

April 12, 1985

TO: Senator Dole

FROM: George Pieler

SUBJECT: April 15 talk to SMACNA

You are scheduled to talk to the Sheet Metal and Air Conditioning Contractors' National Association at 8:30 a.m. on Monday, April 15. The speech is at the J.W. Marriott (Pennsylvania Ave. at 14th).

Their main interest is in the prospects for tax reform, but they would also be interested in an overview of where the Senate is headed this year; also, they are keenly interested in the IRS regs. on business use of vehicles, and support the Wallop amendment to the Senate bill on recordkeeping regs. (S. 245).

Tax Reform. SMACNA finds the Treasury plan most offensive of the tax reform options under study, and the Kemp-Kasten plan the least offensive. A main concern is the investment tax credit, which of course is repealed under Treasury. Kemp-Kasten also repeal the ITC but retains ACRS.

They also oppose (1) modification of ACRS, (2) no change in the tax status of employee fringe benefits, (3) continued use of tax-exempt IDBs, (4) keeping the tax credits for rehabilitating older structures and historic properties, (5) extension of energy tax credits that expire in 1985.

The administration is now expected to send a tax reform proposal up in May, probably right after the President gets back from the economic summit.

Recordkeeping regs. SMACNA supports repeal of the recordkeeping rules on personal use of vehicles included in the 1984 Deficit Reduction Act. Both the House and Senate have passed bills repealing the contemporaneous recordkeeping rules, and a date for conference should be set shortly.

Wallop amendment. As you know, the Senate also adopted the Wallop amendment to the recordkeeping bill revising the rules for valuing personal use of vehicles for tax purposes. Treasury estimates the revenue loss would be about \$1 billion/year. Chairman Packwood indicated he would, in conference, work instead to accept the House provision that would exempt from tax use of vehicles such as unmarked police cars, utility trucks, and the like which are not likely to be used for personal purposes.

Attached is a summary of the budget plan prepared by the Policy Committee.

WILLIAM L. ARMSTRONG
COLORADO

United States Senate

WASHINGTON, D.C. 20510

PRESIDENT REAGAN/SENATE REPUBLICAN LEADERSHIP DEFICIT REDUCTION PLAN

— Summary —

Congress is on the verge of considering a tough, no-nonsense deficit reduction package that will abolish several extravagant or outdated federal programs, reform a number of others, and balance the budget by 1990.

The prospects for reform and deficit reduction got an enormous boost this week when the President and the Senate Republican leadership joined forces to present a plan which:

- * Rejects higher taxes as a means of balancing the budget.
- * Reduces deficits by \$296.9 billion over the next three fiscal years without raising taxes. Deficits are cut by \$52.2 billion in FY86, \$99.9 billion in FY87, and \$144.8 billion in FY88.
- * Limits the increase in spending in FY86 to 2.1 percent over the FY85 level. For the FY86 to FY88 period, spending will grow at an average annual rate of 3.7 percent, a rate of increase two-thirds less than in previous years.
- * Reduces the deficit as a percentage of the Gross National Product (GNP). If fully implemented, this plan will reduce budget deficits to just two percent of GNP by 1988. By the end of this decade, this plan virtually eliminates budget deficits.

MAJOR PROVISIONS OF THE REAGAN/GOP LEADERSHIP DEFICIT REDUCTION PLAN

	<u>1986</u>	<u>1987</u>	<u>1988</u>
<u>TOTAL SPENDING REDUCTION:</u>	-52.2	- 99.9	-144.8
(\$ Billions)			
Defense Savings	-18.5	-32.0	-47.1
Nondefense Savings	-31.2	-58.2	-78.5
Interest Savings	-2.5	-9.7	-19.2

- * **Defense:** The Administration's proposed increase in real defense growth is cut in half - from 5.9% to 3% real growth in FY86. In FY87 and FY88, real growth in defense spending is limited to 3% annually. This saves \$18.5 billion in FY86 and \$97.6 billion by FY88.
- * **COLAs:** Cost-of-living adjustments for Social Security, Federal and Military Pensions, and Veterans Pensions will increase at least 2% per year in FY86 through FY88. But no additional COLA will be paid above the 2% unless the Consumer Price Index exceeds 4%. To protect the low income, elderly and disabled, the proposal allows a full COLA in the Supplemental Security Income (SSI) program and increases monthly benefits by \$10 and \$15 per month for individuals and couples respectively.
- * **Pay:** Federal civilian and military salaries are frozen in FY86 at their FY85 levels.

***Major Reforms/Terminations:** Major federal program reforms and terminations in the plan will save \$31.2 billion in FY86 and \$167.9 billion by FY88. Programs terminated by the plan include:

Revenue Sharing, saving \$9 billion by 1988. It is simply inappropriate for the federal government to borrow money it does not have to return revenue to local governments to pay for local services.

AMTRAK, saving \$2.2 billion by 1988. AMTRAK was originally authorized on a two-year trial basis as a for-profit corporation. But since 1971, AMTRAK has cost taxpayers \$9 billion and is projected to cost another \$8 billion over the next decade. On some routes, the loss per passenger is greater than the cost of a bus fare or plane ticket.

Small Business Administration, saving \$5.3 billion over three years. Just two-tenths of one percent of all U.S. small businesses receive SBA subsidized credit.

Job Corps, saving \$1.3 billion by 1988. The Job Corps is the most expensive training program in the federal budget, costing taxpayers \$15,200 per slot... about equal to the cost of sending a student to Harvard for one year.

Farmers Home Administration Rural Housing Program, saving \$8.7 billion over three years. According to the latest figures, FmHA provides only 5% of all housing in rural areas. In addition, FmHA duplicates rural housing assistance offered by the Department of Housing and Urban Development.

Major federal programs which will be reformed under the deficit reduction plan include:

College Student Aid, saving \$2.2 billion by 1988. Proposed reforms include reducing error, fraud and waste, restricting student borrowing and reducing subsidies paid to private lenders. Even with the proposed reforms, student aid still will be available to low and moderate income families, and will cover the total cost of attending public colleges.

Civil Service Pensions, saving \$1 billion over three years. Proposed reforms include increasing employee contributions from 7% to 9% of salary after 1987. Under current law, federal pension benefits are significantly more generous than private sector benefits, according to five different studies.

Medicare, saving \$8.2 billion by 1988. Proposed reforms include freezing the level of payments made to hospitals and doctors. The freeze is justified; the growth in hospital Medicare payments per admission exceeds the growth in costs of equipment, medical supplies and labor by more than 7%.

REAGAN/GOP LEADERSHIP PROPOSED FEDERAL BUDGET: 1985-1988
(\$ Billions)

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
Outlays	949.1	969.0	1,011.4	1,055.0
Revenues	736.2	793.8	866.6	956.2
Deficit	212.9	175.2	144.8	