and other CFA franc zone countries agreed to devalue their overvalued currency by 50 percent in January 1994, with support from the IMF and World Bank. The IMF backed Cote d'Ivoire's adjustment efforts with a $500 million ESAF program. Some $300 million committed by IDA last year is helping the nation to privatize agriculture markets and invest in municipalities. The turn-around has been impressive. After 6 years of economic stagnation (1 percent average annual decline in GDP), Cote d'Ivoire's economy began to recover in 1994, and registered 6.5 percent growth in 1995. The budget deficit has been reduced by some 2/3 over the past two years (from 13.3 percent of GDP in 1993 to 4.5 percent of GDP last year). Exports are booming, and privatization efforts are accelerating.

- **Mali** made important strides in reducing financial imbalances, containing inflation, improving the competitiveness of its economy and revitalizing the private sector under an ESAF program. IDA support totalling $66 million last year is helping Mali restructure industry, energy, and agriculture, and make critical infrastructure investments. Real GDP growth was about 6 percent and average consumer price inflation was cut in half. The IMF approved a new three-year loan of $91 million to build upon this success. Under the follow-on program, Mali will continue to eliminate distortions in resource allocation that will improve the climate for private sector investment and will target the alleviation of poverty by raising primary education enrollment rates and improving basic primary health care.

- **Bolivia** overcame a major economic crisis in the mid-1980s and has pursued a comprehensive economic reform effort, supported in part by some $295 million in ESAF loans. Inflation has been reduced from hyperinflationary levels to about 12 percent, and one of the region's poorest countries has enjoyed 4 percent GDP growth yearly over the 1990s. Now Bolivia is moving ahead with longer-term structural measures, many of which are being supported by the $500 million that IDA committed over the last five years. These include financial market and pension reform, power sector improvements, and a unique effort to allow foreign investment in formerly state-held companies, while distributing remaining shares to Bolivians.

Despite the successes that ESAF programs have so clearly achieved, many nations continue to need backing for economic reform efforts -- especially in the transitional economies of the former Soviet Union and in Sub-Saharan Africa. We see continued U.S. participation in the ESAF as a vital element in meeting these challenges and essential for helping to move the poorest countries toward economic independence.

The African Development Bank

Third, we are requesting authorization of $135 million for the paid-in portion of a new U.S. capital subscription to the African Development Bank -- the obligation that should result from negotiations, now under way. I should note that this authorization request accompanies our request for $50 million in appropriations for the initial payment of a proposed $200 million U.S. share in the seventh replenishment of the African Development Fund, which was previously authorized. The Bank provides loans on market-based terms to creditworthy borrowers. The Fund provides loans on highly concessional terms to the poorest countries.

The United States has been a member of the Fund since 1976, and of the Bank since 1983. We are the largest non-regional Bank shareholder, and the 3rd largest shareholder overall. We are also the second largest contributor to the Fund, behind Japan.

Mr. Chairman, I can cite some examples of African economic reform efforts that worked with support from the African Bank -- such as privatization in Mali, or agricultural reform in Ghana. But overall, in recent years the African Bank's performance has been a major disappointment. Chronic political instability and economic mismanagement in many African countries, coupled with inefficiency and mismanagement inside the institution, hindered the Bank's efforts.

Two years ago the United States brought matters to a head. We led the non-regional donors in suspending negotiation of a Fund replenishment. We demanded and won deep and sweeping reform of Bank and Fund administration and operations.

Our insistence on reform before funds are provided has paid off. With the coming of a new President, Omar Kabbaj, the way the Bank looks and works is changing. Twenty percent of Bank staff have been dismissed. More than two out of every three managers have been replaced. A comprehensive audit is underway, and an independent study advocates increased non-regional control over the institution. A tight new lending policy has been implemented that will keep non-creditworthy borrowers out of market-rate programs. The entire portfolio has been examined and over $700 million in loans cancelled. A tough new sanctions policy on arrears has been enacted, and Bretton Woods institutions have begun preliminary work on developing strategies to help the poorest countries alleviate their debt burdens.

President Kabbaj, I should note, is actually in Washington today where he is meeting with Members of Congress to listen to your concerns and explain how he intends to meet them.

In short, the Bank is implementing the most comprehensive and ambitious reform effort ever taken by an institution of its kind. More needs to be done, and it will take time before all the benefits appear. Nonetheless, we and the Bank's other non-regional shareholders are now convinced that the Bank is on the right path. It will soon be positioned to make a strong contribution to growth on a continent where more and more countries are turning toward market-based economic and social reform.

Against this background, a modest capital increase for the Bank to go along with a modest replenishment for the Fund are necessary and justified. Both will protect our investment in the institution and preserve our capacity to continue to direct and control the Bank's reform program.

The Middle East Development Bank

Finally, we are requesting $52.5 million in authorization for U.S. participation in an essential component of the Middle East peace process: the Bank for Economic Cooperation and Development in the Middle East and North Africa. That money will pay the first of five installments in the U.S. pledge to what promises to be the core institution in beginning the process of economic cooperation, integration, and private-sector investment among nations emerging from several decades of destructive conflict.

Mr. Chairman, the United States has a fundamental stake in promoting peace in that formerly war-torn region. We have invested heavily in security and trade relationships with nations there. Now we, like them, are poised to reap the economic and security benefits of peace.

But peace is fragile. And it is about more than signing treaties or pulling back armies. As Western Europe learned after World War II, peace becomes secure only when it is cemented by prosperity. Trade, investment, and commercial exchange knit former enemies together in peace. The private sector must provide the foundation for that to occur.

After decades of war, the Middle East and North Africa lack many of the economic underpinnings for trade, commerce, and growth. Cross-border infrastructure is insufficient. Established channels for regional investment are few. The region is one the least economically integrated of the world.

The United States was approached jointly by Egypt, Jordan, Israel, and the Palestinians, to lead the establishment of a Middle East and North Africa development bank to help the private sector fill those voids. Unlike traditional development banks, the Mid-East Bank will directly support private sector projects. Core activities will include financing cross-border projects to tie the region closer together, supporting the privatization of state-owned enterprises, and identifying other promising private-sector led opportunities for investment. It will do all these things by catalyzing private sector finance -- placing a heavy emphasis on co-financing with the private sector, and leveraging private resources. That will set the stage for the kind of market-based growth that the Middle East needs for prosperity, and a secure peace.

Conclusion

Mr. Chairman, continued support for all the institutions I've discussed today -- IDA, ESAF, the AfDB, and the MEDB -- is essential for our key economic and security aims. These institutions foster economic liberalization and policy reforms. In doing so, they open up vast new markets for United States goods and services, while anchoring political and social stability. And they do all that for pennies to the dollar, leveraging the money we provide by drawing on contributions from many other sources.

Fifty years of strong, bi-partisan support for the multilateral development banks testifies to bi-partisan recognition of the U.S. interests that they serve. If they are to continue to serve those interests, then the United States must maintain its leadership role in these institutions. For that reason, I urge the Committee to authorize, on a bi-partisan basis, the funding levels that the Administration has requested. Thank you.

DEPARTMENT OF THE TREASURY

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DEPARTMENT OF THE TREASURY

Statement of James E. Johnson
Assistant Secretary (Enforcement)
April 25, 1996
Before the House Committee on Appropriations
Subcommittee on Treasury, Postal Service and General Government

Mr. Chairman, Mr. Hoyer, members of the subcommittee, thank you very much for asking me to speak today about the Bureau of Alcohol, Tobacco and Firearms' role in Treasury enforcement. Director Magaw will speak further to the bureau's specific criminal and regulatory efforts.

I was sworn in as Assistant Secretary of the Treasury for Enforcement barely seven weeks ago. Although I am new to the department, I have worked closely with Treasury law enforcement bureaus for years. From 1990 until this past March, I served in the US Attorney's Office for the Southern District of New York as an Assistant United States Attorney. In New York, and now here in Washington, I have been consistently impressed by the men and women of the ATF and our other Treasury bureaus.

It has been a pleasure to come to know Director John Magaw. By all accounts Director Magaw has done an excellent job as ATF's leader. In my short time on the job, I have personally benefitted from the insight and wisdom that are drawn from his 30 years of law enforcement experience.

In terms of personnel -- special agents and other officers -- Treasury law enforcement resources approach those of the Department of Justice. This division of law enforcement authority is appropriate, because a balance of *police power* -- like the balance of political power -- is important to maintaining democracy. Americans have never chosen to create a unified national police force. Today, when citizens are skeptical of law enforcement, we should be wary of calls to consolidate police power in any single institution.

As you know, ATF collects revenue, regulates legitimate industries and has criminal enforcement authority. There are significant benefits to this union of duties.

- ATF's current structure creates mutually-productive partnerships with private industry. These partnerships foster voluntary compliance by law-abiding businesses, which enables us to focus more of our enforcement resources on the areas of highest risk for criminal behavior.

- ATF employs multi-faceted enforcement approaches. Often, regulatory or compliance personnel are necessary to perfect criminal cases. For example, an explosives investigative team may include auditors, regulators and bomb technicians.

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(more)

We received an additional reminder of the valuable work ATF performs just yesterday when President Clinton signed the Counter-Terrorism legislation. Mary Jo White, the U.S. Attorney for the Southern District of New York, noted ATF's vital participation in the investigations leading to the arrest and conviction of the terrorists who killed six and injured more than 1,000 when they tried to blow up the World Trade Center. As the members of this subcommittee know well, ATF made a similar contribution to the Oklahoma City bombing investigation.

The new counterterrorism law acknowledges ATF's expertise in conducting bombing investigations. Under the new law, ATF will take the lead in developing taggants technology. As the President noted when he signed the bill into law, taggants will make it easier for police to trace bombs to the criminals who made them, and bring those criminals to justice.

At present, I have responsibility for Main Treasury's oversight role in enforcement matters. Under Secretary Robert Rubin's leadership, I intend to continue to exercise appropriate oversight over our bureaus.

The Office of Enforcement convenes weekly meetings of our enforcement bureau heads and I meet with each bureau head on a one-on-one basis. The enforcement bureau heads also meet regularly with the Deputy Secretary.

In addition, Main Treasury Enforcement has instituted policies and procedures to increase prior review and planning of major law enforcement operations:

- Bureau heads are required to notify the Office of Enforcement of "any significant operational matters that affect the Bureau's missions, including major high risk law enforcement operations."
- Sensitive undercover operations must be reviewed and approved by a multi-agency committee that includes a representative of the DOJ Criminal Division.
- The policy on contacts with the media about pending investigations or cases has been clarified and standardized.
- We have issued a uniform use of force policy, and are close to making final new uniform policies on the handling of informants.

In short, we take our oversight responsibilities very seriously. Treasury is proud of ATF and the important work it does. This is as it should be. ATF agents risk their lives every day, pursuing some of the most dangerous criminals to ever threaten our society. I look forward to working with Director Magaw and the men and women of ATF in the days ahead as they carry out their important mission. I will be happy to answer any questions you may have.

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FOR IMMEDIATE RELEASE
April 25, 1996

STATEMENT OF TREASURY SECRETARY ROBERT E. RUBIN

The massive seizure by the U.S. Customs Service of 2,300 pounds of cocaine on the Texas border -- worth more than $100 million on the street -- demonstrates that Operation Hard Line is making a real difference in stopping the flow of dangerous drugs into the United States on our southern border. In little more than a year, Operation Hard Line has shown the Customs Service's ability in dealing with shifting smuggling patterns and methods. Considering the immense volume of vehicular traffic and the hundreds of millions of people crossing the border each year, Customs has accomplished a great deal. With the more than 650 additional enforcement personnel the President has requested in the 1997 budget, Operation Hard Line can become an even more effective tool to keep drugs out of the United States.

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NEWS Department of the Treasury
U.S. CUSTOMS SERVICE

FOR IMMEDIATE RELEASE
R96-088HOU

APRIL 25, 1996

U.S. CUSTOMS AGENTS SEIZE MORE THAN A TON OF COCAINE, THREE TRACTOR-TRAILERS FROM SOUTHEAST HOUSTON WAREHOUSE

HOUSTON -- U.S. Customs Service Commissioner George J. Weise traveled from Washington, D.C. via Laredo, Texas to congratulate Customs agents here today for their excellent execution of a controlled delivery of more than a ton of cocaine which entered the United States last week at Laredo, Texas.

"This is an excellent example of well coordinated cooperation among law enforcement offices," Commissioner Weise said. "The Customs agents displayed outstanding investigative skills through their excellent surveillance and controlled delivery. I am proud of the good working relationship and the outstanding results which the U.S. Customs Service enjoys with the law enforcement community here in Houston."

Customs inspectors at the Colombia Solidarity Port of Entry selected a 1989 Kenworth tractor pulling a Tempte refrigerated trailer for an intensified Operation Hard Line inspection when it arrived Thursday afternoon. Although the trailer appeared to be empty, Customs inspectors performed a battery of tests. Drilling into the roof of the trailer produced a white, powdery substance which field tested positive for cocaine. Further inspection of the interior revealed other indicators of a possible smuggling venture. Customs canine "Bartman" alerted to the scent of narcotics. A "Buster" density-meter revealed unusual readings in the last four feet at the end of the trailer.

Customs agents then conducted a controlled delivery of the rig to a warehouse in southeast Houston. They conducted a search warrant of the warehouse last Friday, and discovered nearly 2,300 pounds of cocaine in the roof of the trailer. Agents seized the trailer containing the cocaine. Agents also seized two other refrigerated trailers in the warehouse. Those additional trailers had similar false compartments. With an estimated street value of $45,000 per pound, the cocaine is valued at nearly $104 million.

Arrested in Houston were: Walter G. Mace, Jr., a 56-year-old Oregon man; Ray J. Garza, a 43-year-old man from Houston; Randall E. Gourley, a 52-year-old man from Rocharon, Texas; Tomas Santana, a 38-year-old Mexican man living in Modesto, California; and Ramon Contreras, a 19-year-old man from Irving, Texas. The men were charged with violation of federal drug trafficking and smuggling laws. They face federal charges of imprisonment of ten years to life.

Assisting Customs in this operation were DEA agents from Houston and Laredo, officers from the Harris County Sheriff's Office, and the Pasadena Police Department, and the Laredo state and local investigative task force.

Operation Hard Line, launched in February 1995 to enhance narcotics interdiction efforts along the southwest border, has resulted in a 24 percent increase in seizures of heroin, cocaine, and marijuana. Additional notable Hard Line seizures include 3,080 pounds of cocaine seized in Brownsville in early April, 800 pounds of cocaine seized in Houston in March, 54 pounds of heroin seized at Del Rio in January, 2,285 pounds of cocaine seized in Brownsville last November; and several huge cocaine and large heroin seizures in the state of Arizona.

Hard Line techniques have decreased the percentage of port runners by 40 percent. The success of Operation Hard Line has caused its expansion to Puerto Rico and the Caribbean. Through the recently implemented Operation Gateway, Customs officers and agents in Puerto Rico and the Caribbean will use the proven tools and techniques implemented for Operation Hard Line to interdict narcotics in their area.

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For more information, please call: Special Agent in Charge Leon Guinn at 713-985-0500 or Public Affairs Specialist Pamela Previte O'Brien at 713-313-2912.

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FOR IMMEDIATE RELEASE
April 26, 1996

RUBIN, RENO AND MCCAFFREY TO VISIT MIAMI CUSTOMS SITE

Treasury Secretary Robert E. Rubin, Attorney General Janet Reno and Director of National Drug Control Policy Barry McCaffrey will visit the U.S. Customs Service at the Miami Seaport (Shed E) on Monday, April 29, at 8:30 a.m. to be briefed on the latest drug interdiction activities taking place in South Florida.

Secretary Rubin, General Reno and General McCaffrey will be joined by Customs Commissioner George Weise and local Customs officials.

The briefing for press will include recent drug seizures, a canine demonstration and remarks by Secretary Rubin and Commissioner Weise.

Also included in the briefing will be the inspection of goods using a large stationary x-ray unit and a mobile x-ray van; the manual inspection of goods in several cargo containers and coolers; and a seized container of 31,430 pounds of marijuana and 518 pounds of hash oil.

Treasury Department contact:	Chris Peacock (202) 622-2960
Customs Headquarters contact:	Pat Jones (202) 927-1770
Customs Miami contact:	Michael Sheehan (305) 536-4126

DIRECTIONS: From U.S. 1, turn east onto Port Blvd. and cross the bridge leading to the Port of Miami. Proceed straight to the first and second security check points, identifying yourself at each point. Shed E is the large warehouse further up on the right with a large blue E in the upper left corner.

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FOR IMMEDIATE RELEASE
April 29, 1996

REMARKS OF TREASURY SECRETARY ROBERT E. RUBIN
DRUG STRATEGY ANNOUNCEMENT
GEORGE WASHINGTON CARVER MIDDLE SCHOOL
MIAMI, FLORIDA

The Clinton Administration is deeply committed to dealing with the problem of drugs in our society. This is critical to you and the kind of world in which you'll growth up. Dealing with the drug issue is critical to having good neighborhoods and attracting jobs to those neighborhoods, to reducing crime, and it is critical to the quality of your schools and the quality of your lives.

Before I talk about some of our recent actions Treasury to combat drugs in America, I want to introduce two of the central figures in Treasury's efforts in that regard. We have with us today the newest member of Treasury's enforcement team -- Assistant Secretary of the Treasury for Enforcement, Jim Johnson. He oversees the law enforcement bureaus at Treasury that fight drugs on all fronts. This work includes Customs' interdiction of drugs at the border, ATF's anti-gang programs and efforts to reduce drug-related violent crime, and our financial crime experts who track the proceeds of the drug trade to help catch those responsible.

In the long run one of the most critical programs with respect to fighting drugs may well be dealing with the conditions that give rise to the use of drugs, and the prevention and treatment of drug abuse. But having said that, I'd like to focus this morning on law enforcement, and the man who runs Treasury's front-line defense against drugs, Commissioner of the U.S. Customs Service, George Weise, is with us today.

The Customs Service has had a number of important successes lately. Earlier today I was at the Customs facility and received a briefing on how the personnel there found 800 pounds of cocaine in a load of cut flowers coming in from Columbia. Cut flowers are fine. Cocaine is forbidden. Last week, George told me his personnel found well over a ton of cocaine hidden in secret compartments in a tractor trailer in Texas as part of Operation Hard Line along the Southwest Border. That program is working well, and because smugglers always shift tactics when you put the heat on, the Customs Service now has Operation Gateway, its initiative in Puerto Rico and the Caribbean.

RR-1034

(more)

If we're doing well on the Southwest Border -- and we will be clamping down on it even further -- it's natural that the smugglers would look to other ways to get into the United States. We're committed to stopping them at all entry points.

I've just mentioned a few examples, but let me mention another example, one that is a case of government spotting a problem and reacting before the problem can become a lot larger. This is an example of government working the way it should work. Early last month, the Customs Service worked together with the Food and Drug Administration and the Drug Enforcement Administration to prohibit the importation of a very dangerous drug called rohypnol. It's 10-times as powerful as Valium. Law enforcement officials told us it was becoming an abuse problem. In one three-week period alone, back when it was legal to bring this drug in, 100,000 tablets came in through one city alone. Since the ban, several attempts have been made to smuggle this drug into the country. Someone tried to mail 5,000 pills form Panama to Fort Lauderdale, but we caught them and made four arrests.

The best evidence that the interdiction is working is that the price of this drug has doubled on the street. We're making a difference, preventing this drug from being more widely abused and preventing it from endangering more teenagers. Again, this is a case of government seeing a problem and working quickly to address it. And it's a symbol of how this administration is working to address the drug issue.

The President will be here shortly to discuss the our anti-drug strategy in broader terms. I'll close by saying that I'm proud of the work the Customs Service and the other Treasury bureaus are doing to fight drugs. These efforts will contribute immensely to our national strategy and, over time, to reducing the terrible effects drugs have on our society. And with the more than 650 additional enforcement personnel we have requested in the 1997 budget, Customs interdiction efforts in particular will be an even more effective tool to keep deadly drugs out of the country.

Thank you.

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Laying the Basis for Prosperity
Remarks by
Lawrence H. Summers
Deputy Secretary of the Treasury
Society of American Business Editors & Writers
New Orleans
April 29, 1996

Introduction

It is a critical moment in our nations' history. Americans are weary after a long period of conflict. Increasingly, they are preoccupied by problems at home, not abroad, and wish to withdraw from foreign entanglements.

Our elected leaders vow to shrink government. Companies are increasingly successful, but workers are fearful for security. Tariffs are thrown up. Concerns rise about immigration. There is talk in some quarters of keeping America "pure." Quotas and new laws reduce the flow of immigrants. It is the best of times for some, and the worst of times for others.

I suppose I could be describing 1995. I am actually describing 1925. America is on the brink of a series of catastrophic economic and foreign policy errors. These will help send the world shuttling toward what are perhaps the darkest years in human history.

The lessons of the 1920s are powerful. They point up the fact that America is not secure, even when we are the world's sole superpower. They speak eloquently about the need for American leadership and engagement even in regions of the world that seem far off or unimportant in the near-term. And they offer important examples of the ways in which our international economic policy, and our national security, are inextricably intertwined.

We live in a period of great opportunity, and great challenge. Opportunity, because our economic foundation is stronger than it has been since John F. Kennedy was President. Opportunity, because the millions of people around the world have adopted markets and democracy, creating a burgeoning global economy. Challenge, because as President Clinton has said, and as the people of New Orleans have done for so long, to take advantage of that global economy America must compete, not retreat.

RR-1035

The United States faces three priorities in the years ahead if our prosperity is to be secure. First, we have to continue to lay the foundation for a strong economy here at home. Second, we must show leadership abroad -- to open markets, to maintain security, and to keep emerging market countries on the right path toward democracy and economic growth. Third, we've got to make sure that all Americans have a chance to share in our prosperity. Let me say a word about each of these three priorities. I'll start with the need for a strong foundation for growth here at home.

A Strong Economic Foundation

When I look at the state of our economy today, I think it is stronger than it has been any point in my professional lifetime.

- America has generated over 8.5 million jobs over the past three years of this Administration, giving us a 5.6 percent unemployment rate -- down from 7.3 percent when the President took office.

- Job creation has already beaten the President's own pledge of 8 million jobs over 4 years. And that comes against a backdrop in which all the other industrialized countries have been <u>losing</u> jobs, and seeing their unemployment rates soar in recent years.

- We have seen substantial increases in corporate profitability, which rose more than 25 percent after tax from 1992 to 1994, and another 15 percent through the first three quarters of 1995.

And it's there in a whole range of indicators that tell you how well Americans are doing, from mortgage interest rates that, even with recent rises, are still only about 120 basis points above the 25 year lows they hit in 1993, to poverty figures, which over this Administration's first year in office came down for the first time in half a decade.

Private Sector Renewal

What accounts for the economic strength that we are seeing? American business has proven itself to be remarkably dynamic, compared to other countries. We've got the most flexible finance in the world, we've got the most competitive markets in the world, and are always forcing ourselves to compete against the world's best.

- Look at the American manufacturing sector, and the kinds of changes that IBM, or General Electric -- which quadrupled its earnings over the past decade -- have implemented. Theirs is a record that many companies elsewhere in the world have yet to achieve.

As important as the rebirth of old industries is the development of new ones. We are uniquely suited to compete in the information age.

- Microsoft is now one of the 10 most valued companies in the United States in terms of market capitalization. AIG is one of the 16 most valued companies in the United States.

- Look at industries outside of manufacturing -- Federal Express, Disney, Netscape. It is clear that a high proportion of the global leaders in these industries come from the United States.

In short, we are best at the stuff of tomorrow.

A Well-Managed Economy

Alot of the credit for our economy must go to a private sector that is doing alot of things right, to compete in the global economy. But the private sector wouldn't be able to compete if we did not have an Administration that is doing something that hasn't been done in decades: managing our economy well.

- The President's budget reductions have brought the government deficit down for three years in a row, for the first time since Harry Truman was President.

- At about 1.9 percent last year -- down from 4.2 percent in 1992 -- we had the smallest general government deficit as a proportion of GDP among all the Group of Seven industrialized countries. We look set to match that performance in 1996.

- The Administration has been able to cut government spending because it has trimmed the fat off of government. In fact, we have shrunk the size of government, to the point where the number of government employees is at its lowest level in 30 years, and the number of government employees as a percentage of civilian non-farm labor is at its lowest level since 1933.

Why is that important? It's important because showing some backbone in fiscal discipline is what permitted a broad drop in interest rates.

- Interest rates are historically low for this point in an economic cycle, with the long-bond only about 85 basis points above its all time low of October, 1993.

Low interest rates prompted by the Administration's fiscal rigor are what gave our economy a healthy boost. But they have also sent investment in business equipment soaring.

- Investment in business equipment has been growing at double digit rates for three years in a row for the first time in 30 years. That is important, because it means that America is making the investments in capacity which are necessary for this economy to keep growing at a sustainable, non-inflationary pace.

In short, we are enjoying something that hasn't been seen in this country since John F. Kennedy was President: a low-inflation, investment-led recovery.

That is significant. It is significant because one clear lesson emerges from post-war economic history. No recovery has ever died of old age. Recoveries have died because they have been squeezed by rising interest rates prompted by the Federal Reserve, with inflation control as the motive.

Inflation rises. People get properly nervous. The Fed rightly tightens the reins. The economy starts to skid, and we experience a recession. That was the pattern in 1958. That was the pattern in 1967. That was the pattern in 1970. That was the pattern in 1974. That was the pattern in 1982. And that was the pattern in 1989.

If we are going to avoid a repeat of that pattern, it is essential that inflation be kept under control. And inflation is at its lowest level since the 1960's.

It is necessary that we expand capacity so that the demand for output can rise without giving rise to price pressures. And that is why it is so significant that investment is leading this recovery, to the point where our investment figures are more favorable than they have been in a generation. The President's wise macroeconomic management is what has allowed this crucial alignment of low-inflation, low-interest rates, high-investment to occur.

Maintaining American Leadership

A strong economic foundation here at home is important. But it would mean less if we did not use American leadership to make sure that there is a strong global economy to which we can sell our products, and a secure global system to protect Americans' security and prosperity.

Take a step back for a moment. When historians of the future study our era, it may not be the end of the Cold War -- the end of a struggle between two major powers -- that they see as most important. Rather, the most salient event may be the fact that this is the era in which some 3 billion people in Asia, Eastern Europe, and Latin America mounted on a rapid escalator to modernity. That has happened, because for the first time in human history, nations around the world have agreed on one model for economic prosperity and political liberty. That model is the American one, of free markets and democracy. And its acceptance around the world offers remarkable opportunities for U.S. jobs, exports, and prosperity in the decades ahead.

There is no question that trade has been the engine powering our economy over the past half decade.

- Export growth has averaged 8 percent yearly since 1992, more than double GDP growth. U.S. firms now export more than $700 billion, enough to support some 10 million U.S. jobs. And these are good jobs, paying some 15 percent more than average wages.

If you ask yourself where the fastest export growth has come, the answer is emerging markets -- markets which already support some 4 million high-paying U.S. jobs.

If the opportunities for Americans are going to expand, and the number of high-paying jobs grow, then we can have no more important priority than making sure that other countries barriers to our products come down, and markets open to our goods.

That is why this Administration has launched the largest campaign to open markets to our goods in decades.

- We've completed well over 100 market-opening agreements with other countries to bring down barriers and make sure the playing field is level.

- We completed the Uruguay Round, and our Framework Agreement with Japan is already delivering results. Export growth to Japan in products where we've reached an agreement has been three times as great as growth in other products.

American Leadership for Security

Opening market is one aspect of American leadership. Another is making sure that those countries on the path to free-markets and growth stay on the right course. Of course that is about garnering the opportunities that prosperous developing countries offer to Americans -- through exports and jobs. But helping countries make the transition to growth and democracy also involves another recognition: that conflict has its roots in frustration. American leadership to anchor growth in developing countries is essential for anchoring stability, and protecting America's security in a world in which challenges remain.

It cannot be an accident that after a half-dozen wars in a hundred years, each followed by peace treaties, then again by renewed conflict, war in Europe became unthinkable after 1945. Much of that had to do with the economic vision shown by a few on both sides of the Atlantic after the war. It was a vision that supported rapid rebuilding as essential for normalization and prosperity. And it advanced economic integration, as essential to ensuring that people stood to gain more in shared peace, than in divisive conflict.

Today, as we look to those regions that remain essential for American security, we must draw on that same vision. It is clear, that the prospects for stability in Eastern Europe and the former Soviet Union have much to do with those vast lands making a successful transition to market economics and prosperity. It is clear, that the degree to which Asia avoids conflict, and that ideological, cultural, and border disputes do not derail that regions' march to progress, has much to do with the extent that all sides of the Pacific are bound together in prosperity, and rising powers integrated in the global economic and trading system. And it is clear, that the prospects for Central America knowing true stability, for apartheid truly withering away in southern Africa, and for peace firmly taking hold in the Middle East, have much to do with the extent to which wealth finds its way to Nicaragua, industry takes hold in Soweto, and commerce extends from Cairo to Tel Aviv to Qatar.

Supporting Russia's Transition

Let me focus on one enormous country whose successful transition to democracy and a market-based economy are essential, both for our prosperity and our security: Russia.

For 50 years we were locked with the Soviet Union in a cold war. Today we have the chance to reap the fruits of our historic victory. Our policy of making money available to support Russia -- but only if Russia held to the path of reform -- has worked to keep Russia on the path of change.

Four years ago the streets of Moscow were filled with the talk of mass starvation. The failing communist system couldn't deliver food from the countryside to the city. Today, shops are sprouting up on every street -- and they're filled with goods. Real consumption by Russians is up 20 percent since 1992. An estimated 70 percent of industry is in private hands, and key sectors such as plastic, metals and steel are growing. The government estimates that some 900,000 new small businesses have been created, and with them, 14 million new jobs.

The Russian government has made important progress. Russia finally broke the back of inflation -- it's come down sharply from 18% monthly in January 1995 to 3% by the end of the year. The ruble has appreciated sharply -- 15 percent this past spring. It remains 7 percent above its April 1995 level, and well within its corridor. Russia seems poised for growth.

Some, viewing the insecurity surrounding the upcoming election and possible retreat from reform, want the United States itself to pull back. They argue that now is no time to be putting money into Russia. They say our policies have been misguided -- too dependent on helping one leader, or one party, or one point of view.

Make no mistake. United States leadership of international efforts to support Russian transition have not been premised on one man, or one party, or even one narrowly defined worldview of those in power. As I said, from day one of the Clinton Administration, our policies have been premised on Russia's taking the clear, definable steps needed to anchor economic transition.

Latin America

Russia's is an immense market -- some eight time zones spanning two continents. But there is a closer vista of opportunity, one that lies right on New Orleans doorstep. That region is Latin America.

Consider the United States stake in trade with the countries to our south.

- Mexico has been one of our fastest growing major trading partners.
- Chile, with 14 million people, buys more than India with 920 million.
- We sell more to the countries that make up MERCOSUR than we do to China.
- We sell about as much to Costa Rica, with three million people, as we do to all of Eastern Europe, with about 100 million.

All told Latin America and the Caribbean purchased some $92 billion of American goods in 1994, almost as much as did the European Union. These exports support hundreds of thousands of American jobs. They will grow enormously as the process of reform continues, and as prosperity continues to spread in our hemisphere.

Summit of America

How can we make sure these markets continue to open, and that prosperity comes? The answer is integration. Integration cements change. Integration provides confidence and stability where they are needed. And integration ensures that our regions' citizens come to see their prosperity as intertwined. Creating a prosperous, integrated region stretching from Canada to Chile is the best way to make sure that Latin America does not lapse back into the statism and authoritarianism of the past.

It was in recognition of the benefits of integration that President Clinton invited leaders from our hemisphere's democracies to gather at the Summit of the Americas in 1994. There they agreed to form a Free Trade Area of the Americas. But they also agreed on a second broad set of measures needed to lock in prosperity throughout the hemisphere: the need to develop Latin America's capital markets, so that the region can have the investment and finance it needs to grow. That will be the task that Ministers from throughout the hemisphere will further when they gather at New Orleans in just a few days. They will agree on a range of initiatives -- from identifying priorities for financial market development to commissioning a survey of national laws affecting private sector finance, and establishing a training institute for supervision and examination of financial regulators. All of these will help Latin America develop the transparent, well-regulated and integrated financial systems it needs to grow sustainably, and become an even more vibrant trading partner for New Orleans, and all the United States.

Opportunity for All Americans

Let me turn finally to a third priority that must be high on our economic agenda over the coming years. The prosperity that all Americans crave must also be prosperity that all Americans can share. That can only happen if all Americans have the tools they will need to take advantage of the opportunities that the global economy affords.

Only an educated workforce can adapt and compete quickly in a dynamic global environment. That is what the recent budget debate was all about. President Clinton strongly supports a balanced budget. But he also insists on a balanced economy. He realized that making investments in our children's and workers' education is just as important as fiscal responsibility -- and that both could be accomplished. The budget that Republicans and Democrats finally agreed upon embodies that recognition, by restoring nearly $3 billion more for key education, health, and labor programs which the President realized were a sound investment for all our futures.

Children need intensive education, and more education early, in an environment that places a premium on skills. That is why the budget restores $195 million more for Goals 2000 (to a total of $350 million), $953 million more for Education for the Disadvantaged (to a total of $7.2 billion), and $169 million more for Head Start (to a total of $3.6 billion).

Workers need greater assurance that they will not fall through the cracks during the time it takes to adapt to changing opportunities. That is why this bill restored $233 million more for Dislocated Worker Assistance (to $1.1 billion), as well as $132 million more for school-to-work programs at the Education and Labor Departments (for some $350 million).

The President realized that of course, Medicare costs need to be brought under control. But Medicare must remain a first class health system. That can only be the case if the growth rate in Medicare reimbursements does not fall too far below private programs. So we must await further progress in reining in all health care costs -- including those in the private sector.

The President realized that American workers must have the technology and tools they need to compete -- but that some investments cannot be made by the private sector. I think the Internet is the best example. The Internet started as a government sponsored research program two decades ago. Now it has mushroomed into an enormous boon for American businesses and creativity.

- That is why the President insisted on $221 million for the Advanced Technology Program, which sponsors investments in the technologies that will give America an edge in the 21st century.

The Minimum Wage

Finally, let me turn to an initiative that the President strongly supports -- a rise in the minimum wage. Raising the minimum wage is enormously important -- if all Americans are to share in the strong economic foundation that we are laying, and if working Americans are to have a base from which to create better lives for themselves and their children.

Some believe the minimum wage will cut down on the number of jobs. We have found no evidence of that. On the contrary, the minimum wage is about encouraging work, and keeping people off of welfare. It's about easing working Americans' insecurity at a time when some are worried about change. And it's about making sure that while America competes better and enjoys greater prosperity, no Americans slip through the cracks.

Conclusion

Let me conclude where I began. The United States economy is moving forward. For the first time in a generation, we are putting our fiscal house in order. We are opening the world economy to our exports, and we are doing better in international markets. In the aggregate, three years of wise management has left our economy stronger than it has been in 30 years.

The challenge now is to strengthen the foundation for progress, and take steps to ensuring that all Americans have the opportunity, the tools and the basis to succeed as we enter the next century. Thank you.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

April 29, 1996

MEDIA ADVISORY

Meeting of Western Hemisphere Finance Ministers
Hosted by the United States of America
New Orleans
Friday, May 17, and Saturday, May 18, 1996

U.S. Treasury Secretary Robert Rubin will chair a meeting of finance ministers from the 34 democratic countries in the Western Hemisphere in New Orleans on Friday, May 17, and Saturday, May 18.

The following is a tentative press schedule -- for planning pursposes only -- and summary of press arrangements for the meeting. Unless otherwise noted, all events are at Gallier Hall, 545 St. Charles Avenue.

This advisory will be updated.

Thursday, May 16

Press credentials available for pickup at the New Orleans Marriott, 555 Canal Street. (Time and location to be announced.)

Friday, May 17

9 a.m.	International Press Center opens at Gallier Hall.
2:30-5:30 p.m.	Financial Roundtable sponsored by the Inter-American Development Bank. Participants will include a group of finance ministers and private sector representatives from throughout the Western Hemisphere. Press: Open.

RR-1036

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

Meeting of Western Hemisphere Finance Ministers

New Orleans, Louisiana
May 17-18, 1996

Ministerial Meeting

- On May 17-18, Treasury Secretary Rubin will chair a meeting in New Orleans of finance ministers from the 34 democratic countries in the western hemisphere.

- Finance ministers will advance the initiative on Capital Markets Development and Liberalization, announced by heads of government at the 1994 Summit of the Americas in Miami.

- The ministers will take concrete steps to strengthen and integrate financial and capital markets so as to promote a more prosperous hemisphere and will discuss key economic and financial issues for the region.

Summit of the Americas

- At the Summit of the Americas the heads of government recognized the importance of regional integration to prosperity in the hemisphere. They noted that strong, integrated financial and capital markets were essential to economic growth and development.

- They created a Committee on Hemispheric Financial Issues to:
  - promote the development and progressive integration of financial and capital markets;
  - prepare a comprehensive list of national capital regulations to increase transparency;
  - support the endeavors of the regional associations of bank and securities regulators;
  - review the remaining problems of debt in the region.

Committee on Hemispheric Financial Issues

- The meeting in New Orleans will be the first meeting of the Committee at the ministerial level.

- The Committee has met at the deputy level under U.S. leadership to advance a vision for strengthening and integrating financial and capital markets consistent with the goal of regional integration. It has developed for ministerial consideration initiatives to promote this goal.

- The Committee has drafted a survey of national capital regulations. A comprehensive report of the results should be available later this year.

- The Committee has also reviewed the remaining debt problems for the region and identified issues that need close attention.

6-7 p.m.	Reception hosted by the City of New Orleans and Lousiana officials. This will include brief remarks by local officials and Secretary Rubin. Press: Open to credentialed press; risers for cameras. Location: Museum of Art.

Saturday, May 18

9:30 a.m. -12:35 p.m.	Plenary session. Press: Photo spray at noon (time approximate). Cameras will be escorted from International Press Center at 11:30 a.m.
12:40 p.m.	Group photo of finance ministers. Press: Open.
4 p.m.	Concluding press conference.
5-7 p.m.	Reception hosted by World Trade Center and other New Orleans business groups. Location: World Trade Center, 2 Canal Street. Press: Open to credentialed press; risers for cameras.
8 p.m.	International Press Center closes.

Credentials. Press credentials are required for all media covering the meeting. An application for press credentials is attached.

U.S. press based in the United States should apply for credentials through the Treasury Public Affairs Office. International press based in the United States should apply through the U.S. Information Agency's Foreign Press Center in Washington. Press based in countries other than the United States should apply through the USIA office in that country.

International Press Center. The International Press Center will be open from 9 a.m. Friday, May 17, until 8 p.m. Saturday, May 18, at Gallier Hall, ground floor. The press center, open to credentialed reporters will make available official schedules, press releases, information on events open to press coverage, transcripts and background information.

The press center will have a limited number of international credit and calling card telephone lines. Reporters wishing to reserve space and a dedicated telephone line in the press center should contact the Treasury Public Affairs Office at (202) 622-2960.

Accomodations. A limited number of rooms will be available for credentialed press at the New Orleans Marriott Hotel; for budget planning purposes, room rates are $99 per room per night, not including taxes. Press wishing to reserve rooms at the Marriott should return the attached form as soon as possible. New Orleans has many hotels in all price ranges, although May is a popular time for the city and available rooms are limited. The New Orleans Metropolitan Convention and Visitors Bureau at (504) 566-5005 can help secure rooms.

Contacts.
U.S. Treasury/Washington
Chris Peacock, Michelle Smith or Phyllis Kayson at (202) 622-2960, fax: (202) 622-1999

U.S. Information Agency/Foreign Press Center
Arthur Green at (202) 724-0049, fax: (202) 724-0007
Peter Brennan at (202) 622-2854

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WESTERN HEMISPHERIC FINANCE MINISTERS MEETING
New Orleans, Louisiana
May 17-18, 1996

Application for press credentials
(Please print or type)

All members of the press wishing to cover the Western Hemispheric Finance Ministers meeting must submit a completed credential application form by Wednesday, May 1, 1996.

Last name first middle

Press organization/affiliation title

Business address (in home country)

Office phone number FAX number E-Mail

Date of birth place of birth

Social Security number passport number nationality

U.S. news organizations in the U.S. should apply for credentials through:

Phyllis Kayson
U.S Department of the Treasury
Office of Public Affairs, Room 2315 MT
1500 Pennsylvania Ave., N.W.
Washington, D.C. 20220

Phone: (202) 622-2960; fax (202) 622-1999

Foreign news organizations based in the U.S. should apply for credentials through:

Arthur Green
USIA Foreign Press Center, Room 898
National Press Building
Washington, D.C. 20045

Phone: (202) 724-0049; fax (202) 724-0007

All overseas press, whether affiliated with a U.S. or foreign news organization, should apply for credentials through the U.S. Information Service in that country.

Credential pickup will be in New Orleans. Date and location to be announced.

Please FAX to: Phyllis Kayson
Department of the Treasury
202/622-1999

MARRIOTT HOTEL REGISTRATION FORM
FOR WESTERN HEMISPHERIC FINANCE MINISTERS MEETING

Reservations must be made ASAP

Cancellations made no later than May 13 will incur no costs

NAME	COMPANY	ADDRESS	TYPE OF ROOM*	FORM OF PAYMENT **	CHECK-IN DATE (approx. time)	CHECK-OUT DATE (must be out by noon)

* Hotel accommodations and prices (do not include 11% tax nor $3.00 per night city tax) are the following:

If space is available: Single room for US $99.00. Indicate above with the letter **R**.
Double room for US $99.00. Indicate above with the letter **D**.

** Form of payment may be electronic transfer, charge card, cash, check, money order or traveler's checks.

In addition to the hotel rooms that have been arranged for you, do you wish to receive information about dedicated phone lines and work space in the press center at Gallier Hall?

Please provide your fax ______________________ and phone ________________________ number.

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PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
April 29, 1996

Contact: Peter Hollenbach
(202) 219-3302

U.S. TREASURY DEPARTMENT'S BUREAU OF THE PUBLIC DEBT NOW OFFERS INVESTOR INFORMATION ON AMERICA ONLINE

The U.S. Treasury's Bureau of the Public Debt and America Online, Inc., announced today that information about U.S. Treasury securities is now available online to America Online's more than 5 million members. Public Debt and AOL launched the "U.S. Treasury Securities" online area to offer convenient access to information about U.S. Savings Bonds and the Bureau's popular TREASURY DIRECT program. The size of the United States public debt, down to the penny, is posted daily. AOL members can access the information via keywords: Savings Bonds or Public Debt.

"Today, 55 million Americans own savings bonds and AOL offers us a direct channel to reach millions of our investors," said Richard Gregg, Commissioner of the Bureau of the Public Debt. "When the Bureau looked to the online industry, America Online offered the ideal resource for us to reach Americans interested in investing in U.S. Savings Bonds. Working together, AOL and Public Debt created the easy-to-use U.S. Treasury Securities area in AOL's Personal Finance channel to foster the Bureau's customer service goals."

"We are delighted that the U.S. Treasury Department, the first Federal agency to create an online area within America Online, has chosen to deliver its information and services through this medium," said Ted Leonsis, President of America Online Services Company. "Now investors or those curious about America's most widely held security, U.S. Savings Bonds, can access an extensive menu of information about bonds with the click of a mouse."

AOL members can find out where to buy and redeem bonds, what bonds are earning, get helpful investor information about a wide variety of bond service transactions and even download a free program to keep track of their bonds. Investors can also e-mail one of Public Debt's savings bonds experts if they have questions or need specific information about their bonds. A message board is provided so members can "talk" about savings bonds.

Those interested in marketable Treasury Bills, Notes, and Bonds will find information about TREASURY DIRECT. TREASURY DIRECT is a book-entry system that allows investors to buy these marketable securities at auction and hold them in accounts directly with Public Debt. Members also have access to the message board and e-mail and can access sale dates for bills, notes, and bonds as well as the results of these auctions.

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PA- 218
(RR-1037)

AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
April 29, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 13-WEEK BILLS

Tenders for $13,530 million of 13-week bills to be issued May 2, 1996 and to mature August 1, 1996 were accepted today (CUSIP: 9127943B8).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	4.98%	5.11%	98.741
High	5.00%	5.13%	98.736
Average	5.00%	5.13%	98.736

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

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$49,910,779	$13,529,629
Type		
Competitive	$44,987,740	$8,606,590
Noncompetitive	1,413,124	1,413,124
Subtotal, Public	$46,400,864	$10,019,714
Federal Reserve	3,295,115	3,295,115
Foreign Official Institutions	214,800	214,800
TOTALS	$49,910,779	$13,529,629

4.99 -- 98.739

RR-1038

AUCTION RESULTS

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
April 29, 1996

CONTACT: Office of Financing
202-219-3350

RESULTS OF TREASURY'S AUCTION OF 26-WEEK BILLS

Tenders for $13,619 million of 26-week bills to be issued May 2, 1996 and to mature October 31, 1996 were accepted today (CUSIP: 9127943M4).

RANGE OF ACCEPTED
COMPETITIVE BIDS:

	Discount Rate	Investment Rate	Price
Low	5.06%	5.26%	97.442
High	5.08%	5.29%	97.432
Average	5.08%	5.29%	97.432

$10,000 was accepted at lower yields.
Tenders at the high discount rate were allotted 49%.
The investment rate is the equivalent coupon-issue yield.

TENDERS RECEIVED AND ACCEPTED (in thousands)

	Received	Accepted
TOTALS	$49,878,244	$13,619,444
Type		
Competitive	$42,287,090	$6,028,290
Noncompetitive	1,228,754	1,228,754
Subtotal, Public	$43,515,844	$7,257,044
Federal Reserve	3,300,000	3,300,000
Foreign Official Institutions	3,062,400	3,062,400
TOTALS	$49,878,244	$13,619,444

5.05 -- 97.447   5.07 -- 97.437

RR-1039

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR RELEASE AT 3 PM EDT
April 29, 1996

Contact: Hamilton Dix
(202) 622-2960

TREASURY ANNOUNCES MARKET BORROWING ESTIMATES

The Treasury Department announced on Monday that its net market borrowing for the April - June 1996 quarter is estimated to be a pay down of $20.0 billion, with a cash balance of $35 billion on June 30. These estimates do not include new cash to be raised in the June 2-year and 5-year notes, which will settle on July 1, 1996. The Treasury also announced that its net market borrowing for the July - September 1996 quarter is estimated to be in the rangeof $55.0 billion to $60.0 billion, with a cash balance of $40 billion on September 30, 1996.

In the quarterly announcement of its borrowing needs on January 29, 1996, the Treasury estimated net market borrowing for the April - June quarter to be in a range of $0 billion to $5 billion, assuming a $35 billion cash balance on June 30. The current estimate reflects an increase in receipts, especially individual income taxes, and a decrease in outlays.

Actual net market borrowing in the January - March quarter was $77.2 billion, while the end-of-quarter cash balance was $21.9 billion. On January 29, the Treasury estimated net market borrowing for the January - March quarter to be $85.3 billion, with a $20.0 billion cash balance on March 31. The difference in net market borrowing was the result of both higher receipts and lower outlays.

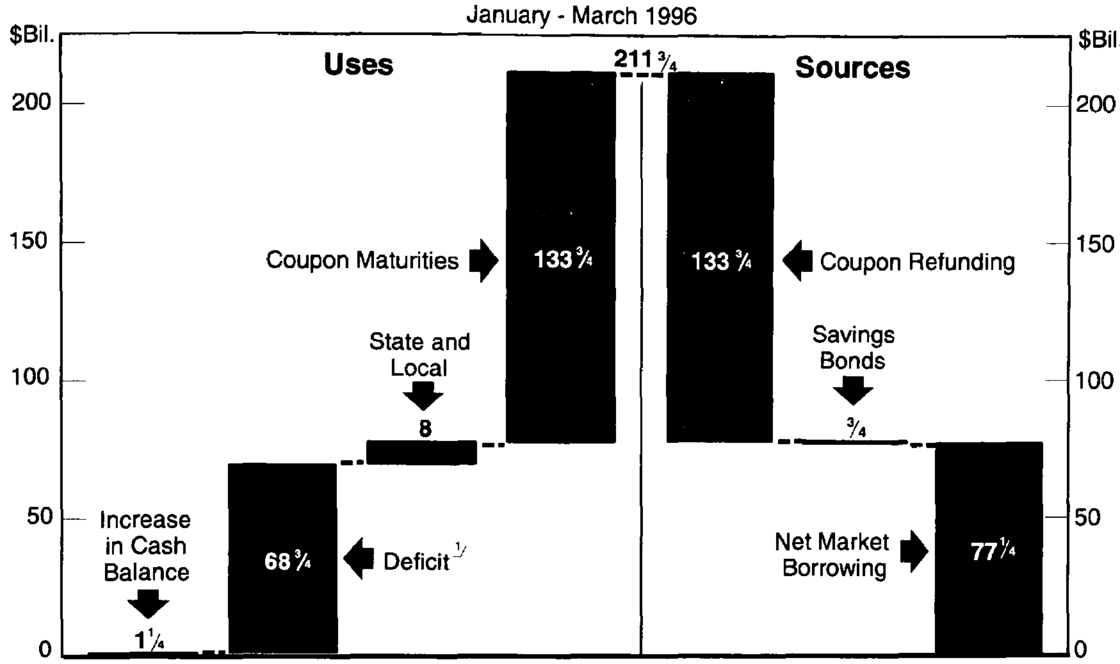
The regular quarterly refunding press conference will be held at 1p.m. EDT on Wednesday, May 1, 1996.

-30-

RR-1040

TREASURY FINANCING REQUIREMENTS

January - March 1996



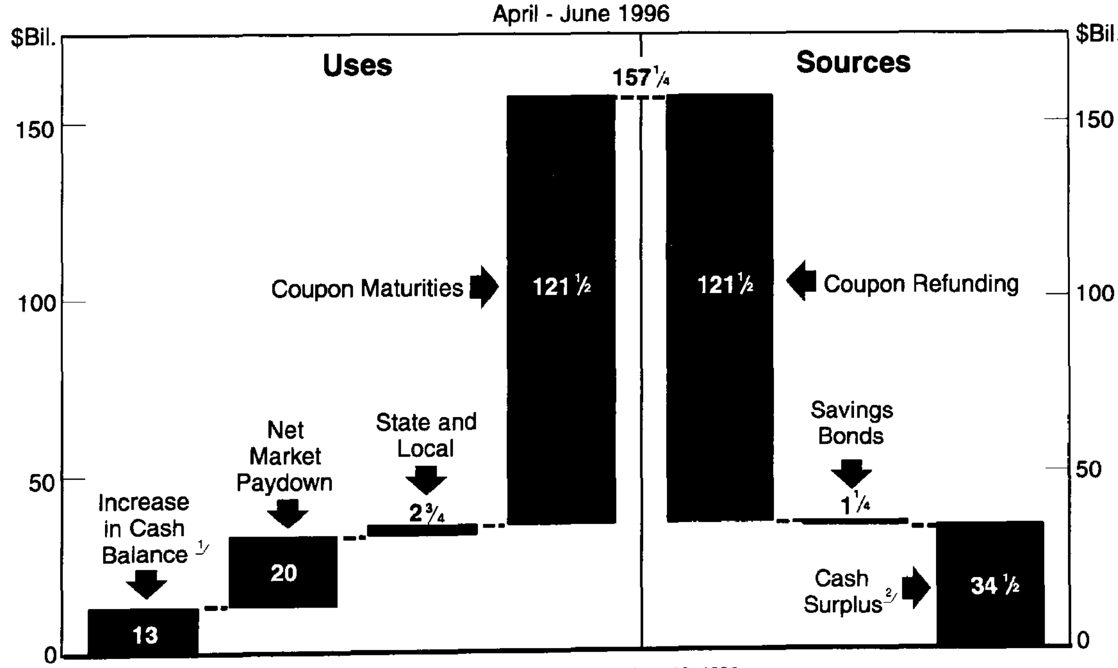
1/ Includes budget deficit, changes in accrued interest and checks outstanding and minor miscellaneous debt transactions.

Department of the Treasury
Office of Market Finance

April 29, 1996-1

TREASURY FINANCING REQUIREMENTS

April - June 1996



1/ Assumes a $35 billion cash balance June 30, 1996.

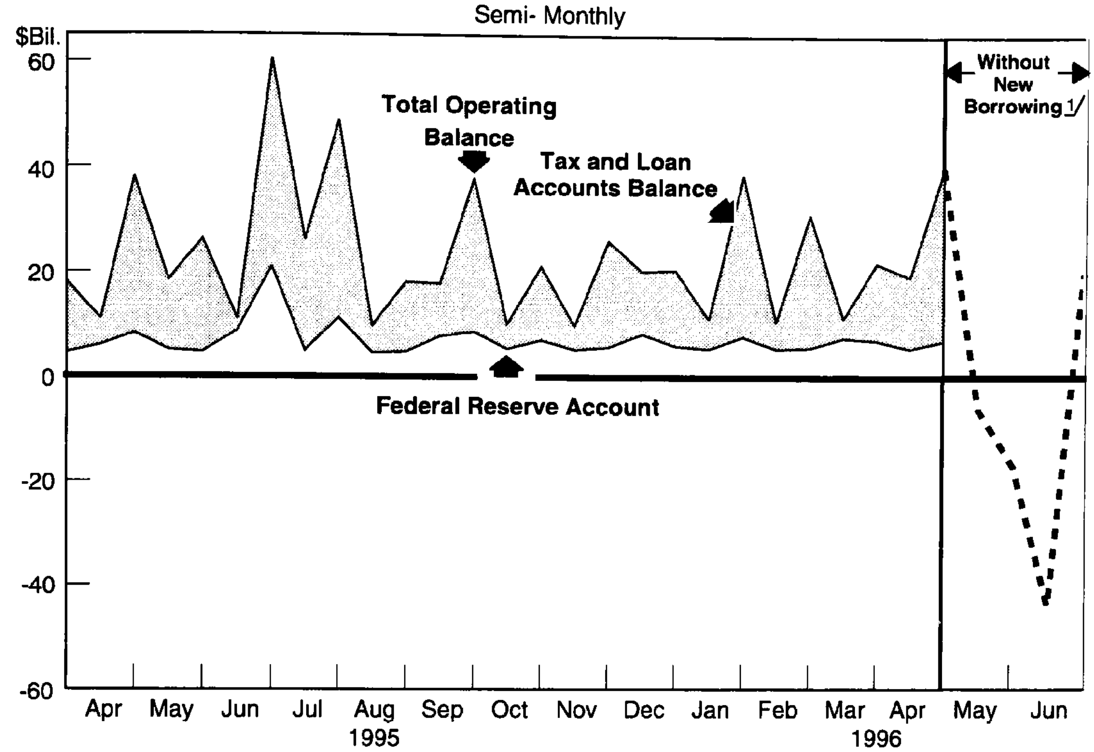
2/ Includes budget deficit, changes in accrued interest and checks outstanding and minor miscellaneous debt transactions.

Department of the Treasury
Office of Market Finance

April 29, 1996-2

TREASURY OPERATING CASH BALANCE

Semi- Monthly

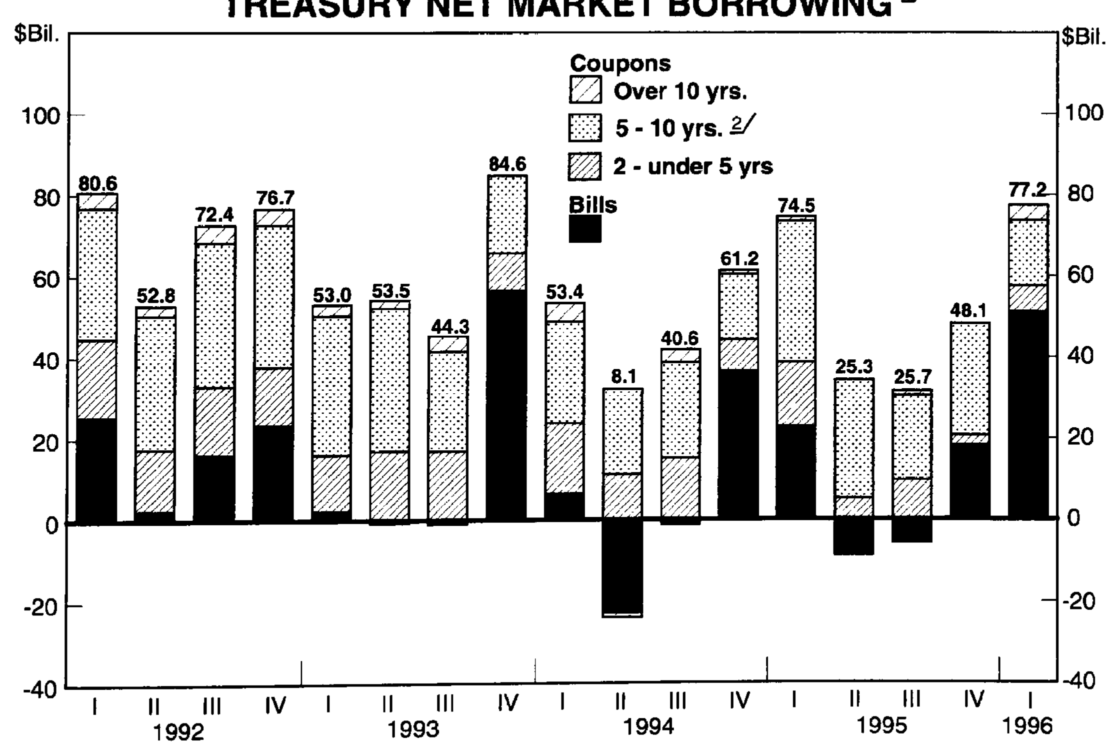


1/ Assumes refunding of maturing issues.

Department of the Treasury
Office of Market Finance

April 29, 1996-3

TREASURY NET MARKET BORROWING 1/



1/ Excludes Federal Reserve and Government Account Transactions.
2/ 7 year note discontinued after April 1993.

Department of the Treasury
Office of Market Finance

April 29,1996-4

NET MARKET BORROWING

April – June 1996

(Billions of Dollars)

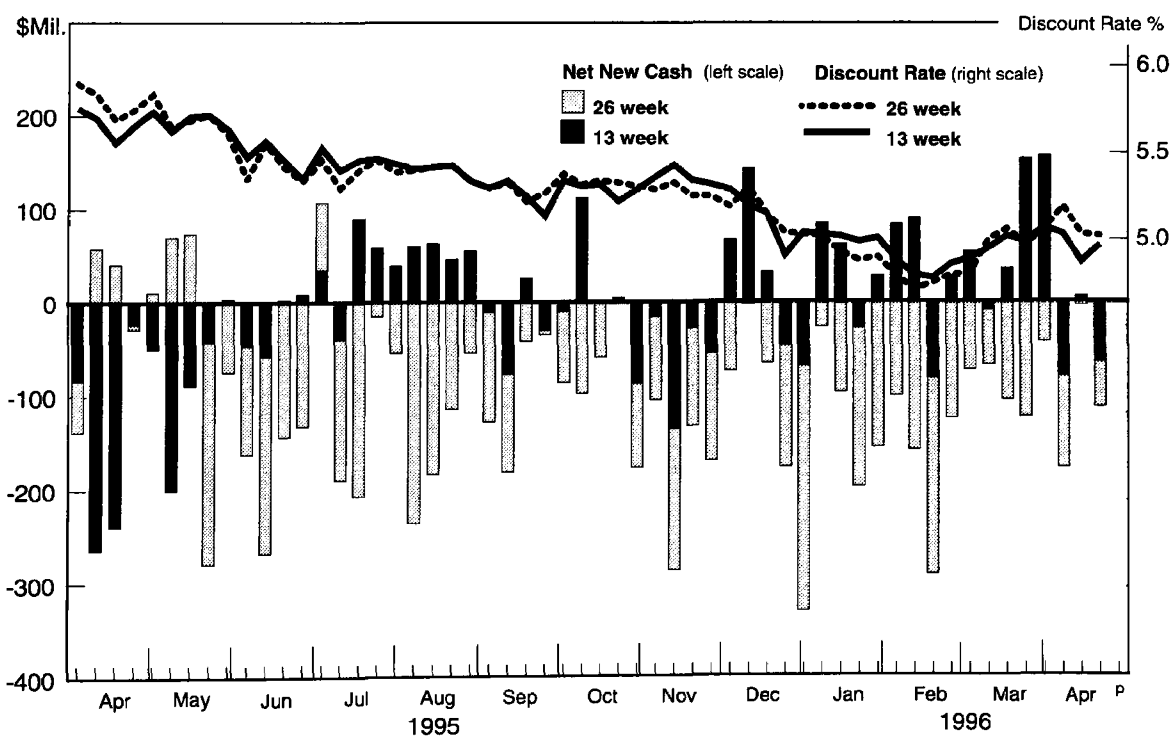
Total		**-20.0**
Done [1/]		**-35.0**
Bills		
Regular weekly	-5.9	
52 week	2.9	
Cash management	-38.3	
Notes		
2 year notes	4.9	
5 year notes	9.1	
7 year note	-7.8	
To Be Done		**15.0**

[1/] Issued or announced through April 26, 1995.

Department of Treasury
Office of Market Finance

April 29, 1996-4a

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



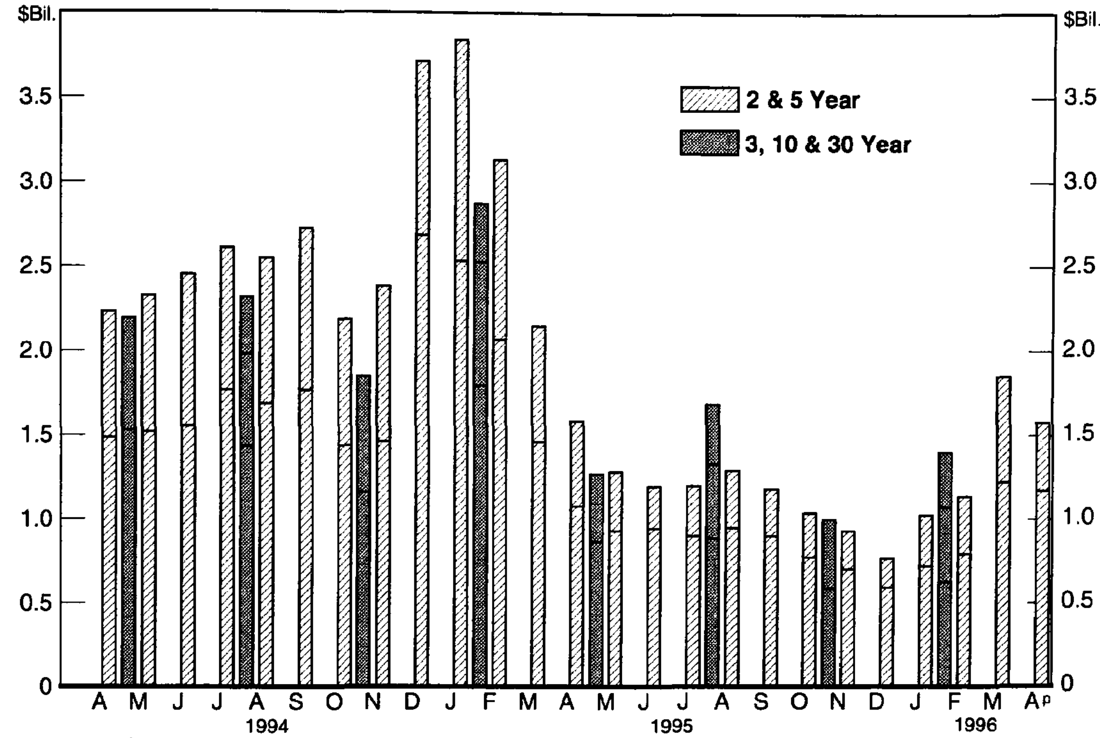
[1/] Excludes noncompetitive tenders from foreign official accounts and the Federal Reserve account.

p Preliminary

Department of the Treasury
Office of Market Finance

April 29, 1996-5

NONCOMPETITIVE TENDERS IN TREASURY NOTES AND BONDS 1/



1/ Excludes foreign add-ons from noncompetitive tenders. From October 18, 1995 to April 1, 1996, foreign add-ons were prohibited to avoid exceeding the debt limit, foreign rollovers were excluded from noncompetitive tenders. p Preliminary

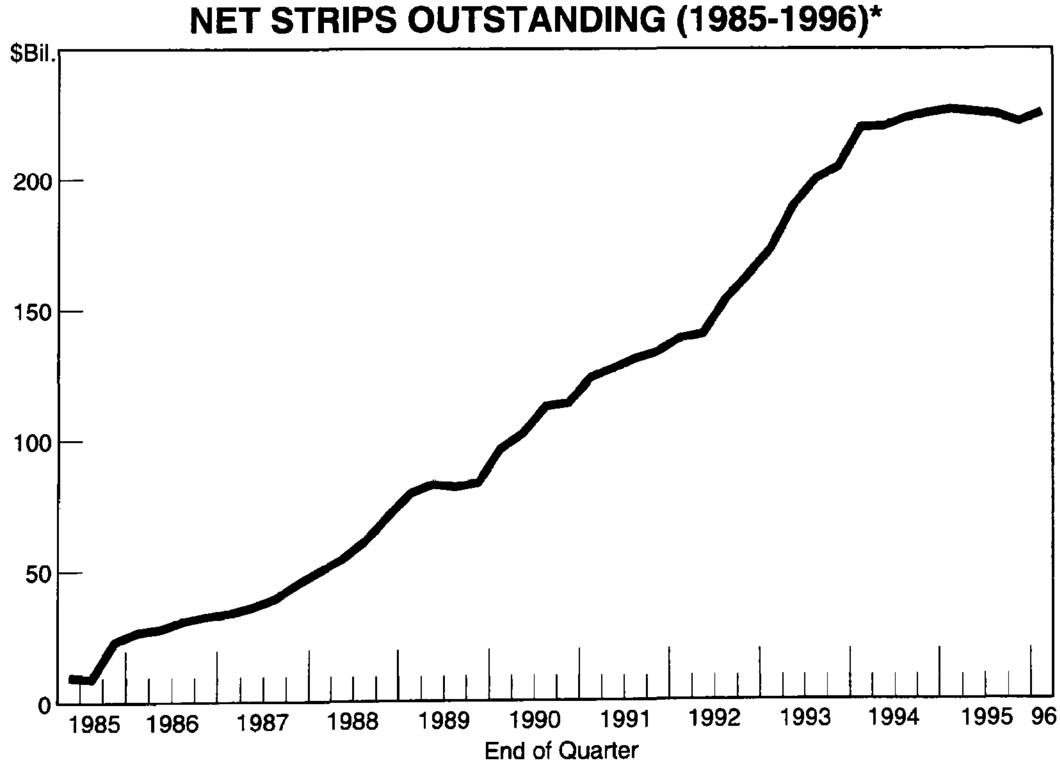
Treasury increased the maximum noncompetitive award to any noncompetitive bidder to $5 million effective November 5, 1991.

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

April 29, 1996-6

NET STRIPS OUTSTANDING (1985-1996)*



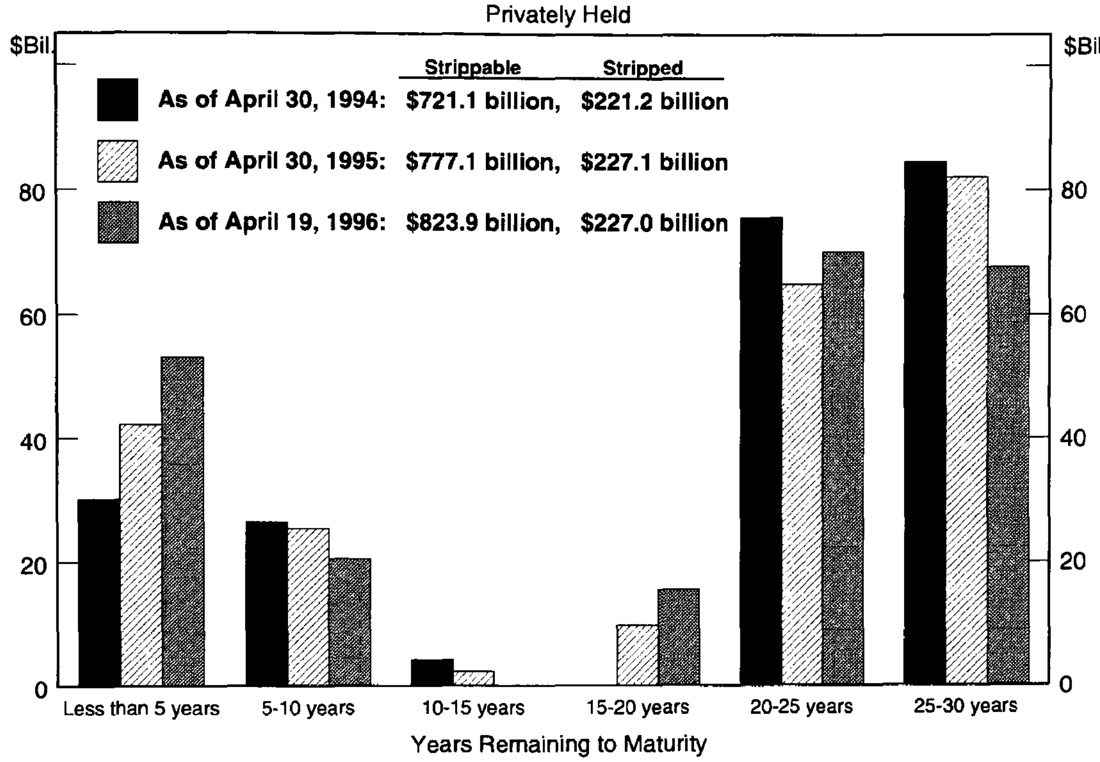
*Strips program began February 15, 1985.
Reconstitution began May 1, 1987.

Department of the Treasury
Office of Market Finance

April 29, 1996-6a

SECURITIES HELD IN STRIPS FORM 1994-1996

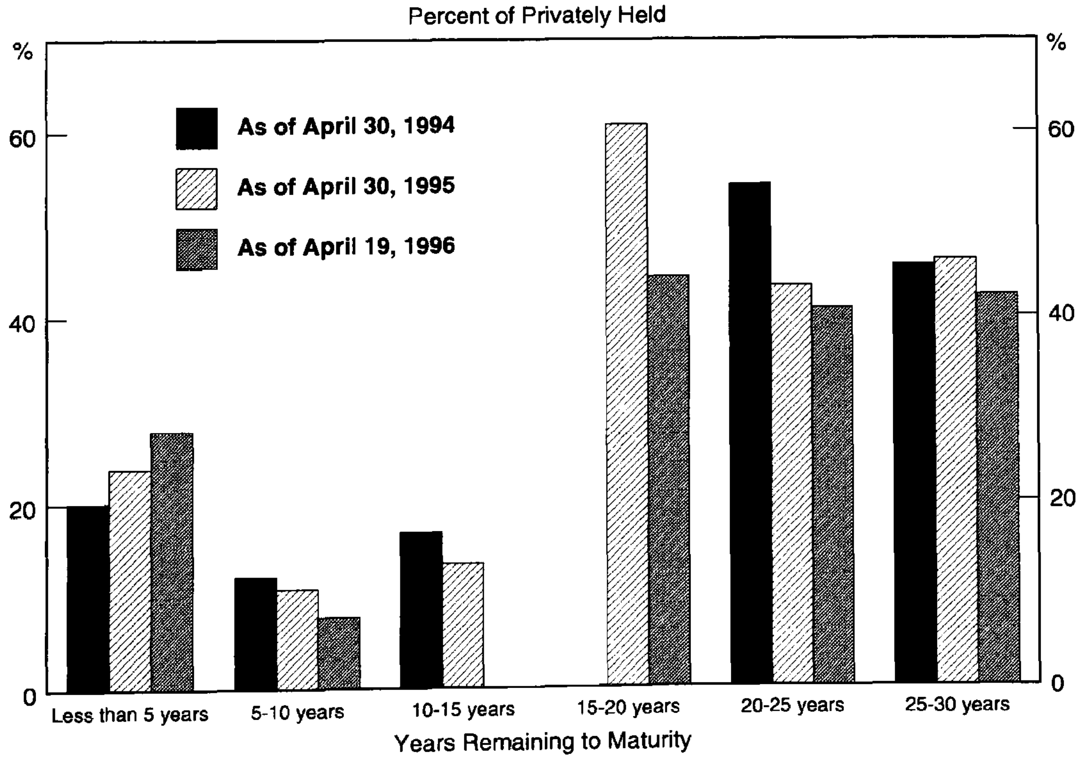
Privately Held



Note: The STRIPS program was established in February 1985. The 11 5/8% note of November 15, 1994, issued on November 15, 1984, was the first STRIPS-eligible security to mature.

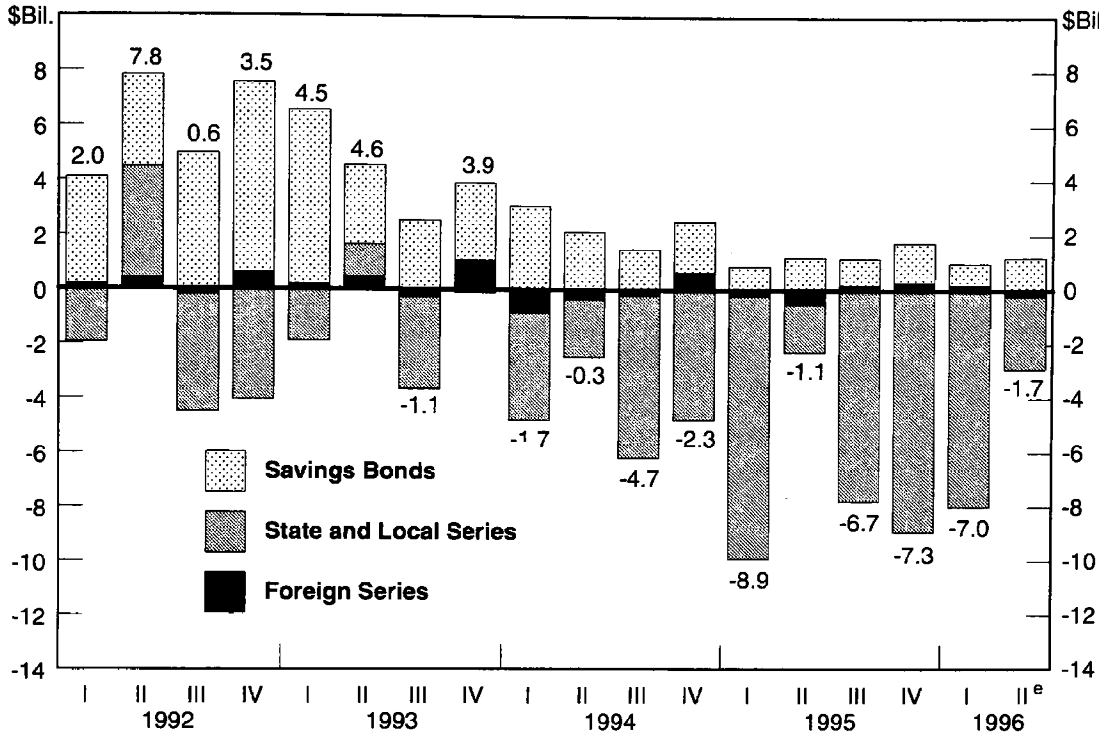
SECURITIES HELD IN STRIPS FORM 1994-1996

Percent of Privately Held



Note: The STRIPS program was established in February 1985. The 11 5/8% note of November 15, 1994, issued on November 15, 1984, was the first STRIPS-eligible security to mature.

TREASURY NET BORROWING FROM NONMARKETABLE ISSUES



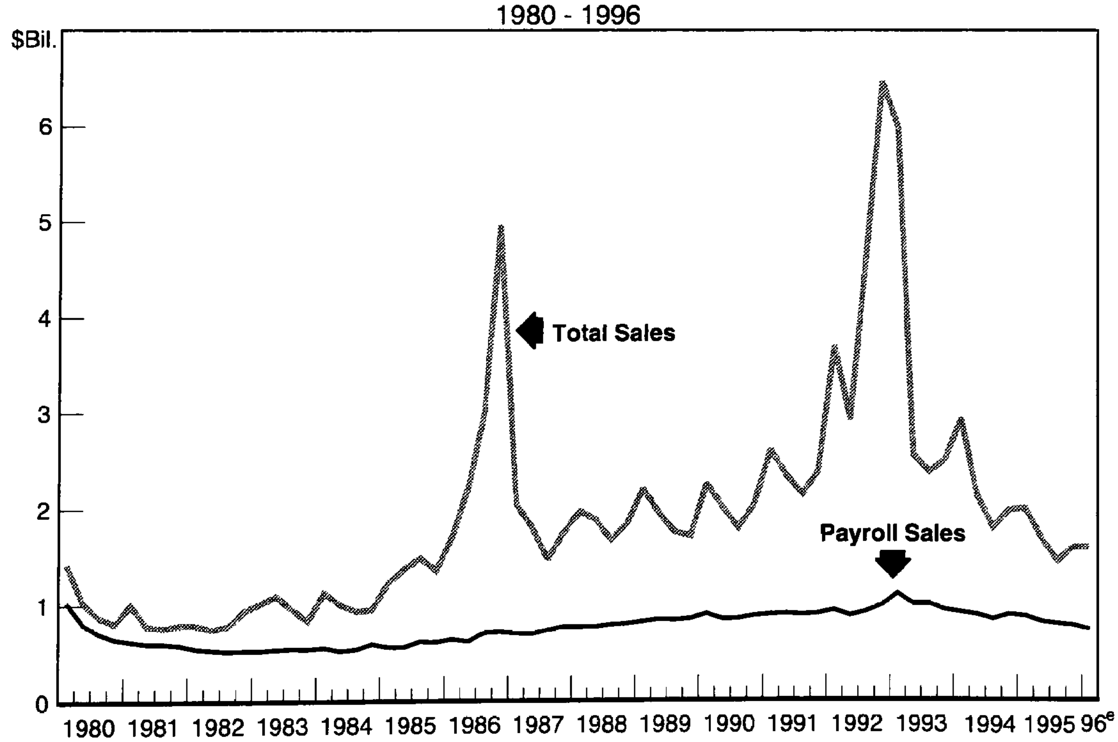
e estimate

Department of the Treasury
Office of Market Finance

April 29, 1996-9

SALES OF UNITED STATES SAVINGS BONDS

1980 - 1996

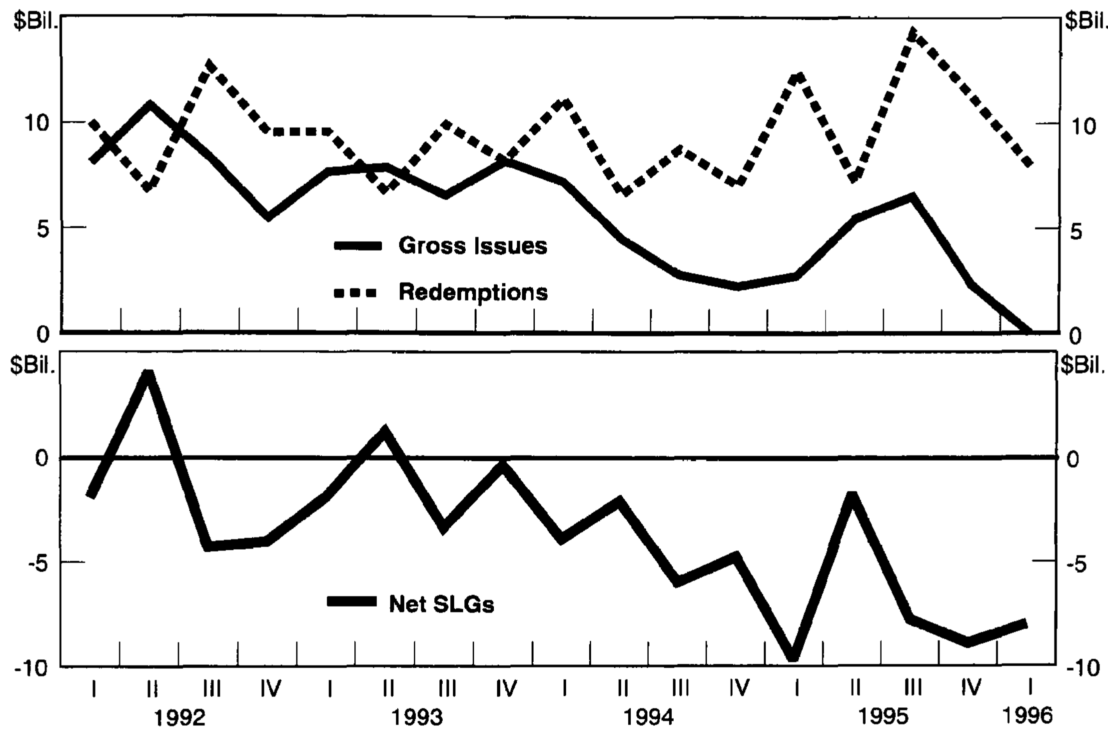


End of Quarter
e estimate

Department of the Treasury
Office of Market Finance

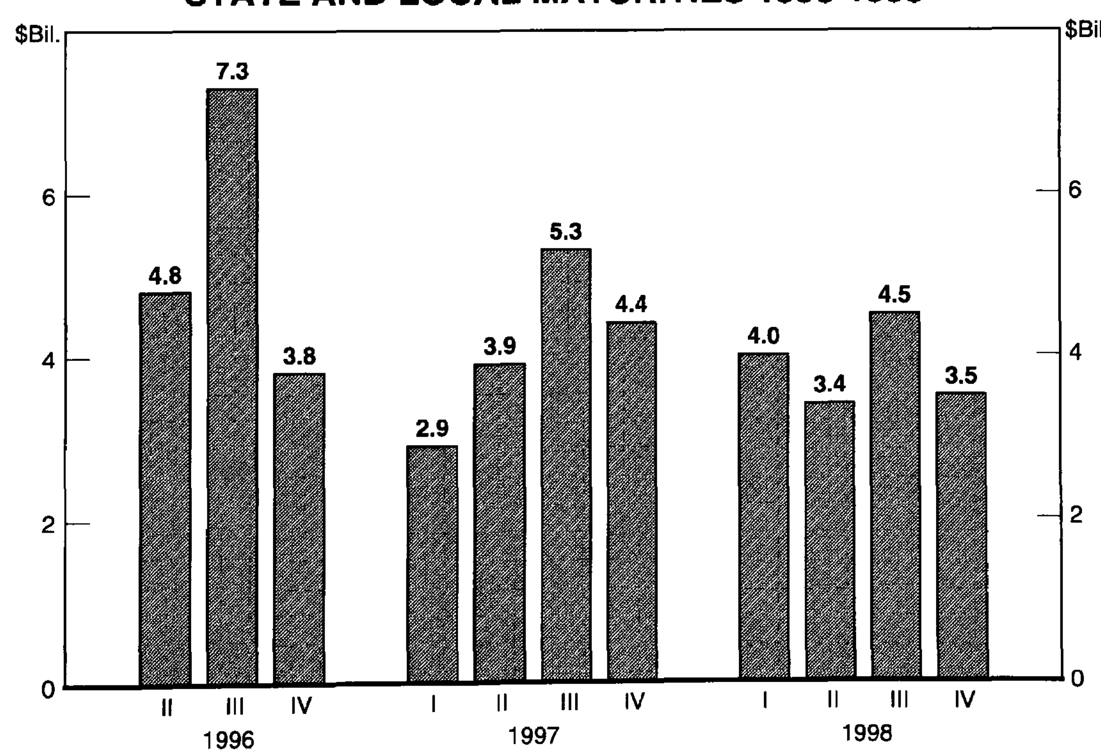
April 29, 1996-10

STATE & LOCAL GOVERNMENT SERIES

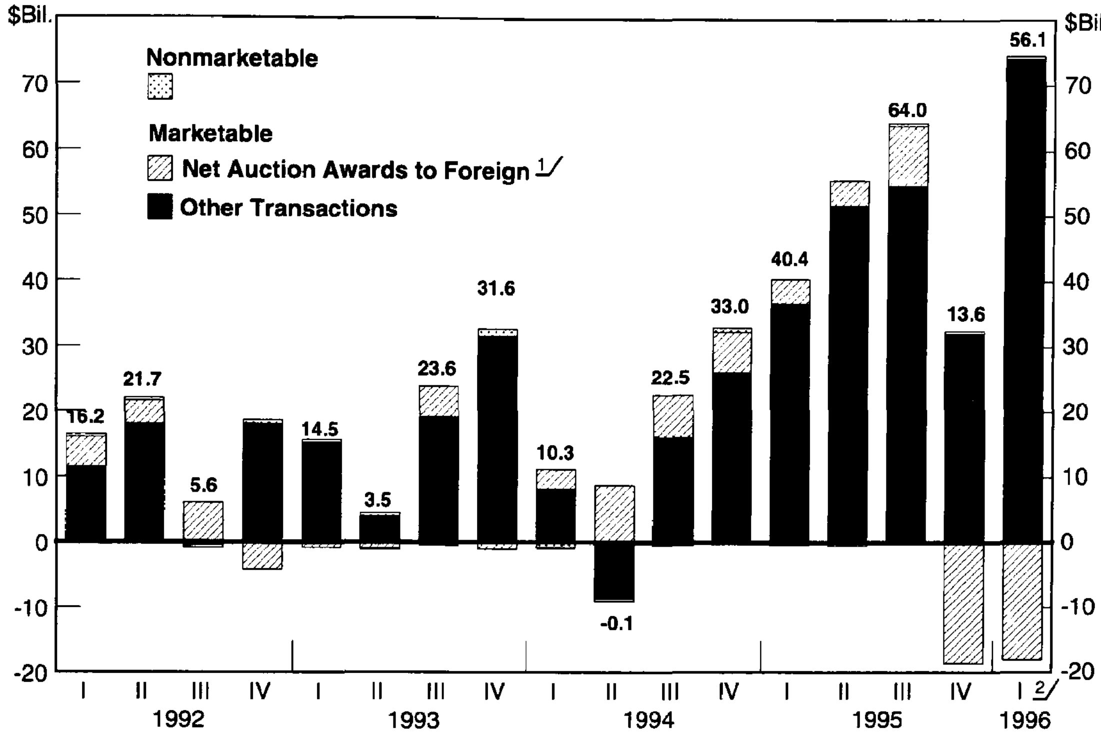


Note: SLGS sales were suspended from October 18, 1995 to March 29, 1996.

STATE AND LOCAL MATURITIES 1996-1998

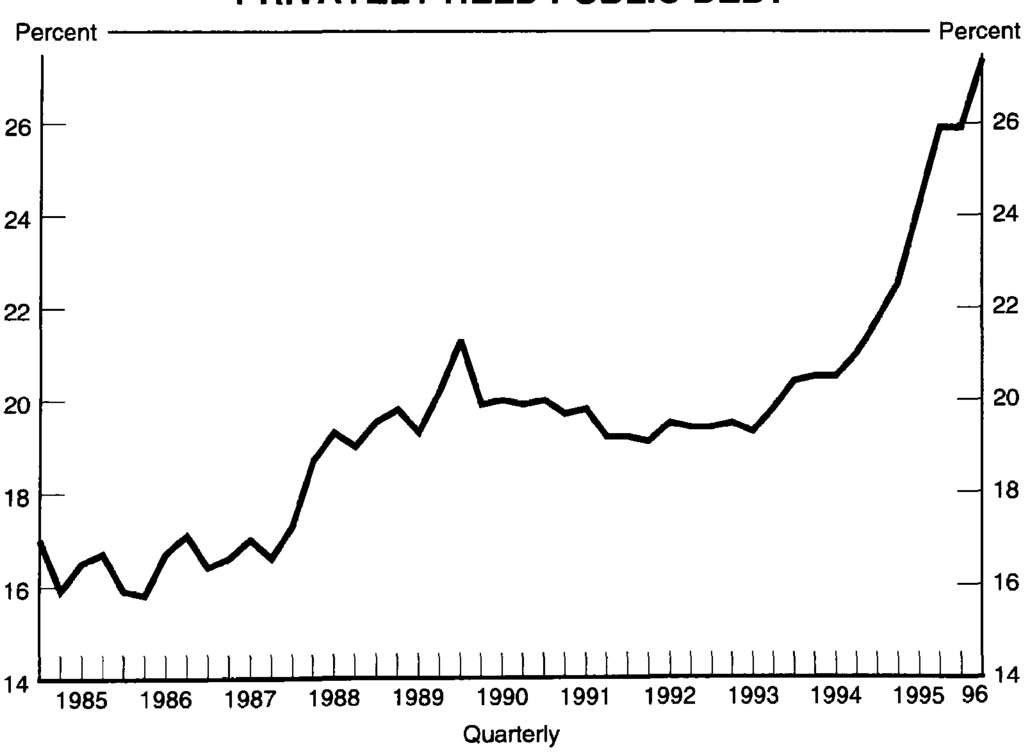


QUARTERLY CHANGES IN FOREIGN AND INTERNATIONAL HOLDINGS OF PUBLIC DEBT SECURITIES



1/ Auction awards to foreign official purchasers netted against holdings of maturing securities.
2/ Data through February 29, 1996.

FOREIGN HOLDINGS AS A PERCENT OF TOTAL PRIVATELY HELD PUBLIC DEBT



MAJOR FOREIGN HOLDERS OF TREASURY SECURITIES

Country	December 31, 1994 $ Billions	As a % of Total Foreign	As a % of Total Private	December 31, 1995 $ Billions	As a % of Total Foreign	As a % of Total Private	February 29, 1996 $ Billions	As a % of Total Foreign	As a % of Total Private
Japan	$175.7	25.5%	5.5%	$219.9	25.5%	6.7%	$242.5	26.4%	7.2%
United Kingdom	91.0	13.2%	2.9%	123.6	14.3%	3. 8%	127.5	13.9%	3.8%
Germany	54.4	7.9%	1.7%	53.7	6.2%	1.6%	58.2	6.3%	1.7%
Netherland Antilles	27.6	4.0%	0.9%	50.9	5.9%	1.5%	38.7	4.2%	1.2%
Switzerland	32.4	4.7%	1.0%	37.0	4.3%	1.1%	35.4	3.9%	1.1%
Singapore	21.9	3.2%	0.7%	29.7	3.4%	0.9%	39.3	4.3%	1.2%
Mainland China	20.5	3.0%	0.6%	34.9	4.0%	1.1%	22.9	2.5%	0.7%
OPEC	25.6	3.7%	0.8%	28.0	3.2%	0.8%	28.1	3.1%	0.8%
Canada	24.6	3.6%	0.8%	25.1	2.9%	0.8%	29.0	3.2%	0.9%
Taiwan	25.8	3.7%	0.8%	24.0	2.8%	0.7%	36.0	3.9%	1.1%
Spain	27.9	4.1%	0.9%	19.3	2.2%	0.6%	21.6	2.4%	0.6%
Hong Kong	13.8	2.0%	0.4%	18.8	2.2%	0.6%	21.7	2.4%	0.6%
Mexico	7.9	1.1%	0.2%	16.4	1.9%	0.5%	17.3	1.9%	0.5%
Belgium	13.1	1.9%	0.4%	12.7	1.5%	0.4%	12.8	1.4%	0.4%
France	9.7	1.4%	0.3%	9.2	1.1%	0.3%	11.0	1.2%	0.3%
Other	116.7	16.9%	3.7%	158.6	18.4%	4.8%	175.9	19.2%	5.3%
Estimated Foreign Total	688.6	100.0%	21.7%	861.8	100.0%	26.2%	917.9	100.0%	27.4%

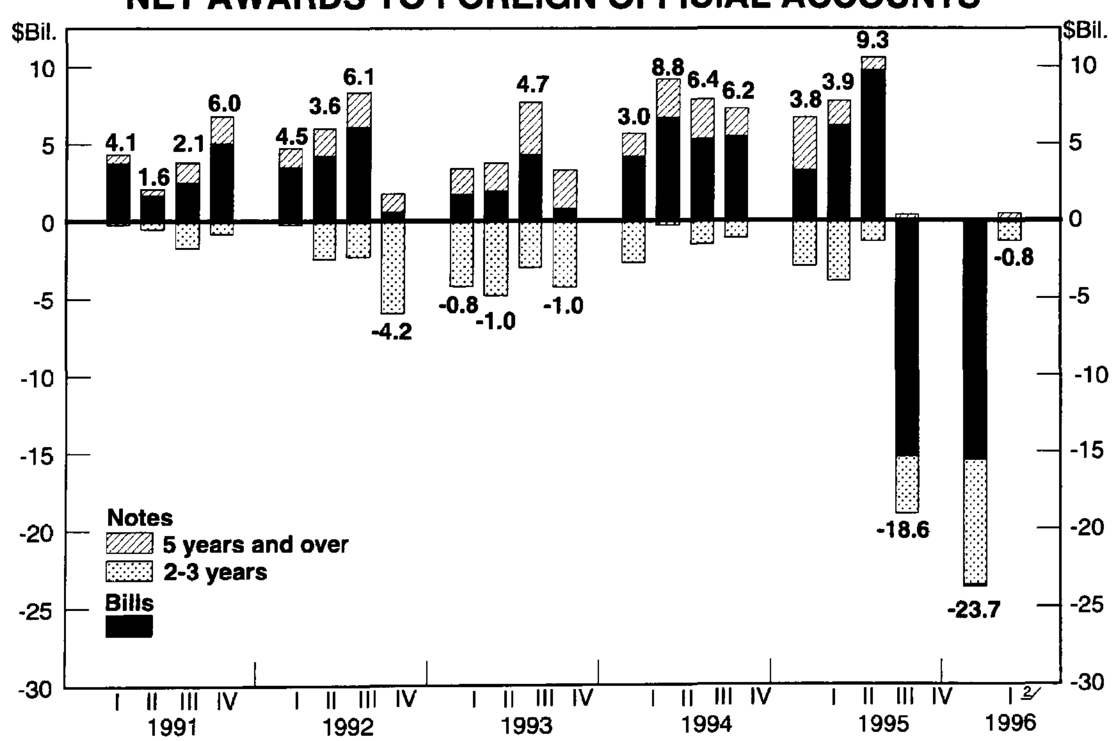
Note: RP's are included in "other". Detail may not add to totals due to rounding.

Source: Treasury Foreign Portfolio Investment Survey benchmark as of end-year 1989 and monthly data collected under the Treasury International Capital reporting system.

Department of the Treasury
Office of Market Finance

April 29, 1996-15

NET AWARDS TO FOREIGN OFFICIAL ACCOUNTS 1/



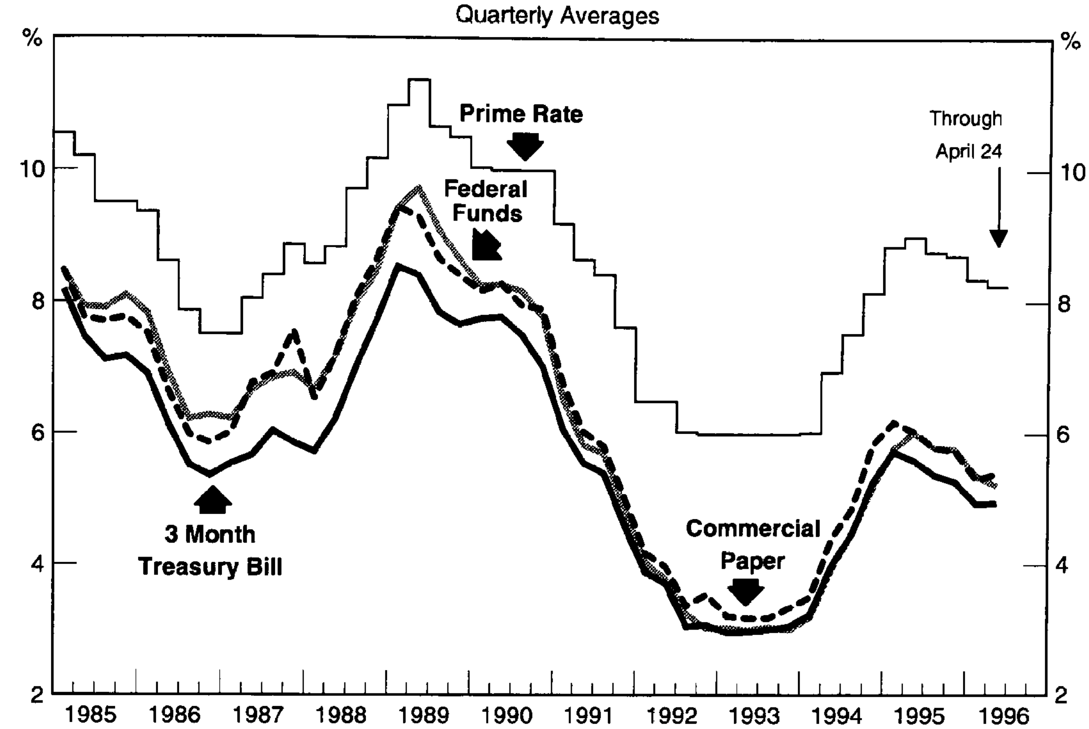
1/ Noncompetitive awards to foreign official accounts held in custody at the Federal Reserve in excess of foreign custody account holdings of maturing securities. Foreign add-ons prohibited from October 18, 1995 to March 29, 1996 to avoid exceeding the debt limit.

2/ Through April 26, 1996.

Department of the Treasury
Office of Market Finance

April 29, 1995-16

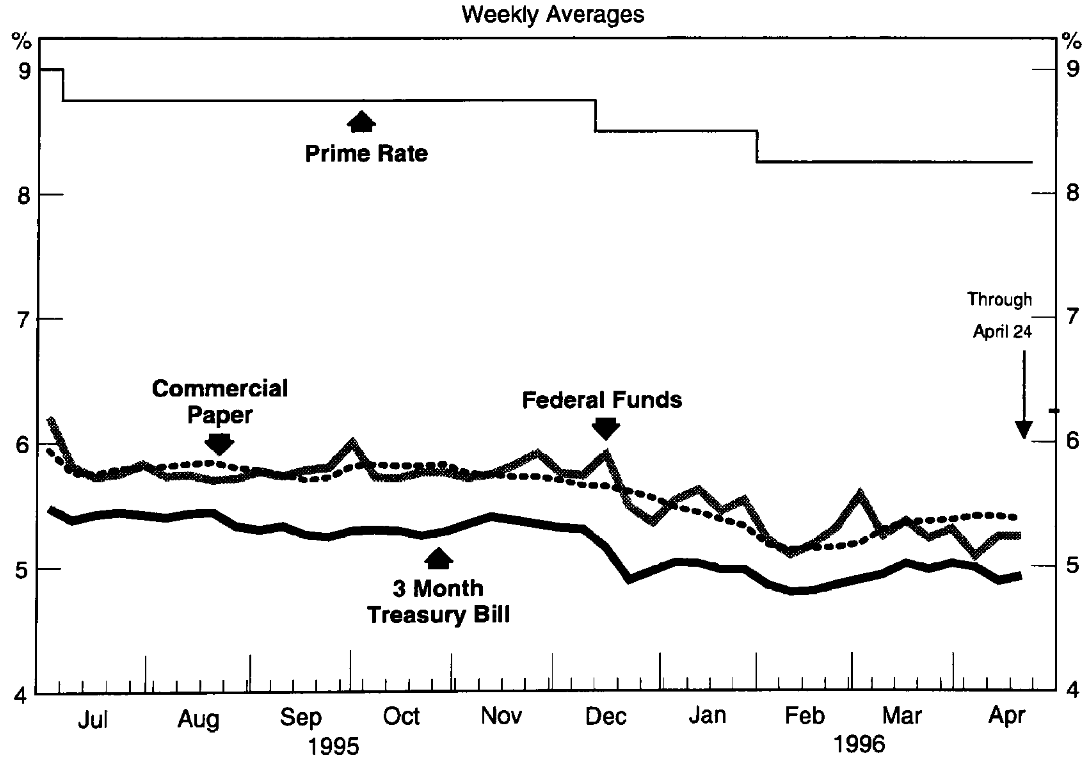
SHORT TERM INTEREST RATES
Quarterly Averages



Department of the Treasury
Office of Market Finance

January 29, 1996-17

SHORT TERM INTEREST RATES
Weekly Averages

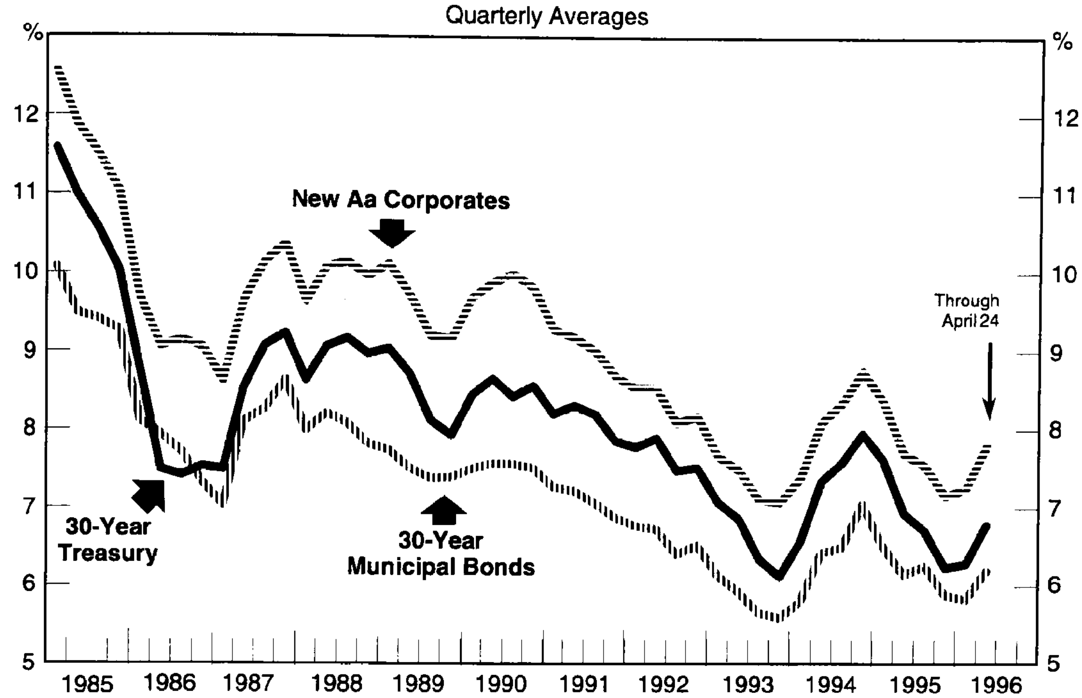


Department of the Treasury
Office of Market Finance

April 29, 1996-18

LONG TERM MARKET RATES

Quarterly Averages

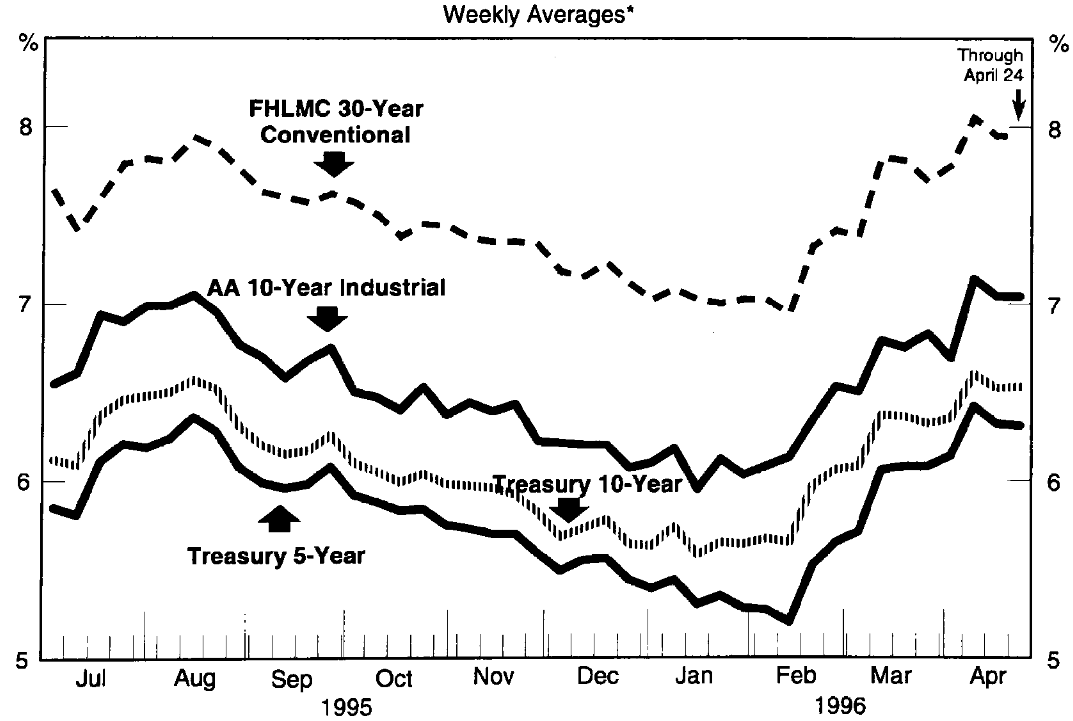


Department of the Treasury
Office of Market Finance

April 29, 1996-19

INTERMEDIATE TERM INTEREST RATES

Weekly Averages*

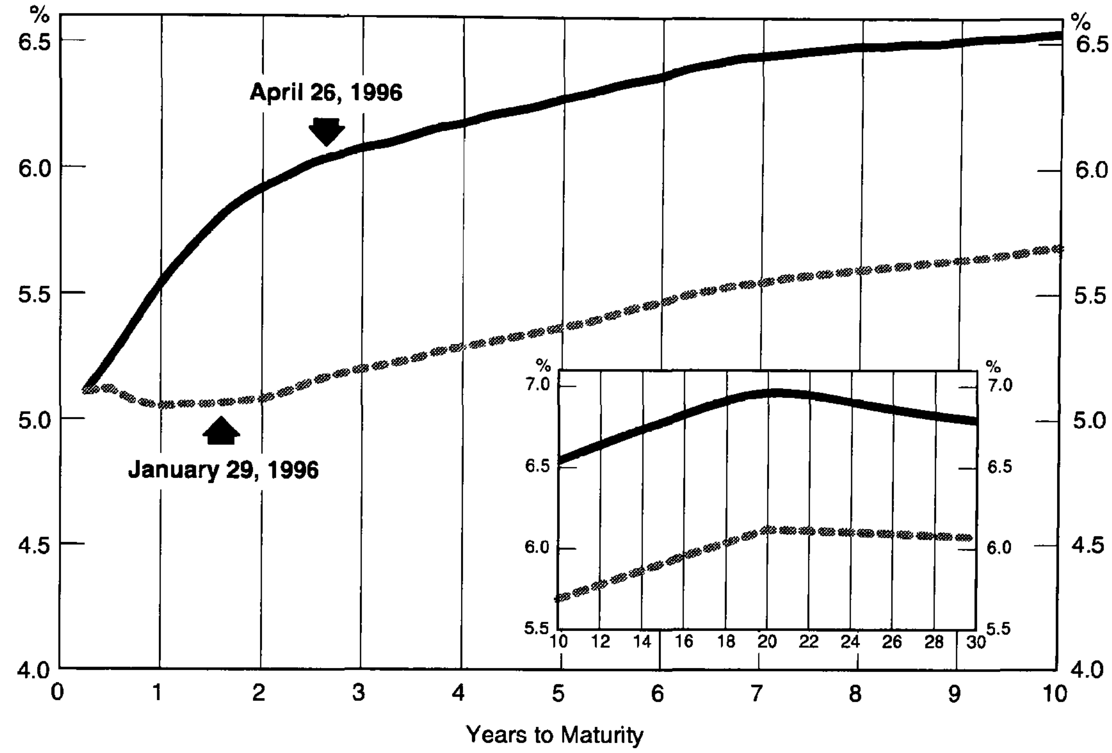


* Salomon 10-yr. AA Industrial is a Thursday rate.

Department of the Treasury
Office of Market Finance

April 29, 1996-20

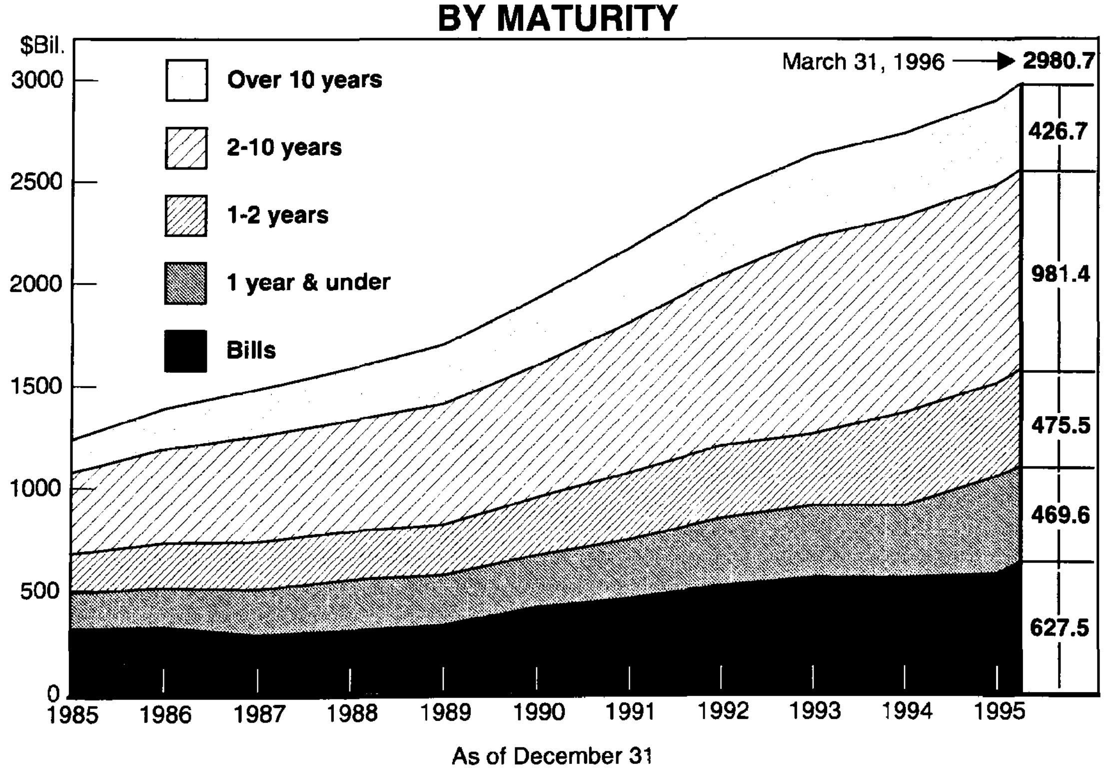
MARKET YIELDS ON GOVERNMENTS



Department of the Treasury
Office of Market Finance

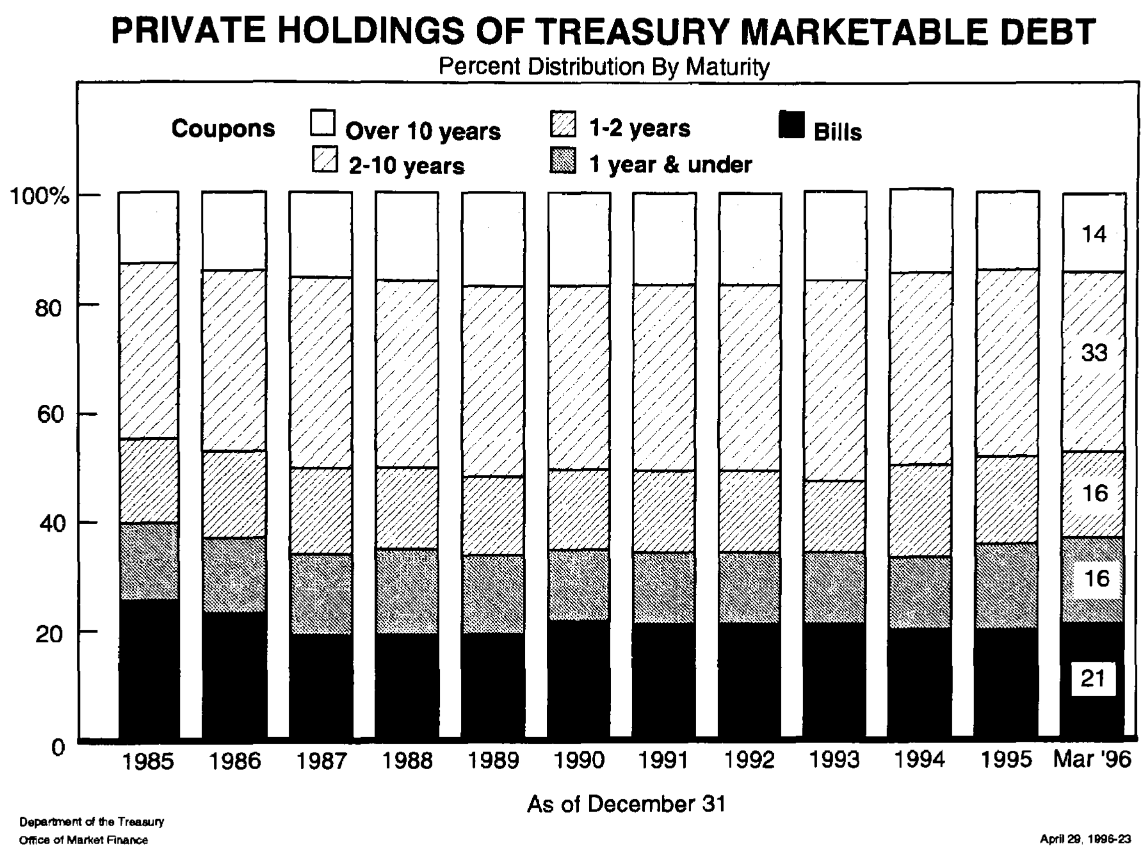
April 29, 1996-21

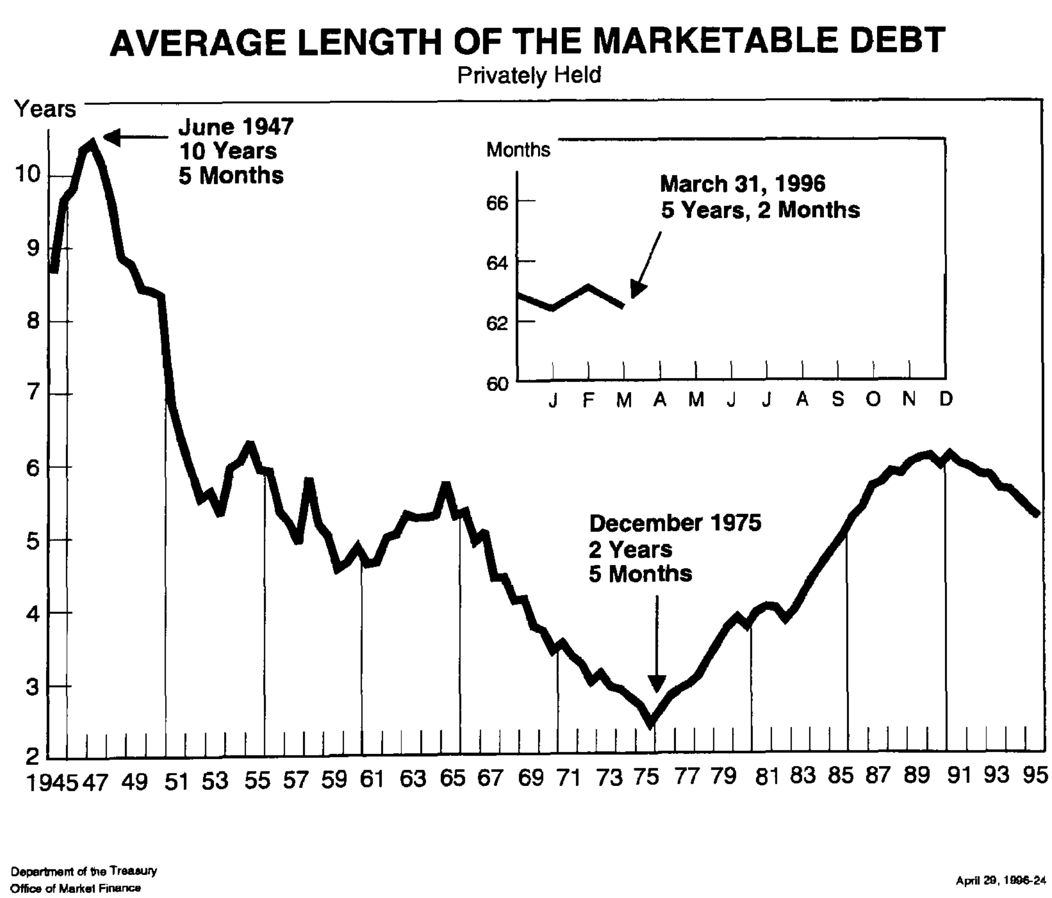
PRIVATE HOLDINGS OF TREASURY MARKETABLE DEBT BY MATURITY



Department of the Treasury
Office of Market Finance

April 29, 1996-22


PRIVATE HOLDINGS OF TREASURY MARKETABLE DEBT
Percent Distribution By Maturity
Coupons
Over 10 years
2-10 years
1-2 years
1 year & under
Bills
100%
80
60
40
20
0
14
33
16
16
21
1985
1986
1987
1988
1989
1990
1991
1992
1993
1994
1995
Mar '96
As of December 31
Department of the Treasury
Office of Market Finance
April 29, 1996-23


AVERAGE LENGTH OF THE MARKETABLE DEBT
Privately Held
Years
June 1947
10 Years
5 Months
Months
March 31, 1996
5 Years, 2 Months
66
64
62
60
J F M A M J J A S O N D
December 1975
2 Years
5 Months
10
9
8
7
6
5
4
3
2
1945 47 49 51 53 55 57 59 61 63 65 67 69 71 73 75 77 79 81 83 85 87 89 91 93 95
Department of the Treasury
Office of Market Finance
April 29, 1996-24

MATURING COUPON ISSUES

May - September 1996

(in millions of dollars)

Maturing Coupons	March 31, 1996			
	Total	Held by		
		Federal Reserve & Government Accounts	Private Investors	Foreign[1/] Investors
7 3/8% Note 05/15/96	20,086	2,074	18,012	275
4 1/4% Note 05/15/96	19,264	2,228	17,036	1,904
7 5/8% Note 05/31/96	9,617	393	9,224	697
5 7/8% Note 05/31/96	18,927	753	18,174	2,628
7 7/8% Note 06/30/96	9,770	412	9,358	207
6 % Note 06/30/96	19,859	1,765	18,094	3,603
7 7/8% Note 07/15/96	7,725	721	7,004	170
7 7/8% Note 07/31/96	9,869	270	9,599	260
6 1/8% Note 07/31/96	19,416	1,247	18,169	3,006
4 3/8% Note 08/15/96	20,670	3,074	17,596	2,257
8 % Bond 08/15/96-01[2/]	1,485	758	727	0
7 1/4% Note 08/31/96	9,825	499	9,326	685
6 1/4% Note 08/31/96	19,292	810	18,482	4,088
7 % Note 09/30/96	10,088	381	9,707	395
6 1/2% Note 09/30/96	19,639	1,200	18,439	3,151
Totals	215,532	16,585	198,947	23,324

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

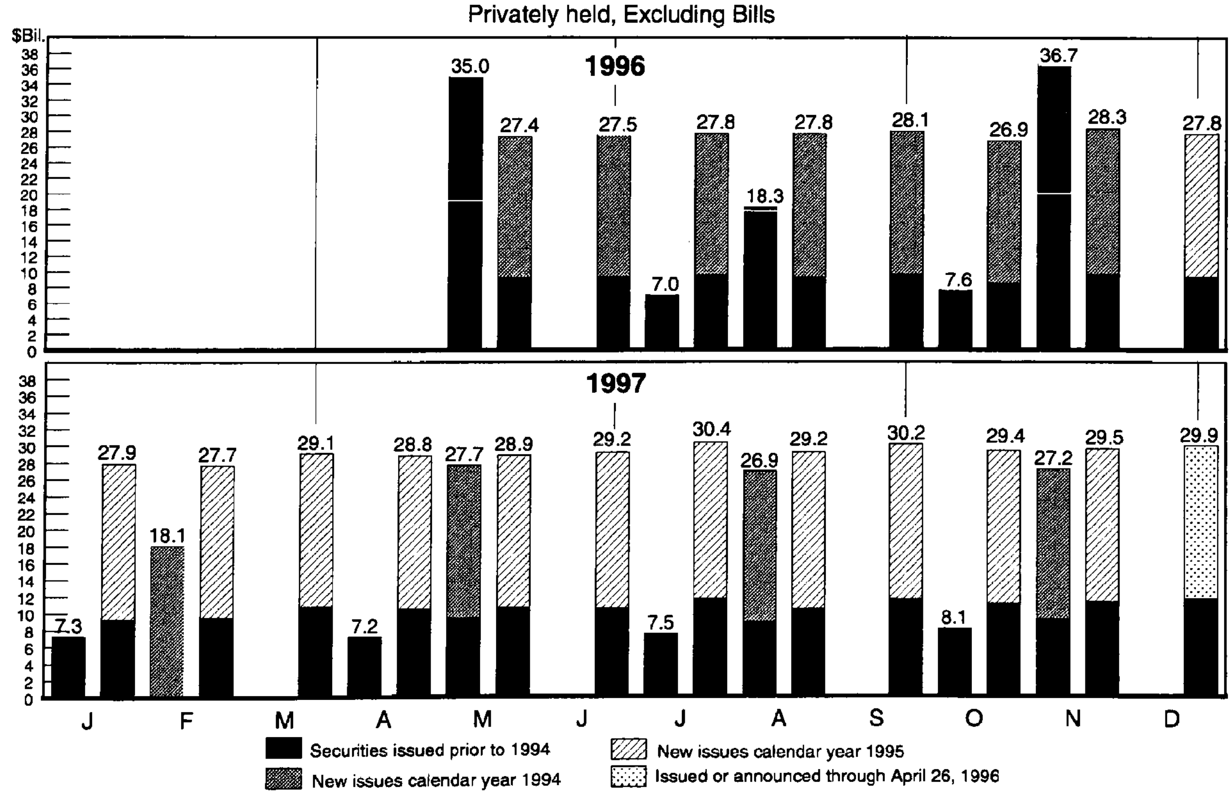
2/ On April 11, Treasury announced the call for redemption at par on August 15, 1996, the 8% 1996-01, dated August 16, 1996, due August 15, 2001.

Department of the Treasury
Office of Market Finance

April 29, 1996-25

TREASURY MARKETABLE MATURITIES

Privately held, Excluding Bills

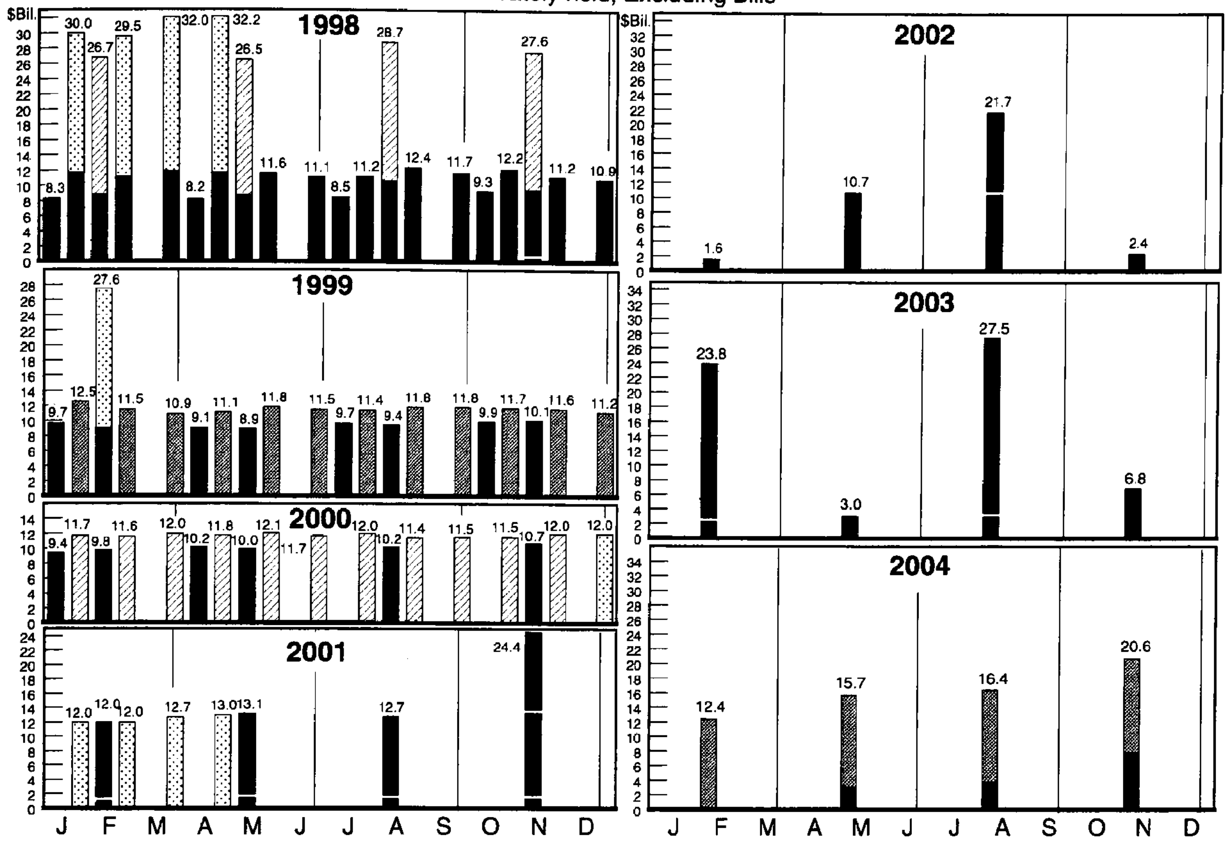


Department of the Treasury
Office of Market Finance

April 29, 1996-26

TREASURY MARKETABLE MATURITIES

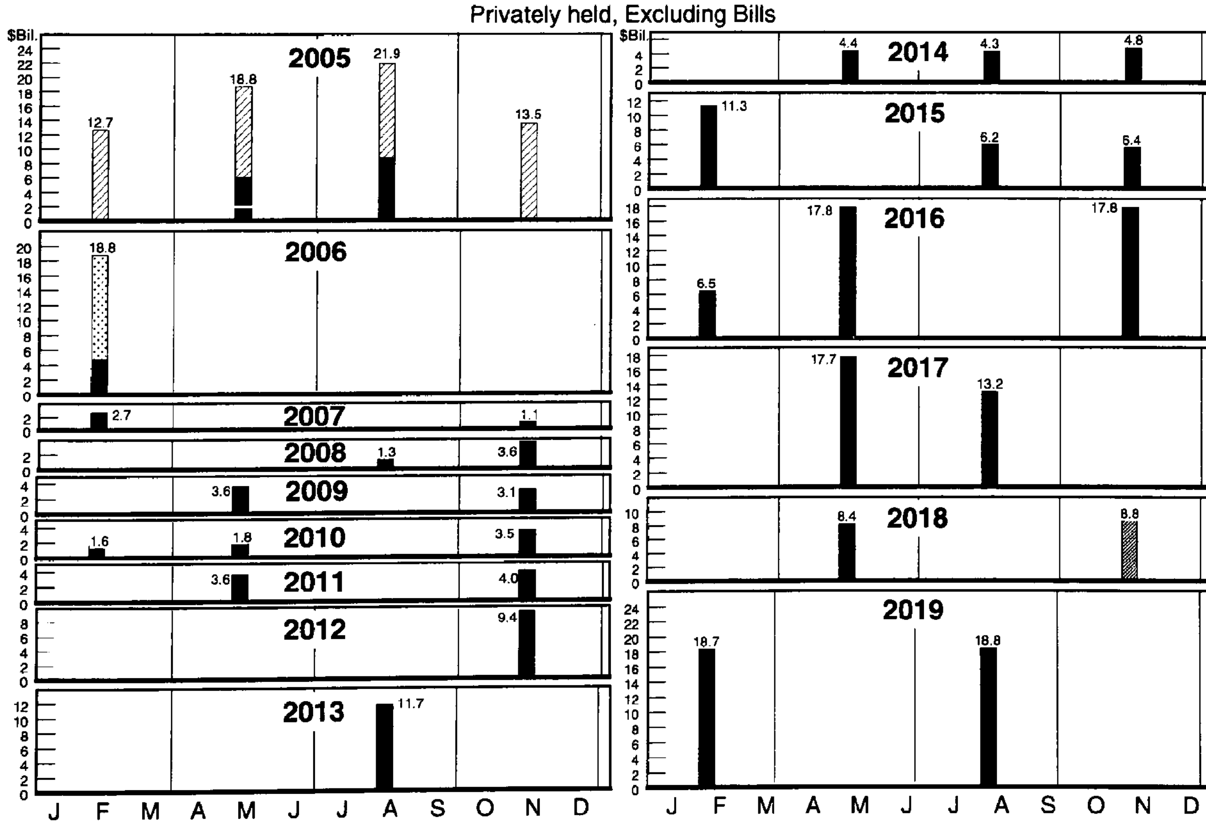
Privately held, Excluding Bills



Securities issued prior to 1994
New issues calendar year 1994
New issues calendar year 1995
Issued or announced through April 26, 1996

TREASURY MARKETABLE MATURITIES

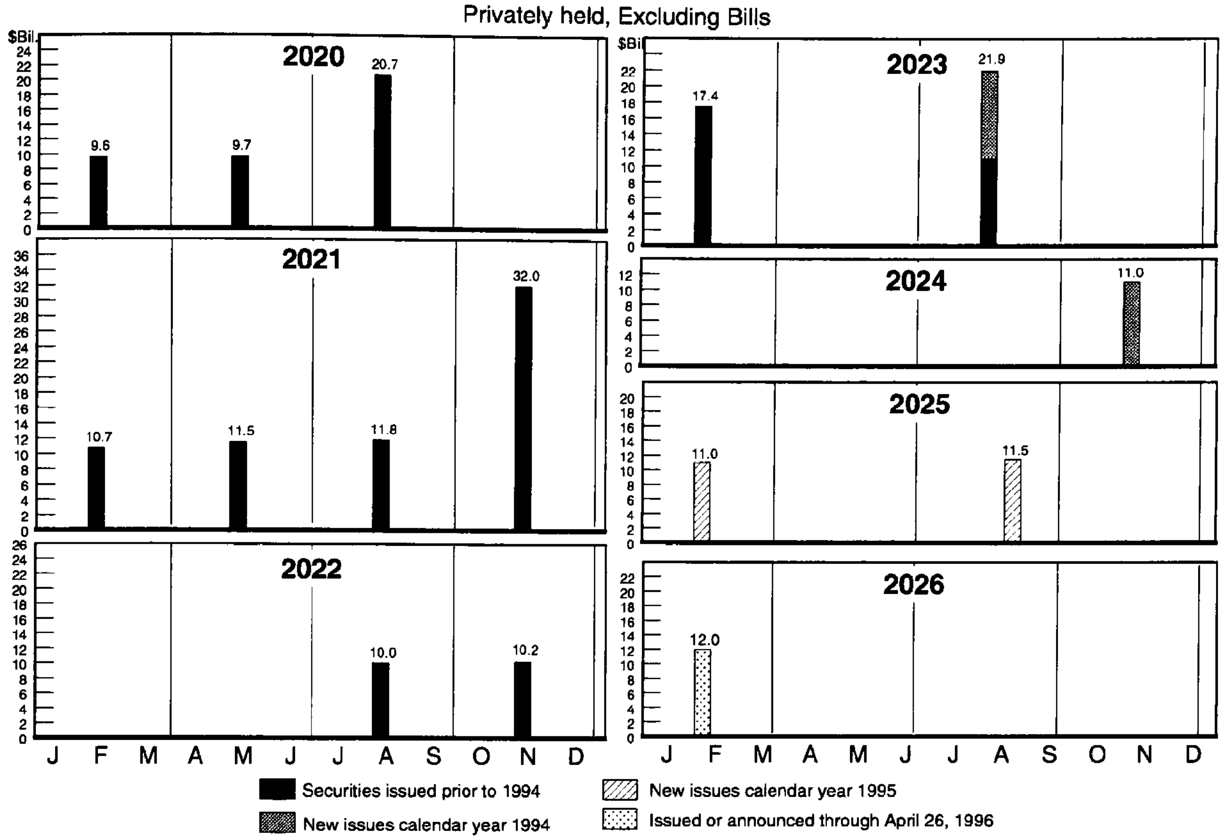
Privately held, Excluding Bills



Securities issued prior to 1994
New issues calendar year 1994
New issues calendar year 1995
Issued or announced through April 26, 1996

TREASURY MARKETABLE MATURITIES

Privately held, Excluding Bills



DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR IMMEDIATE RELEASE
Text as Prepared for Delivery

REGULATORY STRUCTURE FOR FDIC-INSURED DEPOSITORY INSTITUTIONS

Testimony of John D. Hawke, Jr.
Under Secretary of the Treasury for Domestic Finance

Before the
Committee on Banking and Financial Services
United States House of Representatives

April 30, 1996

Mr. Chairman, Congressman Gonzalez, Members of the Committee. I appreciate this opportunity to discuss the Administration's views on the appropriate regulatory structure for FDIC-insured depository institutions.

In my testimony today, I will cover three key areas. First, I will briefly describe the current regulatory system and some of its problems. Second, I will discuss how the current system could be made more rational, in line with a proposal the Administration developed during the 103rd Congress. And third, I will talk about current proposals for eliminating the thrift charter, advanced in the context of legislation to cure the problems of the Savings Association Insurance Fund, and their implications for the Treasury's Office of Thrift Supervision (OTS).

I. The Current System

Today, four different federal agencies regulate and supervise depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). The Office of the Comptroller of the Currency (OCC) charters, regulates, and supervises national banks. The Board of Governors of the Federal Reserve System regulates and

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supervises bank holding companies and state-chartered banks that are members of the Federal Reserve System. The Federal Reserve, as well as the OCC, also has certain responsibilities for regulating and supervising foreign banks' U.S. operations and U.S. banks' foreign operations. The FDIC, in addition to insuring deposits, regulates and supervises state-chartered banks that are not members of the Federal Reserve System. The Office of Thrift Supervision charters, regulates, and supervises Federal savings associations, and regulates and supervises savings and loan holding companies and state-chartered savings associations.

No one seeking to design a bank regulatory system from scratch would replicate the current agency structure, which is understandable only in the historical context in which it evolved. It is highly complex -- so much so that even financial services practitioners lose track of who regulates what. It often subjects banking organizations to redundant demands, overlapping supervision, and on occasion even inconsistent regulation by two, three, or even all four agencies. It creates impediments to coordinating policies and regulations among the federal regulators, and can delay decisionmaking.

In an effort to overcome some of these problems, the Administration has encouraged the federal banking agencies to achieve better coordination and thereby reduce the regulatory burdens on depository institutions. Over the past three years, these efforts have met with considerable success.

II. A More Rational System

In your letter, Mr. Chairman, you asked for our suggestions on how Congress could reform the regulatory structure.

In 1994, the Administration presented a concrete approach to such reform, building on ideas that had emerged over the past half-century. That approach would combine the regulatory and supervisory functions of the OCC, Federal Reserve, FDIC, and OTS into a new independent agency -- the Federal Banking Commission, having a five-member board that would include the Secretary of the Treasury, a representative of the Federal Reserve Board, and three members appointed by the President and confirmed by the Senate. The Commission would regulate and supervise all federally insured banks and thrifts, all bank and thrift holding companies, U.S. banks' foreign operations, and foreign banks' U.S. operations. The Commission would also charter national banks and federal savings associations.

This simplified structure could improve efficiency, reduce costly duplication of effort in the industry, ensure greater consistency in regulation, and benefit consumers, businesses, and the economy.

I would note that regulatory consolidation has been discussed, studied, and analyzed for at least fifty years. We recognize the complexities and controversies involved in moving such a proposal forward and -- given the high priority items on our financial institutions agenda, such as the recapitalization of the Savings Association Insurance Fund, financial modernization, and regulatory burden relief -- we are not recommending that this difficult issue be confronted again now. In particular, given the ongoing developments -- and dramatic changes -- in the industry today, we do not believe that this is an opportune time to seek enactment of such legislation. If this subject is to be revisited, it should be deferred until we know with a greater degree of certainty what the profile of the financial services industry will look like over the next several years.

III. The Thrift Charter and the Office of Thrift Supervision

A more immediate question involves the Office of Thrift Supervision. Congress and the Administration have for almost a year been considering legislation to resolve the problems of the Savings Association Insurance Fund (SAIF). Among other things, this legislation would call for a merger of SAIF with the Bank Insurance Fund, a step we strongly endorse. As this legislation passed the Congress last year, such a merger of the funds would have been conditional on the elimination of the thrift charter. As an adjunct to the SAIF legislation, serious consideration has been given to proposals to merge thrift regulation with bank regulation and to regulate all thrifts as banks for all federal regulatory purposes. We are actually dealing with a three-part process, which includes:

- resolving the SAIF's problems as soon as possible and merging the FDIC's two insurance funds;
- phasing out the thrift charter, with appropriate grandfather rules; and
- making conforming changes in the regulatory structure.

A. Charter Conversion

Let me say at the outset that promoting affordable housing and home ownership is one of this Administration's most important goals -- relating directly to efforts to rehabilitate our cities, to stabilize inner-city neighborhoods, and to revitalize rural communities. Over the course of its history, the thrift industry has made important contributions toward meeting such objectives.

Having said that, however, we believe that in the context of resolving SAIF's problems the time has come to unify our system of FDIC-insured depository institutions. With SAIF rehabilitated, and in anticipation of a BIF-SAIF merger, we no longer see a need for a separate thrift charter or a separate system of thrift regulation. Thrifts and banks no longer differ as sharply as they did seven years ago, much less twenty years ago. Indeed, the banking and thrift industries have, to a significant degree, grown together. Thrifts meet capital and other regulatory standards no less stringent than those applicable to banks. Along with mortgage companies, banks have become major originators of home mortgages -- with a market share exceeding that of thrifts. (According to HUD surveys, during the first half of 1995, mortgage companies originated 55 percent of one-to-four family mortgages; banks originated 25 percent; and thrifts originated 19 percent.) Thrifts have also diversified into such non-housing lines of business as consumer lending and credit cards.

Thrifts no longer need a specialized charter or special federal tax treatment to serve the interest of residential mortgage lending. Indeed, pending legislation to end the special bad-debt reserve treatment that thrifts have enjoyed -- legislation that was driven by the proposal to cure SAIF's problems and to merge the two funds -- would remove a major reason for using the thrift charter. Thrifts could readily conduct a home mortgage business using a national or state bank charter. We anticipate that a great many thrifts would, even as banks, continue focusing on mortgage lending, and we believe they should be permitted to carry on the kind of business they know best, without facing arbitrary supervisory pressure to make their portfolios look just like those of commercial banks. Just as the bank charter currently embraces a wide range of institutions -- from small community banks to global money center banks -- so thrifts should be free to specialize prudently within that charter.

By the same token, the spreads thrifts earn on residential mortgages have narrowed dramatically, and such mortgages can expose thrifts to significant interest-rate risk. Giving thrifts the option of diversifying their portfolios would tend to enhance their stability and long-term viability.

We would facilitate conversions from thrift charters to bank charters and abolish the federal thrift charter by a date certain. Federally chartered thrifts that did not convert to bank charters would automatically become national banks. State-chartered thrifts that retained their existing charters would, for purposes of federal banking law, be treated as state-chartered banks.

B. Agency Issues

Such a transformation in the thrift industry, energized by the enactment of legislation resolving the problems of SAIF, would clearly have implications for the structure of federal regulation. If the federal thrift charter were eliminated, we would need to plan for the future of the Office of Thrift Supervision -- and, in particular, its devoted and highly professional employees.

In offering suggestions on how the transition could best be managed, we seek to:

- be fair to the OTS's employees;
- maintain safety and soundness;
- avoid disrupting the OTS's operations; and
- be mindful of the Administration's efforts to streamline operations and increase workforce efficiency across the federal government.

Within this context, at least two general issues need to be addressed. First, how would the OTS be managed between the enactment of thrift charter legislation and the time the thrift charter ceases to exist? And second, what process would be utilized to assist OTS employees find new employment?

1. Transition period

Any legislation eliminating the thrift charter should provide sufficient time to wind down the OTS's operations without jeopardizing the OTS's ability to regulate and supervise the industry, assure the agency's orderly operation during the transition, and absorb OTS employees into the bank regulatory structure. This transition period would correlate with the time period provided for phasing out the thrift charter. During this period, thrifts would make decisions about the nature of the charter under which they would operate going forward, and such decisions would affect the banking agencies' staffing needs.

One could minimize disruption by temporarily retaining the OTS as a separate agency during the transition period. The following approach would avoid such disruption:

- ***Repeal the statutory prohibition against consolidating functions of the OCC and OTS.*** Departments normally have authority to consolidate functions of their bureaus. Repeal would help to ensure that there would be sufficient personnel to carry out thrift supervision responsibilities between the enactment of thrift charter legislation and the abolition of the thrift charter.

- ***Assign the OTS Director's duties to the Comptroller of the Currency.*** The Comptroller would be responsible for running both bureaus as separate agencies during the transition period -- accountable for both agencies' safety and soundness missions.

- ***Provide management flexibility through such means as cross-servicing agreements.*** Such agreements between OCC and OTS would allow for increased efficiencies at both bureaus, facilitate an orderly transition, and reduce the potential for disruption, especially if the OTS faced significant employee attrition.

At the conclusion of the transition period, OTS's separate existence would cease.

2. Employee status

Some fundamental decisions must be implemented with respect to the future of the OTS staff if the OTS were to cease to exist. The employees of the OTS are extremely talented, highly qualified individuals, and we are deeply committed to helping them in any way that we can. In that respect, I would like to commend the OTS's Acting Director, Jonathan Fiechter, for the outstanding job he has done managing the OTS -- through times both good and bad for the thrift industry.

We have identified at least two possible alternatives for addressing OTS employee issues if the OTS ceases to exist:

- First, provide assistance to OTS employees in seeking employment in the federal banking regulatory agencies or elsewhere in the public or private sectors.

- Alternatively, reassign OTS employees to one of the three federal banking regulatory agencies, after thrifts have made their charter choices, and then let those agencies decide on their ultimate staffing needs.

These alternatives can be seen as defining a spectrum of choices, with one alternative at each end of the spectrum. Certainly, there will be other viewpoints on this matter and the final approach will surely be developed by considering many different perspectives.

Under the first alternative, OTS employees would have a period of time -- equal in length to the period afforded for thrift conversions -- within which to find new employment. Eligible OTS employees would receive selection priority over other applicants for positions that the federal banking agencies and the Treasury and its bureaus might seek to fill. They would also receive selection priority for positions at every other federal government agency over any applicant from outside the agency (who is not otherwise subject to a selection priority program) or the private sector.

The second alternative would involve reassigning OTS employees to one of the federal banking agencies no later than by the close of the transition period. Those agencies would have a period of time to prepare for the integration of OTS employees, and employees would be allocated among the agencies in some specified proportion to thrifts' charter choices -- that is, their choices whether to operate as national banks, state member banks, or state nonmember banks. The three federal banking agencies would design and implement the reassignment process within a statutorily mandated time frame, and former OTS employees would be fully integrated into the receiving agencies, with credit for their prior service.

We believe that either of the two options I have described would be a reasonable model, and there may certainly be other variations worthy of consideration. The Treasury is not making a recommendation at this time as to a preferred course. We would, however, be pleased to work with the Committee in further developing these or other options on the spectrum.

As we consider these agency issues, we should proceed with appropriate sensitivity and caution. Agency employees understandably have considerable anxiety over their future prospects. Discussing possibilities in detail before a SAIF solution is enacted and before resolving the charter issues (and thereby gaining confidence about how to resolve the agency issues) could create needless anxiety and disruption.

IV. Conclusion

In conclusion, Mr. Chairman, I would emphasize that this is not a propitious time to embark on a major reorganization or consolidation of the federal bank regulatory agencies.

Yet the SAIF legislation presents us with an opportunity to address the future of the thrift charter and the thrift regulator. A great deal of work remains to be done. We must determine the specific powers former thrift institutions will retain. We must uphold safety and soundness during the transition period. And we must develop and implement a fair program dealing with OTS employees. Although we face many challenges as the thrift industry undergoes fundamental change, I am confident we can collectively develop good public policy.

We look forward to working with you and other Members of the Committee.

federal financing bank NEWS
WASHINGTON, D.C. 20220
Press 202-622-2960
FFB 202-622-2450

April 30, 1996

FEDERAL FINANCING BANK

Charles D. Haworth, Secretary, Federal Financing Bank (FFB), announced the following activity for the month of March 1996.

FFB holdings of obligations issued, sold or guaranteed by other Federal agencies totaled $66.7 billion on March 31, 1996, posting a decrease of $1,311.7 million from the level on February 29, 1996. This net change was the result of a decrease in holdings of agency debt of $1,216.4 million, in agency assets of $55.0 million, and in agency guaranteed loans of $40.3 million. FFB made 15 disbursements during the month of March. FFB also received 14 prepayments in March.

Attached to this release are tables presenting FFB March loan activity and FFB holdings as of March 31, 1996.

RR-1042

FEDERAL FINANCING BANK
MARCH 1996 ACTIVITY

BORROWER	DATE	AMOUNT OF ADVANCE	FINAL MATURITY	INTEREST RATE
GOVERNMENT - GUARANTEED LOANS				
GENERAL SERVICES ADMINISTRATION				
Chamblee Office Building	3/7	$283,270.18	4/1/97	5.268% S/A
Foley Square Courthouse	3/8	$187,845.00	7/31/25	6.555% S/A
Atlanta CDC Office Bldg.	3/15	$3,449.00	9/2/25	6.808% S/A
Chamblee Office Building	3/15	$937,418.36	4/1/97	5.530% S/A
Foley Services Contract	3/27	$359,818.89	7/31/25	6.710% S/A
Chamblee Office Building	3/28	$3,660,000.00	4/1/97	5.583% S/A
Chamblee Office Building	3/29	$1,445.06	4/1/97	5.617% S/A
Foley Square Office Bldg.	3/29	$55,954.00	7/31/25	6.872% S/A
HCFA Headquarters	3/29	$726.78	7/1/25	6.872% S/A
Memphis IRS Service Cent.	3/29	$931,811.69	1/2/25	6.873% S/A
GSA/PADC				
ICTC Building	3/18	$7,314,981.31	11/2/26	6.883% S/A
RURAL UTILITIES SERVICE				
Oregon Idaho Util. #415	3/6	$3,800,000.00	1/2/07	6.043% Qtr.
Pineland Telephone #403	3/14	$1,026,000.00	1/2/24	6.747% Qtr.
Central Iowa Power #385	3/20	$2,983,000.00	12/31/14	6.640% Qtr.
South Texas Electric #322	3/22	$837,000.00	12/31/19	6.661% Qtr.

S/A is a Semi-annual rate: Qtr. is a Quarterly rate.

FEDERAL FINANCING BANK
(in millions)

Program	March 31, 1996	February 29, 1996	Net Change 3/1/96-3/31/96	FY '96 Net Change 10/1/95-3/31/96
Agency Debt:				
Export-Import Bank	$ 2,008.3	$ 2,043.5	$ -35.3	$ -498.0
Resolution Trust Corporation	7,504.5	8,685.6	-1,181.1	-5,704.1
Tennessee Valley Authority	0.0	0.0	0.0	-3,200.0
U.S. Postal Service	300.0	300.0	0.0	-6,964.7
sub-total*	9,812.7	11,029.1	-1,216.4	-16,366.8
Agency Assets:				
FmHA-ACIF	1,415.0	1,470.0	-55.0	-55.0
FmHA-RDIF	3,675.0	3,675.0	0.0	0.0
FmHA-RHIF	21,015.0	21,015.0	0.0	-685.0
DHHS-Health Maintenance Org.	8.1	8.1	0.0	0.0
DHHS-Medical Facilities	23.8	23.8	0.0	0.0
Rural Utilities Service-CBO	4,598.9	4,598.9	0.0	0.0
Small Business Administration	0.1	0.1	0.0	0.0
sub-total*	30,735.9	30,790.9	-55.0	-740.0
Government-Guaranteed Loans:				
DOD-Foreign Military Sales	3,357.2	3,404.8	-47.6	-135.8
DHUD-Community Dev. Block Grant	81.0	83.5	-2.5	-8.1
DHUD-Public Housing Notes	1,626.8	1,626.8	0.0	-61.7
General Services Administration +	2,309.9	2,303.3	6.6	43.1
DOI-Virgin Islands	20.2	20.2	0.0	-0.8
DON-Ship Lease Financing	1,382.8	1,382.8	0.0	-49.3
Rural Utilities Service	17,048.7	17,040.0	8.6	-226.9
SBA-Small Business Investment Cos.	0.0	2.0	-2.0	-5.5
SBA-State/Local Development Cos.	336.5	339.9	-3.4	-19.3
DOT-Section 511	13.5	13.5	-0.1	-1.0
sub-total*	26,176.6	26,216.9	-40.3	-465.3
grand-total*	$ 66,725.2	$ 68,036.8	$ -1,311.7	$-17,572.1

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

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

REMARKS TO
THE TREASURY BORROWING ADVISORY COMMITTEE
OF THE PUBLIC SECURITIES ASSOCIATION
BY THE HONORABLE JOSHUA GOTBAUM,
ASSISTANT SECRETARY OF THE TREASURY FOR ECONOMIC POLICY

APRIL 30, 1996

RR-1043

Embargoed for release until delivery.

Remarks to
The Treasury Borrowing Advisory Committee
of the Public Securities Association

By the Honorable Joshua Gotbaum,
Assistant Secretary of the Treasury for Economic Policy
April 30, 1996

We are pleased to welcome you on another of your quarterly visits. Secretary Rubin and all of us at the Treasury place great value on this long-standing relationship. You give us a perspective that only direct market experience can provide.

Let's begin with a review of the current state of the economy. All in all, we are very pleased.

Spurred in part by the strong steps taken by the Administration in 1993, what had been a relatively weak recovery gained strength and is now in its sixth year. The economy seems largely free of the distortions and cyclical imbalances that have sometimes spelled trouble in the past.

- In recent years, employment growth in the U.S. has been impressive. There have been 8-1/2 million net new jobs created since January 1993. A recent study by the Council of Economic Advisers has pointed out that most of the new jobs are full time and 68 percent of full-time jobs created during the past two years were in industry and occupation groups paying above the median wage. This is obviously encouraging.

- Inflation is at its lowest levels in a generation. Underlying inflation still shows few signs of acceleration, although clearly energy and grain prices will be watched.

- The investment in capital equipment that is so vital for continued growth in productivity and competitiveness has expanded rapidly. Real business expenditures for equipment continue to be strong, both in constant-dollar terms and as a share of Gross Domestic Product.

- Significant progress has been made in reducing the Federal budget deficit. The deficit is projected to decline this fiscal year to about $145 billion, or 2 percent of Gross Domestic Product, the lowest such ratio in 17 years. In 1995, the last year for which comparable international data are available, the U.S. public-sector deficit as a ratio to Gross Domestic Product was the lowest of any major industrialized country.

Today our economy continues to gro w at what we take to be a moderate and sustainable pace. Government shutdowns and severe winter weather now lie some distance in the past. Nonetheless, as a result of *other* special factors, such as the recent General Motors strike, the numbers continue to bounce around. (Somehow, that trove of pure, even, unbiased statistical data that we need for absolute certainty always seems to lie just some short distance in the future.)

The specific numbers may in fact be less important than the shift in perception that seems to have taken place since the time of our last meeting. Then, you will recall, we were not looking so much for pure, unbiased statistics -- we were happy to get any statistics at all. It appeared at the time to some observers that the economy had weakened more than government shutdowns and severe weather could explain. There was a lot of talk about excessive inventories and downside risk. With the flow of statistical information temporarily interrupted, it was difficult to know how seriously to take this point of view.

Now, the perception is quite different. A run of stronger numbers has largely removed the risk of a significant slowing as a topic of serious discussion. The statistical evidence has been gradual, but two separate employment reports stand out:

- A strong rebound in February payroll employment (originally 705,000 and then revised to 624,000) reported in early March raised the Treasury yield curve from 2 to 30 years by 25 to 35 basis points in a single day -- a big move by any standard.
- There was an encore in early April with the release of the employment results for March. While the payroll employment gain was only 140,000, that was about double the market expectation in view of the presumed impact of the strike at General Motors. Again, yields moved sharply higher, this time by roughly 25 basis points over the same range of maturities.
- In addition, there was an aftershock to the March employment result in the following week when an inflation scare gripped the markets. What still seems to be a temporary spike in the prices of crude oil and petroleum products coupled with a tight grain supply situation created a market atmosphere in which the 30-year Treasury seemed headed for 7 percent and stock prices dropped sharply.

There have been subsequent rate declines and a calmer atmosphere has returned, as reflected in range trading rather than sharp and upsetting rate shifts. But we seldom go back exactly to where we were. The economy is now viewed as being potentially stronger than seemed to be the case three months ago. Furthermore, although the intense focus on inflation by some market participants has largely passed, it probably heightened general awareness of inflation risks -- for example, gas price concerns are now widely reported -- even though there is little solid evidence of any change in underlying inflation fundamentals.

Has the economy strengthened so much that it now threatens to exceed safe speed limits and drive interest rates up? Not very likely. This all seems to be a case of observers changing their minds, not about the direction of the economy, but only about its rate of growth – and only modestly at that. Three months ago the consensus seemed at risk of listing too far in the direction of pessimism. Now it has swung in a more optimistic direction. But, there is very little indication that the economy itself has ever gotten very far from a stable growth path.

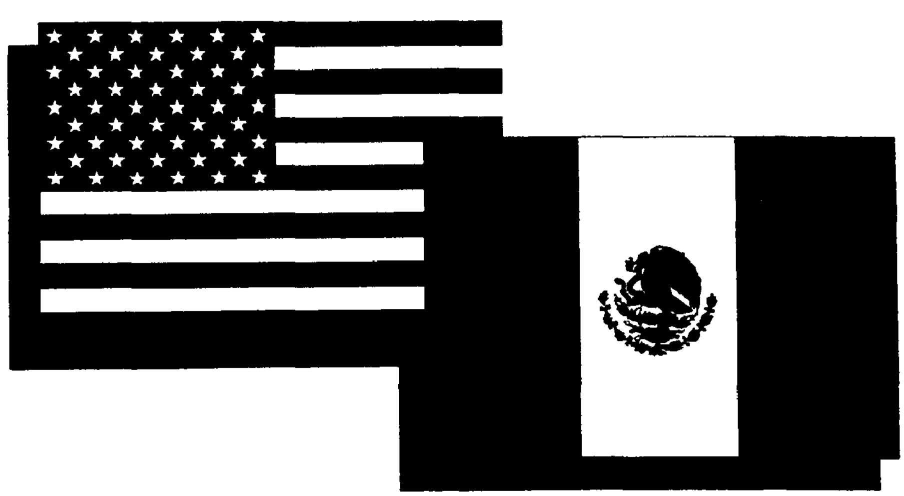
The initial estimate of growth in the first quarter will be released on Thursday. Market estimates expect a modest increase, even though special factors, like severe weather and the government shutdown, held the quarter down. The second quarter may benefit statistically from the reversal of some of these same special factors. But we should remember that "special factors" are no less so when they contribute to growth as when they retard it. Looking further ahead, the consensus forecast continues to call for steady, sustainable growth, somewhat above 2 percent for the four quarters of this year. To us, that still seems to be the most probable outcome.

Those are *our* views, but of course the primary reason we are here is to learn *yours*. We appreciate your coming and look forward to the meeting.

-30-

Monthly Report
by the
Secretary of the Treasury

Pursuant to the
Mexican Debt Disclosure Act
of 1995



April 1996

Treasury Secretary's Report to Congress
April 1996

Contents

I. Overview

In providing assistance to Mexico under the February 21, 1995 Agreements, the U.S. government acted to protect vital U.S. interests: American exports and jobs, the security of our common border, and the stability of other emerging market economies. U.S. and other international support in 1995 has allowed Mexico to implement the policies necessary to avert default, regain access to capital markets, and restore the basis for sustainable growth.

Mexico has met all of its payment obligations under the U.S. financial support program. So far, it has repaid a net total of $2 billion in outstanding short-term swaps to the Treasury and Federal Reserve, and made interest payments totalling $988 million. As of April 30, $10.5 billion will remain outstanding, all in the form of medium-term swaps. No further principal repayments are due until June 30, 1997.

All of Mexico's obligations to the United States are backed by proceeds from Mexico's crude oil, oil products, and petrochemical product exports. Payments for these exports flow through a special account at the Federal Reserve Bank of New York. As of April 16, $9.6 billion had passed through this account.

Mexico's strong policy fundamentals and the U.S.-led international financial support package have continued to produce encouraging results. Mexico attained a budgetary surplus in 1995. Monetary policy remains tight. Monthly inflation fell to 2.2% in March, down from 2.3% in February and 3.6% in January. Prices increased by 1.8% in the first half of April, led by anticipated increases in some public prices and the minimum wage in late March and early April. Interest rates fell sharply: rates on the benchmark 28-day *cetes* dropped to 31.9% in the April 23 auction, down from 38.9% in the March 26 auction.

Data indicate that an economic recovery is underway in Mexico. GDP rose by 2.3% from the third to the fourth quarter in 1995, following an increase of 2.8% from the second to the third quarter (both seasonally adjusted). Most indicators suggest continued growth in the first quarter (on a quarter-over-quarter basis). Exports have remained strong, and other data also suggest some revival in domestic demand from the deep recession of 1995.

Mexico's merchandise trade balance remains strongly in surplus in 1996, with a surplus of $551 million recorded in March (preliminary data), even as total imports have increased by 9.9% compared to the same period last year, and by 7.7% compared to 1994. Indeed, this was a record high for Mexico's first quarter imports. Similarly, U.S. exports to Mexico in January and February were the highest ever recorded for these two months.

Receding inflationary expectations and other improving fundamentals have helped to cause the peso to appreciate in April, despite the fall in domestic interest rates. Mexico's stock market also moved to record highs in peso terms, up 4.7% from the end of March through April 26, and 38% above pre-crisis levels. And as of April 19, international reserves have risen to $15.7 billion from the year-end 1994 level of $6.1 billion and are roughly unchanged from year-end 1995.

This month, Mexico announced that it would exchange between $1.0 and $2.5 billion in Brady Bonds for a new, 30-year sovereign debt instrument, further confirming its reentry to the international capital markets. After having raised approximately $6.4 billion in international markets during 1995, the Mexican government and its agencies issued another $3.4 billion in the first quarter of 1996, at longer maturities and on improving terms. If successful, this new global bond issue will create a new benchmark for long-term Mexican foreign currency debt.

While financial markets have rallied, the situation of Mexico's banking system remains difficult. The level of nonperforming loans remains high, as acknowledged by the decision of Mexico's second largest bank to significantly increase its reserves. However, twelve Mexican banks, representing 94% of banking system assets (excluding intervened banks), are being recapitalized. Injections of P36 billion in new private capital have been committed to these banks. Through FOBAPROA, the central bank's insurance fund, the government has purchased loans from these banks in proportion to the new capital injected by shareholders.

II. Current Condition of Mexico's Economy

a. Monetary Policy

Mexico overperformed on its 1996 monetary program first quarter targets by a large margin.

- Net international reserves (NIR) grew by \$1.8 billion during the first quarter, \$2.3 billion above the government's target.

- Net domestic credit (NDA), the monetary base less international reserves, contracted during the same period by roughly 31% (P21 billion) compared to a targeted decrease of 1.7% (P1.2 billion).

- Similarly, base money shrank by about 11% (P7 billion), more than the Government's projected drop in base money of 7.5% (P5 billion).

- The overperformance on reserves was the result of several large capital market debt issues by the Government of Mexico during the December-February period.

  -- NDA is defined as base money less international reserves, so this stronger reserve accumulation led to a greater-than-targeted contraction in NDA – and thus the overperformance on the NDA target.

Monetary aggregates indicate policy remains tight

- In 1996 through April 19, base money fell 16% to P56.3 billion. Moving past the first quarter, the fall in base money will likely taper off, given that the demand for money typically falls in the early part of the year.

  -- In 1996, M1 (the monetary base plus checking deposits) grew about 2.6% in nominal terms during the month of March, bringing M1 at the end of the first quarter to the same level that existed at the end of 1995.

- In 1996 through April 19, NDA fell by P21.7 billion. NIR increased by P11.3 billion during the same period.

Market indicators also suggest that monetary policy remains firm

The April 23 primary auction resulted in a yield of 31.9% on an annualized basis for 28-day *cetes*, the benchmark government security. This was down from 34.6% set in the April 16 auction.

- The real interest rate (the nominal rate adjusted for expected inflation) on 28-day *cetes* was about 8% in mid-April on an annualized basis, slightly above the rate in mid-March.

The peso appreciated 1.6% from the end of March to April 26, when it closed at P7.42.

- The real exchange rate appreciated by about 3.4% from end-March to April 16, regaining ground to about the same real level posted end-September 1995, prior to last autumn's peso depreciation. It is still down 26.1% from November, 1994.

Monthly inflation fell each month during the first quarter, but an up-tick is expected in April

- Monthly inflation fell to 2.2% in March from 2.3% in February and 3.6% in January 1996. Inflation crept upward during the first half of April, as prices increased by 1.8% due to a 12% hike in the minimum wage and a 7% increase in some public sector prices.

II. b. Fiscal Policy

Mexico's fiscal stance remains tight

Mexico announced this month that it had fallen well short of its spending targets for the first two months of 1996.

- Hacienda announced that the government has spent roughly P6 billion, or 11% less than it had budgeted for January and February.
    - -- Fiscal spending patterns usually increase during the second half of the year.

- The government attributed the lag in spending to regulatory procedures and laws that must be respected before projects can be approved. The government further stated that it anticipates the short-fall will be made up by mid-year.

Mexico has targeted a balanced budget in 1996

- Mexico's 1996 budget (annual public sector non-financial balance) is projected to be balanced for the year.

- The 1996 target for the primary balance is a surplus equal to 4.0% of GDP.

II. c. Structural Reform and Privatization

In 1995, the Mexican government expanded its existing privatization and liberalization program to include traditionally regulated sectors, such as transportation, telecommunications, and energy (the program is described in the December 1995 Semi-Annual Report).

Six groups register for Mexicali natural gas pipeline concession

Six groups, representing both domestic and foreign interests, registered for the concession announced last month to construct a natural gas pipeline network in Mexicali.

- The Mexicali concession represents the first permit to distribute natural gas that is open to foreign participants.

- Bids are to be submitted by June 3, 1996, and the Energy Regulatory Commission is expected to announce a winner on August 12, 1996.

Port concession announced

On April 1, the Communications and Transportation Ministry (SCT) announced that it would open bidding for a concession to operate a multi-use terminal at the port of Ensenada.

- The facility represents the fifth multi-use terminal and the seventh port operation to be concessioned.

Mexico announces postponement in sale of Cosoleacaque petrochemical complex

On April 11, Mexico's Energy Ministry announced that it would delay the planned April 26 auction of the first of four main petrochemical complexes while it reviews the bidding rules that had been announced last November.

- The Energy Ministry stated that it expects to conclude the Cosoleacaque sale with a delay of approximately four weeks. The Energy Ministry has also indicated that the eventual sale will be limited to companies that had registered prior to the original deadline.

Bidding announced for new satellite

On April 18, SCT opened bidding for rights to build and launch a new satellite that will replace the Morelos II satellite - one of three satellites operated by the Mexican government.

- The winning bid is expected to be announced on June 20.

Mexico is currently drafting guidelines for private investment in satellite operations, which are currently operated by state-owned TELECOMM. The guidelines are expected to be announced later this year.

Long distance concessionaires merge operations

Two joint ventures that had received concessions to provide long-distance services announced on April 22 that they would merge their operations.

- The partners in Alestra - AT&T (U.S.) and Grupo Alfa (Mexico) - announced that they had signed a memorandum of understanding with a joint venture between GTE (U.S.), Bancomer (Mexico) and Telefonica International (Spain).

Mexico is proceeding with pension privatization

As part of the reform of the social security system to increase domestic savings, Mexico's Congress is completing legislation that will regulate AFORES, the financial entities dedicated to the administration of private pension funds. It is anticipated that the law will passed by the end of this month.

- According to the Government of Mexico, the proposed legislation includes provisions that will permit U.S. and Canadian financial institutions to own equity in AFORES on a basis consistent with NAFTA, and thus to participate fully in the management of the pension funds.

  -- Although the Mexican Social Security Institute (IMSS) will also be permitted to administer pension funds, no one participant will be permitted to administer more than 17% of total pension resources during the first four years, and 20% thereafter.

II. d. Information Disclosure

Mexico has increased the breadth and frequency of its reporting

Public disclosure of financial data by the Mexican government and the Bank of Mexico has increased substantially.

- Mexico has recently revised its data on foreign direct investment (FDI) to make them more comprehensive and to reflect the actual timing of financial flows more accurately.

- In December 1995, the Bank of Mexico began to publish quarterly targets for net domestic credit and net international reserves. This change from the previous practice of publishing annual targets should facilitate closer monitoring of monetary policy.

- Mexico has improved the coverage and timing of its reporting on both real and financial indicators, including data on output, inflation, international reserves, balance of payments, fiscal and monetary aggregates, and public debt.

- The Mexican government and the Bank of Mexico now provide a wide set of historical and current data on the Internet.[1]

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[1]Mexican government financial data is available on the Internet at **http://www.shcp.gob.mx/english/** and from the Bank of Mexico at **http:// www.quicklink.com/mexico/mb/banxico.htm**. A copy of this Monthly Report can be found at **http://www.ustreas.gov/treasury/mexico/toc.html**.

II. e. Economic Adjustment

Available data suggest a recovery is underway, following a sharp contraction in 1995

The recession appears to have reached its trough in the middle of 1995; GDP declined by 6.9% for the year. On a seasonally adjusted basis, GDP rose by 2.8% from the second quarter to the third quarter and by 2.3% from the third quarter to the fourth quarter, according to the Government of Mexico.

While the recovery was initiated by the export sector, domestic demand appears to have strengthened, particularly starting in the fourth quarter of 1995. Consumption, output in non-tradeable goods, and imports were higher in the fourth quarter than in the third quarter.

Data for the first quarter of 1996 suggest that the recovery continued:

- Industrial production was down a much smaller than expected 0.2% in January 1996, after declining 4.9% in December 1995 on a year-over-year basis. This was the smallest year-over-year decline since March 1995.

    -- In comparison with the 1982 financial crisis, the recovery in industrial production has been faster; output in January 1996 was 1% below its pre-crisis level versus a 13% decline thirteen months into the 1982 crisis.

    -- Output in the domestic demand-sensitive construction sector decreased by 8.6% in January, after output had declined 22%, on average, during 1995. This was also the lowest year-over-year decline since March 1995.

- Despite stronger domestic vehicle sales and consumer imports, retail sales data indicate continued weakness.

    -- Domestic vehicle sales in February were triple their July 1995 low, though sales remain about one-half of their pre-crisis level.

    -- Consumer imports rose 0.4% in March on a monthly basis (not seasonally adjusted), following a 10% increase in February.

March imports are 49% higher than their July 1995 low, though 27% below the 1994 average level.

-- January retail sales were revised downward from a 5.8% year-over-year decline reported last month, to a 25.6% fall and were down 16.4% in February, also on a year-over-year basis.

Labor markets continued to improve in March

- The open unemployment rate, a narrow measure of urban joblessness, declined from 6.3% in February to 6.0% in March (preliminary data), after peaking at 7.6% in August 1995 and falling to 5.5% in December.

  -- The National Statistics Institute, Ineghi, also reported that on a seasonally-adjusted basis, the rate fell to 5.7% - down from 6.1% in February and 6.4% in January.

  -- Adding the number of employees who involuntarily work less than 35 hours a week, a measure of underemployment, the rate fell from 8.8% in February to 7.9% in March, compared to its peak of 10.4% in August 1995.

- Registrations in the social security system (IMSS), a measure of employment in the formal economy, rose by 82,000 in March compared to February, and were 430,000 higher than the low reached in July of 1995. This is still 270,000 below the 1994 average.

Mexico's trade balance remains strongly in surplus

- The trade surplus in March (preliminary data) was $551 million, compared to $418 million in February. Mexico's exports were 10% higher, and imports 11% higher, than March 1995.

- February's trade surplus was revised downward, from $562 million to $418 million, compared to a $704 million trade surplus registered in January. The revised balance primarily reflected an upward revision in imports.

While uncertainties remain, the economy is projected to grow in 1996

- In a February survey by *Consensus Economics*, private analysts forecast that GDP would rise 2.2% in 1996; this is an increase from the 2.0% growth forecast in the December 1995 survey.

  -- The Mexican Government, in its November 1995 budget presentation, projected that GDP would grow by 3.0% in 1996.

II. f. Banking Sector Developments

The banking system continues to restructure

Mexico's banks have committed to raise P36 billion in new capital under a program in which FOBAPROA, the central bank's insurance fund, purchases loans from banks in proportion to new capital injected by shareholders. Twelve banks, representing 94% of banking system assets (excluding the six intervened banks), have entered this recapitalization program since its initiation in 1995.

- Of the P36 billion committed in new private capital, P18 billion was raised in 1995, with the rest to be raised in 1996. Of the total, P16 billion is equity, P7 billion is subordinated debt, and P13 billion is subordinated debt convertible to equity in five years.

- These programs have allowed the capital-to-assets ratio of the banking system to rise substantially since the beginning of last year.

- Although the banks' ability to recover will depend in large measure on the strength and speed of the broader economic recovery, it appears that banks are now in a stronger position than they were in 1995 to make new loans.

A new agency - similar to the Resolution Trust Corporation in the U.S. - is being created to allow for the orderly disposition of financial assets owned by FOBAPROA.

Various government programs to encourage loan restructuring continue.

- As of February, loans totaling 174 billion pesos had been restructured under the various Investment Unit Programs (UDI).

- Under the Debtor's Support Program (ADE) announced late in 1995, the government has provided P15 billion to subsidize interest payments for small- and medium-size debtors in 1995 and 1996, with banks adding another P7 billion.

  -- In April, the GOM announced an extension of the deadline for participation among mortgagees.

Asset quality remains a concern

The level of nonperforming loans remains high, at about 18% for the system as a whole, as of the end of February.

In accordance with improvements being made to the bank regulatory system, Mexican banks will begin to report results following U.S. GAAP, first to the Banking Commission on a preliminary confidential basis in July 1996, and on a public basis in 1997. At the same time, the Banking Commission will also move toward U.S. bank regulatory standards.

- Mexican authorities estimate that the level of non-performing loans would be substantially higher under U.S. GAAP.

- In April, Bancomer, Mexico's second largest bank, announced that it had increased reserves to cover 100% of non-performing loans during the first quarter. Bancomer is the first major bank to anticipate the new accounting and reporting requirements by creating reserves significantly in excess of current requirements.

II. g. Financial Market Trends

Despite volatility in the U.S. markets during April, Mexico's financial markets continued to strengthen on favorable economic news.

- Following a period of relative stability, the peso appreciated during April. The peso exchange rate, as of April 26, was 7.42 pesos per dollar, up from its March 29 close of 7.54 pesos.

  -- The peso is about 9.7% above its low of P8.14 in November 1995.

- As of April 26, Mexico's stock market was up 4.7% since the end of March. During the first quarter of 1996, the Bolsa rose 10.6%; a 13% rise in dollar terms made it the best performer among the world's equity markets for the quarter, as reported in The Wall Street Journal.

  -- In peso terms, the stock market is 38% above pre-crisis levels, and 122% above its February 1995 lows.

  -- In dollar terms, the stock market is down 36% from pre-crisis levels, but up 79% from its February 1995 lows.

Domestic interest rates continue to fall, largely on improved expectations about inflation

- Interest rates decreased to 31.9% on an annualized basis in the April 23 auction of 28-day *cetes*, the benchmark government security, down from 38.9% in the March 26 auction and the lowest since the December 28, 1994 primary auction.

- In the secondary market, the overnight *cetes* rate was 27.9% as of April 26, down from 35.5% on March 29; the 28-day *cetes* rate was 29.5%, down from 37.5%.

Brady Bond spreads narrow

Mexican Brady Bonds were subject to some volatility in the month of April due to continued volatility in U.S. interest rates. Yields were down through April 26.

- Mexican Brady Par Bond interest rate spread over U.S. Treasuries, adjusted to remove the effect of partial collateralization, has fallen from 7.38% on March 29 to 5.92% on April 26. This is more than thirteen percentage points below the 19.37% spread reached in March 1995.

Mexico has further solidified its standing in the international capital markets

After raising about $5.7 billion in international markets in the second half of 1995, the Mexican government and its agencies raised about $3.4 billion during the first quarter of 1996, issuing longer term debt on improving terms.

In April, Mexico announced an offer to exchange between $1.0 billion and $2.5 billion in Brady Bonds for a new 30-year global bond sovereign issue.

- Market reaction was positive, but results are still uncertain since the yield on the new debt will be fixed through a Dutch auction on April 30.

- Standard & Poor's has assigned the issue a "BB" rating (with a "negative" outlook), in line with S&P's rating for Mexican Bradys and the sovereign foreign currency rating.

Several corporations announced plans to launch new debt issues

- Grupo Iusacell, a cellular telephone company, announced that it will launch up to $200 million in medium-term debt, and Elektra, an appliance conglomerate, plans to issue a five-year $100 million Eurobond by the end of April.

- Televisa announced plans to issue $500 million in a private debt placement in the U.S. It will use the net proceeds to refinance existing debt and defease a $200 million issue maturing in November 1997.

- Grupo Dina, Mexico's largest truck and bus maker, announced a swap of $150 million in Euronotes for new six-year notes. The existing notes, scheduled to mature in November 1997 and carrying a 10.5% coupon, will be exchanged for 12.0% zero-coupon notes that will not require cash interest payments for the first two and one-half years.

The debt overhang is forcing some companies to restructure

On April 2, Grupo Sidek announced a debt restructuring plan to retire $1 billion in debt through the exchange of assets and equity for debt, as well as the cash sale of assets. This announcement follows a suspension of payments on a Eurobond issue in March.

Table 1. Mexican public-sector note and bond issuances, 1996

Issuer	Type	Date[1]	Amount (U.S.$ M)	Tenor	Interest rate
Bancomext	CP[2]	January 10	$300	180 days	LIBOR+ 2.5%[3]
	FRN[4]	March 18	DM300 million ($203)	3 years	LIBOR+ 3.25%
Nafinsa	Eurobond	January 25	$100	3 years	9%
	Private Placement	February 14	¥140 billion ($132)	10 years	7%
	EMTN[5]	February 26	R250million[6] ($68)	3 years	17%
Pemex	Eurobond	April 2	L300 billion ($193)	2 years	12.25%
United Mexican States	Eurobond	January 29	DM1.5 billion ($1,040)	7 years	10.375%
	Global Bond	February 6	$1,000	5 years	9.75%
	Samurai Bond	March 28	¥400 billion ($377)	6 years	6%
	Global Bond	Price April 30, settle May 7[7]	$1.0-$2.5 billion[7]	30 years	tbd[7]

1. Date of settlement unless otherwise noted.
2. Commercial Paper.
3. Discount to yield.
4. Floating rate note.
5. Euro-medium term note.
6. South African Rand.
7. Face value and coupon to be determined through exchange of Brady Bonds.

II h. International Reserves

On April 19, international reserves were $15.7 billion, according to the Bank of Mexico (BoM) definition, up $223 million from the end of March and $27 million below the end of last year. According to the IMF definition, net reserves on April 19 were $1.4 billion, $338 million below the level at the end of March.[2]

- Net payments on public sector external debt resulted in an outflow of reserves of $631 million in the first week of April. Most of this outflow was the result of large end-of-quarter interest payments; $235 million in interest was paid to the United States.
  - The BoM measure booked most of these payments at the end of March, but the IMF measure did not record most payments until April 1.

Aggregate reserves remain in line with several measures of reserve adequacy, despite a pick-up in the pace of imports this year and an upward revision in estimated amortizations of public sector external debt in 1996.

- Reserves equal more than three months of anticipated *non-maquiladora* imports.
- Reserves are approximately equal to calendar year 1996 amortizations of external public sector debt for the Government of Mexico and its agencies (reported by the Mexican Finance Ministry as $15.8 billion).

[2]The BOM now publishes international reserves according to both definitions: the IMF's definition differs from the BOM's definition principally in that the former subtracts liabilities to the IMF. (Other differences are described in the January 1996 report.)

Table 2. Mexico's international reserves (US$ billions)

	BOM-Definition Net International Reserves
1992 December	18.6
1993 December	24.5
1994 December	6.1
Q1 1995 (end period)	6.9
Q2 1995	10.1
Q3 1995	14.7
Q4 1995 (end year)	15.7
January 31, 1996	15.5
February 29, 1996	15.8
March 29, 1996	15.5
April 19, 1996	15.7

III. Disbursements, Swaps, Guarantees and Compensation to the U.S. Treasury

As of April 30, 1996, $10.5 billion remain outstanding under the U.S. support program, all in the form of medium-term swaps. No further principal payments are due until June 30, 1997 (see Table 3, over, for the amortization schedule of outstanding swaps).

- The outstanding total reflects full repayment by Mexico of the $3 billion in short-term swaps: $1 billion on March 14, 1995; $700 million on October 11, 1995; and $1.3 billion on January 29, 1996.

- A total of $13.5 billion in U.S. funds has been disbursed to Mexico under the support program -- $3 billion in short-term swaps and $10.5 billion in medium-term swaps (swap arrangements are described in December 1995 Semi-Annual Report). Of this total, no more than $12.5 billion has been outstanding at one time. To date, the United States has not extended any securities guarantees to Mexico under the support program.

Mexico has not missed any interest payments or required principal repayments under any of the swaps. To date, the United States has received $988 million dollars in interest payments from Mexico: the Exchange Stabilization Fund (ESF) has received $934 million for short- and medium-term swaps and the Federal Reserve received $54 million on its short-term swaps with Mexico.

IV. Mexico's Financial Transactions

In accordance with the February 21, 1995 Agreements, Mexico has requested, and Treasury has authorized, the use of the funds disbursed to date to redeem *tesobonos* and other short-term, dollar-denominated debt of the Mexican government and its agencies. All funds have been used to redeem *tesobonos*, which are now fully retired.

Amortization Schedule of ESF and Federal Reserve Swaps with Mexico

Quarter Ending	Amount Disbursed (U.S. Millions)	*Repayments to date (bold); Scheduled Repayment for outstanding balance (US$ million)* — Short-term swaps* provided on: 01/11/95	01/13/95	02/02/95***	Medium-term swaps provided on: 03/14/95	04/19/95	05/19/95	07/05/95	*Due (US$ million)* Quarterly	Annually****
	13,500	500	500	2,000	3,000	3,000	2,000	2,500	10,500	10,500
Current Interest Rate:		n/a	n/a	n/a	7.40%	10.16%	10.16%	9.20%		
Mar-31-95	6,000	**500 (Mar 14)**	**500 (Mar 14)**							
Jun-30-95	5,000									
Sep-30-95	2,500									
Dec-31-95				**700 (Oct 11)**						
Mar-31-96				**1,300 (Jan 29)**	0	0	0	0		
Jun-30-96					0	0	0	0		
Sep-30-96					0	0	0	0		
Dec-31-96					0	0	0	0		
Mar-31-97					0	0	0	0		
Jun-30-97					0	245**	170**	0	415	
Sep-30-97					0	245	170	205**	620	
Dec-31-97					0	245	170	205	620	1,655
Mar-31-98					0	245	170	205	620	
Jun-30-98					375**	245	170	205	995	
Sep-30-98					375	245	170	205	995	
Dec-31-98					375	245	170	205	995	3,605
Mar-31-99					375	245	170	205	995	
Jun-30-99					375	245	170	205	995	
Sep-30-99					375	245	170	205	995	
Dec-31-99					750	245	170	205	1,370	4,355
Mar-31-2000					0	305	130	205	640	
Jun-30-2000					0	0	0	245	245	
Sep-30-2000					0	0	0	0	0	
Dec-31-2000					0	0	0	0	0	885

* Short-term swap totals for each period represent equivalent amounts for ESF and Federal Reserve.

**All medium-term swaps payments are due on last date in each calendar quarter.

***$2 billion in short term swaps disbursed on February 2, 1995 were rolled over for an additional 90 day period on May 3, 1995, and August 1, 1995, for a new maturity date of October 30, 1995. On October 11, Mexico repaid $700 million of these obligations. The outstanding $1.3 billion was rolled over for an additional 90 day period on October 30, for a new maturity date of January 29, 1996, when they were repaid.

**** This column represents the sum of quarterly payments in a given year; it does not represent an additional payment.

V. Status of the Oil Facility

Payments through the Federal Reserve Bank of New York account

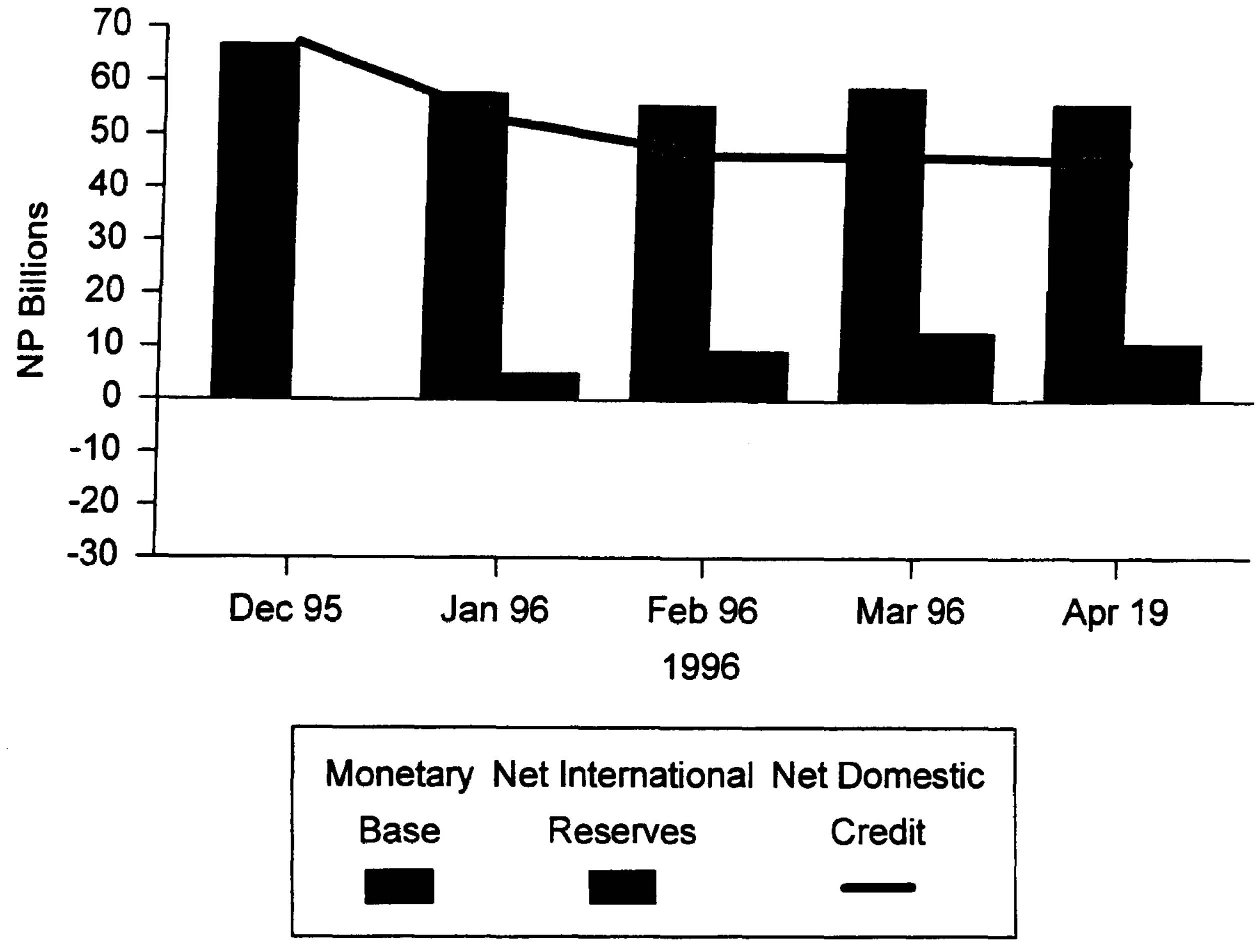
The payment mechanism, established under the Oil Proceeds Facility Agreement, continues to function smoothly.

Independent reviews in August 1995 and February 1996 have confirmed that the Mexican oil proceeds financial mechanism is working well. In each semi-annual review, Petroleos Mexicanos' (PEMEX) independent public auditors, Coopers & Lybrand, analyzed the information utilized for the previous two quarterly export reports prepared by PEMEX and provided to the U.S. Treasury pursuant to the Oil Proceeds Facility Agreement. According to their reviews, the quarterly reports "fairly present" information related to both PEMEX's oil exports and the collection of proceeds from such exports. Similar reviews will be performed every six months, with the next one expected in August.

As of April 16, $9.6 billion had flowed through Mexico's special funds account at the Federal Reserve Bank of New York since the oil agreement went into effect in early March 1995. An average of about $25 million flows through the account each day. To date, there have been no set-offs against the proceeds from Mexico's crude oil, petrochemical, and refined product exports.

Mexico has pursued tight monetary policy.

- **Net domestic credit remains tightly controlled in 1996.***

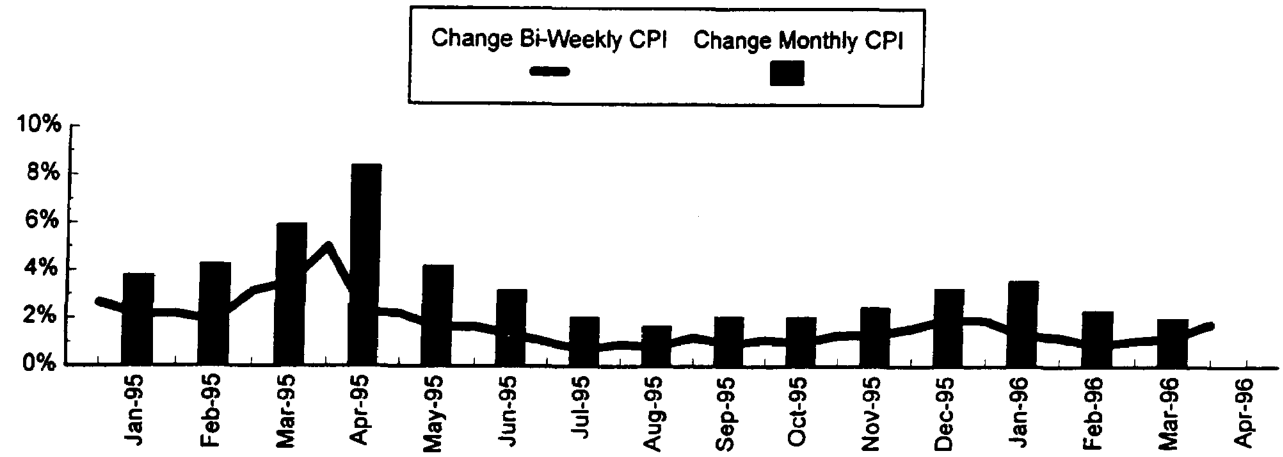


* Beginning in 1996, the BOM has changed its definition of NIR to include IMF liabilities. This accounting change has the effect of reducing NIR and increasing NDA. Base money is unchanged by this accounting adjustment.

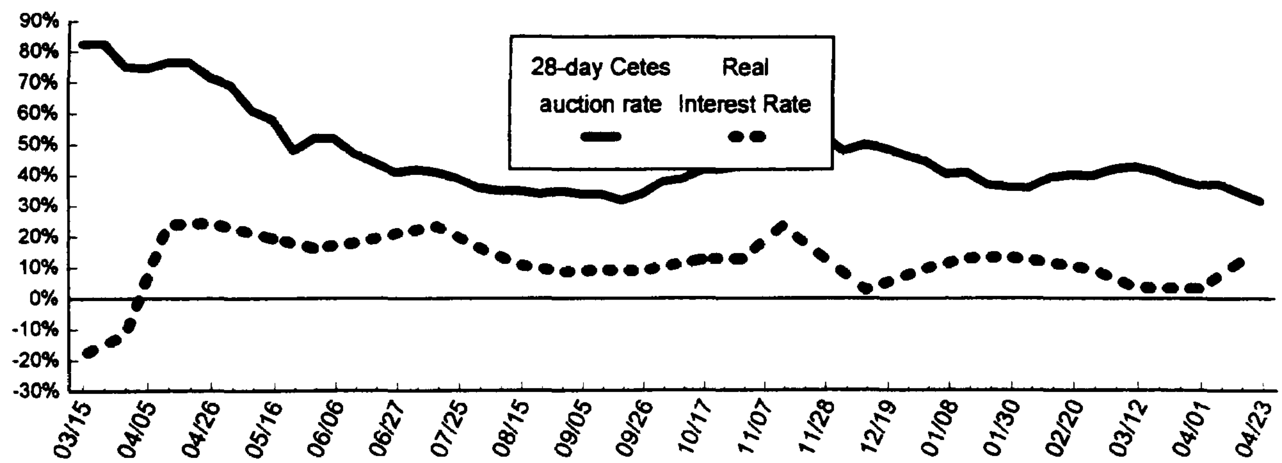
BOM MONETARY TARGETS FOR Q1 *(NP MILLIONS)*	**Q1 Target**	**Q1 Actual**	**Difference**
Monetary Base	61,909	59,499	-2,410
NDA	65,673	46,362	-19,311
NIR	3,684	13,137	+9,453

Mexico's stabilization policies are working.

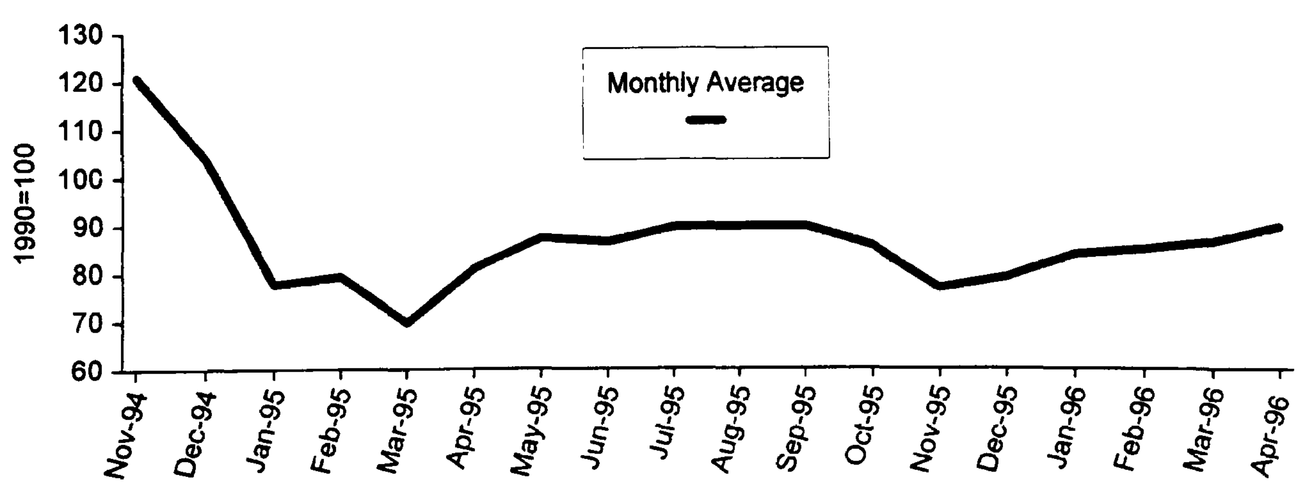
- **Inflation is well below its April 1995 peak, though an up-tick is expected this month.**



- **Nominal interest rates are trending down.**

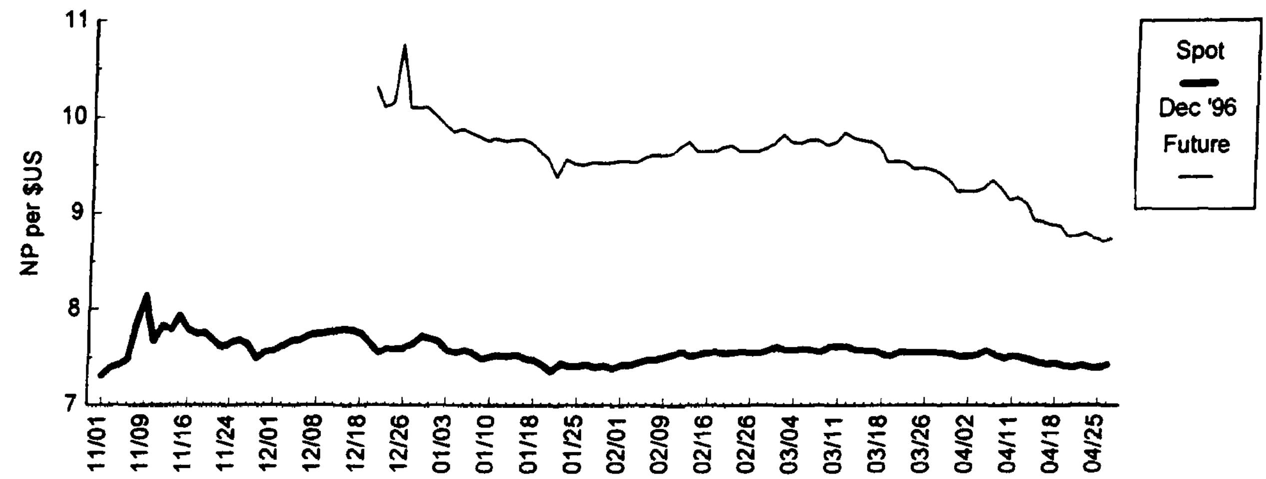


- **The real exchange rate is some 24% above its 1995 low but still down 29% from November 1994.**

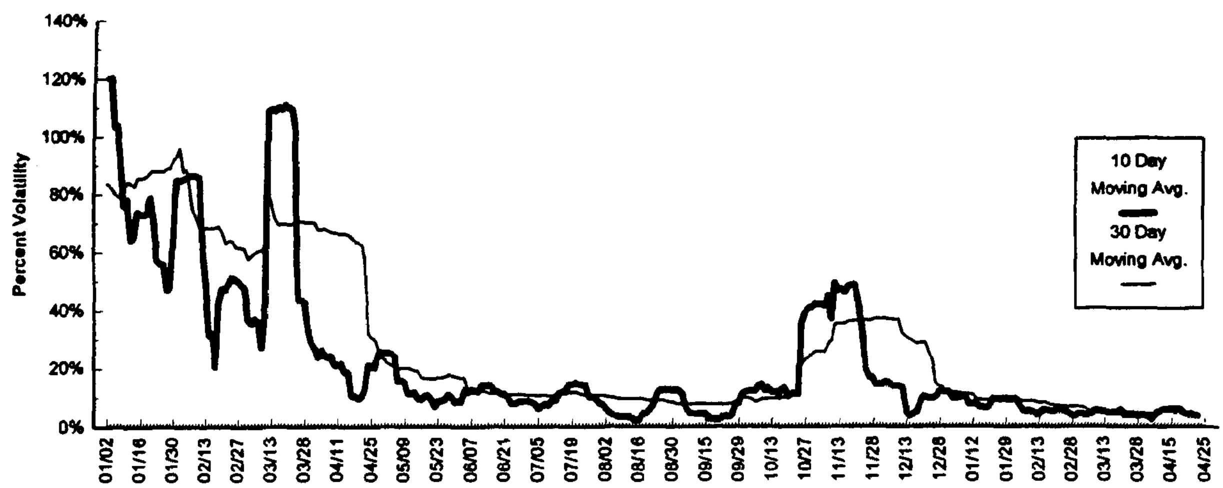


Mexico's financial markets have improved since the height of the crisis.

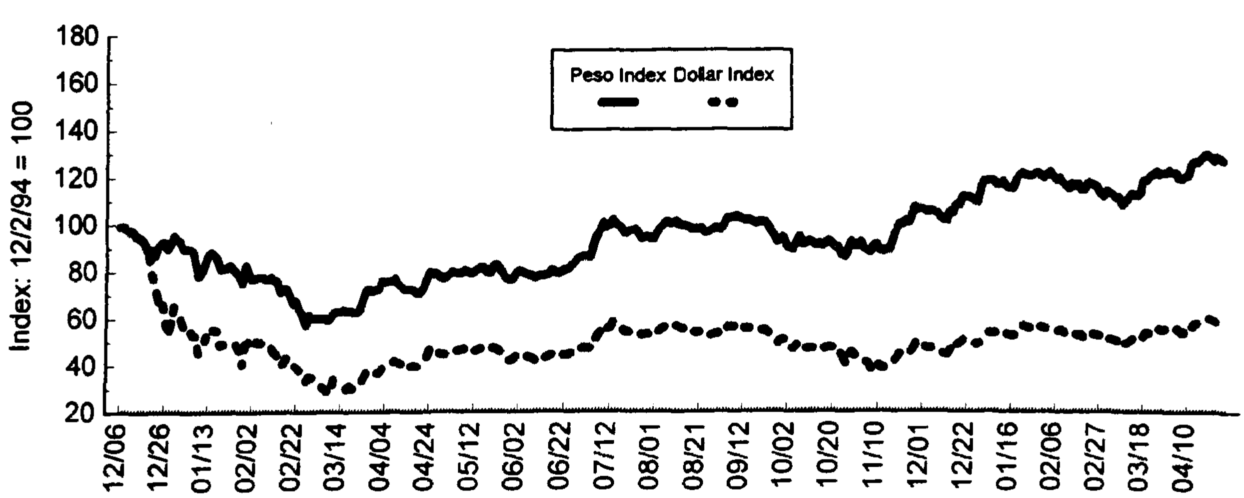
- **The peso has stabilized and the December future is trending downward**



- **Peso volatility has decreased.**

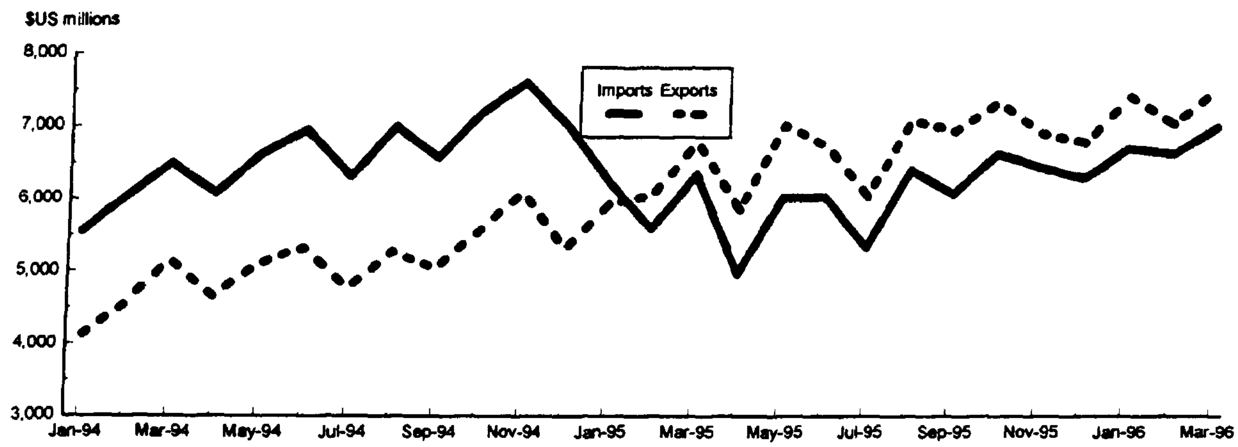


- **Mexico's stock market is above its pre-crisis levels in peso terms.**

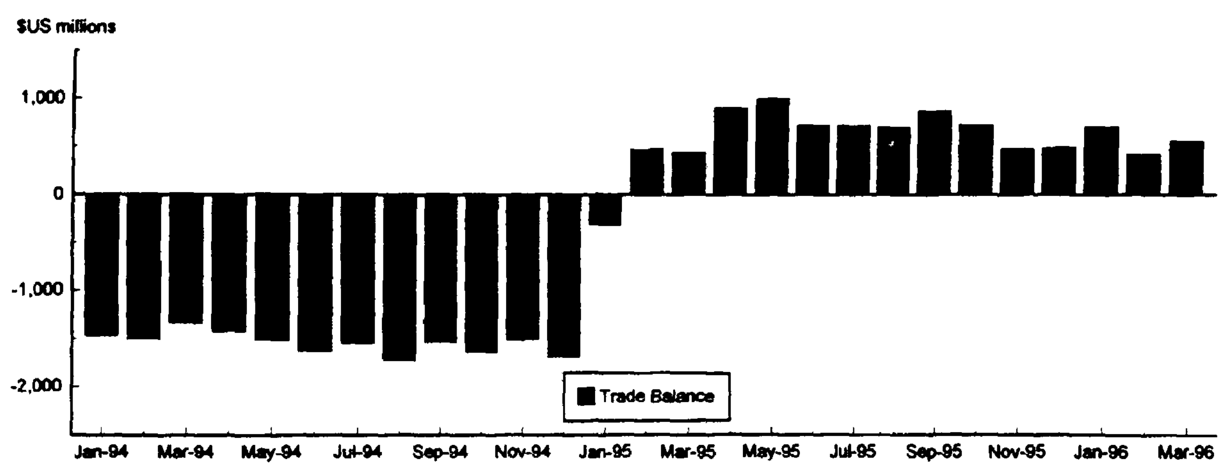


Mexico's level of imports has risen since April 1995 but a trade surplus persists

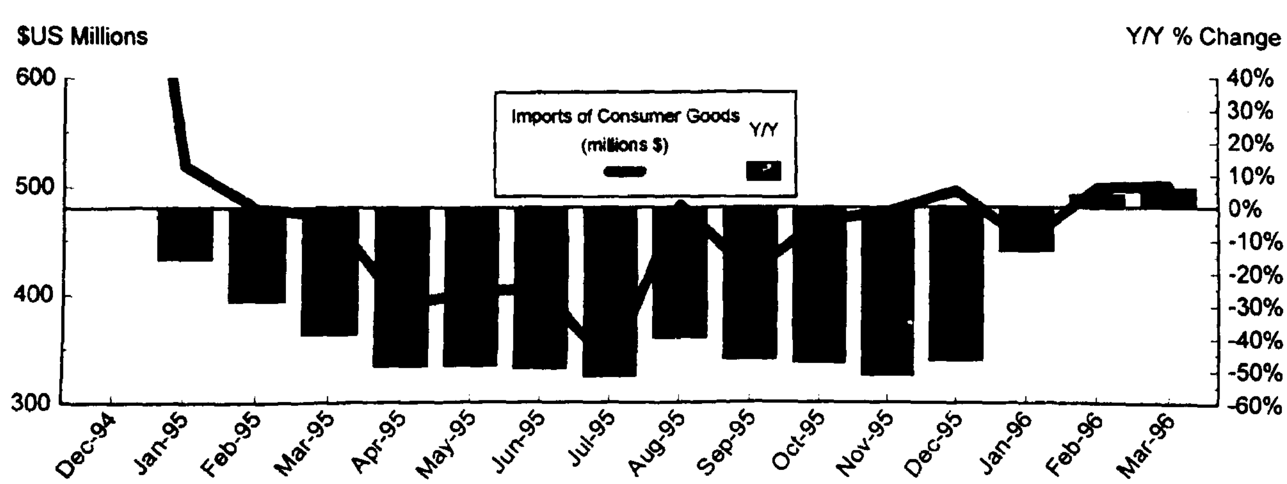
- **Imports and Exports.**



- **Trade Balance.**

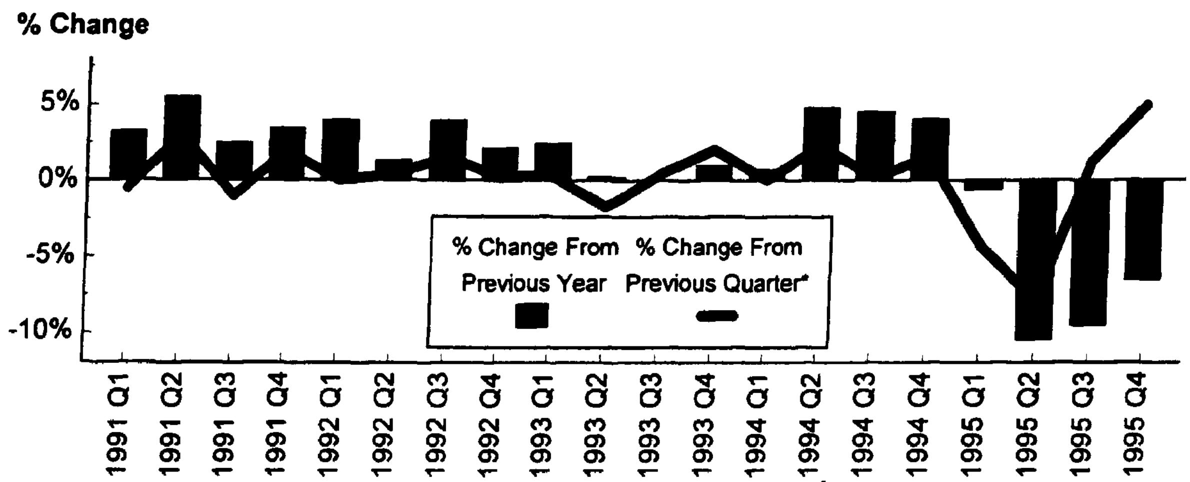


- **Imports of Consumer Goods.**



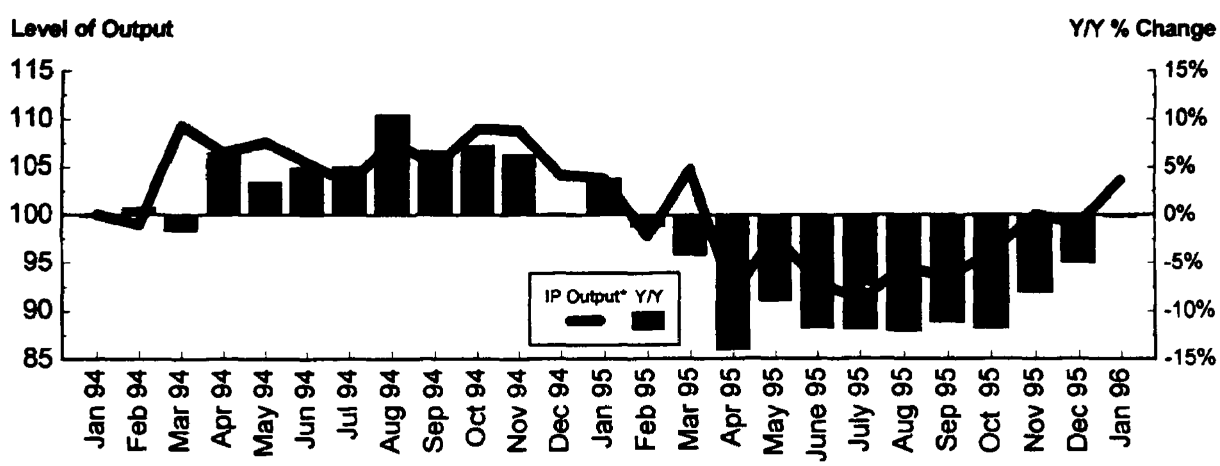
Signs suggest a recovery is underway, after a sharp contraction in 1995.

- GDP.



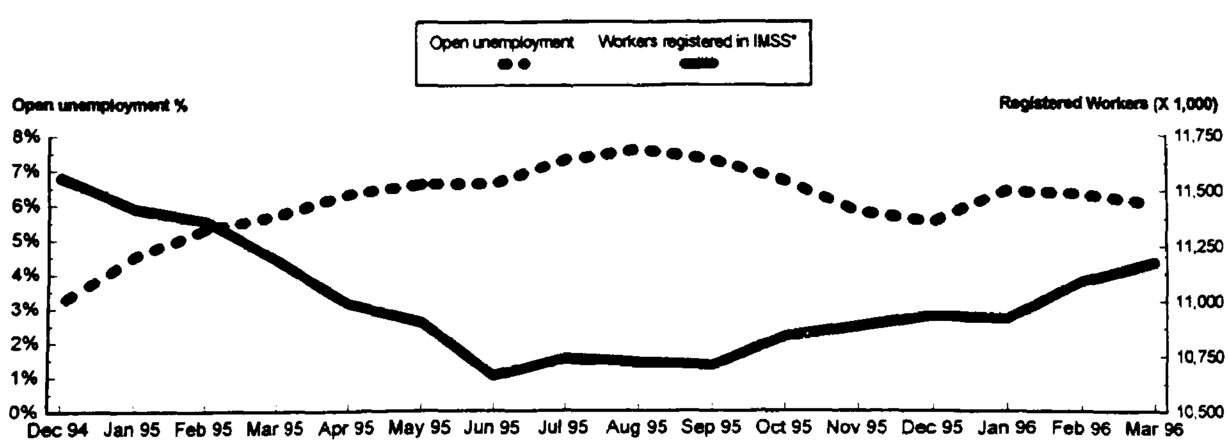
Quarterly figures seasonally adjusted by J.P. Morgan.

- Industrial output.



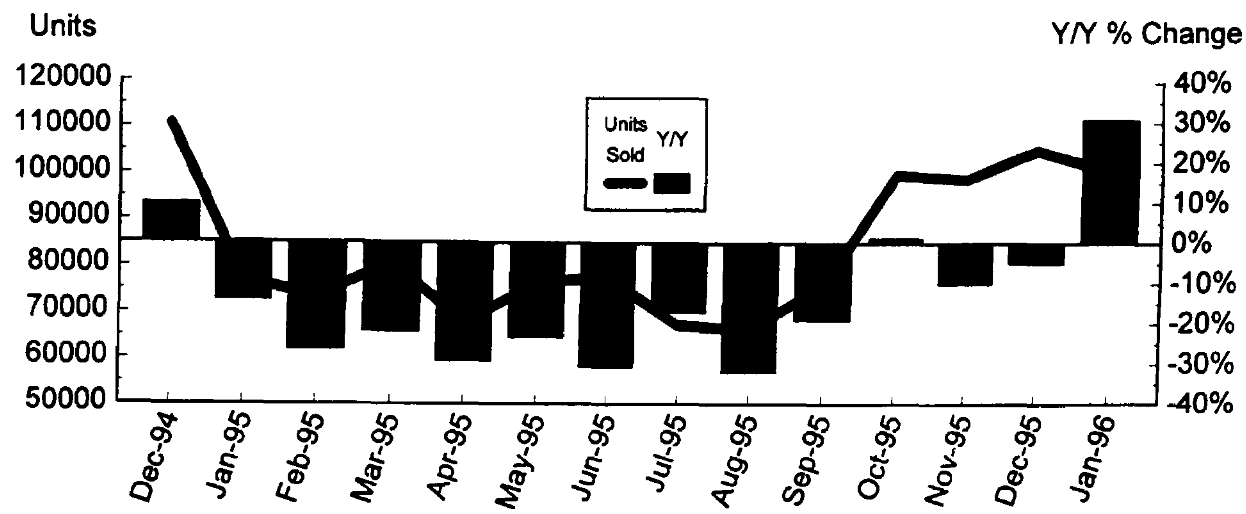
** Output is indexed by Inegi: 1994 = 100*

- Employment and Unemployment.

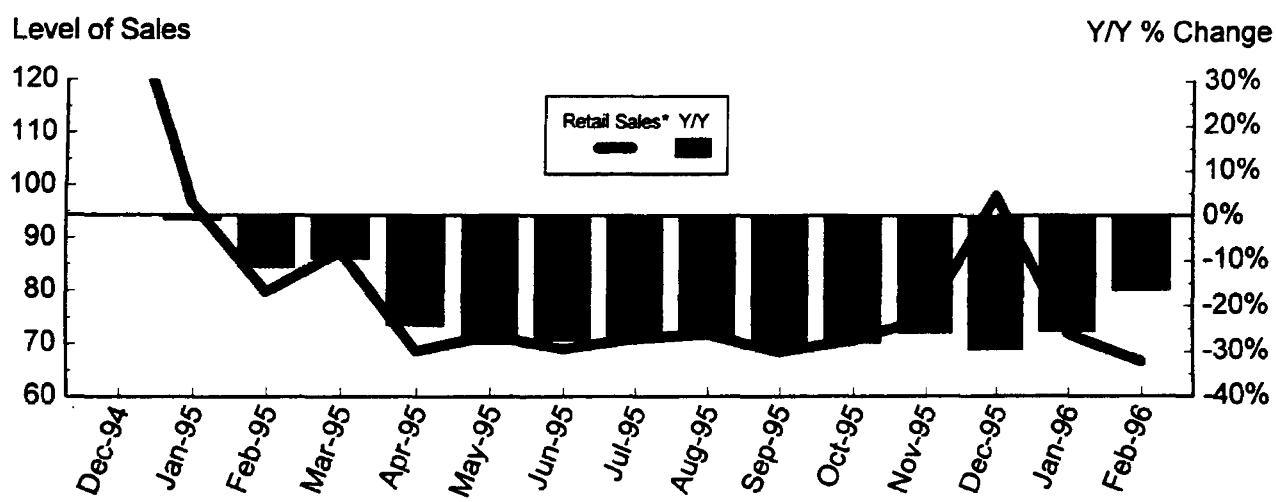


**Social Security System.*

- **Vehicle Sales.**

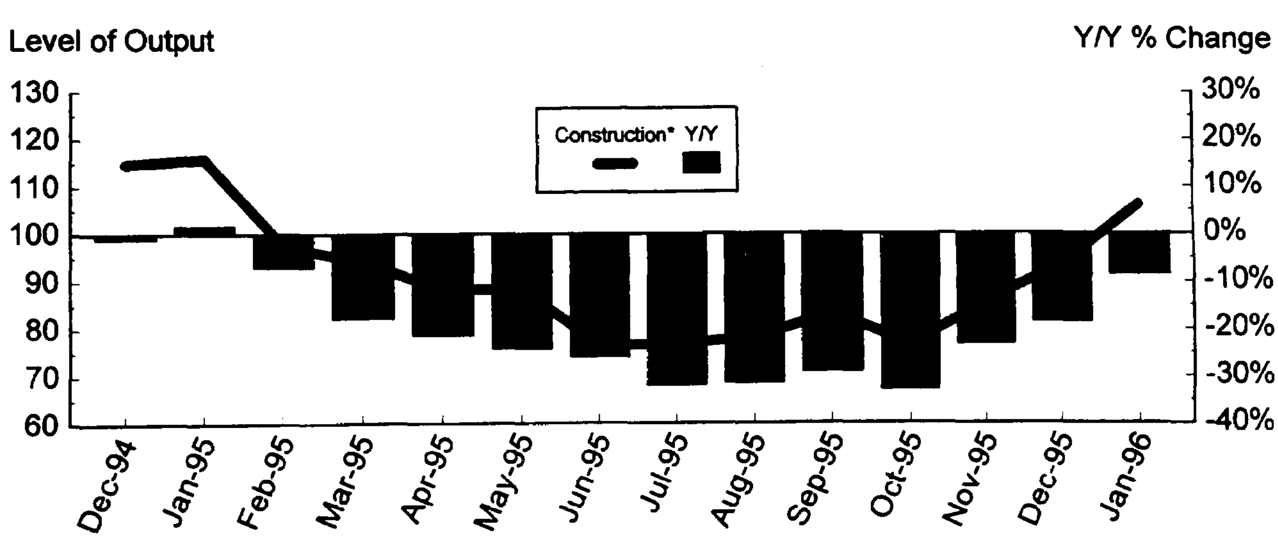


- **Retail Sales.**



**Sales level is indexed by Inegi: 1994 = 100*

- **Construction.**



** Output is indexed by Inegi: 1993 = 100*

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR RELEASE AT 2:30 P.M.
April 30, 1996

CONTACT: Office of Financing
202/219-3350

TREASURY'S WEEKLY BILL OFFERING

The Treasury will auction two series of Treasury bills totaling approximately $27,000 million, to be issued May 9, 1996. This offering will result in a paydown for the Treasury of about $3,925 million, as the maturing weekly bills are outstanding in the amount of $30,922 million.

Federal Reserve Banks hold $7,448 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 $4,815 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) 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

RR-1044

HIGHLIGHTS OF TREASURY OFFERINGS OF WEEKLY BILLS
TO BE ISSUED MAY 9, 1996

April 30, 1996

Offering Amount	$13,500 million	$13,500 million
Description of Offering:		
Term and type of security	91-day bill	182-day bill
CUSIP number	912794 3C 6	912794 3N 2
Auction date	May 6, 1996	May 6, 1996
Issue date	May 9, 1996	May 9, 1996
Maturity date	August 8, 1996	November 7, 1996
Original issue date	February 8, 1996	May 9, 1996
Currently outstanding	$16,456 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

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

TESTIMONY OF DAVID A. LIPTON
ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS
BEFORE THE SUBCOMMITTEE ON AFRICAN AFFAIRS
SENATE COMMITTEE ON FOREIGN RELATIONS

May 1, 1996

Introduction

Madam Chair, thank you for the opportunity to testify here today on the subject of Africa and our support for African development. The Treasury Department plays an active role in supporting Africa, both through our extensive contacts with African economic leaders and our position in the international financial institutions. The main point I would like to make is that it would be a mistake to look at Africa and see only the devastating legacy of poverty at a time when some countries are embracing change -- change that we must foster and support.

I would like to begin by speaking about the challenges of African development and then move on to the role of the international financial institutions.

The African economic record

Any review of African economic developments in the last quarter century could find plenty about which to be disappointed. The economies of Sub-Saharan Africa declined in the 70s and 80s, while its population continued to grow. As a result, Africa is the only major region of the world where poverty has increased in recent years and is expected to continue to increase in the next decade. The statistics are sobering. Consider:

-- at present, 220 million people -- 40 percent of Africa's population -- live on less than a dollar a day;

-- in large parts of the continent, a child born today is more likely to be malnourished than go to primary school and as likely to die by the age of five as to go to secondary school;

-- an African woman runs a 1-in-22 risk of dying from pregnancy-related causes during her lifetime, compared to a risk of 1-in-10,000 in Northern Europe;

-- yet many African countries spend more for military purposes than for education and health combined. The aggregate financial losses of Africa's thousands of public enterprises in the early 90s were greater than aggregate spending on health and education;

RR-1045

-- one legacy of western efforts to help Sub-Saharan Africa is a regional debt ratio equivalent to about 83 percent of its GDP, by far the heaviest of any region of the world. If all the region's export earnings were used to pay outstanding debt and none for current essential imports, it would still take three years to pay off the debt.

Clearly, Africa runs the risk of being left behind by the world economy. There is little doubt that it presents the world's most difficult, and perhaps last, developmental challenge.

A new dawn of hope

At the same time, the 90s have brought a new dawn of hope in Africa. The end of the Cold War has ushered in regional changes that are as profound, in their promise and challenges, as those in Eastern Europe and the Former Soviet Union. Apartheid has disappeared and the post-colonial wars in southern Africa have ended. Marxist dictatorships have given way to halting attempts at democracy. Statist economies are making tentative openings to the marketplace.

A new reality in the donor community is that the amount of foreign aid that governments are prepared to offer has peaked, and seems likely to decline in coming years.

To prepare for this new era, the United States for some years has been telling our African friends directly as well as through the international financial institutions that the keys to development will be (1) to build an economic base that can attract more private resources, and (2) more efficient targeting and use of resources including development assistance. We also have made it very clear that development assistance will be focussed on countries demonstrating a strong commitment to reducing poverty in a context of sound economic and social reform programs.

The message is beginning to be heard. Since the late 1980s, there has been a significant increase in the pace of economic reform. Fifteen of the 47 countries in Sub-Saharan Africa have averaged 4 to 8 percent growth in the period 1987-1995, which translates into rising per capita incomes. There is a much greater willingness to open trade systems and encourage private investment. There has been substantial progress in privatization in such heavily state-dominated economies as Cote d'Ivoire, Cameroon and Zambia. Front-line U.S. firms like AT&T, Exxon and General Motors are planning major projects in Africa, and medium-sized U.S. companies are moving in as well.

At the country level,

-- Cote d'Ivoire, following the long-overdue CFA franc devaluation in 1994, is taking steps to liberalize trade and prices. It recorded economic growth of 1.7 percent in 1994 after years of decline, and is projecting growth of 7 percent in 1996.

-- South Africa's new government has silenced its skeptics by showing a determination to adopt responsible fiscal and monetary policies to anchor its private investment-led growth strategy.

-- Ghana, which started reform earlier, has liberalized trade, prices, and investment rules and adopted a market-determined exchange rate. As a result, economic growth has averaged 5 percent for 12 years, and the U.S. Corporate Council on Africa reports more interest in Ghana among its members than in any other country but South Africa.

-- Uganda began ten years ago to bring its budget under control and liberalized prices, trade, and investment rules, and adopted a flexible, market-based exchange rate. Real per capita GDP has grown on average 4 percent per year in the last decade. Investment is 20 percent of GDP.

-- Ethiopia adopted a federal democratic structure in 1991 that quieted political tension by giving dissident regions the opportunity to secede if they wished. Major economic reforms then were put in place with IMF and World Bank support, and growth exceeded 6 percent per year in 1993-95 compared to minus 5 percent in 1991-92.

On the political front, the number of sub-Saharan countries attempting some measure of democratic reform has increased from only 4 in 1989 to more than twenty today. Elections, albeit with some imperfections, have been held in 29 countries.

If it has always been an error to speak of Africa as an undifferentiated whole, that is even more the case today. The variety of country conditions on this vast continent is greater than ever, and fortunately many are showing signs of fragile promise.

The path ahead

We in the United States are considering how to nurture that fragile promise, how to adapt our approaches to the needs and realities of today's Africa. A key step taken by the Administration was the President's report on Trade and Development Policy for Africa, forwarded to the Congress on February 5, which presented the Administration's views and proposals. We hope that Report will be the beginning of a fruitful dialogue with you and your colleagues about how we can more constructively engage with the countries of Africa.

It seems to me that, at this point, our next step should be to define more precisely our expectations of Africans and of ourselves in an era of rapid change there and constrained budgets here. Focussing first on those things Africans will need to do,

-- We should urge African governments to step away from aid dependency and take a greater hand in defining and implementing their own development policies and programs.

Local ownership translates much more readily into local commitment and support.

-- African governments must slim down, do less, and do it better. The legitimacy of the African state, as anywhere, depends on fulfilling key responsibilities well, and leaving the rest to the private sector. Clearly, one key responsibility is to provide a stable macroeconomic climate for business and trade. The most sensitive barometer of financial stability is the exchange rate, because a stable, convertible exchange rate can be achieved only when state finances are in order. It is encouraging that many African countries have taken meaningful steps toward convertible exchange rates in the 1990s.

-- But, stability can only be sustained if structural problems are overcome. Most African countries have over-regulated and under-produced, with a resulting loss in productivity and growth. They need to focus instead on providing the services that only government can provide, such as health, education, and other basic services, and on creating an environment that encourages private investment.

-- Africans need to do a better job of creating open, transparent frameworks for private enterprise. That means open trade and investment rules, open budgetary procedures, open legal and regulatory regimes. And it means better progress on privatization as a matter of urgency.

-- And, Africans need to invest more in human capital, especially in education of women. The African Development Bank estimates that the return on investment in primary education in Africa is 26 percent, one of the highest returns available. Better educated Africans are more effective managers, investors, consumers, and voters. Education of women pays off in many ways, from more trade to better environmental management to lower population growth.

Turning now to the things we should ask of ourselves:

-- We must recognize the growing diversity in Africa by emphasizing the positive. Most of the attention on Africa has focussed on the disasters like Somalia, Liberia, and Rwanda. Yet there are a number of countries quietly making remarkable turnarounds, such as Ethiopia, Mozambique, Eritrea, Benin, Mali, and Senegal. We should continue to nurture and encourage their efforts.

-- One of the global lessons of development in recent years is that resource transfer without political and economic reform is wasted. A lesson we learned in Central Europe and the Former Soviet Union is how leaders taking advantage of a political window of opportunity for bold reform can change a nation's destiny. We should be urging African leaders to take advantage of the opportunities presented by democratic mandates, and we should help them achieve success.

-- As we provide development assistance, we must give first priority to the people concerned, by increasing the focus on "human capital" -- primary health care, basic education, and technical training. Social sector investments complement good economic management by improving the capacity of Africans to plan and manage their own development.

-- We should continue to find innovative ways to mobilize the enormous technical and financial resources of the American private sector and encourage it to work with its African counterparts. The private sector's response to African reforms to date has been rather slow and tentative -- the U.S. has captured only 4 percent of African imports -- reflecting concerns about infrastructure and human resource constraints as well as a lack of confidence in the permanence of reform.

-- Finally, additional action on debt relief is necessary for the poorest African countries where debt burdens are a major constraint on their development capacity. The United States is a strong advocate of timely action by all parties, including the international financial institutions, to reduce unsustainable commitments from the past and help place those countries with a demonstrated commitment to economic reform back on a more sustainable development path.

The international financial institutions

The international financial institutions (IFIs) are at the forefront of efforts to promote policy reform and human resource development in Africa. Looking to the future, Africa will need to rely more than ever on the collaborative efforts of the International Monetary Fund's Enhanced Structural Adjustment Facility, the International Development Association, and the African Development Bank and Fund. These are the institutions providing the major policy guidance, integrated strategies, and financial support that sustain economic growth and keep reform on track. The IFIs are advancing U.S. values and interests throughout Africa by (1) providing a key defense against political and social instability, (2) helping to lay the foundation for the rule of law and democracy, and (3) expanding opportunities for trade and investment.

Each of these institutions merits strong United States support.

1. Enhanced Structural Adjustment Facility (ESAF)

The Enhanced Structural Adjustment Facility is the keystone of the International Monetary Fund's activity in Africa. In a larger sense ESAF is a key to other multilateral and bilateral assistance in the region, since it brings together the various components of successful adjustment under one coherent framework and sets the stage for other donors and investors to perform effectively.

ESAF programs establish a medium-term framework for macroeconomic stabilization -- such as reductions in budget deficits -- and free-market reforms designed to unleash the private sector. ESAF programs create the foundation for the kinds of longer-term efforts supported by IDA, for example prudent investments in infrastructure development, privatization, and reforms of financial and agricultural sectors. ESAF loans are on terms which the poorest countries can afford, but on conditions that ensure that reforms are put in place. This strict policy conditionality unlocks infrastructure and development project assistance not only from IDA, but from other development banks, bilateral lenders, and private sector investors. An ESAF adjustment program is also the pre-condition for Paris Club debt rescheduling.

About two-thirds of the recipients of ESAF concessional lending are Sub-Saharan African countries. Over half of ESAF's loan commitments are to this region. Total IMF credit and loans outstanding at the end of February 1996 amounted to $62.7 billion. Of this amount, $10.6 billion was to Africa. ESAF's outstanding loans to Sub-Saharan Africa accounted for $4.35 billion, or 40 percent of the total IMF outstanding lending to Africa.

We attach high priority to our request to authorize the remaining $75 million of the Administration's $100 million pledge to the subsidy account of ESAF. The subsidy account permits ESAF concessional lending at the 0.5 percent interest rate that is affordable to poor countries such as those in Africa. It is a critical support for their efforts to achieve sustainable growth and to implement market reforms that will move them toward economic independence.

While ESAF loans are provided over an extended period of time, the IMF must be sure, when it extends such loans, that subsidy resources will be adequate for the entire period of the loan. Full authorization of the US contribution will help to provide such assurance.

This is a modest contribution from the world's largest economy and an important demonstration of our continued support for reforms in the region. ESAF will be the vehicle for the IMF's participation in the multilateral debt initiative and our modest contribution to ESAF will provide us the leverage we need to influence the direction and content of that participation as well as all ESAF programs.

2. The International Development Association

IDA is the premier multilateral development institution assisting Sub-Saharan Africa. U.S. participation in IDA projects a high degree of U.S. influence internationally and in the World Bank Group.

IDA is Sub-Saharan Africa's most important source of concessional lending. The region could receive as much as $11 billion in new IDA commitments over the next three years. There are no "entitlements!" Instead, country allocations are explicitly linked to borrowers' performance in economic management, poverty reduction, and portfolio implementation.

IDA is in the forefront of efforts to promote open economic reforms. A quarter of IDA's African projects address such reforms. Twenty African borrowers are currently undertaking IDA-supported reforms in areas such as trade liberalization, privatization, and financial sector reform. And IDA programs are making a difference: GDP growth is expected to average 5 percent a year in 1994-96 in these countries.

IDA also provides enormous support for health, education and basic infrastructure -- the underpinnings of sustainable development. Other key aspects of IDA's multi-faceted development role in Africa include:

- aid coordination: IDA leads the Special Program of Assistance which catalyzes and coordinates funds from 19 donors in support of African economic reform efforts.

- addressing health emergencies: IDA is the largest source of external finance for HIV/AIDS prevention and control and is a key player in river blindness control efforts in 11 countries.

- military demobilization: IDA has initiated multi-donor efforts in Uganda, Namibia, Mozambique and Ethiopia.

- crisis assistance: IDA is supporting multi-country drought relief, refugee resettlement (Eritrea), and economic reconstruction (Angola and Rwanda).

The March 23 issue of The Economist, a publication that has not held back its criticisms of development assistance or of the World Bank, stated that: "IDA is probably the best available mechanism for effective foreign aid." I agree with this assessment.

Moreover, a comprehensive action program to further strengthen IDA's effectiveness is underway. Under this program, IDA is intensifying its efforts to:

- improve lending quality and portfolio performance;

- deepen support for poverty reduction including essential services;

- strengthen efforts to promote private sector development;

- integrate environmental considerations into development programs;

- increase transparency, accountability and public participation in Bank projects; and

- improve management efficiency and institutional responsiveness.

IDA's Country Assistance Strategies (CASs) have also evolved into a highly useful management and oversight tool to enhance IDA's development impact. Each CAS, which is now reviewed by

IDA's Executive Board, identifies the most urgently needed and most effective development interventions for reducing poverty in individual borrowers, and links the amount a country can borrow to its performance in economic management and poverty reduction.

The recent report of the Development Committee Task Force has also presented a broad international consensus on how IDA and the other multilateral development banks can most effectively carry out their mission. The Task Force Report stresses the need for the institutions to strengthen their evaluation procedures to better determine what works and what does not and recommends close coordination among all the banks on the design and implementation of country specific development strategies.

3. **The African Development Bank and Fund**

While I can cite some examples of African economic reform efforts that worked with support from the African Bank Group, our hopes that the Bank would make a decisive contribution to Africa's development have largely been disappointed. Chronic instability and mismanagement in many borrowers, coupled with inefficiency and mismanagement inside the institution, undercut the Bank's efforts.

Two years ago, the United States led other donors in conditioning any new funding on sweeping reform of Bank administration and practices. In just this short period of time, the institution is changing dramatically for the better.

- **Leadership**: Since he was sworn in last September, President Omar Kabbaj has earned strong praise for pursuing a vigorous reform agenda;

- **Governance**: In the context of the capital increase negotiations, we aim to revamp the ownership and voting structure of the Bank to achieve increased control for non-regional members.

- **Management**: Twenty percent of Bank staff have been dismissed; more than two out of every three managers have been replaced; a comprehensive audit is underway;

- **Policies**: A strict new lending policy has been implemented that will keep non-creditworthy borrowers out of market-rate programs; the entire portfolio has been examined and over $700 million in loans canceled, with more to follow; and a tough new sanctions policy on arrears has been enacted.

- **Practices**: The Bank has created units for procurement, private sector development and environment; and it is developing a state of the art information disclosure policy and an inspection function.

In sum, the Bank is implementing the most comprehensive and ambitious reform effort ever taken by an institution of its kind. More needs to be done, and it will take time before all the benefits appear. Nevertheless, we and the Bank's other non-regional shareholders are convinced that the Bank is on the right track and that it will soon be positioned to make a strong contribution to Africa's development.

Debt Relief for the Poorest Countries in Sub-Saharan Africa

Broad and deep debt relief is essential for a number of the poorest countries in Africa. Without a comprehensive effort to reduce debt to sustainable levels, the debt problems of the poorest countries will continue to monopolize resources, discourage initiative, and frighten away investors. The worst possible outcome would be that nascent reforms being carried out by a newly-elected democratic leader are stifled by the specter that the fruits of reform merely go to debt service.

To break the negative cycle of overly indebted poor countries and improve their capacity to develop and grow, the United States and other creditor governments have pledged to reduce debts owed them by the poorest countries by as much as 67 percent, provided the debtor nation maintains its reform efforts. Support for the Administration's FY 1997 budget request for debt reduction is key to our being able to join other creditors in providing debt reduction in the Paris Club. But creditor governments account for only about one half of these countries' debts; multilateral institutions account for about one-third of the total debts. For a number of these countries, debt burdens will not be sustainable even after 67 percent debt reduction in the Paris Club.

Uganda and Mozambique are examples of countries undertaking economic reforms that will continue to face unsustainable burdens even if reforms are successful and debt relief is provided by creditor governments under current mechanisms. Mozambique would have to dedicate the equivalent of 10 years export earnings to pay off its outstanding debt.

The 1995 G-7 Halifax Summit called on the IMF and World Bank to develop a comprehensive approach to address multilateral debt burdens of the poorest countries. We are working with the institutions to determine appropriate debt relief measures by the multilateral institutions, recognizing that Paris Club and other creditors may also have to do more.

U.S. Participation at a Crossroads

I believe the international financial institutions are major assets which advance U.S. foreign and economic policy interests in Africa and elsewhere around the world. In today's increasingly interdependent world, they are a cost-effective investment in our own future.

There were deep funding cuts in IDA, the accounts of other international financial institutions, and debt programs in FY 1996 -- 51 percent below the Administration's request and 38 percent below the FY 1995 appropriated level. This has contributed to a backlog of overdue U.S. commitments amounting to $1.5 billion.

I am seriously concerned regarding the adverse impact that these sharp reductions in U.S. funding for IDA and the other international financial institutions will have on U.S. leadership in world affairs and on the ability of the institutions to carry out their vital roles.

For FY 1997, the Administration is requesting authorization and appropriations for U.S. participation in ESAF, IDA, and the African Development Bank and Fund.

- <u>ESAF</u>
  - authorization of $75 million is requested for the outstanding U.S. pledge to the ESAF.
  - an appropriation of $7 million is requested toward this amount.
- <u>IDA</u>
  - authorization of $550 million is requested to meet the remainder of our outstanding commitment to IDA's tenth replenishment (IDA-10).
  - an appropriation of $934.5 million is requested to meet the full amount of outstanding and overdue U.S. commitments to IDA-10.
  - this does not include any new U.S. funding for IDA-11, effectively delaying U.S. participation in a new IDA replenishment by one year.
- <u>African Development Bank and Fund</u>
  - authorization of $135 million is requested for the paid-in portion of a new U.S. capital subscription to the African Development Bank.
  - an appropriation of $16 million is requested for the first U.S. payment to the capital subscription.
  - an appropriation of $50 million is requested as the initial payment of a proposed $200 million U.S. share in the replenishment of the African Development Fund, which was previously authorized.

- Debt reduction

  - $22 million is requested for poorest country debt reduction at the Paris Club.

The Administration is also requesting authorization of $52.5 million for the first of five installments for U.S. participation in the Bank for Economic Cooperation and Development in the Middle East and North Africa. This institution will promote economic cooperation, integration, and private-sector investment and is an essential component of the Middle East Peace Process.

We hope to work with you and your colleagues over the coming year to build the necessary support to meet our existing funding commitments to, and remain effectively engaged in, these important international institutions.

PUBLIC DEBT NEWS

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

FOR IMMEDIATE RELEASE
May 1, 1996

Contact: Peter Hollenbach
(202) 219-3302

BUREAU OF THE PUBLIC DEBT ANNOUNCES SAVINGS BOND RATES FOR MAY THROUGH OCTOBER 1996

The Bureau of the Public Debt today announced the market-based rates for U.S. Savings Bonds for May through October 1996.

SHORT-TERM SAVINGS BOND RATE 4.36 %

The 4.36 percent short-term rate is 85 percent of the average of six-month Treasury security yields for February through April 1996. A new rate is announced each May 1 and November 1. Series EE bonds issued on or after May 1, 1995, earn the short-term rates for semi-annual interest accrual periods beginning on or after each announcement date for the first five years.

LONG-TERM SAVINGS BOND RATE 4.85%

The 4.85 percent long-term rate is 85 percent of the average of five-year Treasury security yields for November 1995 through April 1996. Series EE bonds issued on or after May 1, 1995, earn long-term rates from five years through 17 years. Since none of the bonds issued under the new rate structure have been outstanding for five years, the long-term rate in this announcement will not be used and is provided only for reference.

FIVE YEAR TREASURY SECURITIES YIELD 5.70%

The average five-year Treasury securities yield applicable for earning periods from May through October 1996 period is 5.70 percent. In general, the market-based variable investment yield is 85 percent of the average of the average five-year Treasury security yields for the applicable six-month periods. Series EE bonds issued before May 1, 1995 along with Series E bonds and savings notes that have been outstanding for five years or longer and have not reached final maturity continue to earn market-based variable yields or their guaranteed minimum yields, whichever produces the greater value.

SERIES H AND HH BOND RATE 4.00%

Series H and HH bonds issued or entering an extended maturity period since March 1, 1993, pay interest semiannually at a fixed rate of 4 percent per annum.

MATURED SERIES E SAVINGS BONDS

Series E bonds issued May 1956 and earlier have reached final maturity and no longer earn interest. Bonds issued from June 1956 through October 1956 stop earning interest June 1, 1996 through October 1, 1996, or forty years from the issue date. Series E bonds issued December 1965 through May 1966 have reached their final maturity of 30 years and no longer earn interest. Bonds with issue dates of June 1966 through October 1966 stop earning interest June 1, 1996 through October 1, 1996 respectively.

The table on the reverse of this bulletin shows actual yields for Series EE bonds. The savings bond regulations, 31 CFR Part 351, contain detailed information.

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PA-219
(RR-1046)

REDEMPTION VALUES AND YIELDS FOR
$100 SERIES EE BONDS -- MAY 1996 THROUGH APRIL 1997

This table shows semiannual redemption values for $100 Series EE Bonds*. Values for other denominations are proportional to the values shown. For example, the value of a $50 bond is one-half the amount shown and the value of a $500 bond is five times the amount shown. The Earnings column shows the annual yield that the bonds will earn during the period indicated. The Yield From Issue Date is the bond's yield from its issue date to the date shown or date adjusted as shown in the footnotes. Additional information may be obtained from the Bureau of the Public Debt, 200 Third Street, Parkersburg, WV 26106-1328.

Series EE Bond	Value as of		Semiannual Earnings		Value and Yield From Issue Date		
Issue Dates	Date**	Amount	Period begins**	Yield***	Date**	Amount	Yield
5/96 thru 10/96	5/1/96	50.00	5/1/96	4.32%	11/1/96	51.08	4.32%
11/95 thru 4/96	5/1/96	51.20	5/1/96	4.37%	11/1/96	52.32	4.59%
5/95 thru 10/95	5/1/96	52.52	5/1/96	4.42%	11/1/96	53.68	4.79%
11/94 thru 4/95	5/1/96	53.08	5/1/96	4.07%	11/1/96	54.16	4.04%
5/94 thru 10/94	5/1/96	54.16	5/1/96	3.99%	11/1/96	55.24	4.03%
11/93 thru 4/94	5/1/96	55.24	5/1/96	3.91%	11/1/96	56.32	4.01%
5/93 thru 10/93	5/1/96	56.32	5/1/96	3.98%	11/1/96	57.44	4.00%
3/93 thru 4/93	9/1/96	57.44	9/1/96	4.04%	3/1/97	58.60	4.01%
11/92 thru 2/93	5/1/96	59.96	5/1/96	7.20%	11/1/96	62.12	5.50%
5/92 thru 10/92	5/1/96	62.12	5/1/96	7.86%	11/1/96	64.56	5.76%
11/91 thru 4/92	5/1/96	64.56	5/1/96	8.18%	11/1/96	67.20	6.00%
5/91 thru 10/91	5/1/96	67.20	5/1/96	6.07%	11/1/96	69.24	6.01%
11/90 thru 4/91	5/1/96	69.24	5/1/96	6.01%	11/1/96	71.32	6.01%
5/90 thru 10/90	5/1/96	71.32	5/1/96	5.95%	11/1/96	73.44	6.00%
11/89 thru 4/90	5/1/96	73.44	5/1/96	5.99%	11/1/96	75.64	6.00%
5/89 thru 10/89	5/1/96	75.64	5/1/96	6.03%	11/1/96	77.92	6.00%
11/88 thru 4/89	5/1/96	77.92	5/1/96	5.95%	11/1/96	80.24	6.00%
5/88 thru 10/88	5/1/96	80.24	5/1/96	6.08%	11/1/96	82.68	6.01%
11/87 thru 4/88	5/1/96	84.40	5/1/96	1.80%	11/1/96	85.16	6.01%
5/87 thru 10/87	5/1/96	87.04	5/1/96	1.47%	11/1/96	87.68	6.00%
11/86 thru 4/87	5/1/96	89.72	5/1/96	1.34%	11/1/96	90.32	6.00%
5/86 thru 10/86	5/1/96	104.44	5/1/96	4.06%	11/1/96	106.56	7.34%
11/85 thru 4/86	5/1/96	106.56	5/1/96	3.98%	11/1/96	108.68	7.18%
5/85 thru 10/85	5/1/96	108.68	5/1/96	3.97%	11/1/96	110.84	7.04%
11/84 thru 4/85	5/1/96	110.84	5/1/96	4.04%	11/1/96	113.08	6.92%
5/84 thru 10/84	5/1/96	113.08	5/1/96	3.96%	11/1/96	115.32	6.80%
11/83 thru 4/84	5/1/96	116.64	5/1/96	4.80%	11/1/96	119.44	6.81%
5/83 thru 10/83	5/1/96	121.56	5/1/96	5.07%	11/1/96	124.64	6.88%
3/83 thru 4/83	9/1/96	128.44	9/1/96	4.86%	3/1/97	131.56	7.03%
11/82 thru 2/83	5/1/96	128.48	5/1/96	5.98%	11/1/96	132.32	7.07%
5/82 thru 10/82	5/1/96	144.20	5/1/96	5.99%	11/1/96	148.52	7.65%
11/81 thru 4/82	5/1/96	148.52	5/1/96	5.98%	11/1/96	152.96	7.60%
5/81 thru 10/81	5/1/96	152.96	5/1/96	6.01%	11/1/96	157.56	7.54%
11/80 thru 4/81	5/1/96	161.40	5/1/96	6.00%	11/1/96	166.24	7.65%
5/80 thru 10/80	5/1/96	174.40	5/1/96	6.01%	11/1/96	179.64	7.90%
1/80 thru 4/80	7/1/96	177.88	7/1/96	5.98%	1/1/97	183.20	7.79%

* Monthly increases in value, applicable to some bonds issued prior to May 1995, are not shown in the table.

** The dates shown are for the first issue date of the range in the first column. Add one month for each later issue month. For example, a bond issued in 07/95 (two months after the first date in the range) would be worth the amount shown two month after the date listed. The six-month earning period would begin two months later than the date shown.

*** Yields and savings bond rates may not agree due to rounding and due to the methodology for computing market-based yield for bonds issued prior to May 1, 1995.

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
May 1, 1996

REMARKS BY DARCY BRADBURY
ASSISTANT SECRETARY FOR FINANCIAL MARKETS
TREASURY QUARTERLY REFUNDING PRESS CONFERENCE

Good afternoon. I will begin with today's refunding announcement and then I will discuss modifications in the Treasury's longer range borrowing plans.

1. We are offering $46.0 billion of notes and cash management bills to refund $35.0 billion of privately held notes maturing on May 15 and to raise approximately $11.0 billion of cash.

The three securities are:

-- First, a 3-year note in the amount of $19.0 billion, maturing on May 15, 1999. This note is scheduled to be auctioned on a yield basis at 1:00 p.m. Eastern time on Tuesday, May 7, 1996. 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 $14.0 billion, maturing on May 15, 2006. This note is scheduled to be auctioned on a yield basis at 1:00 p.m. Eastern time on Wednesday, May 8. The minimum purchase amount will be $1,000.

-- Third, a 36-day cash management bill in the amount of $13.0 billion, maturing on June 20, 1996. This bill is scheduled to be auctioned on a yield basis at 1:00 p.m. Eastern time on Thursday, May 9. The minimum purchase amount will be $10,000.

-MORE-

RR-1047

2. As announced on Monday, April 29, we estimate a net paydown of marketable securities of $20 billion for the April-June quarter. The estimate assumes a $35 billion cash balance at the end of June and takes into account the fact that the 2- and 5-year notes to refund the notes maturing on June 30 will be issued on July 1. Including the securities in this refunding, we have paid down $27.9 billion in sales of marketable securities. This was accomplished as follows:

- raised $4.9 billion from the 2-year notes issued on April 10 and April 30;
- raised $9.1 billion from the 5-year notes issued on April 10 and April 30;
- raised $2.9 billion from the 52-week bills with issue dates of April 4 and May 2;
- paid down $9.7 billion in cash in the regular weekly bills, including those announced yesterday;
- paid down $7.8 billion in the 7-year note that matured on April 15;
- paid down $38.3 billion in cash management bills that matured on April 18 and April 25, combined; and
- raised 11.0 billion from the notes and bills that I am announcing today.

3. The Treasury will need to raise $20.8 billion in market borrowing during the rest of the April-June quarter. This financing can be accomplished through regular sales of 13-, 26-, and 52-week bills in May and June and 2- and 5-year notes in May. Additional cash management bills will be needed to cover the low point in the cash balance in early June. Since the cash management bill being announced today will mature on June 20, it will not affect the total borrowing need for the quarter.

4. We estimate Treasury net market borrowing to be in a range of $55 billion to $60 billion for the July-September quarter, assuming a $40 billion cash balance on September 30.

5. Now I will discuss the broader borrowing strategy. Today, the Treasury is announcing that it is increasing the frequency of auctions of 10-year notes to six times per year and of 30-year bonds to three times per year, while decreasing the size of each auction somewhat. These changes in the Treasury borrowing schedule will mean that Treasury borrowing will more closely match the Treasury's need for funds, without any significant impact on the maturity mix of Treasury borrowing.

The new schedule will be as follows:

-- the six issues of 10-year notes each year will occur in the regular midquarter refunding operations and on July 15 and October 15;
-- the July 15 and October 15 10-year notes will have July 15 and October 15 maturity dates, unless those issues were reopenings of outstanding midquarter refunding securities;
-- the new issue sizes for the February and May 10-year notes be could be somewhat larger than those in the second half of the calendar year, since they will be the only 10-year issues in those quarters; and
-- the three issues of 30-year bonds each year will occur in the February 15, August 15, and November 15 midquarter refunding operations.

The Treasury has sold 10-year notes in regular midquarter refunding offerings since May 15, 1980. The 30-year bonds were offered in regular quarterly refundings between 1977 and May 1993, and they have been offered twice each year since August 1993. The size of each 10-year note and 30-year bond issue has grown. With the reductions in the frequency of 30-year bonds to two auctions per year and the elimination of 7-year note auctions, the Treasury's intermediate and longer term borrowing have become increasingly bunched. The attached charts show the growth in 10- and 30-year auction sizes from 1986 to the present.

While offering six 10-year notes and three 30-year bonds each year, the Treasury will reduce the size of each auction somewhat from current levels so that total annual issuance in future years will not change significantly from the levels that otherwise would have been necessary. The larger number of somewhat smaller auctions will improve Treasury's cash management, as well as spread out our exposure to unusual market conditions, without compromising the market liquidity of individual notes and bonds. Also, the somewhat smaller auctions held closer together should enhance the Treasury's ability to reopen issues. The added maturity and coupon dates will also open more possibilities for stripping.

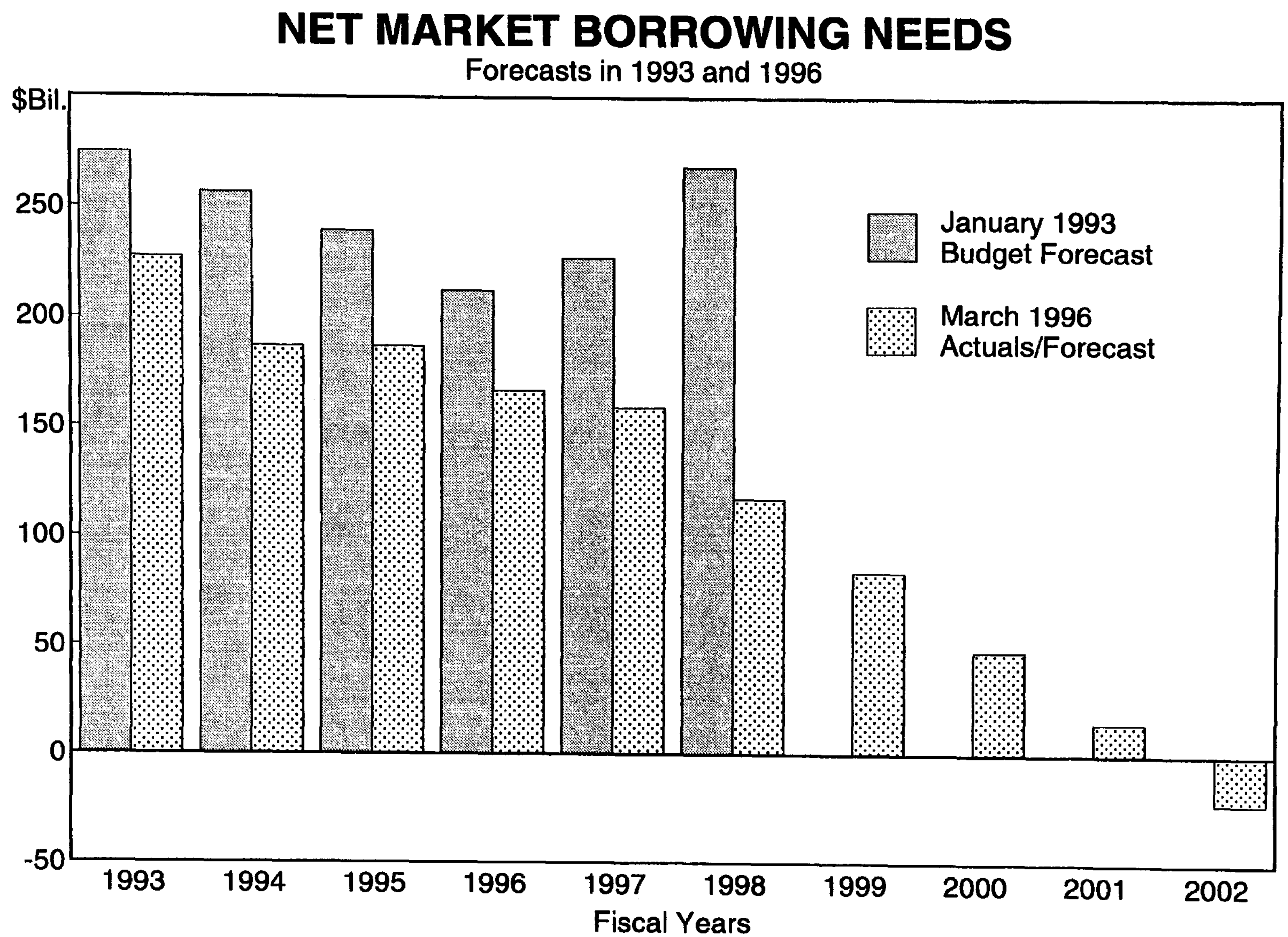
The new issues have been added to the borrowing schedule in the second half of the calendar year, when the Treasury's seasonal borrowing requirements are relatively large. The schedule for the new issues was also matched with the maturity dates of the old 7-year notes and the midquarter refunding maturity dates. The decision we are announcing today concerning the Treasury's longer term borrowing strategy is consistent with the mix of new issues of marketable securities that the Treasury announced in May 1993 and is not expected to alter the average life of the Treasury debt to any significant degree. Today's decision also takes into account the smaller Federal budget deficits that are forecast today, compared with those estimated in 1993, as shown in the chart that is also attached.

6. The tentative auction calendars for May, June, and July are included in the chart package that was distributed today.

7. Finally, I want to encourage market participants who bid in Treasury auctions to attend a seminar on compliance with Treasury auction rules either Thursday or Friday of this week. The seminars will be held at the Public Securities Association headquarters in New York City, beginning at 8:45 a.m. Market participants, Public Securities Association representatives, and Treasury staff will answer questions that are asked frequently about the rules and their enforcement. Similar seminars have already been held in April in Chicago and San Francisco. For more information, you may contact the Public Securities Association.

8. The August midquarter refunding press conference is scheduled to be held on Wednesday, July 31.

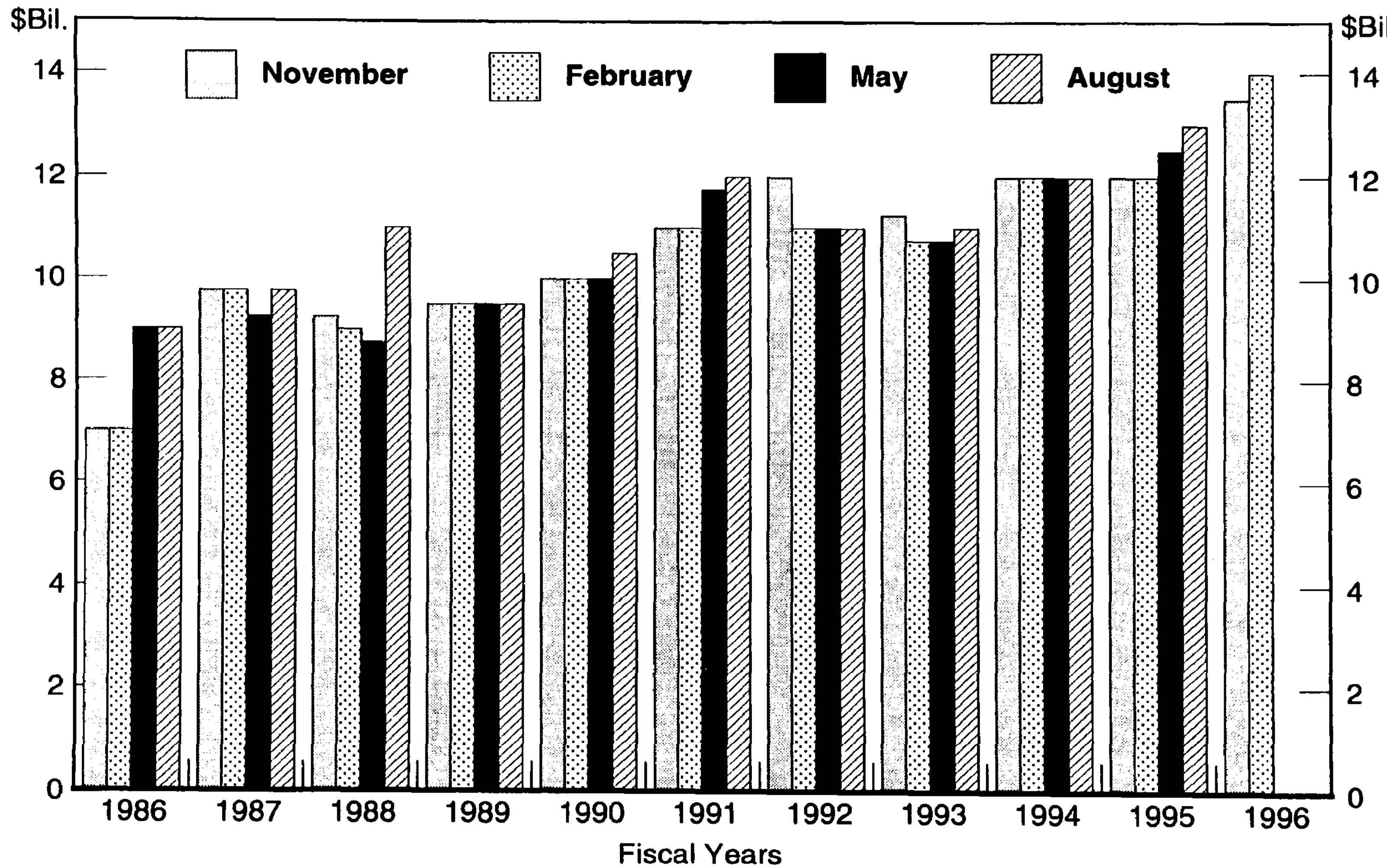
Thank you, and now I would be happy to answer questions.



Actuals used for FY 1993 — 1995 portion of March 1996 forecast

Department of the Treasury
Office of Market Finance

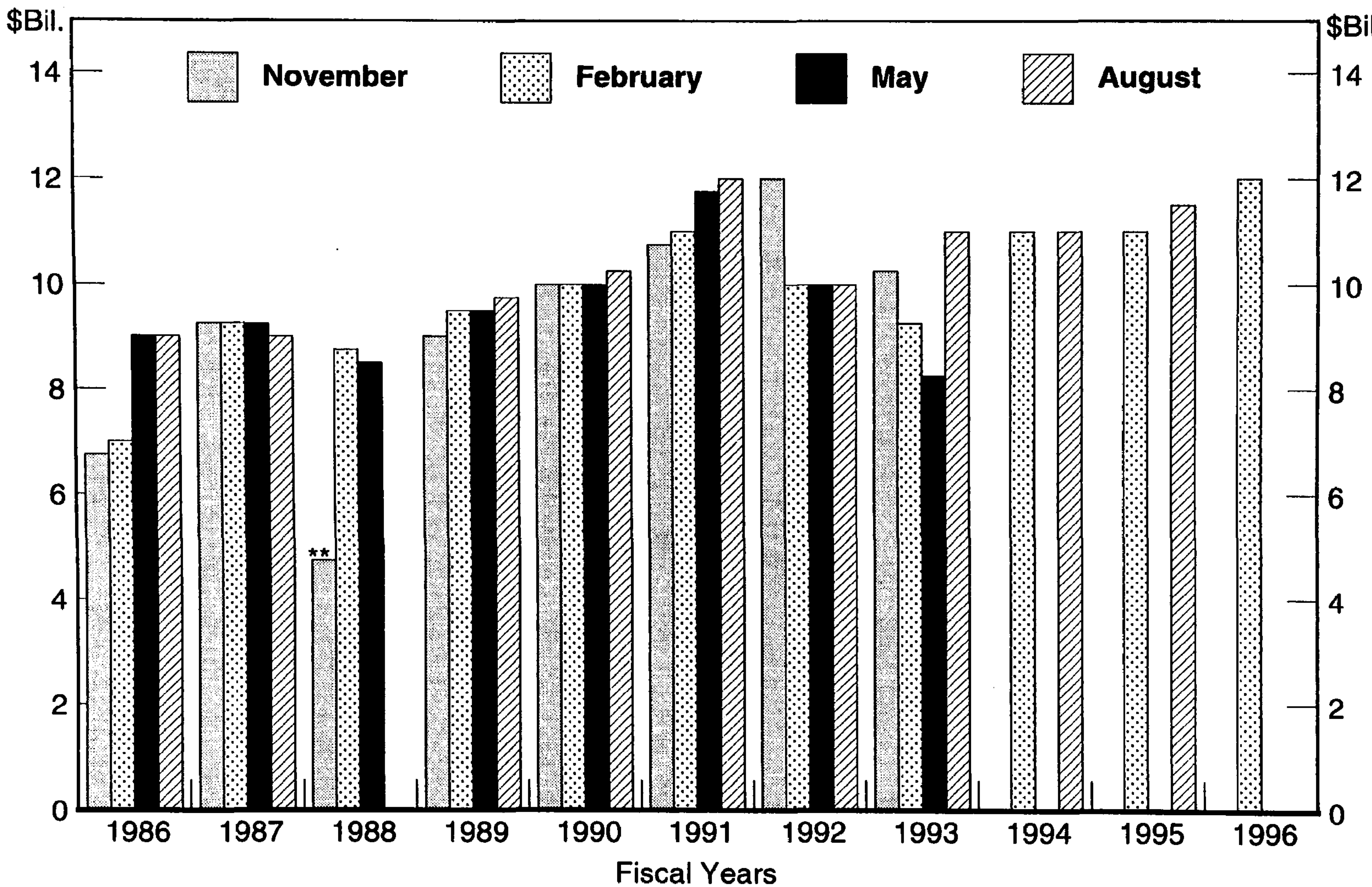
10 YEAR NOTE OFFERINGS*



* Announced Amounts

Department of the Treasury
Office of Market Finance

30 YEAR BOND OFFERINGS*



* Announced Amounts

** Reopened a prior issue; bond limit reached.

Department of the Treasury
Office of Market Finance

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR RELEASE WHEN AUTHORIZED AT PRESS CONFERENCE
May 1, 1996

CONTACT: Office of Financing
202-219-3350

TREASURY MAY QUARTERLY FINANCING

The Treasury will auction $19,000 million of 3-year notes and $14,000 million of 10-year notes to refund $35,048 million of publicly-held securities maturing May 15, 1996, and to pay down about $2,050 million. The Treasury will also auction a 36-day cash management bill on May 9, 1996. Details about the cash management bill are given in a separate announcement.

In addition to the public holdings, Government accounts and Federal Reserve Banks, for their own accounts, hold $4,302 million of the maturing securities that may be refunded by issuing additional amounts of the new securities.

The maturing securities held by the public include $2,193 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 being offered today is 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) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about the notes are given in the attached offering highlights.

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Attachment

RR-1048

HIGHLIGHTS OF TREASURY OFFERINGS TO THE PUBLIC

MAY 1996 QUARTERLY FINANCING

May 1, 1996

Offering Amount	$19,000 million	$14,000 million
Description of Offering:		
Term and type of security	3-year notes	10-year notes
Series	X-1999	B-2006
CUSIP number	912827 X7 2	912827 X8 0
Auction date	May 7, 1996	May 8, 1996
Issue date	May 15, 1996	May 15, 1996
Dated date	May 15, 1996	May 15, 1996
Maturity date	May 15, 1999	May 15, 2006
Interest rate	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
Interest payment dates	November 15 and May 15	November 15 and May 15
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
STRIPS Information:		
Minimum amount required	Not applicable	Determined at auction
Corpus CUSIP number	Not applicable	912820 BS 5
Due dates and CUSIP numbers for additional TINTs	Not applicable	Not applicable

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 three decimals, e.g., 7.123%.
(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

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR RELEASE WHEN AUTHORIZED AT PRESS CONFERENCE
May 1, 1996

CONTACT: Office of Financing
202/219-3350

TREASURY TO AUCTION CASH MANAGEMENT BILLS

The Treasury will auction approximately $13,000 million of 36-day Treasury cash management bills to be issued May 15, 1996.

Competitive and noncompetitive tenders will be received at all Federal Reserve Banks and Branches. Tenders will <u>not</u> be accepted for bills to be maintained on the book-entry records of the Department of the Treasury (TREASURY DIRECT). Tenders will <u>not</u> be received at the Bureau of the Public Debt, Washington, D.C.

Additional amounts of the bills may be issued to Federal Reserve Banks as agents for foreign and international monetary authorities at the average price of accepted competitive tenders.

This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356) 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

RR-1049

HIGHLIGHTS OF TREASURY OFFERING
OF 36-DAY CASH MANAGEMENT BILL

May 1, 1996

Offering Amount	$13,000 million
Description of Offering:	
Term and type of security .	36-day Cash Management Bill
CUSIP number	912794 Z4 9
Auction date	May 9, 1996
Issue date	May 15, 1996
Maturity date	June 20, 1996
Original issue date	December 21, 1995
Currently outstanding . . .	$27,607 million
Minimum bid amount	$10,000
Multiples	$1,000
Minimum to hold amount . .	$10,000
Multiples to hold	$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 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

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR IMMEDIATE RELEASE
May 1, 1996

REMARKS BY DARCY BRADBURY
ASSISTANT SECRETARY FOR FINANCIAL MARKETS
TREASURY QUARTERLY REFUNDING PRESS CONFERENCE

Good afternoon. I will begin with today's refunding announcement and then I will discuss modifications in the Treasury's longer range borrowing plans.

1. We are offering $46.0 billion of notes and cash management bills to refund $35.0 billion of privately held notes maturing on May 15 and to raise approximately $11.0 billion of cash.

The three securities are:

-- First, a 3-year note in the amount of $19.0 billion, maturing on May 15, 1999. This note is scheduled to be auctioned on a yield basis at 1:00 p.m. Eastern time on Tuesday, May 7, 1996. 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 $14.0 billion, maturing on May 15, 2006. This note is scheduled to be auctioned on a yield basis at 1:00 p.m. Eastern time on Wednesday, May 8. The minimum purchase amount will be $1,000.

-- Third, a 36-day cash management bill in the amount of $13.0 billion, maturing on June 20, 1996. This bill is scheduled to be auctioned on a yield basis at 1:00 p.m. Eastern time on Thursday, May 9. The minimum purchase amount will be $10,000.

-MORE-

RR-1047

2. As announced on Monday, April 29, we estimate a net paydown of marketable securities of $20 billion for the April-June quarter. The estimate assumes a $35 billion cash balance at the end of June and takes into account the fact that the 2- and 5-year notes to refund the notes maturing on June 30 will be issued on July 1. Including the securities in this refunding, we have paid down $27.9 billion in sales of marketable securities. This was accomplished as follows:

-- raised $4.9 billion from the 2-year notes issued on April 10 and April 30;
-- raised $9.1 billion from the 5-year notes issued on April 10 and April 30;
-- raised $2.9 billion from the 52-week bills with issue dates of April 4 and May 2;
-- paid down $9.7 billion in cash in the regular weekly bills, including those announced yesterday;
-- paid down $7.8 billion in the 7-year note that matured on April 15;
-- paid down $38.3 billion in cash management bills that matured on April 18 and April 25, combined; and
-- raised 11.0 billion from the notes and bills that I am announcing today.

3. The Treasury will need to raise $20.8 billion in market borrowing during the rest of the April-June quarter. This financing can be accomplished through regular sales of 13-, 26-, and 52-week bills in May and June and 2- and 5-year notes in May. Additional cash management bills will be needed to cover the low point in the cash balance in early June. Since the cash management bill being announced today will mature on June 20, it will not affect the total borrowing need for the quarter.

4. We estimate Treasury net market borrowing to be in a range of $55 billion to $60 billion for the July-September quarter, assuming a $40 billion cash balance on September 30.

5. Now I will discuss the broader borrowing strategy. Today, the Treasury is announcing that it is increasing the frequency of auctions of 10-year notes to six times per year and of 30-year bonds to three times per year, while decreasing the size of each auction somewhat. These changes in the Treasury borrowing schedule will mean that Treasury borrowing will more closely match the Treasury's need for funds, without any significant impact on the maturity mix of Treasury borrowing.

The new schedule will be as follows:

- the six issues of 10-year notes each year will occur in the regular midquarter refunding operations and on July 15 and October 15;
- the July 15 and October 15 10-year notes will have July 15 and October 15 maturity dates, unless those issues were reopenings of outstanding midquarter refunding securities;
- the new issue sizes for the February and May 10-year notes be could be somewhat larger than those in the second half of the calendar year, since they will be the only 10-year issues in those quarters; and
- the three issues of 30-year bonds each year will occur in the February 15, August 15, and November 15 midquarter refunding operations.

The Treasury has sold 10-year notes in regular midquarter refunding offerings since May 15, 1980. The 30-year bonds were offered in regular quarterly refundings between 1977 and May 1993, and they have been offered twice each year since August 1993. The size of each 10-year note and 30-year bond issue has grown. With the reductions in the frequency of 30-year bonds to two auctions per year and the elimination of 7-year note auctions, the Treasury's intermediate and longer term borrowing have become increasingly bunched. The attached charts show the growth in 10- and 30-year auction sizes from 1986 to the present.

While offering six 10-year notes and three 30-year bonds each year, the Treasury will reduce the size of each auction somewhat from current levels so that total annual issuance in future years will not change significantly from the levels that otherwise would have been necessary. The larger number of somewhat smaller auctions will improve Treasury's cash management, as well as spread out our exposure to unusual market conditions, without compromising the market liquidity of individual notes and bonds. Also, the somewhat smaller auctions held closer together should enhance the Treasury's ability to reopen issues. The added maturity and coupon dates will also open more possibilities for stripping.

The new issues have been added to the borrowing schedule in the second half of the calendar year, when the Treasury's seasonal borrowing requirements are relatively large. The schedule for the new issues was also matched with the maturity dates of the old 7-year notes and the midquarter refunding maturity dates. The decision we are announcing today concerning the Treasury's longer term borrowing strategy is consistent with the mix of new issues of marketable securities that the Treasury announced in May 1993 and is not expected to alter the average life of the Treasury debt to any significant degree. Today's decision also takes into account the smaller Federal budget deficits that are forecast today, compared with those estimated in 1993, as shown in the chart that is also attached.

6. The tentative auction calendars for May, June, and July are included in the chart package that was distributed today.

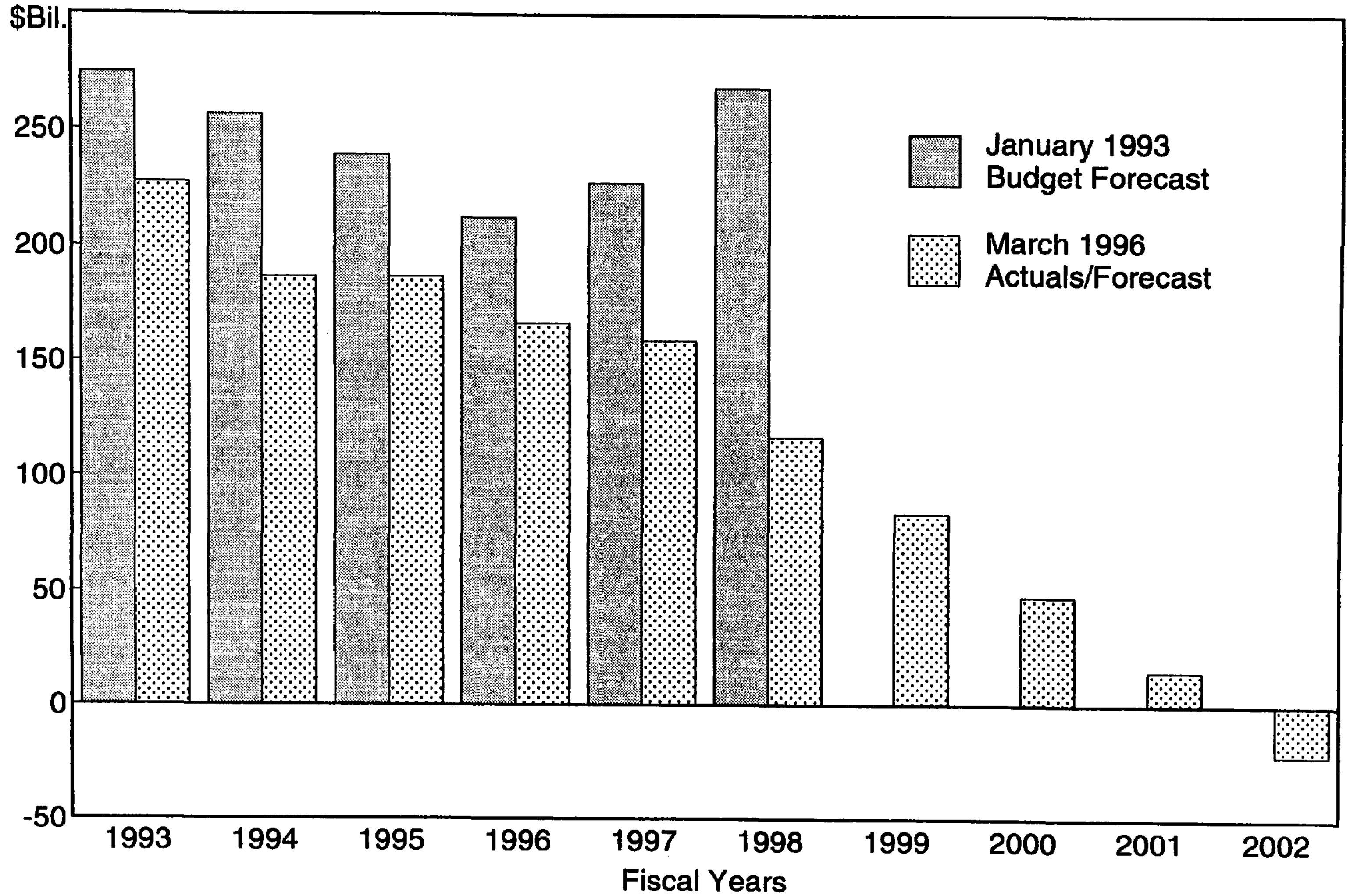
7. Finally, I want to encourage market participants who bid in Treasury auctions to attend a seminar on compliance with Treasury auction rules either Thursday or Friday of this week. The seminars will be held at the Public Securities Association headquarters in New York City, beginning at 8:45 a.m. Market participants, Public Securities Association representatives, and Treasury staff will answer questions that are asked frequently about the rules and their enforcement. Similar seminars have already been held in April in Chicago and San Francisco. For more information, you may contact the Public Securities Association.

8. The August midquarter refunding press conference is scheduled to be held on Wednesday, July 31.

Thank you, and now I would be happy to answer questions.

NET MARKET BORROWING NEEDS

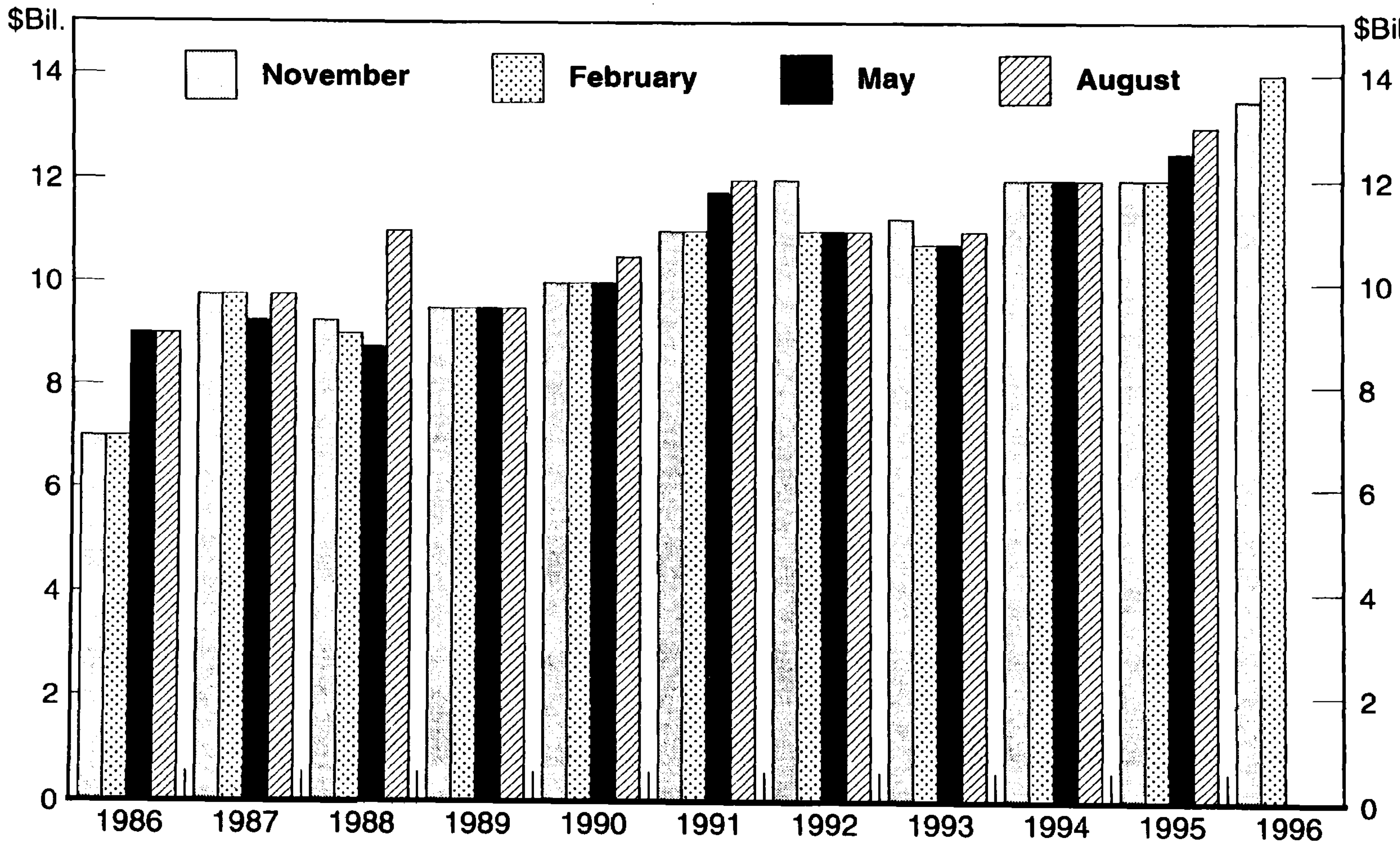
Forecasts in 1993 and 1996



Actuals used for FY 1993 — 1995 portion of March 1996 forecast

Department of the Treasury
Office of Market Finance

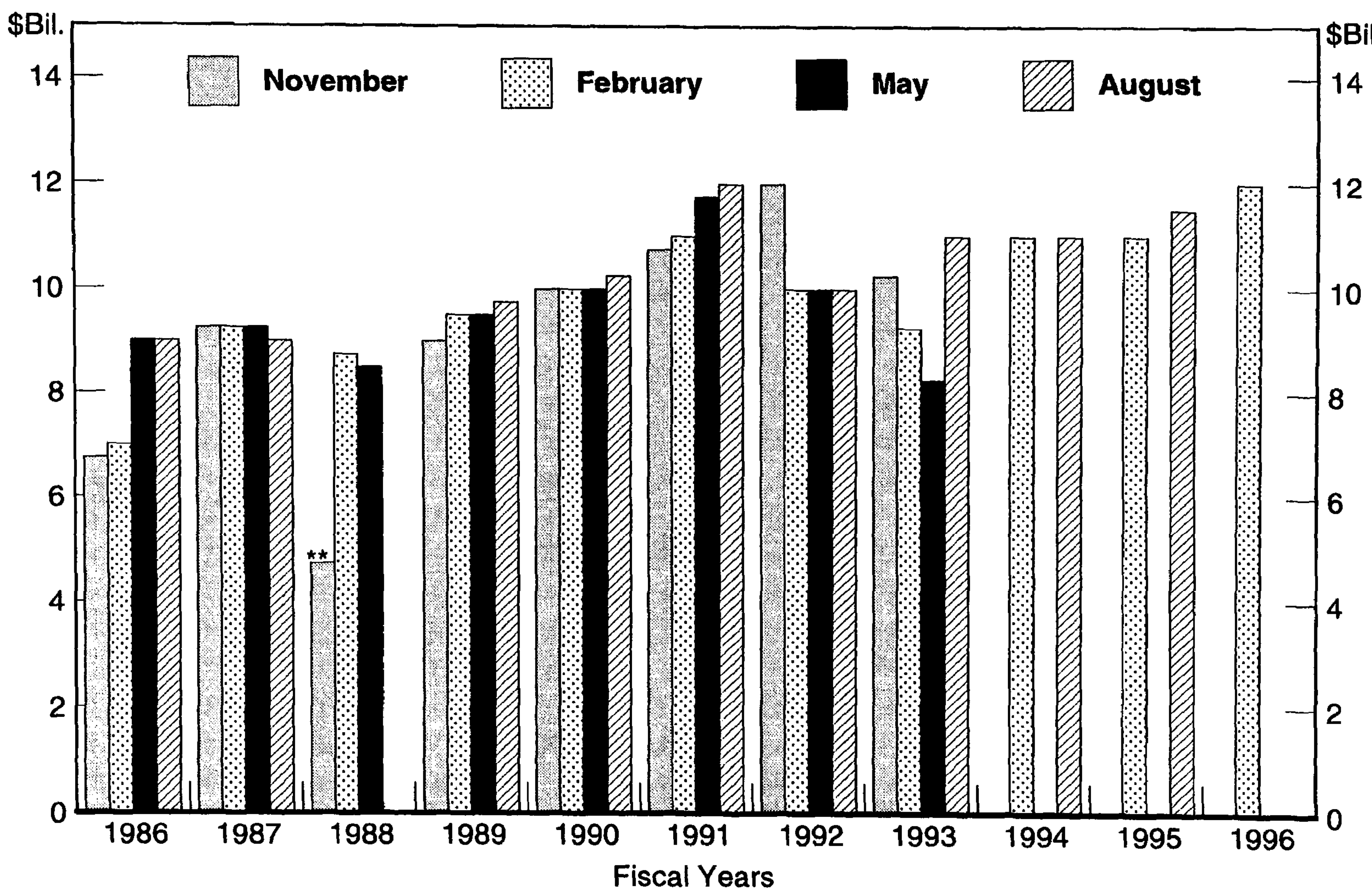
10 YEAR NOTE OFFERINGS*



* Announced Amounts

Department of the Treasury
Office of Market Finance

30 YEAR BOND OFFERINGS*



* Announced Amounts

** Reopened a prior issue; bond limit reached.

Department of the Treasury
Office of Market Finance

DEPARTMENT OF THE TREASURY

TREASURY NEWS

OFFICE OF PUBLIC AFFAIRS • 1500 PENNSYLVANIA AVENUE, N.W. • WASHINGTON, D.C. • 20220 • (202) 622-2960

FOR RELEASE WHEN AUTHORIZED AT PRESS CONFERENCE
May 1, 1996

CONTACT: Office of Financing
202-219-3350

TREASURY MAY QUARTERLY FINANCING

The Treasury will auction $19,000 million of 3-year notes and $14,000 million of 10-year notes to refund $35,048 million of publicly-held securities maturing May 15, 1996, and to pay down about $2,050 million. The Treasury will also auction a 36-day cash management bill on May 9, 1996. Details about the cash management bill are given in a separate announcement.

In addition to the public holdings, Government accounts and Federal Reserve Banks, for their own accounts, hold $4,302 million of the maturing securities that may be refunded by issuing additional amounts of the new securities.

The maturing securities held by the public include $2,193 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 being offered today is 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) for the sale and issue by the Treasury to the public of marketable Treasury bills, notes, and bonds.

Details about the notes are given in the attached offering highlights.

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Attachment

RR-1048

HIGHLIGHTS OF TREASURY OFFERINGS TO THE PUBLIC

MAY 1996 QUARTERLY FINANCING

May 1, 1996

Offering Amount	$19,000 million	$14,000 million
Description of Offering:		
Term and type of security	3-year notes	10-year notes
Series	X-1999	B-2006
CUSIP number	912827 X7 2	912827 X8 0
Auction date	May 7, 1996	May 8, 1996
Issue date	May 15, 1996	May 15, 1996
Dated date	May 15, 1996	May 15, 1996
Maturity date	May 15, 1999	May 15, 2006
Interest rate	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
Interest payment dates	November 15 and May 15	November 15 and May 15
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
STRIPS Information:		
Minimum amount required	Not applicable	Determined at auction
Corpus CUSIP number	Not applicable	912820 BS 5
Due dates and CUSIP numbers for additional TINTs	Not applicable	Not applicable

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 three decimals, e.g., 7.123%.
(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

DEPARTMENT OF THE TREASURY

TREASURY NEWS

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FOR RELEASE WHEN AUTHORIZED AT PRESS CONFERENCE
May 1, 1996

CONTACT: Office of Financing
202/219-3350

TREASURY TO AUCTION CASH MANAGEMENT BILLS

The Treasury will auction approximately $13,000 million of 36-day Treasury cash management bills to be issued May 15, 1996.

Competitive and noncompetitive tenders will be received at all Federal Reserve Banks and Branches. Tenders will not be accepted for bills to be maintained on the book-entry records of the Department of the Treasury (TREASURY DIRECT). Tenders will not be received at the Bureau of the Public Debt, Washington, D.C.

Additional amounts of the bills may be issued to Federal Reserve Banks as agents for foreign and international monetary authorities at the average price of accepted competitive tenders.

This offering of Treasury securities is governed by the terms and conditions set forth in the Uniform Offering Circular (31 CFR Part 356) 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

RR-1049

HIGHLIGHTS OF TREASURY OFFERING
OF 36-DAY CASH MANAGEMENT BILL

May 1, 1996

<u>Offering Amount</u> . . . . . . $13,000 million

<u>Description of Offering</u>:

Term and type of security .	36-day Cash Management Bill
CUSIP number	912794 Z4 9
Auction date	May 9, 1996
Issue date	May 15, 1996
Maturity date	June 20, 1996
Original issue date	December 21, 1995
Currently outstanding . . .	$27,607 million
Minimum bid amount	$10,000
Multiples	$1,000
Minimum to hold amount . .	$10,000
Multiples to hold	$1,000

<u>Submission of Bids</u>:

Noncompetitive bids	Accepted in full up to $1,000,000 at the average discount rate of accepted competitive bids
Competitive bids . . .	(1) Must be expressed as a discount rate with two decimals, e.g., 7.10%.
	(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.

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

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

<u>Receipt of Tenders</u>:

Noncompetitive tenders . .	Prior to 12:00 noon Eastern Daylight Saving time on auction day
Competitive tenders	Prior to 1:00 p.m. Eastern Daylight Saving time on auction day

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

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

May 1, 1996

Dear Mr. Secretary:

Since the Committee's last meeting on January 31, 1996, economic growth has revived following a sluggish period marked by inventory adjustments, weather-related disruptions, and a partial Federal government shutdown. Stronger-than-expected growth in nonfarm payrolls and consumer spending has fueled the increased pace of business activity. Inflationary pressures have generally remained dormant, but significant increases have recently occurred in prices of grains and energy-related products due to lean inventories and increased world-wide demand.

Early in the year, interest rate levels anticipated a sluggish economy, restrained price pressures and agreement on a compromise 7-year budget-balancing plan. In turn, these events were expected to lead to further easings by the Federal Reserve. Subsequently, the economy's revival, the collapse of budget talks, and increased commodity inflation have led to significantly changed expectations. Forward eurodollar rates have risen by over 100 basis points, and intermediate and long-term Treasury yields have risen by 75-100 basis points since January. Market participants now seem to perceive the risks of unacceptably sluggish or rapid economic growth as evenly balanced. However, in light of full employment conditions and stepped-up hiring, fears of eventual modest upward pressure on wages appear to have increased.

Against this background, the Committee was charged with offering advice on the profile of Treasury marketable financing for the period through the July-September quarter. In framing its recommendations, the Committee took into consideration the Treasury's decision to increase the frequency of offerings of 10-year notes and 30-year bonds. Specifically, the Treasury has indicated its plans to introduce two new 10-year note offerings — in mid-July and mid-October — thus raising to six the number of such offerings per year; and to introduce one new 30-year bond offering -- in mid-November -- thus raising to three the number of such offerings per year. The Committee further understands that the Treasury plans to reduce the size of each such offering somewhat from current levels, such that overall issuance in these maturity sectors in future years does not change significantly from levels that otherwise would have occurred.

Within this context, to refund the $35.0 billion of privately-held notes maturing on May 15, 1996 and to raise $14.0 billion of cash, the Committee unanimously recommends that the Treasury auction $49.0 billion of the following securities:

- $19.0 billion 3-year notes due May 15, 1999;
- $14.0 billion 10-year notes due May 15, 2006;
- $16.0 billion cash management bills due June 20, 1996.

The Committee believes that $14.0 billion is the appropriate issue size for the 10-year note in the current mid-quarter refunding. This amount is consistent with market expectations and should not be affected by the increased frequency of 10-year offerings scheduled to begin in July.

With the aim of achieving a cash balance of $35 billion on June 30, the Committee unanimously recommends that for the remainder of the quarter, the Treasury meet its borrowing requirement in the following manner:

- One 5-year note totaling $12.5 billion, to raise $3.3 billion of new cash;

- One 2-year note totaling $18.75 billion, to raise $0.6 billion of new cash;

- Two 1-year bills totaling $19.25 billion each, to raise $0.6 billion of new cash;

- Weekly issuance of 3- and 6-month bills through the remainder of the quarter, to raise $9.5 billion of new cash;

- The issuance of intra-quarter cash management bills to cover the low cash point in June; and

- The paydown on June 20 of $16.0 billion of cash management bills issued in conjunction with the May refunding.

Including the $14.0 billion raised in the mid-quarter refunding as well as anticipated foreign add-ons of $3.0 billion, the proposed financing schedule will raise a total of $15.0 billion. This amount, after subtracting the net paydown of $35.0 billion to date in the quarter, will accomplish the total net paydown of $20.0 billion.

For the July-September quarter, the Treasury estimates a net borrowing requirement in the range of $55-60 billion with a cash balance of $40.0 billion at the end of September. To accomplish the anticipated net borrowing requirement, the Committee took into consideration the planned increased but irregular cycle of 10-year note and 30-year bond offerings. The Committee reviewed the question of desired minimum issue sizes; that is, sizes which would facilitate liquid secondary markets and limit the risks of occasional acute and protracted shortages. For the 10-year notes, the Committee believes that the two sets of issues to be offered one month apart -- that is, the July-August and

October-November offerings -- could be set initially at a minimum size of $10 billion, reflecting the increased potential for more frequent re-openings. For the other two annual issues-- that is, the February and May offerings -- the Committee believes that it would be preferable to target an initial minimum size of $12 billion. For each of the planned three annual offerings of 30-year bonds, the Committee believes that initial minimum sizes should not be smaller than $10 billion.

Overall, this initial annual pattern of 10- and 30-year securities would increase only modestly the amount of issuance relative to that which would occur in future years with normal increases in coupon issue sizes. In the Committee's view, this would represent a reasonable initial balance between planned levels of issuance and considerations of market liquidity. Also, while the planned variations in the sizes of the 10-year note offerings could introduce some additional market uncertainty, that risk would be limited by transparency around the Treasury's announcement of its plans and intentions in introducing the new issue cycle. Longer term, the Committee remains supportive of the goal of more frequent and regular issuance of longer-term debt to temper somewhat the pace of the decline in the average length of the debt and the proportion maturing within two years.

The Committee supports the timing of the two additional 10-year note offerings -- that is, July 15 and October 15. Initially, these new issues can refund maturing 7-year notes. Also, the Treasury's borrowing need is typically larger in the July-December period. In addition, this financing pattern will modestly divert a portion of coupon payments away from the large mid-quarterly coupon payment dates.

In a similar vein, an additional bond offering on November 15 is well placed to meet Treasury cash needs. There is also a market related benefit of regularly increasing the strippable product with May 15 and November 15 maturities.

In light of the planned issuance of a new 10-year note in July, and the expected reduced size of the 10- and 30-year offerings in the August refunding, the Committee considered the question of the need for continual modest increases in size of other coupon offerings. By an 11-4 vote, the Committee preferred no further increases in the July-September quarter in the 1-year bills as well as 2-, 3- and 5-year note sizes. The majority felt that, given the additional financing in the 10-year sector during the quarter as well as continued reductions in the federal budget deficit, the Treasury could pause for a short time before resuming the gradual size increases in regular cycle offerings. The specific recommended profile of Treasury offerings for the July-September is set forth in the enclosed schedule.

The minority preferred continued incremental increases in issue amounts. This group felt that further increases would still be needed to offset in an orderly fashion the impact of the maturing 5-year note cycle. In this regard, they note that the more frequent but reduced size offerings in the long end will raise less net cash in the July-September quarter than the amount which would be raised by normal modest increases in regular cycle offerings.

In response to a request for its views, the Committee considered the significant variation of the sizes of weekly bills and the heavy reliance on cash management bills in recent months. The Treasury followed this course largely to manage cash and debt during the debt limit impasse. The Committee did not perceive any significant market impact as a result of this financing behavior. As the issue sizes varied, there were occasional small yield differences between the affected Treasury bills. But overall, the market adapted well to the uncertainty and unpredictability of Treasury bill financing during this period. Market participants recognized the constraints imposed on the Treasury as a result of the debt limit considerations and, as such, believed that the related uncertain financing behavior was temporary.

The Committee continues to believe that consistent and predictable financing operations are most effective in reducing the Treasury's cost of borrowing. Accordingly, in the Committee's judgment, weekly bill offering sizes should remain relatively stable and cash management bills should be relied upon to more efficiently meet temporary or seasonal cash needs.

Respectfully submitted

Richard M. Kelly
Chairman

Estimated Treasury Marketable Borrowing
(billions of dollars)
July - September 1996

	Amount Maturing	Amount Offered	Foreign Add-ons	Cash Raised
Treasury bills*				
Regular weekly bills	$355.7	367.7	--	12.0
52-week bills				
July 25	18.4	19.25	--	0.85
August 22	18.5	19.25	--	0.75
September 19	19.3	19.25	--	-0.05
Total bills	411.9	425.5		13.5
Treasury coupons				
June 2-year	18.1	18.75	1.0	1.65
June 5-year	9.4	12.5	0.5	3.6
July 7-year	7.7	--		-7.7
July 10-year	--	10.0	0.2	10.2
July 2-year	18.2	18.75	1.0	1.55
July 5-year	9.6	12.5	0.5	3.4
Aug. 3-year		19.0	0.8	
Aug. 10-year		10.0	0.2	
Aug. 30-year		10.0	--	
Refunding subtotal	17.6	39.0	1.0	22.4
Redemption of 8% 8/15/01	0.7	--		-0.7
Aug. 2-year	18.5	18.75	1.0	1.25
Aug. 5-year	9.3	12.5	0.5	3.7
Sept. 2-year	18.4	18.75	1.0	1.35
Sept. 5-year	9.7	12.5	0.5	3.3
Total coupons	137.2	174.0	7.2	44.0
Total borrowing	549.1	599.5	7.2	57.5

*Assumes that intra-quarter cash management bills will be needed to cover cash low points during the quarter.

MINUTES OF THE MEETING OF THE TREASURY BORROWING ADVISORY COMMITTEE OF THE PUBLIC SECURITIES ASSOCIATION
April 30 and May 1, 1996

April 30

The Committee convened at 11:35 a.m. at the Treasury Department for the portion of the meeting that was open to the public. All members were present, except Mr. Kessenich, Mr. Lodge, and Mr. Rosenberg. The Federal Register announcement of the meeting and a list of Committee members are attached.

Assistant Secretary for Financial Markets Bradbury welcomed the Committee and the public to the meeting. Assistant Secretary for Economic Policy Gotbaum summarized the current state of the U.S. economy. Paul Malvey, Senior Economist, Office of Market Finance, discussed charts, which had been released to the public on April 29, updating Treasury borrowing estimates and providing statistical information on recent Treasury borrowing and market interest rates.

The public meeting ended at 12:15 p.m.

May refunding

The Committee reconvened in closed session at the Madison Hotel at 2:30 p.m. The members were present who had attended the public briefing. Assistant Secretary Bradbury gave the Committee its Charge, which is also attached.

The Committee began by considering the attached proforma financing plan for the April-June quarter that had been prepared in advance by one of the members, using the market borrowing estimates that were released by the Treasury on April 29. The Committee voted unanimously to recommend that the Treasury issue $19.0 billion of 3-year notes, $14.0 billion of 10-year notes, and $16.0 billion of cash management bills maturing June 20 in the May refunding. The Committee also foresees that the Treasury will need to issue more short-term cash management bills for the period from early June until after the June 15 tax payment date.

Frequency of new 10- and 30-year security auctions

The discussion of the overall Treasury financing plan for the July-September quarter was deferred until after the Committee discussed the question in the Charge pertaining to increasing the frequency of new issues of 10-year notes and 30-year bonds. The Committee discussed concerns that the sizes of each tranche of 10-year notes and 30-year bonds would be relatively small, if the Treasury does not increase its annual issuance in those maturities.

The Committee unanimously agreed to recommend that the Treasury auction a minimum of $10 billion of 30-year bonds in each of the February, August, and November midquarter refundings, and auction a minimum of $10 billion of 10-year notes in July, August, October, and November and that the Treasury auctions of 10-year notes in February and May be $12 billion each. This schedule is designed to provide a greater amount of, and thus promote market liquidity in, each 10-year note auctioned in the first half of the calendar year. This combination of changes would not significantly increase Treasury borrowing in longer maturities compared with what it otherwise would have been.

July-September borrowing plan

The Committee discussed an overall approach to funding for the July-September quarter, displayed in the attached draft proforma. The Committee voted by 11 to 4 to recommend that the Treasury not increase the sizes of new issues of 2-, 3-, and 5-year notes materially over the near term and rely more heavily on bill financing in order to balance any increase in longer term issuance.

Volatility of bill issuance

The Committee overall view was that the market had reacted in a benign manner to variations in bill financing that were necessitated by the debt limit impasse, which extended from the fall 1995 through March 1996. The Committee consensus was that the Treasury had done what it needed to do in the debt limit situation, but, for cash management in more normal times, the Treasury should maintain relatively stable regular weekly bill auction sizes.

The meeting adjourned at 4:10 p.m.

May 1

The Committee reconvened at 8:30 a.m. at the Treasury in closed session. All members were present, except Mr. Kessenich, Mr. Lodge, Mr. Rosenberg, and Mr. Stark. The Chairman presented the Committee report (copy attached) to Under Secretary for Domestic Finance John D. Hawke and Assistant Secretary Bradbury.

In response to questions, the Committee expanded on the discussion in the Committee report regarding the sizes of the 10-year notes and the 30-year bonds, which the Treasury has decided to offer more frequently.

The meeting adjourned at 8:50 a.m.

Jill K. Ouseley

Jill K. Ouseley, Director
Office of Market Finance
Domestic Finance
May 1, 1996

Attachments

Certified by: R. Kelly

Richard Kelly, Chairman
Treasury Borrowing Advisory Committee
of the Public Securities Association
May 1, 1996

1996. We are therefore discontinuing the proceedings heretofore instituted in Ex Parte No. 388 (Sub-Nos. 1, 2, 3, 5, 9, 10, 11, 13, 14, 15, 16, 18, 22, 23, 24, 26, 27, 29, 33, 35, and 36) (the certification sub-dockets for Alabama, Arkansas, Colorado, Georgia, Iowa, Kansas, Kentucky, Maryland, Michigan, Minnesota, Mississippi, Montana, New Mexico, New York, North Dakota, Oklahoma, Oregon, South Carolina, Virginia, West Virginia, and Wisconsin, respectively).

A copy of this notice will be served on the Governor of each State, the Public Service Commission (or other appropriate regulatory agency) in each State, and all other parties of record in Ex Parte No. 388, Ex Parte No. 388 A, and Ex Parte No. 388 (Sub-Nos. 1 through 37).

This action (we are simply stating the effect that ICCTA had on the preexisting certification regime) will not significantly affect either the quality of the human environment or energy conservation.

Decided: March 21, 1996.

By the Board, Chairman Morgan, Vice Chairman Simmons and Commissioner Owen.

Vernon A. Williams,

Secretary.

[FR Doc. 96–8012 Filed 4–2–96; 8:45 am]

BILLING CODE 4915–00–P

Surface Transportation Board[1]

[STB Docket No. AB–467X]

J.P. Rail Inc., T/A Southern Railroad Company of New Jersey—Abandonment Exemption; in Linwood, Atlantic County, NJ

J.P. Rail Inc., T/A Southern Railroad Company of New Jersey (SRNJ) filed a notice of exemption under 49 CFR part 1152 Subpart F; *Exempt Abandonments* to abandon a 3.38 mile line of its rail line known as the Linwood Industrial Track, from that point on the line in Pleasantville, in the vicinity of Decatur Avenue (approximately milepost 0.31+) to the end of the line in the vicinity of Wilson Avenue and Poplar Avenue (approximately milepost 3.69+) in Linwood, Atlantic County, NJ.[2]

SRNJ has certified that: (1) No local traffic has moved over the line for at least 2 years; (2) there is no overhead traffic on the line; (3) no formal complaint filed by a user of rail service on the line (or by a state or local government entity acting on behalf of such user) regarding cessation of service over the line either is pending with the Board or with any U.S. District Court or has been decided in favor of complainant within the 2-year period; and (4) the requirements at 49 CFR 1105.7 (environmental reports), 49 CFR 1105.8 (historic reports), 49 CFR 1105.11 (transmittal letter), 49 CFR 1105.12 (newspaper publication), and 49 CFR 1152.50(d)(1) (notice to governmental agencies) have been met.

As a condition to use of this exemption, any employee adversely affected by the abandonment shall be protected under *Oregon Short Line R. Co.—Abandonment—Goshen*, 360 I.C.C. 91 (1979). To address whether this condition adequately protects affected employees, a petition for partial revocation under 49 U.S.C. 10502(d) must be filed.

Provided no formal expression of intent to file an offer of financial assistance (OFA) has been received, this exemption will be effective on May 3, 1996, unless stayed pending reconsideration. Petitions to stay that do not involve environmental issues,[3] formal expressions of intent to file an OFA under 49 CFR 1152.27(c)(2),[4] and trail use/rail banking requests under 49 CFR 1152.29[5] must be filed by April 15, 1996. Petitions to reopen or requests for public use conditions under 49 CFR 1152.28 must be filed by April 23, 1996, with: Office of the Secretary, Case Control Branch, Surface Transportation Board, 1201 Constitution Avenue NW, Washington, DC 20423.

A copy of any petition filed with the Board should be sent to applicant's representative: John K. Fiorilla Watson, Stevens, Fiorilla & Rutter 390 George Street, P.O. Box 1185, New Brunswick, NJ 08903.

If the verified notice contains false or misleading information, the exemption is void *ab initio*.

SRNJ has filed an environmental report which addresses the abandonment's effects, if any, on the environment and historic resources. The Section of Environmental Analysis (SEA) will issue an environmental assessment (EA) by April 8, 1996. Interested persons may obtain a copy of the EA by writing to SEA (Room 3219, Surface Transportation Board, Washington, DC 20423) or by calling Elaine Kaiser, Chief of SEA, at (202) 927–6248. Comments on environmental and historic preservation matters must be filed within 15 days after the EA becomes available to the public.

Environmental, historic preservation, public use, or trail use/rail banking conditions will be imposed, where appropriate, in a subsequent decision.

Decided: March 26, 1996.

By the Board, David M. Konschnik, Director, Office of Proceedings.

Vernon A. Williams,

Secretary.

[FR Doc. 96–8013 Filed 4–2–96; 8:45 am]

BILLING CODE 4915–00–P

[1] The ICC Termination Act of 1995, Pub. L. No. 104–88, 109 Stat. 803 (the Act), which was enacted on December 29, 1995, and took effect on January 1, 1996, abolished the Interstate Commerce Commission (ICC) and transferred certain functions to the Surface Transportation Board (Board). This notice relates to functions that are subject to Board jurisdiction pursuant to 49 U.S.C. 10903.

[2] The verified notice of exemption was filed on March 5, 1996. Board staff contacted SRNJ and requested clarification of its verified notice. SRNJ supplemented the record by letter filed March 14, 1996. Because the notice must be filed with the Board at least 50 days before the abandonment is to be consummated, consummation may not occur before May 3, 1996. *See* 49 CFR 1152.50(d)(2). SRNJ has confirmed that the correct consummation date of the abandonment will be May 3, 1996. As noted subsequently in this notice, the exemption will be effective on that date.

[3] The Board will grant a stay if an informed decision on environmental issues (whether raised by a party or by the Board's Section of Environmental Analysis in its independent investigation) cannot be made before the exemption's effective date. *See Exemption of Out-of-Service Rail Lines*, 5 I.C.C.2d 377 (1989). Any request for a stay should be filed as soon as possible so that the Board may take appropriate action before the exemption's effective date.

[4] *See Exempt. of Rail Abandonment—Offers of Finan. Assist.*, 4 I.C.C.2d 164 (1987).

[5] The Board will accept late-filed trail use requests so long as the abandonment has not been consummated and the abandoning railroad is willing to negotiate an agreement.

DEPARTMENT OF THE TREASURY

Departmental Offices, Debt Management Advisory Committee; Meeting

Notice is hereby given, pursuant to 5 U.S.C. App. 10(a)(2), that a meeting will be held at the U.S. Treasury Department, 15th and Pennsylvania Avenue, NW., Washington, DC, on April 30 and May 1, 1996, of the following debt management advisory committee:

Public Securities Association
Treasury Borrowing Advisory Committee

The agenda for the meeting provides for a technical background briefing by Treasury staff on April 30, followed by a charge by the Secretary of the Treasury or his designate that the committee discuss particular issues, and a working session. On May 1, the committee will present a written report of its recommendations.

The background briefing by Treasury staff will be held at 11:30 a.m. Eastern time on April 30 and will be open to the public. The remaining sessions on April

30 and the committee's reporting session on May 1 will be closed to the public, pursuant to 5 U.S.C. App. 10(d).

This notice shall constitute my determination, pursuant to the authority placed in heads of departments by 5 U.S.C. App. 10(d) and vested in me by Treasury Department Order No. 101–05, that the closed portions of the meeting are concerned with information that is exempt from disclosure under 5 U.S.C. 552b(c)(9)(A). The public interest requires that such meetings be closed to the public because the Treasury Department requires frank and full advice from representatives of the financial community prior to making its final decision on major financing operations. Historically, this advice has been offered by debt management advisory committees established by the several major segments of the financial community. When so utilized, such a committee is recognized to be an advisory committee under 5 U.S.C. App. 3.

Although the Treasury's final announcement of financing plans may not reflect the recommendations provided in reports of the advisory committee, premature disclosure of the committee's deliberations and reports would be likely to lead to significant financial speculation in the securities market. Thus, these meetings fall within the exemption covered by 5 U.S.C. 552b(c)(9)(A).

The Office of the Assistant Secretary for Financial Markets is responsible for maintaining records of debt management advisory committee meetings and for providing annual reports setting forth a summary of committee activities and such other matters as may be informative to the public consistent with the policy of 5 U.S.C. 552b.

Dated: March 27, 1996.

Darcy Bradbury,

Assistant Secretary, Financial Markets.

[FR Doc. 96–8088 Filed 4–2–96; 8:45 am]

BILLING CODE 4810–25–M

Office of the Comptroller of the Currency

[Docket No. 96–07]

Covered Executive Branch Officials at the Office of the Comptroller of the Currency Under the Lobbying Disclosure Act of 1995

AGENCY: Office of the Comptroller of the Currency, Treasury.

ACTION: Notice.

SUMMARY: The Office of the Comptroller of the Currency is publishing a list of the current "covered executive branch officials" at the agency for purposes of the Lobbying Disclosure Act of 1995 (the Act) and the name of an office at the agency that will identify "covered executive branch officials" for purposes of the Act.

EFFECTIVE DATE: January 1, 1996.

FOR FURTHER INFORMATION CONTACT: Barrett Aldmeyer, Senior Counsel, Administrative and Internal Law Division, 202 874–4460; Heidi Thomas, Legislative Counsel, or Nancy Michaleski, Assistant Director, Legislative and Regulatory Activities Division, 202–874–5090, Office of the Comptroller of the Currency, 250 E Street SW., Washington, DC 20219.

Covered Executive Branch Officials at the OCC

The Act (Pub. L. 104–65, 109 Stat. 691), codified at 2 U.S.C. 1601 *et seq.*, repeals the Federal Regulation of Lobbying Act, 2 U.S.C. 261 *et seq.*, and puts into place new Federal requirements for the disclosure and registration of individuals who make lobbying contacts with covered Federal legislative and executive branch officials. The Act generally became effective on January 1, 1996.

To assist individuals in complying with the requirements of the Act, the OCC is publishing the names of the officials at the OCC who currently are "covered executive branch officials." The Act defines a "covered executive branch official," among other things, to include any officer or employee serving in a position in Levels I through V of the Executive Schedule, or any officer and employee serving in a position of a confidential, policy-determining, policy-making, or policy-advocating character described in section 5 U.S.C. 7511(b)(2).[1]

The OCC has determined that the following individuals are currently covered by the Act and have been covered since the date of enactment because they serve in positions in the Executive Service or in Schedule C positions:

- Eugene A. Ludwig, Comptroller
- Mark P. Jacobsen, Senior Advisor to the Comptroller
- Konrad S. Alt, Senior Deputy Comptroller
- Douglas E. Harris, Senior Deputy Comptroller

[1] Recent guidance issued by the Clerk of the House of Representatives and the Secretary of the Senate states that the Office of Personnel Management (OPM) has indicated that all Schedule C employees are within 5 U.S.C. 7511(b)(2) and, therefore, covered by the Act. The recent guidance also indicates that OPM may find that additional positions are covered by 5 U.S.C. 7511(b)(2). However, this information is provided only as guidance and it is not legally binding. The guidance states that the Act does not provide the Clerk or the Secretary with authority to issue substantive regulations or definitive interpretations of the law.

The Act requires each "covered executive branch official" or, in the alternative, the official's employing office, to identify whether the official is covered by the Act upon the request of a person making a lobbying contact. To obtain updated information from the OCC about whether an OCC employee is a "covered executive branch official," an individual may contact the following OCC office: Office of Communications, Office of the Comptroller of the Currency, 250 E St., SW., Washington, D.C. 20219, (202) 874–4700, *Attention:* Frank Vance, Disclosure Officer. In addition, as necessary, the OCC may publish a revised list of OCC "covered executive branch officials."

Dated: March 27, 1996.

Eugene A. Ludwig,

Comptroller of the Currency.

[FR Doc. 96–8131 Filed 4–2–96; 8:45 am]

BILLING CODE 4810–33–P

Customs Service

Application for Recordation of Trade Name: "OMI Industries, Inc."

ACTION: Notice of Application for Recordation of Trade Name.

SUMMARY: Application has been filed pursuant to section 133.12, Customs Regulations (19 CFR 133.12), for the recordation under section 42 of the Act of July 5, 1946, as amended (15 U.S.C. 1124), of the trade name "OMI INDUSTRIES, INC.," used by OMI Industries, Inc., a corporation organized under the laws of the State of Ohio, located at 310 Outerbelt Street, Columbus, Ohio 43213.

The application states that the trade name is used in connection with aluminum and steel die cast products. The merchandise is manufactured in Russia.

Before final action is taken on the application, consideration will be given to any relevant data, views, or arguments submitted in writing by any person in opposition to the recordation of this trade name. Notice of the action taken on the application for recordation of this trade name will be published in the **Federal Register**.

DATES: Comments must be received on or before June 3, 1996.

ADDRESSES: Written comments should be addressed to U.S. Customs Service, Attention: Intellectual Property Rights Branch, 1301 Constitution Avenue.

Treasury Borrowing Advisory Committee
of the
Public Securities Association

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Chairman of the Board
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April 30, 1996

COMMITTEE CHARGE

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

Treasury financing

-- the composition of a financing to refund $35.0 billion of privately held notes maturing on May 15 and to raise $12 to $14 billion of cash in 3- and 10-year notes and cash management bills; and

-- the composition of Treasury marketable financing for the remainder of the April-June quarter and the July-September quarter.

Longer range borrowing

We are planning to announce increases in the frequency of 10-year notes to 6 times per year and 30-year bonds to 3 times per year. Therefore, we also would like the Committee's views on the following:

-- we plan to reduce the size of each auction somewhat from current levels so that total annual issuance in future years will not change significantly from the levels that otherwise would have been necessary.

-- the 6 issues of 10-year note issues each year would occur in the regular midquarter refunding operations and on July 15 and October 15;

-- the 3 issues of 30-year bonds each year would occur in the February 15, August 15, and November 15 midquarter refunding operations; and

-- the July 15 and October 15 10-year notes would have July 15 and October 15 maturity dates, unless they were reopenings of outstanding midquarter refunding securities, and they would be strippable.

Other topics

The Treasury varied the sizes of the weekly bills and relied relatively heavily on cash management bills to manage cash and debt during the debt limit impasse. Please discuss the market's reaction to the volatility of weekly bill sizes and the more frequent issuance of cash management bills.

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

Summary of April - June 1996
Estimated Net Marketable Borrowing
(billions of dollars)

Net new money raised in issues announced (as of 4/29/96, 3:30 p.m.):

Regular Treasury bills (	$0.00 billion of foreign add-ons)	-5.9
52-week Treasury bills (	$0.00 billion of foreign add-ons)	2.8
Cash management bills		-38.3
2-year notes (includes	$3.47 billion of foreign add-ons)	4.9
5-year notes (includes	$1.10 billion of foreign add-ons)	9.1
7-year notes redemption		-7.8
		-35.1

Net new money yet to be raised

Regular Treasury bills (	*$0.00 billion of foreign add-ons)*	*7.5*
52-week Treasury bills (	*$0.00 billion of foreign add-ons)*	*0.6*
Cash management bills (	*$0.00 billion of foreign add-ons)*	*0.0*
2- & 5-year notes (	*$2.75 billion of foreign add-ons)*	*6.6*
Mid-quarter refunding (	*$2.35 billion of foreign add-ons)*	*0.8*
		15.5

Total net marketable borrowing in the quarter **-19.7**

Note: Assumes an end-of-quarter cash balance of $35 billion.

Summary of July - September 1996
Estimated Net Marketable Borrowing
(billions of dollars)

Net new money to be raised

Regular Treasury bills (	*$0.00 billion of foreign add-ons)*	*14.9*
52-week Treasury bills (	*$0.00 billion of foreign add-ons)*	*3.1*
Cash management bills (	*$0.00 billion of foreign add-ons)*	*0.0*
2- & 5-year notes (	*$4.50 billion of foreign add-ons)*	*21.3*
Mid-quarter refunding (	*$0.25 billion of foreign add-ons)*	*28.9*
7-year notes redemption		*-7.7*

Total net marketable borrowing in the quarter **60.5**

Note: Assumes an end of quarter cash balance of $40 billion.

Estimated Treasury Marketable Borrowing
(billions of dollars)

April - June 1996

Total estimated marketable borrowing	-19.7
Total net marketable borrowing issued or announced through April 29, 1996	-35.1
Total remaining net marketable borrowing	15.5
Cash balance at end of quarter	35

		Amount Maturing	Amount Offered	Foreign Add-ons	Cash raised	Cumulative cash raised
3- & 6-month bills						
04-Apr		26.9	27.2	0.0	0.3	
11-Apr		27.3	27.2	0.0	-0.1	
18-Apr		25.6	20.7	0.0	-4.9	
25-Apr		24.6	23.2	0.0	-1.4	
02-May		26.9	27.1	0.0	0.2	
09-May		*30.9*	*27.0*	*0.0*	*-3.9*	
16-May		*28.7*	*27.0*	*0.0*	*-1.7*	
23-May		*26.0*	*27.0*	*0.0*	*1.0*	
30-May		*26.5*	*29.0*	*0.0*	*2.5*	
06-Jun		*29.3*	*30.0*	*0.0*	*0.7*	
13-Jun		*26.9*	*30.0*	*0.0*	*3.1*	
20-Jun		*27.6*	*30.0*	*0.0*	*2.4*	
27-Jun		*26.7*	*30.0*	*0.0*	*3.3*	*1.6*
52-week bills						
04-Apr		17.6	18.9	0.0	1.4	
02-May		18.0	19.4	0.0	1.5	
30-May		*18.6*	*19.3*	*0.0*	*0.7*	
27-Jun		*19.3*	*19.3*	*0.0*	*-0.1*	*3.4*
Cash Management Bills						
Settlement date	Maturity date					
01-Apr	10-Apr	0.0	30.0	0.0	30.0	
03-Apr	18-Apr	0.0	14.0	0.0	14.0	
03-Apr	25-Apr	0.0	11.1	0.0	11.1	
	10-Apr	30.0	0.0	0.0	-30.0	
	18-Apr	43.2	0.0	0.0	-43.2	
	25-Apr	20.1	0.0	0.0	-20.1	
15-May	*20-Jun*	*0.0*	*25.0*	*0.0*	*25.0*	
03-Jun	*20-Jun*	*0.0*	*25.0*	*0.0*	*25.0*	
	20-Jun	*50.0*	*0.0*	*0.0*	*-50.0*	*-38.3*
Coupons						
April 7-year		7.8	0.0	0.0	-7.8	
March 2-year		17.6	18.3	1.8	2.5	
March 5-year		8.0	12.0	0.7	4.7	
April 2-year		18.0	18.8	1.7	2.4	
April 5-year		8.6	12.5	0.5	4.4	
May 3-year		*0.0*	*19.0*	*1.6*	*20.6*	
May 10-year		*35.0*	*14.5*	*0.8*	*-19.8*	
May 30-year		*0.0*	*0.0*	*0.0*	*0.0*	
Total Refunding		*35.0*	*33.5*	*2.4*	*0.8*	
May 2-year		*18.2*	*18.8*	*1.8*	*2.3*	
May 5-year		*9.2*	*12.5*	*1.0*	*4.3*	*13.6*
Grand total		***693.1***	***663.7***	***9.7***	***-19.7***	***-19.7***

Estimated Treasury Marketable Borrowing
(billions of dollars)

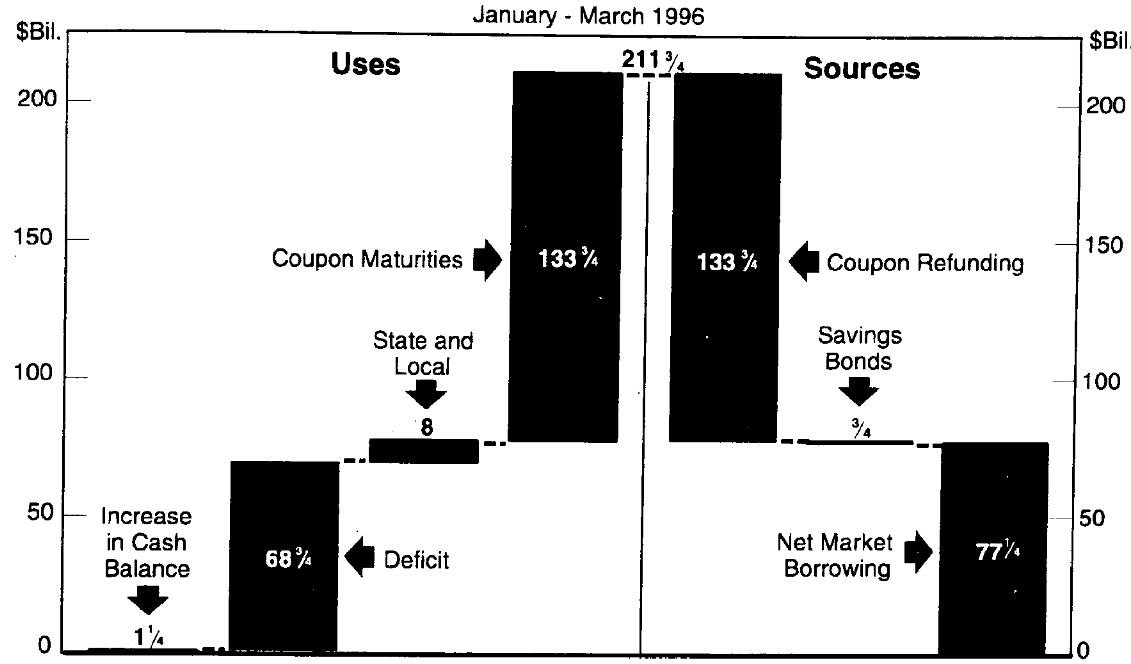
July - September 1996

Total estimated marketable borrowing	60.5
Total net marketable borrowing issued or announced through April 29, 1996	0.0
Total remaining net marketable borrowing	60.5
Cash balance at end of quarter	40

		Amount Maturing	Amount Offered	Foreign Add-ons	Cash raised	Cumulative cash raised
3- & 6-month bills						
05-Jul		*27.7*	*30.0*	*0.0*	*2.3*	
11-Jul		*27.7*	*29.0*	*0.0*	*1.3*	
18-Jul		*22.9*	*29.0*	*0.0*	*6.1*	
25-Jul		*23.2*	*29.0*	*0.0*	*5.8*	
01-Aug		*27.6*	*29.0*	*0.0*	*1.4*	
08-Aug		*30.0*	*28.0*	*0.0*	*-2.0*	
15-Aug		*27.3*	*28.0*	*0.0*	*0.7*	
22-Aug		*26.7*	*28.0*	*0.0*	*1.3*	
29-Aug		*26.9*	*28.0*	*0.0*	*1.1*	
05-Sep		*30.4*	*28.0*	*0.0*	*-2.4*	
12-Sep		*27.7*	*28.0*	*0.0*	*0.3*	
19-Sep		*28.6*	*28.0*	*0.0*	*-0.6*	
26-Sep		*28.5*	*28.0*	*0.0*	*-0.5*	*14.9*
52-week bills						
25-Jul		*18.4*	*19.8*	*0.0*	*1.4*	
22-Aug		*18.5*	*19.8*	*0.0*	*1.2*	
19-Sep		*19.3*	*19.8*	*0.0*	*0.5*	*3.1*
Cash management bills						
Settlement date	Maturity date					
02-Aug	*19-Sep*	*0.0*	*25.0*	*0.0*	*25.0*	
03-Sep	*19-Sep*	*0.0*	*20.0*	*0.0*	*20.0*	
	19-Sep	*45.0*	*0.0*	*0.0*	*-45.0*	*0.0*
Coupons						
July 7-year		*7.7*	*0.0*	*0.0*	*-7.7*	
June 2-year		*18.1*	*18.8*	*0.5*	*1.2*	
June 5-year		*9.4*	*12.5*	*0.3*	*3.4*	
July 2-year		*18.2*	*19.3*	*1.0*	*2.0*	
July 5-year		*9.6*	*13.0*	*0.3*	*3.7*	
August 3-year		*0.0*	*19.5*	*0.3*	*19.8*	
August 10-year		*18.3*	*15.0*	*0.0*	*-3.3*	
August 30-year		*0.0*	*12.5*	*0.0*	*12.5*	
Refunding		*18.3*	*47.0*	*0.3*	*28.9*	
August 2-year		*18.5*	*19.3*	*1.0*	*1.8*	
August 5-year		*9.3*	*13.0*	*0.3*	*4.0*	
September 2-year		*18.4*	*19.3*	*1.0*	*1.9*	
September 5-year		*9.7*	*13.0*	*0.3*	*3.6*	*42.6*
Grand total		*593.5*	*649.3*	*4.8*	*60.5*	*60.5*

TREASURY FINANCING REQUIREMENTS

January - March 1996



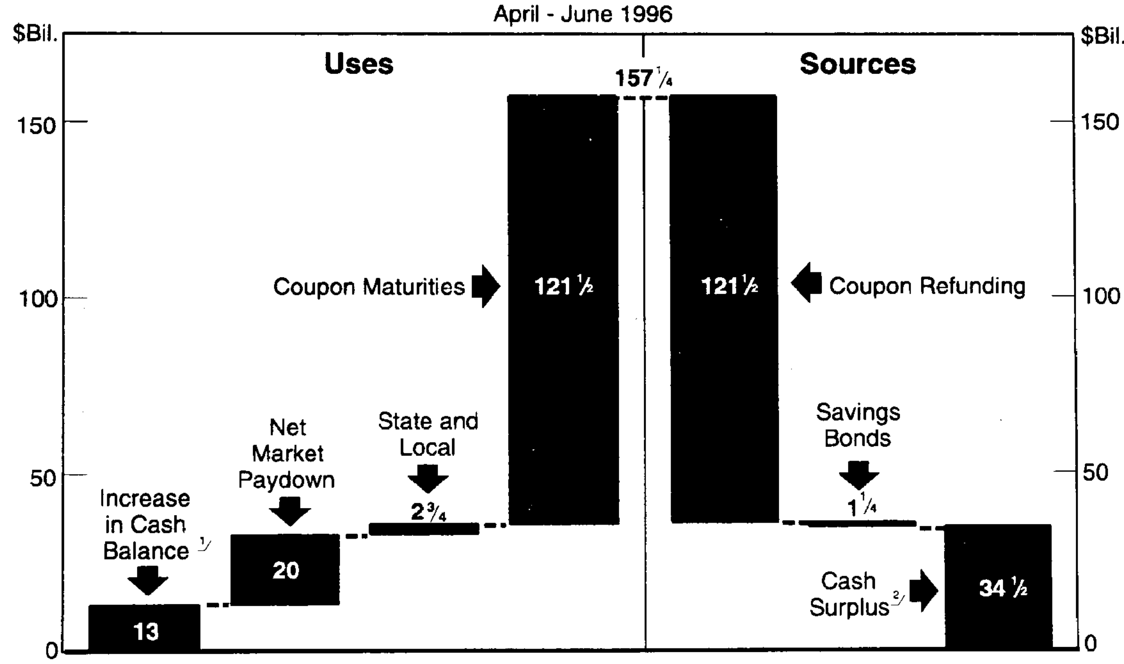
1/ Includes budget deficit, changes in accrued interest and checks outstanding and minor miscellaneous debt transactions.

Department of the Treasury
Office of Market Finance

April 29, 1996-1

TREASURY FINANCING REQUIREMENTS

April - June 1996



1/ Assumes a $35 billion cash balance June 30, 1996.

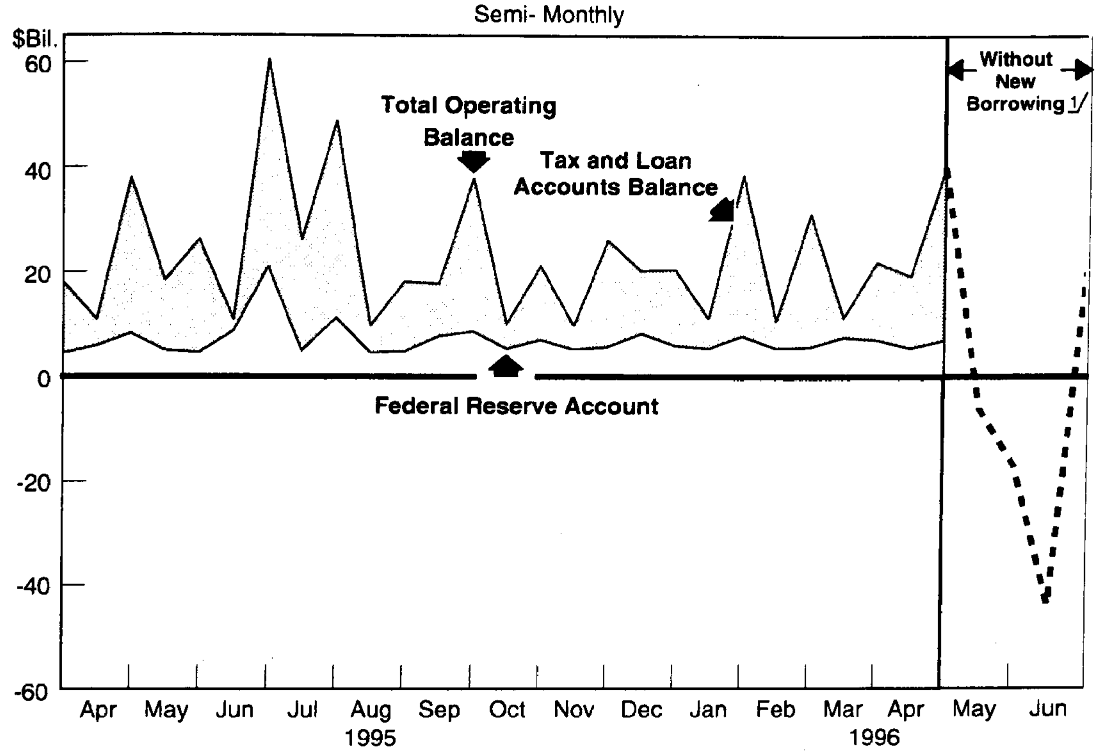
2/ Includes budget deficit, changes in accrued interest and checks outstanding and minor miscellaneous debt transactions.

Department of the Treasury
Office of Market Finance

April 29, 1996-2

TREASURY OPERATING CASH BALANCE

Semi- Monthly

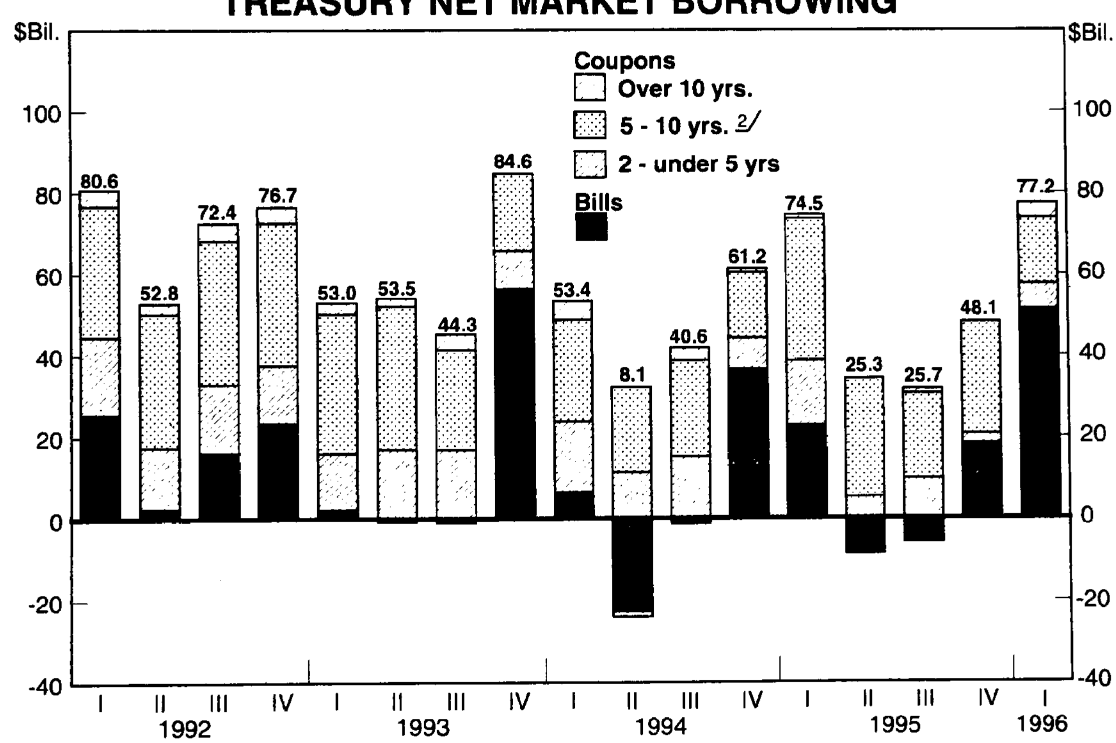


1/ Assumes refunding of maturing issues.

Department of the Treasury
Office of Market Finance

April 29, 1996-3

TREASURY NET MARKET BORROWING 1/



1/ Excludes Federal Reserve and Government Account Transactions.

2/ 7 year note discontinued after April 1993.

Department of the Treasury
Office of Market Finance

April 29.1996-4

NET MARKET BORROWING

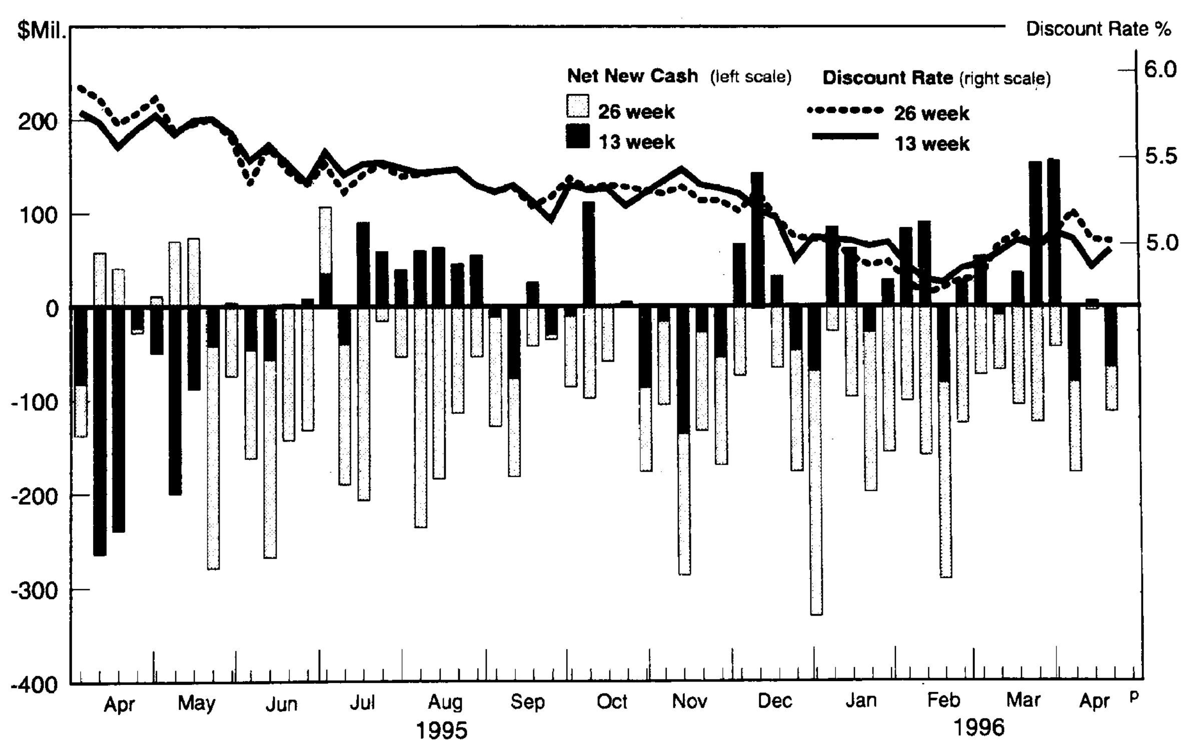
April – June 1996

(Billions of Dollars)

Total		**-20.0**
Done [1]		**-35.0**
Bills		
Regular weekly	-5.9	
52 week	2.9	
Cash management	-38.3	
Notes		
2 year notes	4.9	
5 year notes	9.1	
7 year note	-7.8	
To Be Done		**15.0**

[1] Issued or announced through April 26, 1995.

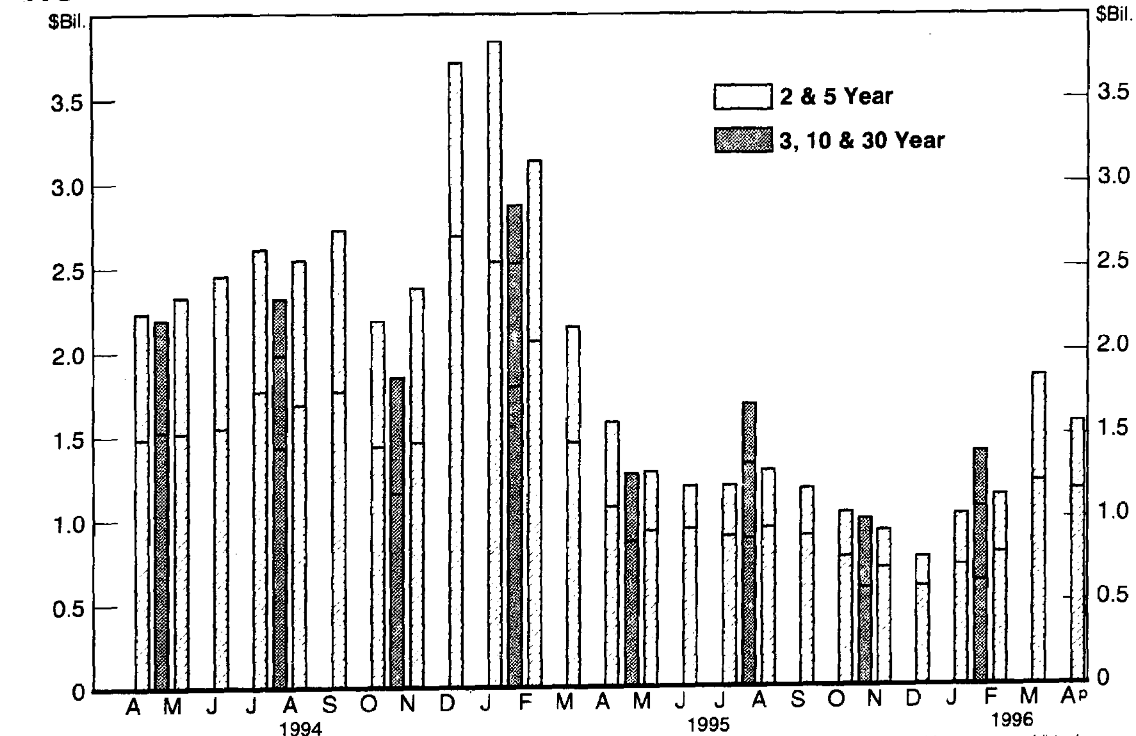
NET NEW CASH FROM NONCOMPETITIVE TENDERS IN WEEKLY BILL AUCTIONS [1]



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

p Preliminary

NONCOMPETITIVE TENDERS IN TREASURY NOTES AND BONDS 1/



1/ Excludes foreign add-ons from noncompetitive tenders. From October 18, 1995 to April 1, 1996, foreign add-ons were prohibited to avoid exceeding the debt limit, foreign rollovers were excluded from noncompetitive tenders. p Preliminary

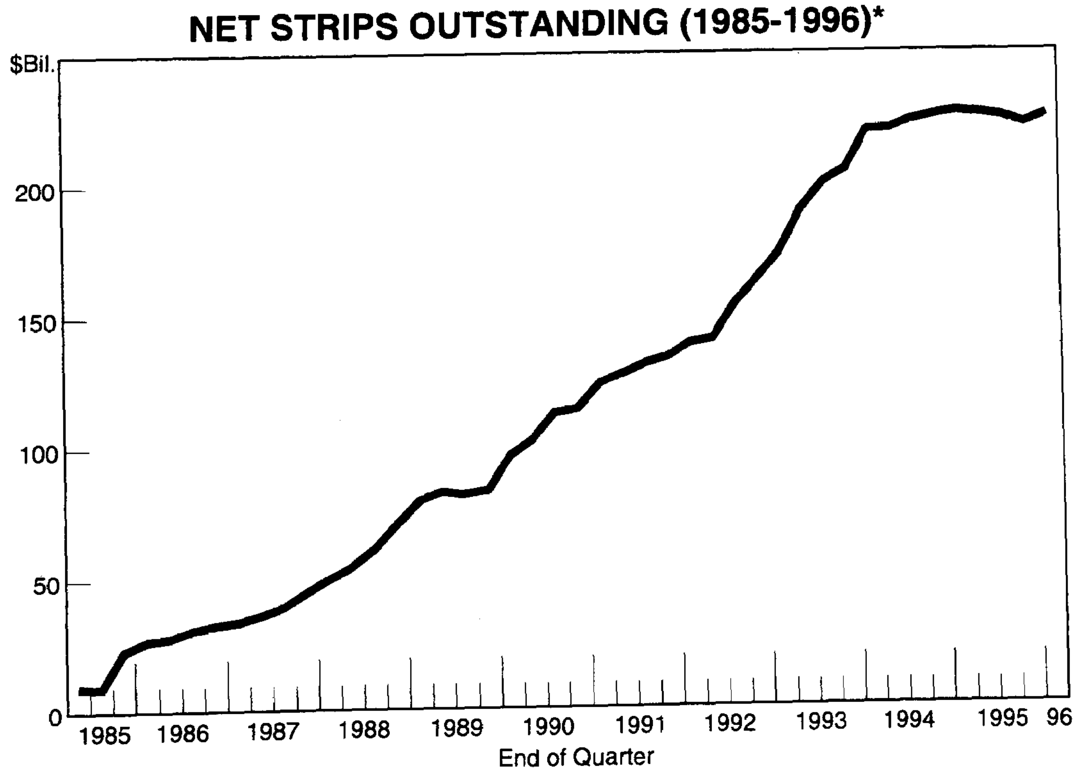
Treasury increased the maximum noncompetitive award to any noncompetitive bidder to $5 million effective November 5, 1991.

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

April 29, 1996-6

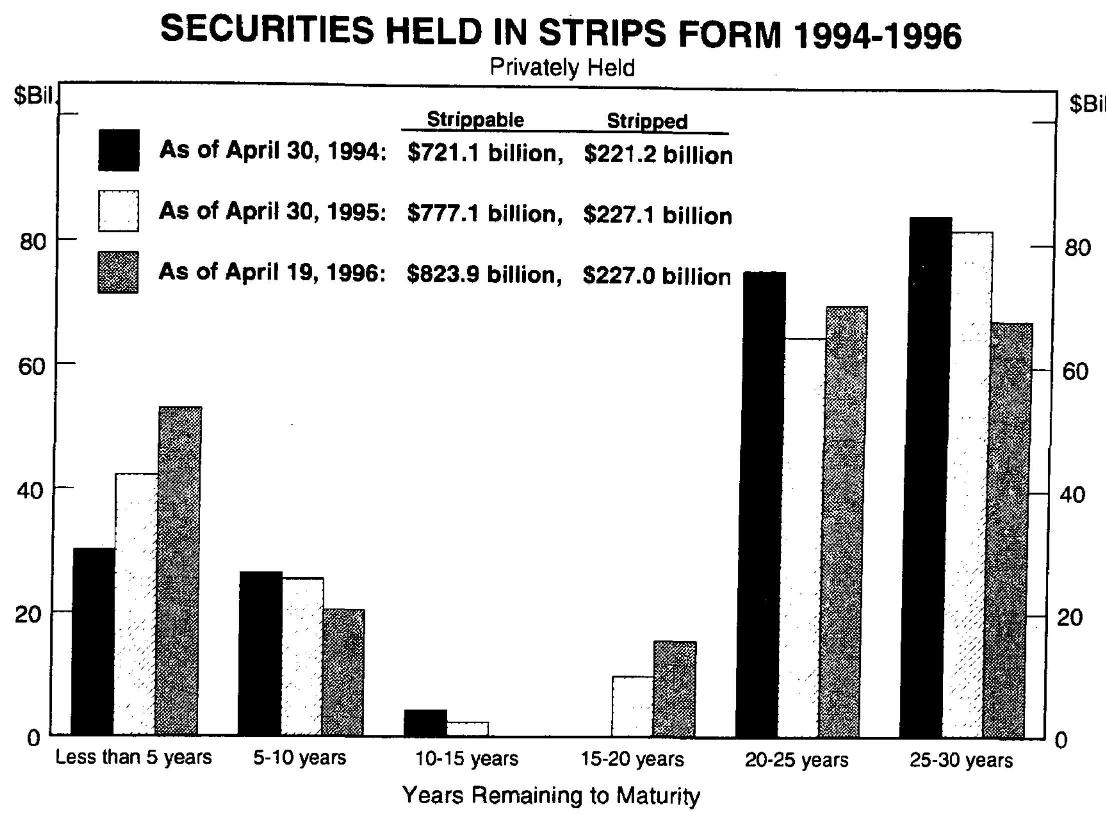
NET STRIPS OUTSTANDING (1985-1996)*



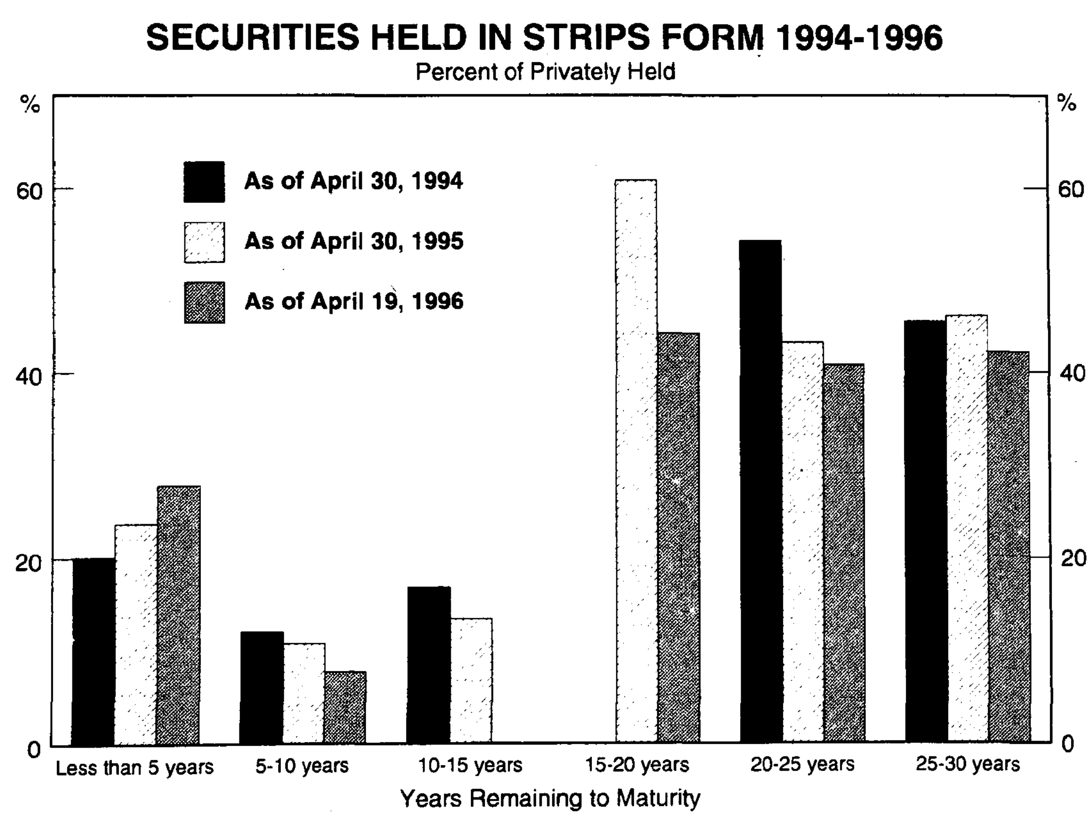
*Strips program began February 15, 1985.
Reconstitution began May 1, 1987.

Department of the Treasury
Office of Market Finance

April 29, 1996-6a

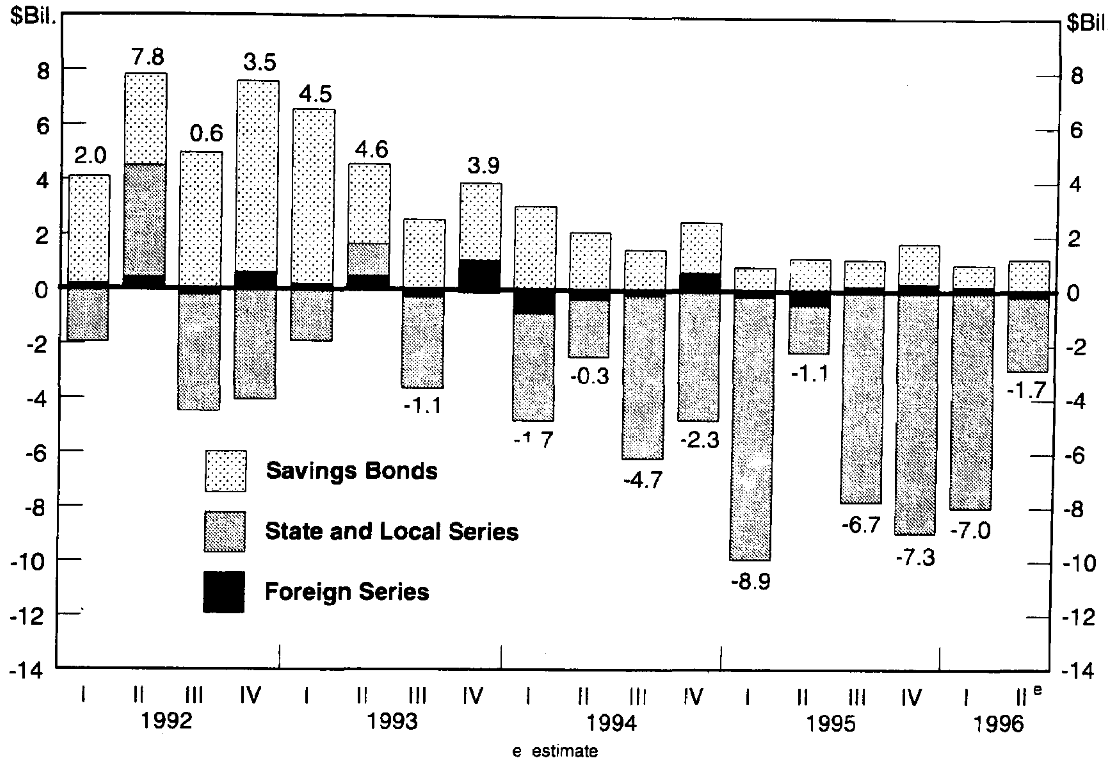


Note: The STRIPS program was established in February 1985. The 11 5/8% note of November 15, 1994, issued on November 15, 1984, was the first STRIPS-eligible security to mature.



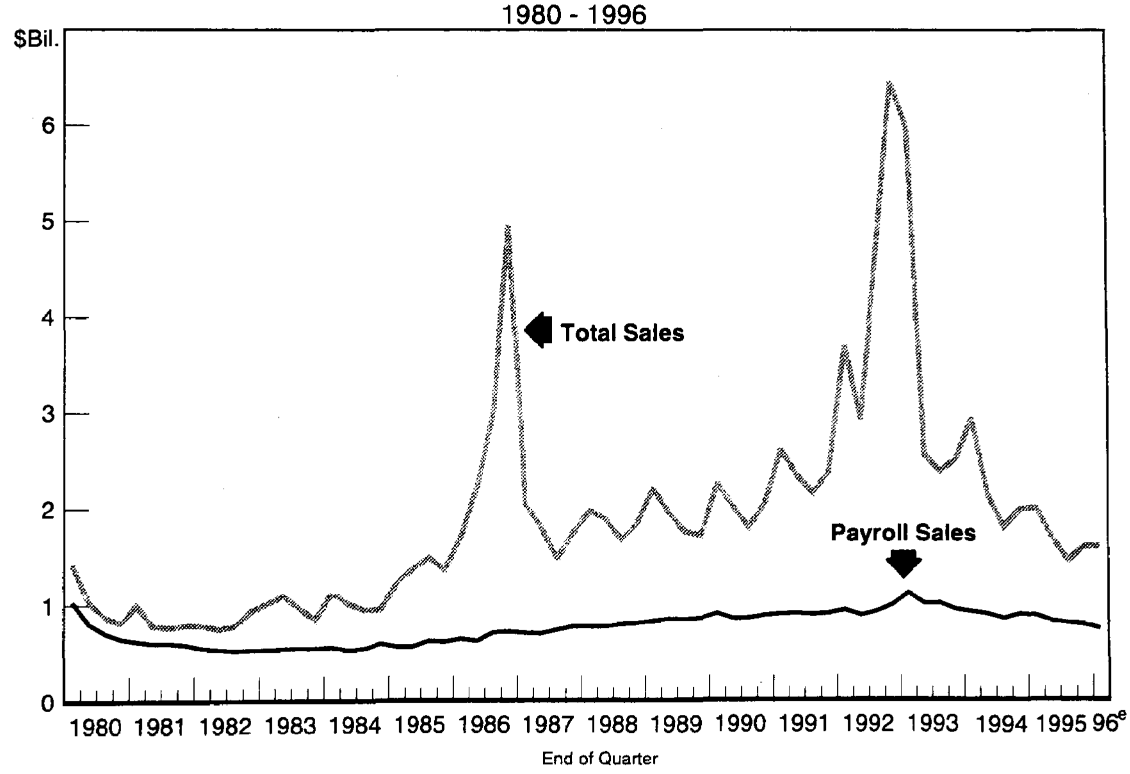
Note: The STRIPS program was established in February 1985. The 11 5/8% note of November 15, 1994, issued on November 15, 1984, was the first STRIPS-eligible security to mature.

TREASURY NET BORROWING FROM NONMARKETABLE ISSUES

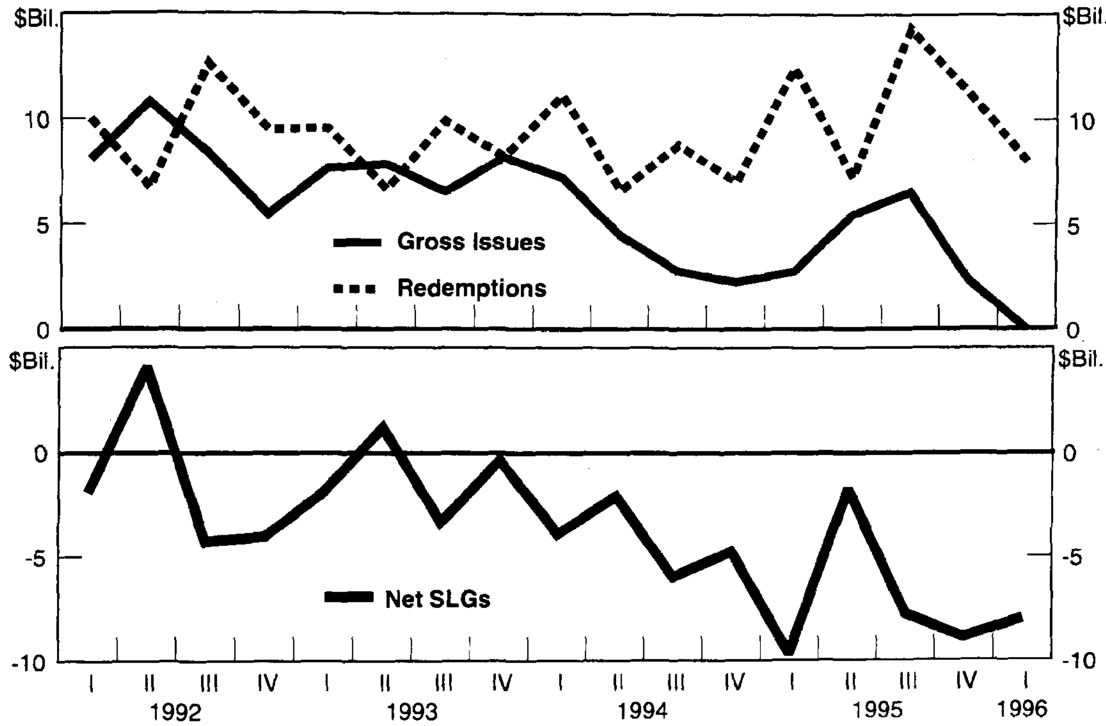


SALES OF UNITED STATES SAVINGS BONDS

1980 - 1996

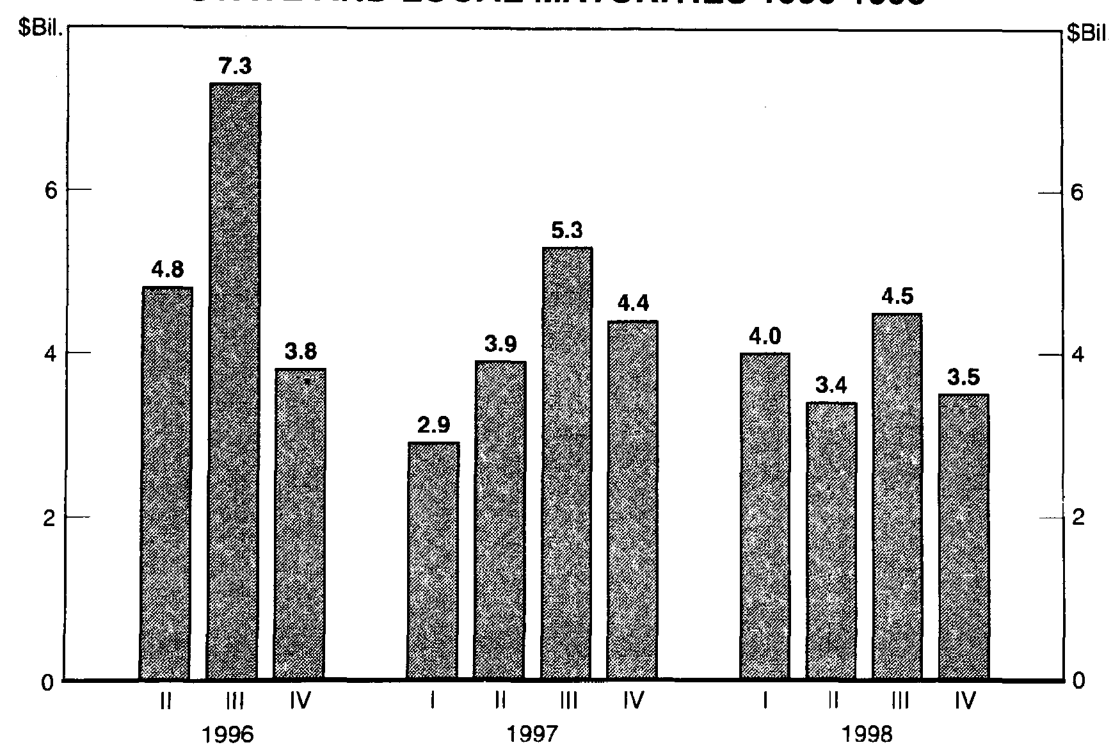


STATE & LOCAL GOVERNMENT SERIES

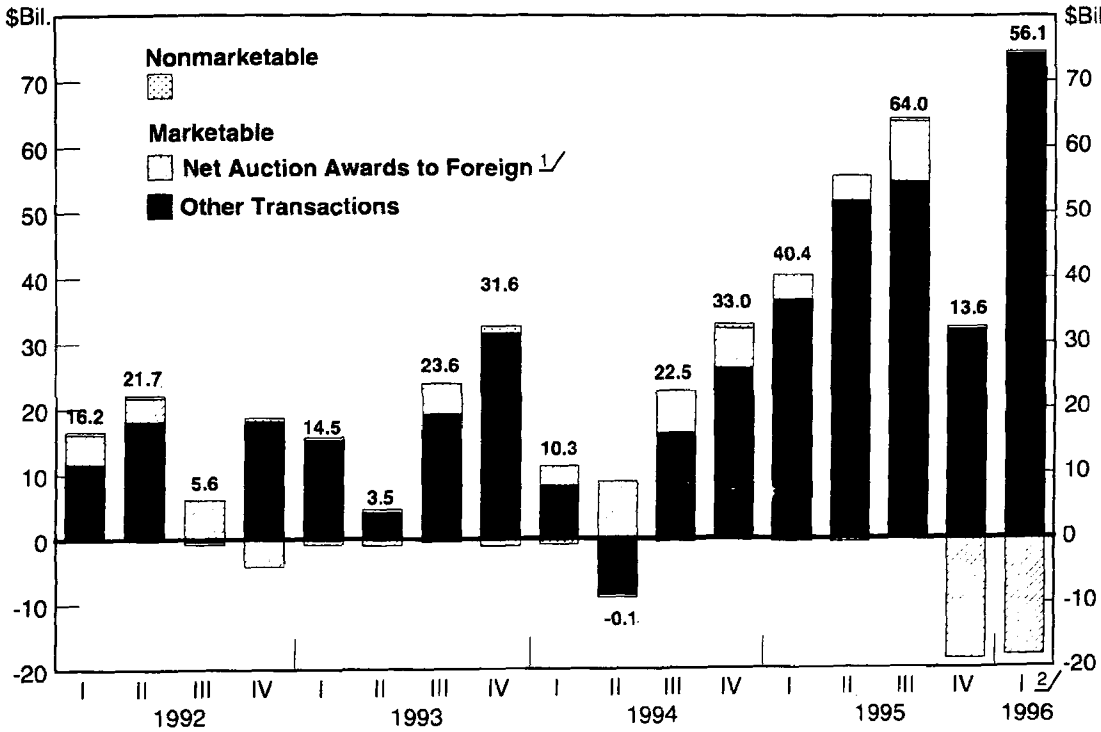


Note: SLGS sales were suspended from October 18, 1995 to March 29, 1996.

STATE AND LOCAL MATURITIES 1996-1998

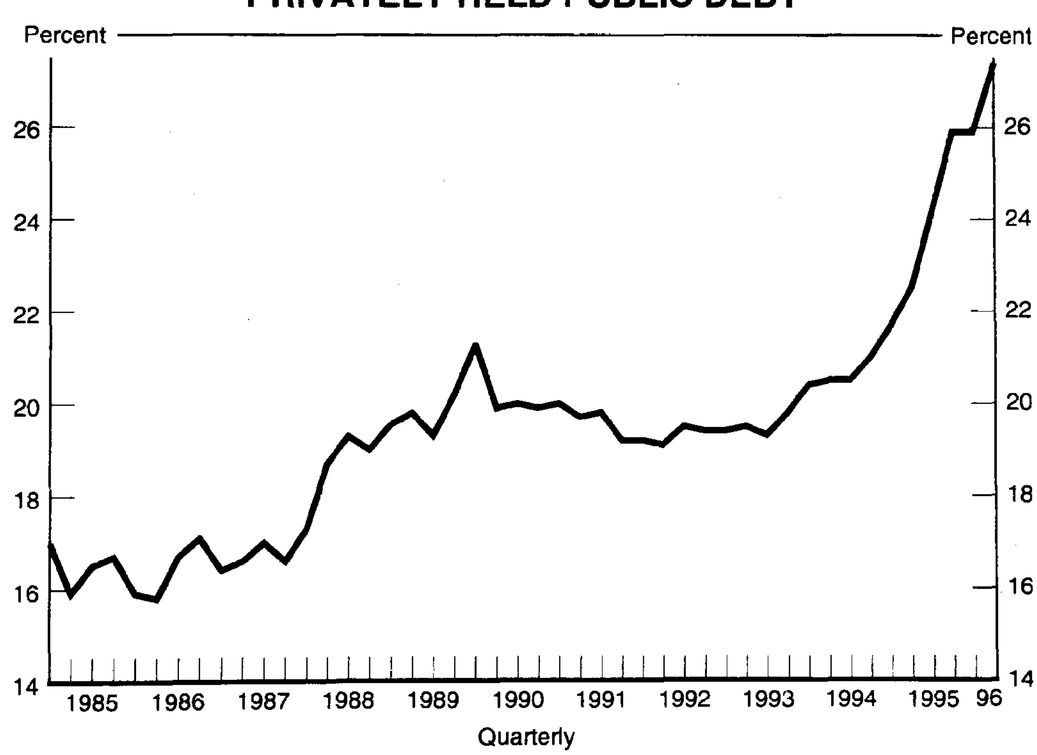


QUARTERLY CHANGES IN FOREIGN AND INTERNATIONAL HOLDINGS OF PUBLIC DEBT SECURITIES



1/ Auction awards to foreign official purchasers netted against holdings of maturing securities.
2/ Data through February 29, 1996.

FOREIGN HOLDINGS AS A PERCENT OF TOTAL PRIVATELY HELD PUBLIC DEBT



MAJOR FOREIGN HOLDERS OF TREASURY SECURITIES

Country	December 31, 1994 $ Billions	As a % of Total Foreign	As a % of Total Private	December 31, 1995 $ Billions	As a % of Total Foreign	As a % of Total Private	February 29, 1996 $ Billions	As a % of Total Foreign	As a % of Total Private
Japan	$175.7	25.5%	5.5%	$219.9	25.5%	6.7%	$242.5	26.4%	7.2%
United Kingdom	91.0	13.2%	2.9%	123.6	14.3%	3.8%	127.5	13.9%	3.8%
Germany	54.4	7.9%	1.7%	53.7	6.2%	1.6%	58.2	6.3%	1.7%
Netherland Antilles	27.6	4.0%	0.9%	50.9	5.9%	1.5%	38.7	4.2%	1.2%
Switzerland	32.4	4.7%	1.0%	37.0	4.3%	1.1%	35.4	3.9%	1.1%
Singapore	21.9	3.2%	0.7%	29.7	3.4%	0.9%	39.3	4.3%	1.2%
Mainland China	20.5	3.0%	0.6%	34.9	4.0%	1.1%	22.9	2.5%	0.7%
OPEC	25.6	3.7%	0.8%	28.0	3.2%	0.8%	28.1	3.1%	0.8%
Canada	24.6	3.6%	0.8%	25.1	2.9%	0.8%	29.0	3.2%	0.9%
Taiwan	25.8	3.7%	0.8%	24.0	2.8%	0.7%	36.0	3.9%	1.1%
Spain	27.9	4.1%	0.9%	19.3	2.2%	0.6%	21.6	2.4%	0.6%
Hong Kong	13.8	2.0%	0.4%	18.8	2.2%	0.6%	21.7	2.4%	0.6%
Mexico	7.9	1.1%	0.2%	16.4	1.9%	0.5%	17.3	1.9%	0.5%
Belgium	13.1	1.9%	0.4%	12.7	1.5%	0.4%	12.8	1.4%	0.4%
France	9.7	1.4%	0.3%	9.2	1.1%	0.3%	11.0	1.2%	0.3%
Other	116.7	16.9%	3.7%	158.6	18.4%	4.8%	175.9	19.2%	5.3%
Estimated Foreign Total	688.6	100.0%	21.7%	861.8	100.0%	26.2%	917.9	100.0%	27.4%

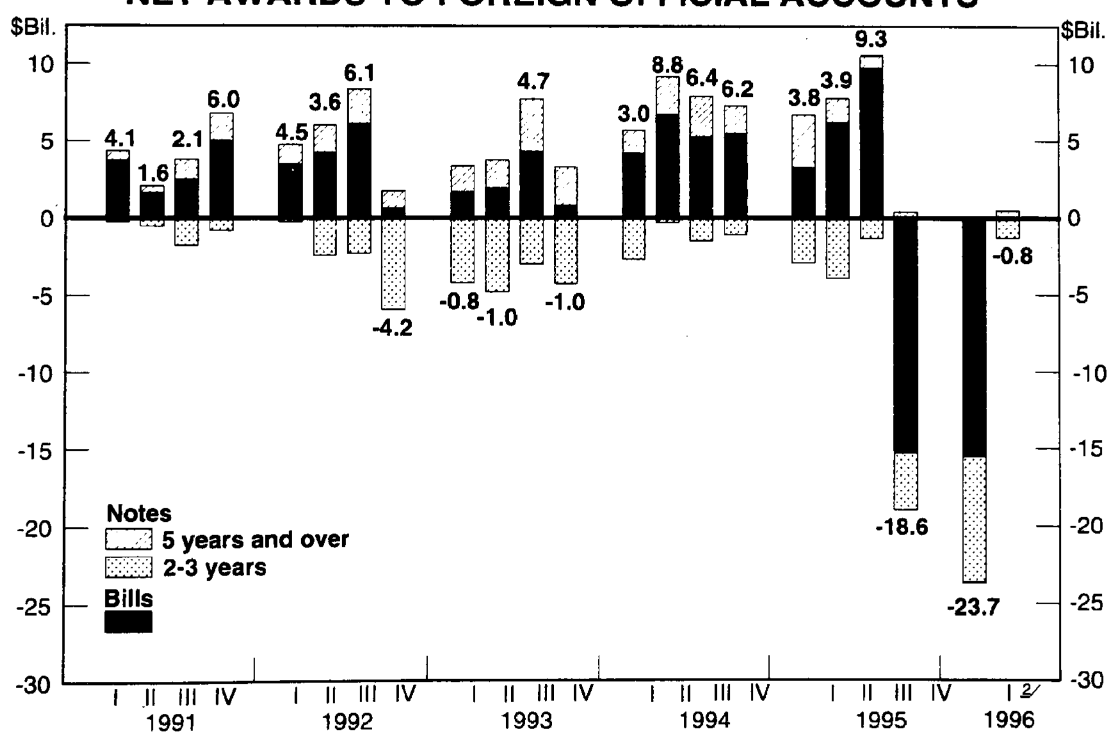
Note: RP's are included in "other". Detail may not add to totals due to rounding.

Source: Treasury Foreign Portfolio Investment Survey benchmark as of end-year 1989 and monthly data collected under the Treasury International Capital reporting system.

Department of the Treasury
Office of Market Finance

April 29, 1996-15

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. Foreign add-ons prohibited from October 18, 1995 to March 29, 1996 to avoid exceeding the debt limit.

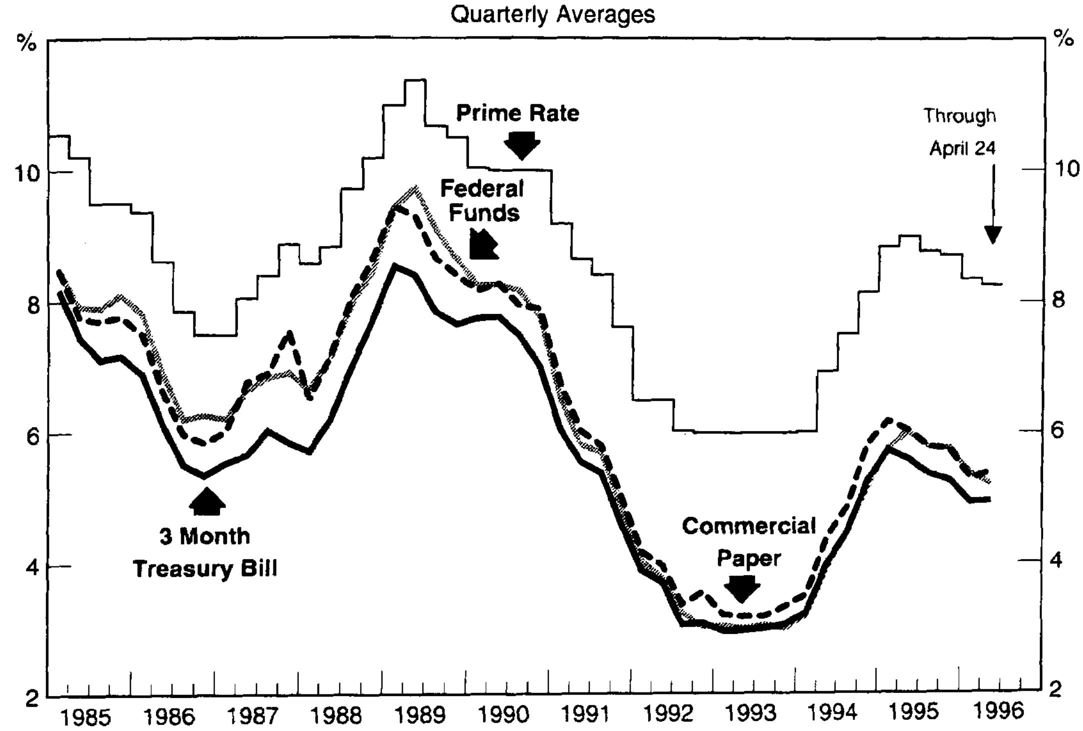
2/ Through April 26, 1996.

Department of the Treasury
Office of Market Finance

April 29, 1995-16

SHORT TERM INTEREST RATES

Quarterly Averages

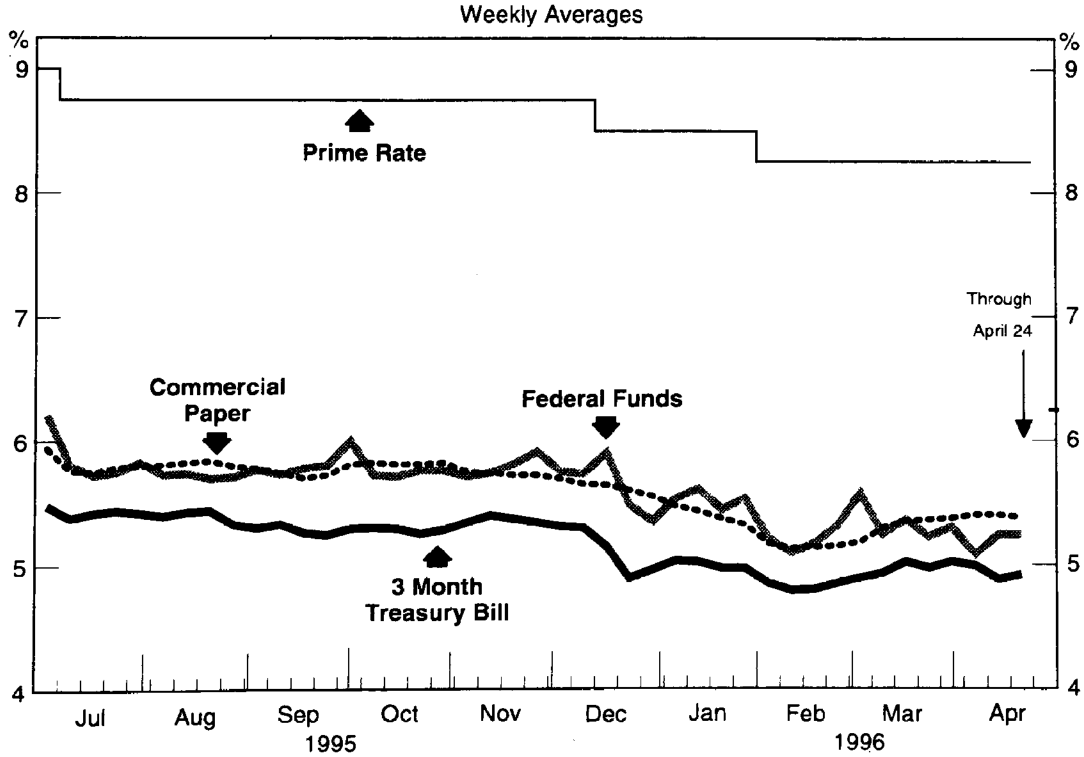


Department of the Treasury
Office of Market Finance

January 29, 1996-17

SHORT TERM INTEREST RATES

Weekly Averages

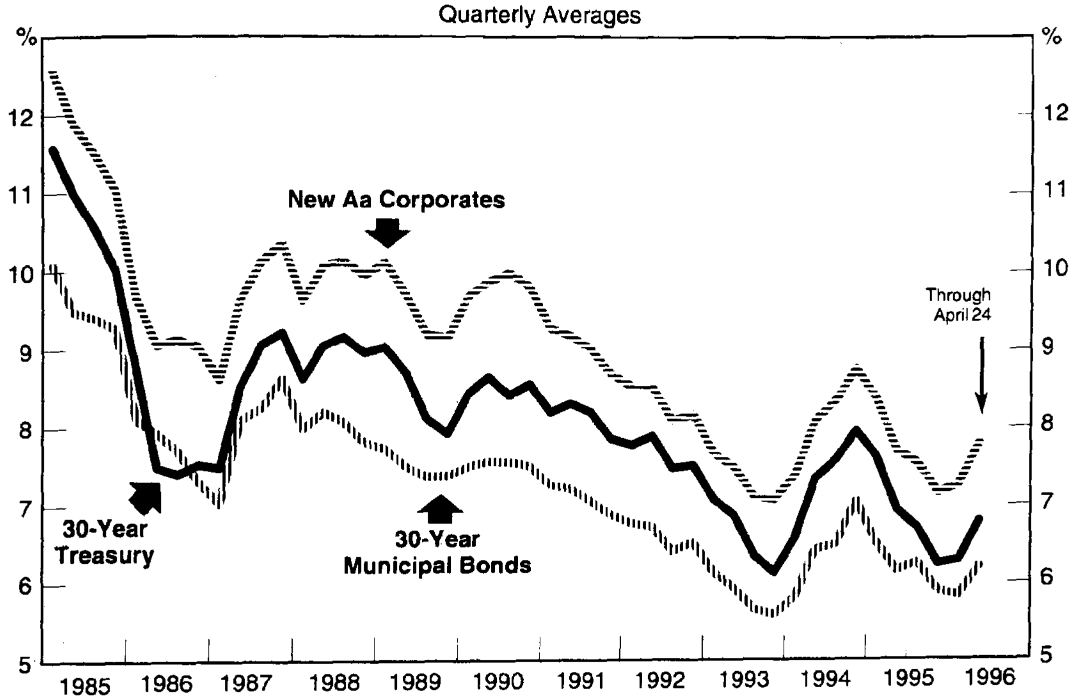


Department of the Treasury
Office of Market Finance

April 29 1996-18

LONG TERM MARKET RATES

Quarterly Averages

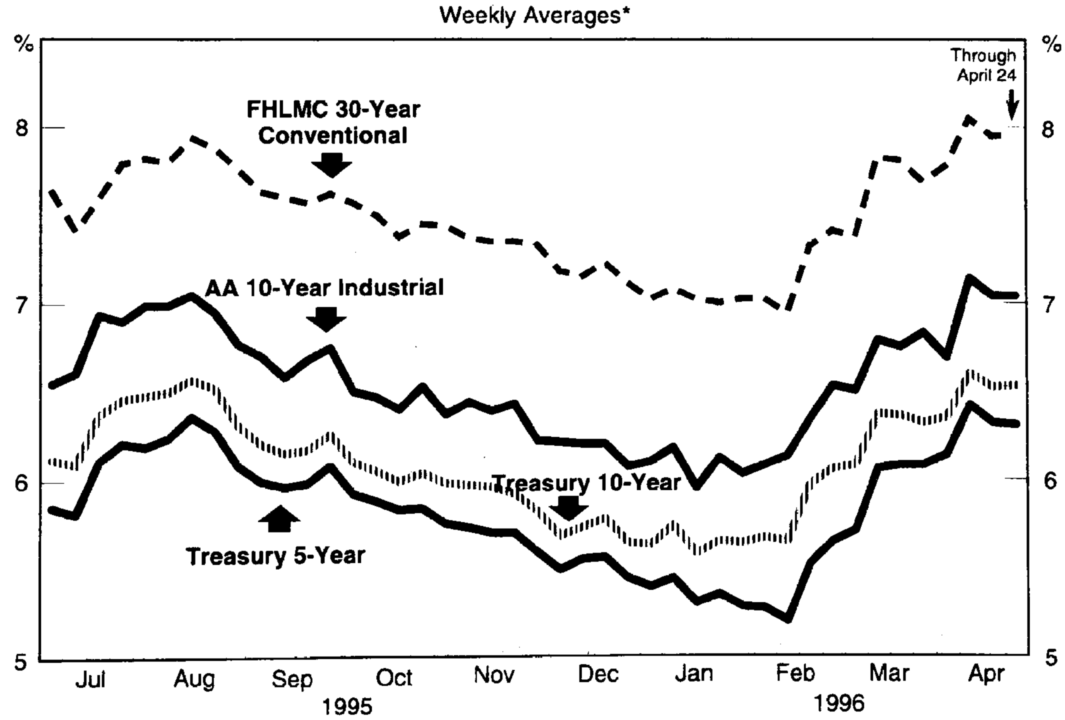


Department of the Treasury
Office of Market Finance

April 29, 1996-19

INTERMEDIATE TERM INTEREST RATES

Weekly Averages*

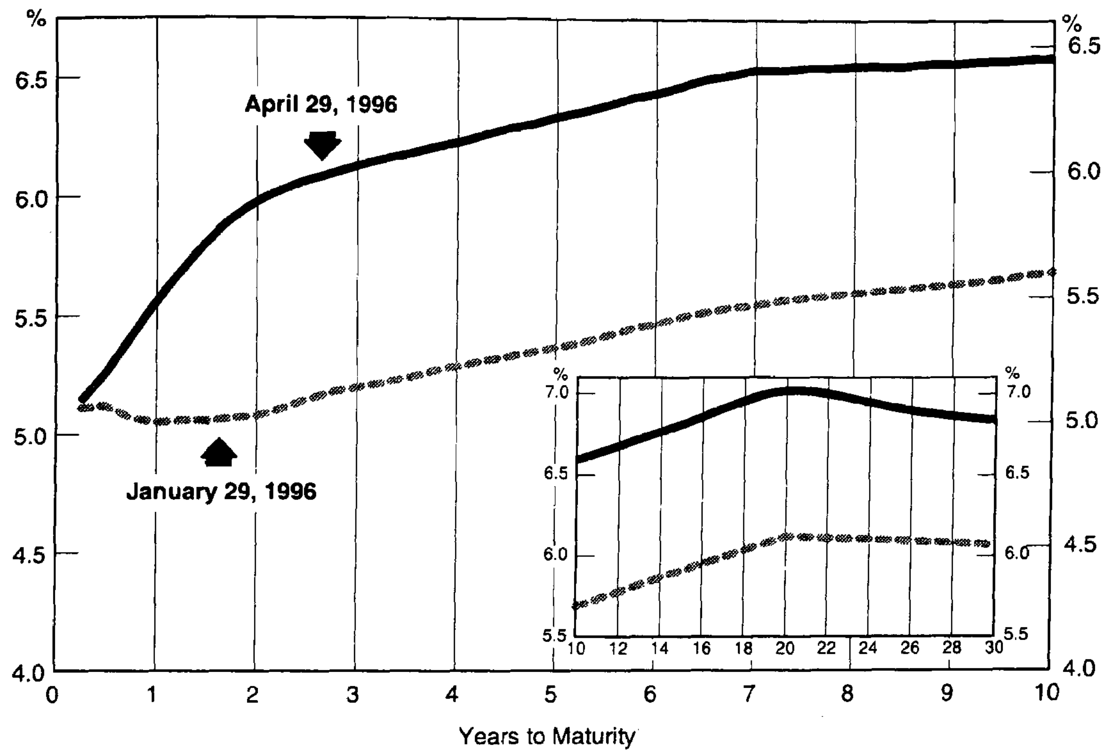


* Salomon 10-yr. AA Industrial is a Thursday rate.

Department of the Treasury
Office of Market Finance

April 29, 1996-20

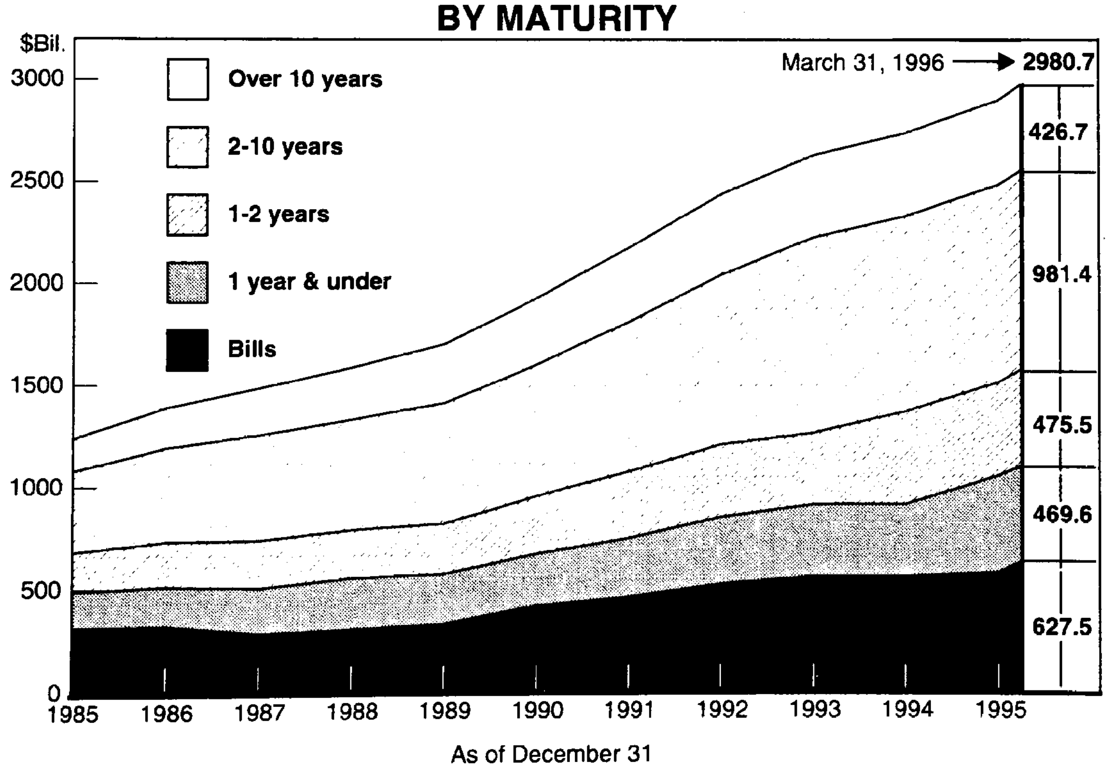
MARKET YIELDS ON GOVERNMENTS



Department of the Treasury
Office of Market Finance

April 29, 1996-21

PRIVATE HOLDINGS OF TREASURY MARKETABLE DEBT BY MATURITY

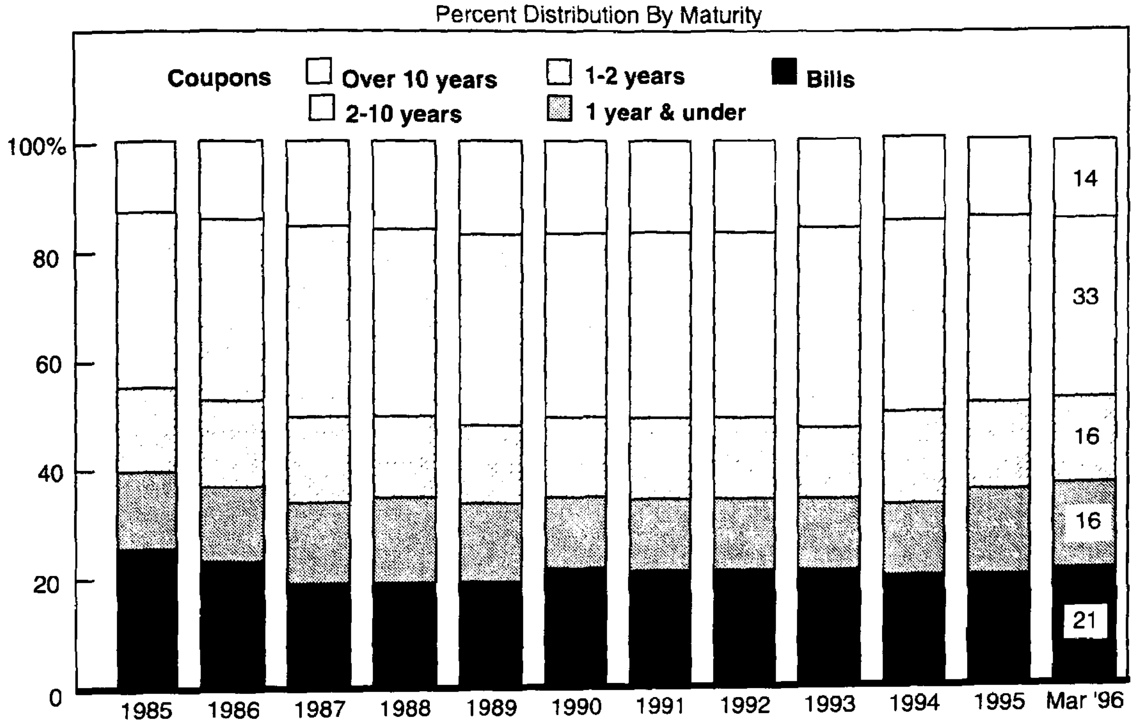


Department of the Treasury
Office of Market Finance

April 29, 1996-22

PRIVATE HOLDINGS OF TREASURY MARKETABLE DEBT

Percent Distribution By Maturity



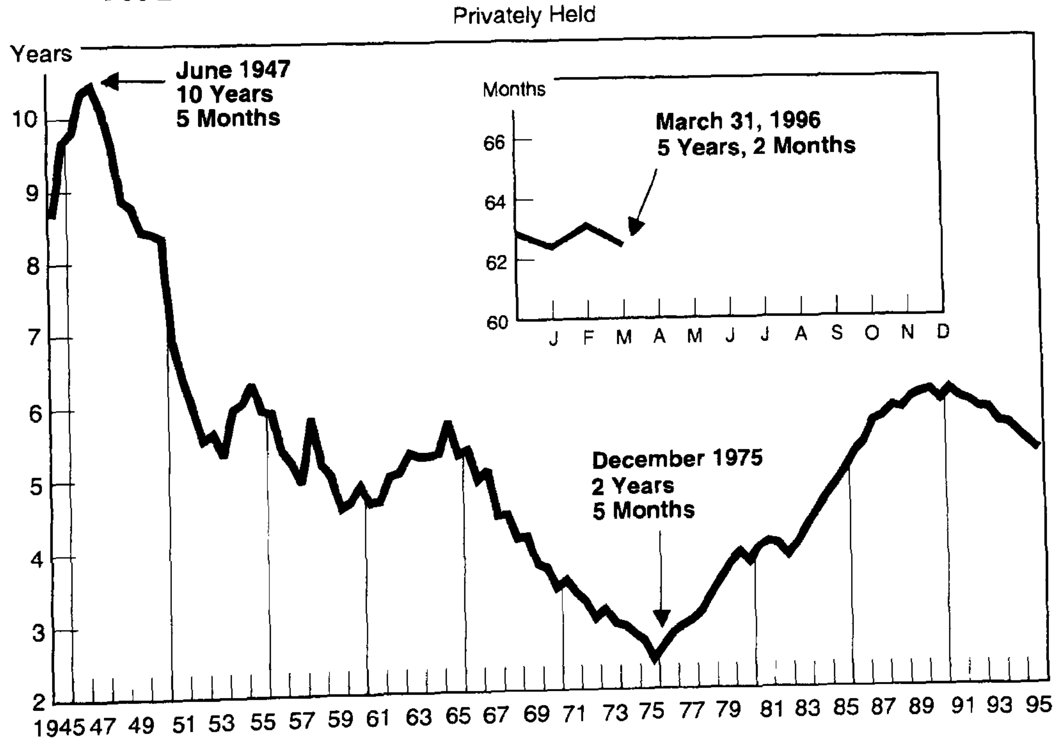
As of December 31

Department of the Treasury
Office of Market Finance

April 29, 1996-23

AVERAGE LENGTH OF THE MARKETABLE DEBT

Privately Held



Department of the Treasury
Office of Market Finance

April 29, 1996-24

MATURING COUPON ISSUES

May - September 1996

(in millions of dollars)

Maturing Coupons			March 31, 1996			
			Total	Held by		
				Federal Reserve & Government Accounts	Private Investors	Foreign[1/] Investors
7 3/8%	Note	05/15/96	20,086	2,074	18,012	275
4 1/4%	Note	05/15/96	19,264	2,228	17,036	1,904
7 5/8%	Note	05/31/96	9,617	393	9,224	697
5 7/8%	Note	05/31/96	18,927	753	18,174	2,628
7 7/8%	Note	06/30/96	9,770	412	9,358	207
6 %	Note	06/30/96	19,859	1,765	18,094	3,603
7 7/8%	Note	07/15/96	7,725	721	7,004	170
7 7/8%	Note	07/31/96	9,869	270	9,599	260
6 1/8%	Note	07/31/96	19,416	1,247	18,169	3,006
4 3/8%	Note	08/15/96	20,670	3,074	17,596	2,257
8 %	Bond	08/15/96-01[2/]	1,485	758	727	0
7 1/4%	Note	08/31/96	9,825	499	9,326	685
6 1/4%	Note	08/31/96	19,292	810	18,482	4,088
7 %	Note	09/30/96	10,088	381	9,707	395
6 1/2%	Note	09/30/96	19,639	1,200	18,439	3,151
Totals			215,532	16,585	198,947	23,324

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

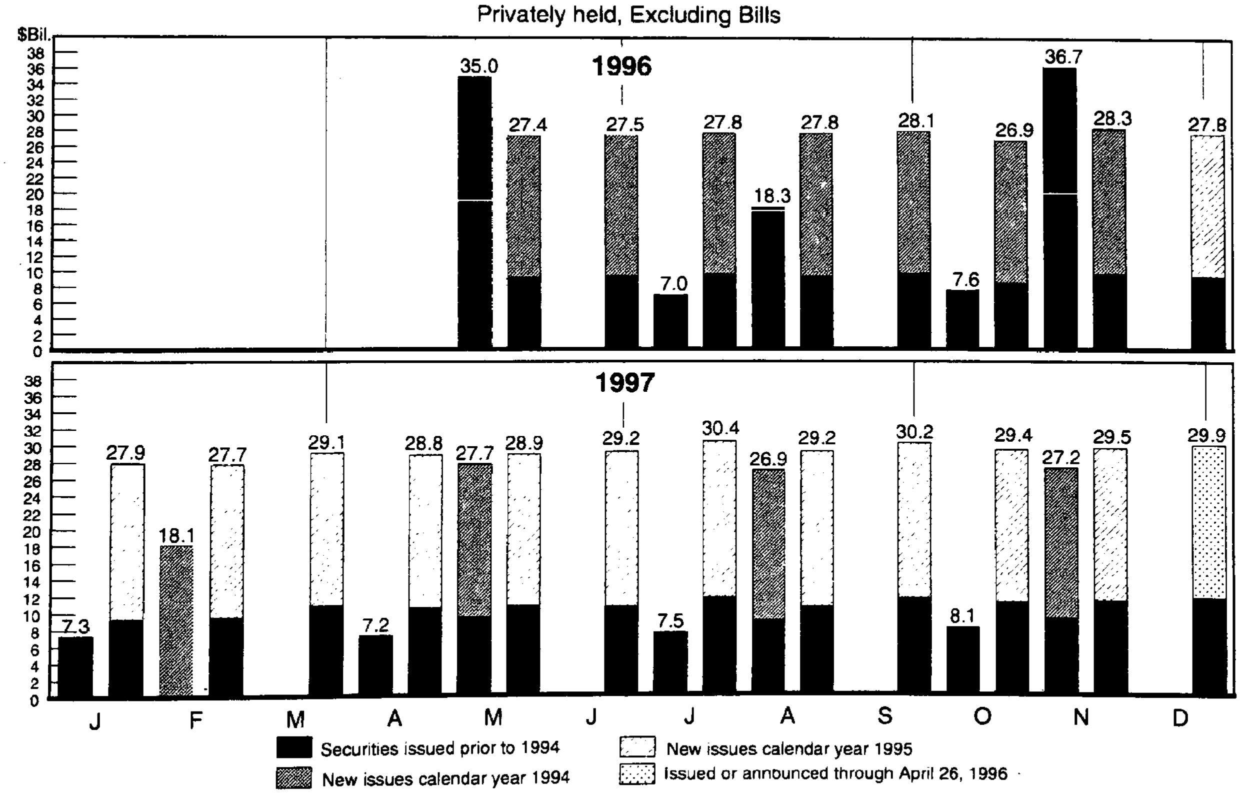
2/ On April 11, Treasury announced the call for redemption at par on August 15, 1996, the 8% 1996-01, dated August 16, 1996, due August 15, 2001.

Department of the Treasury
Office of Market Finance

April 29, 1996-25

TREASURY MARKETABLE MATURITIES

Privately held, Excluding Bills

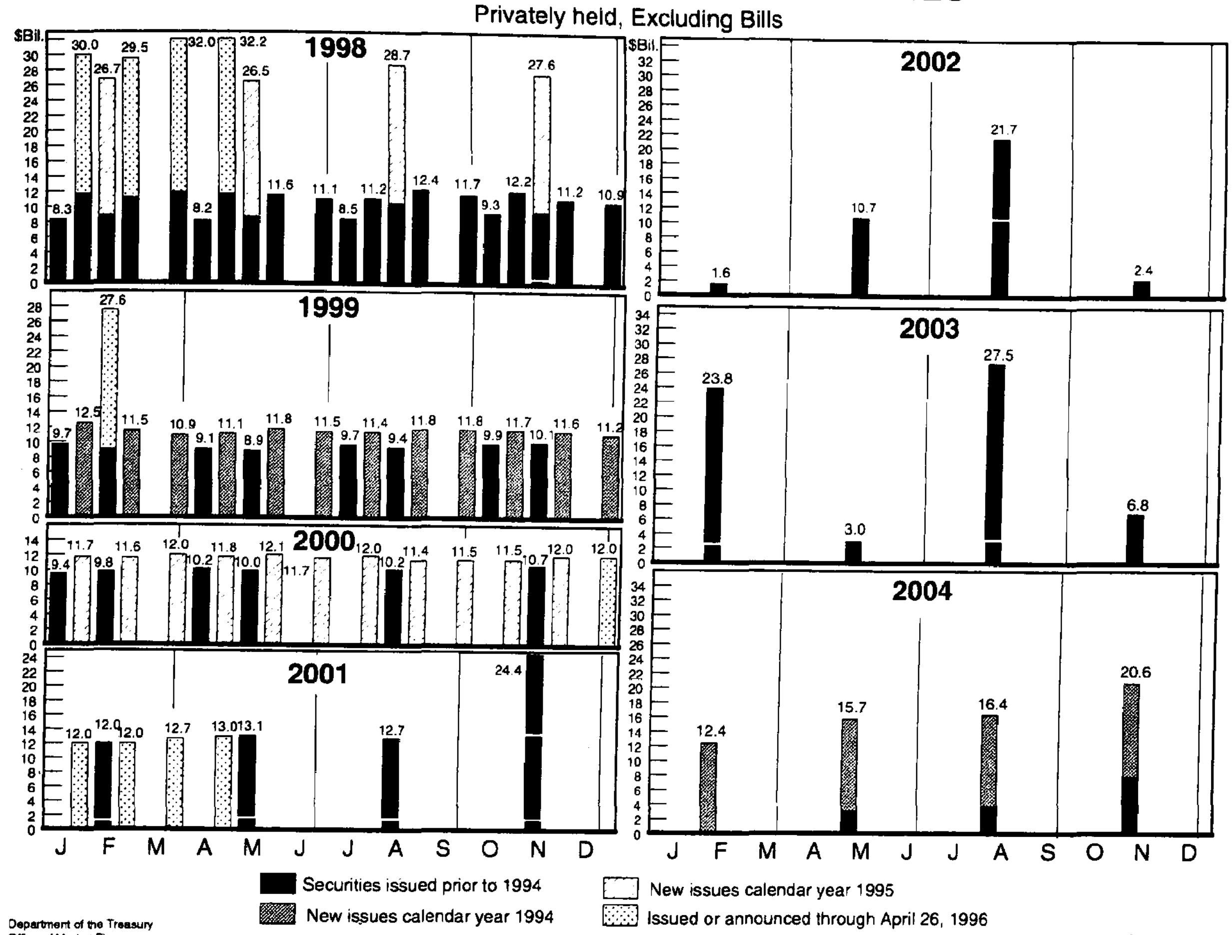


Department of the Treasury
Office of Market Finance

April 29, 1996-26

TREASURY MARKETABLE MATURITIES

Privately held, Excluding Bills

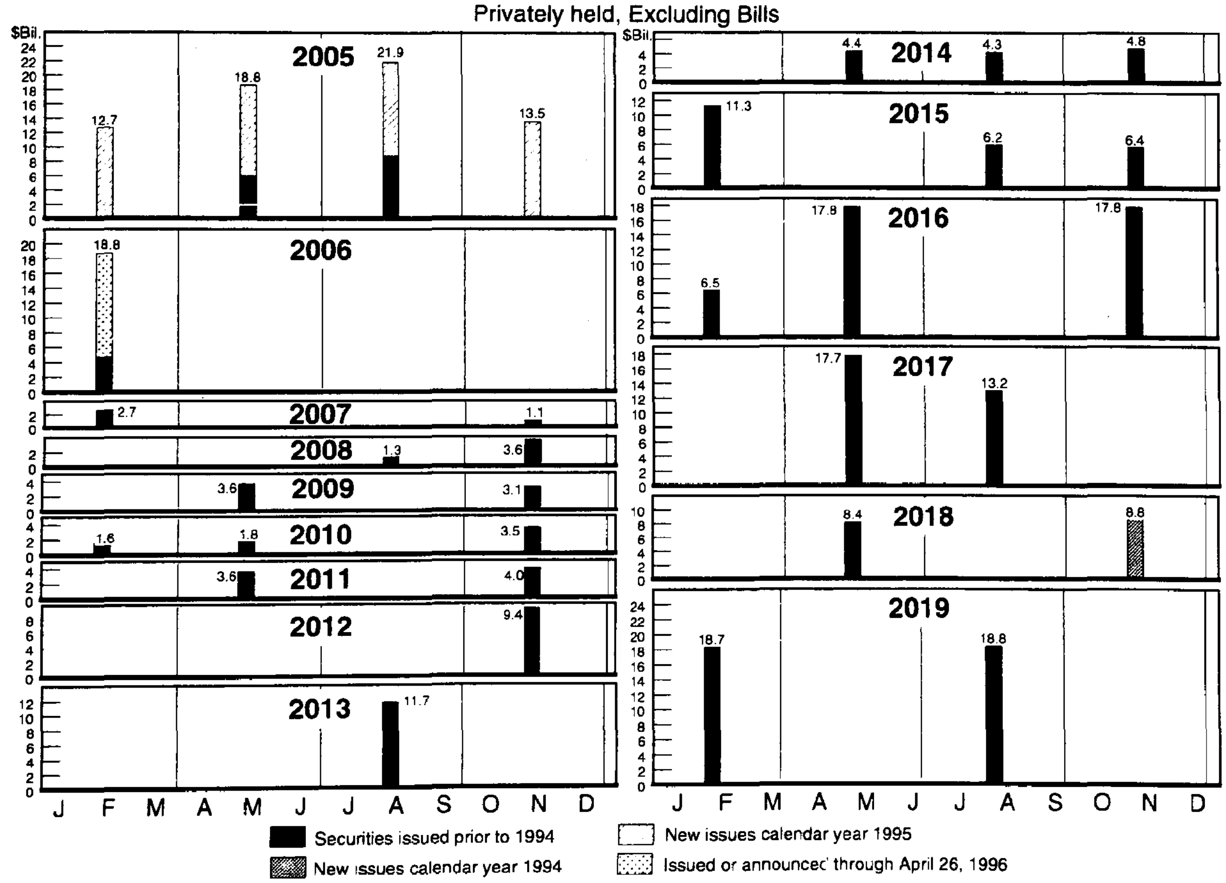


Department of the Treasury
Office of Market Finance

April 29, 1996-27

TREASURY MARKETABLE MATURITIES

Privately held, Excluding Bills

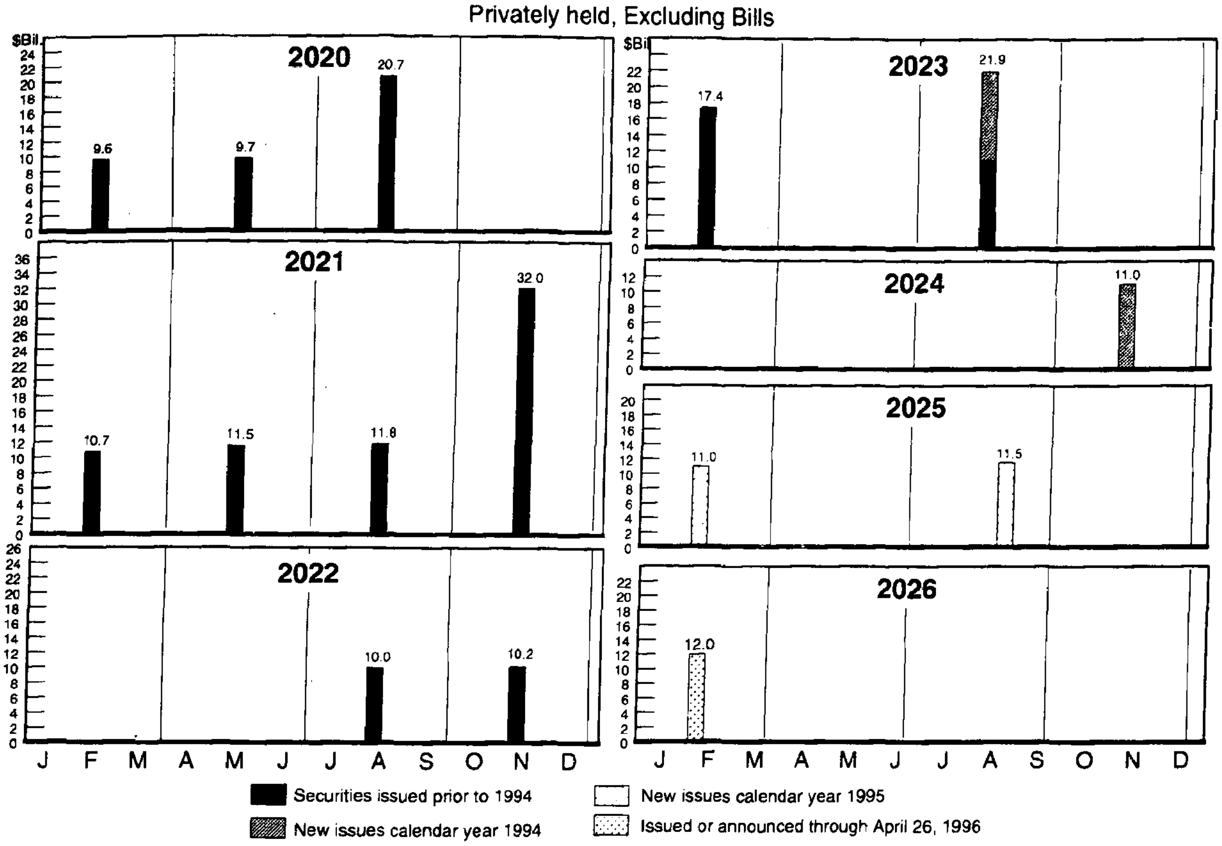


Department of the Treasury
Office of Market Finance

April 29, 1996-28

TREASURY MARKETABLE MATURITIES

Privately held, Excluding Bills



Department of the Treasury
Office of Market Finance

April 29, 1996-29

TENTATIVE SCHEDULE OF ISSUES TO BE ANNOUNCED AND AUCTIONED IN MAY 1996 1/

Monday	Tuesday	Wednesday	Thursday	Friday
		1	2	3
6	7 Auction 3 year 2/	8 Auction 10 year 2/	9 Auction CMB 2/	10
13	14	15	16	17 Announce 52 week
20	21	22 Announce 2 year 5 year	23 Auction 52 week 3/	24
27 Holiday	28	29 Auction 2 year 4/	30 Auction 5 year 4/	31

1/ Does not include weekly bills
2/ For settlement May 15
3/ For settlement May 30
4/ For settlement May 31

Department of the Treasury
Office of Market Finance

May 1, 1996-30

TENTATIVE SCHEDULE OF ISSUES TO BE ANNOUNCED AND AUCTIONED IN JUNE 1996 1/

Monday	Tuesday	Wednesday	Thursday	Friday
3	4	5	6	7
10	11	12	13	14 Announce 52 week
17	18	19 Announce 2 year 5 year	20 Auction 52 week 2/	21
24	25 Auction 2 year 3/	26 Auction 5 year 3/	27	28

1/ Does not include weekly bills
2/ For settlement June 27
3/ For settlement July 1

Department of the Treasury
Office of Market Finance

May 1, 1996-31

TENTATIVE SCHEDULE OF ISSUES TO BE ANNOUNCED AND AUCTIONED IN JULY 1996 1/

Monday	Tuesday	Wednesday	Thursday	Friday
1	2	3 Announce 10 year	4 Holiday	5
8	9 Auction 10 year 2/	10	11	12 Announce 52 week
15	16	17 Announce 2 year 5 year	18 Auction 52 week 3/	19
22	23 Auction 2 year 4/	24 Auction 5 year 4/	25	26
29	30	31		

1/ Does not include weekly bills
2/ For settlement July 15
3/ For settlement July 25
4/ For settlement July 31

Department of the Treasury
Office of Market Finance

May 1, 1996-32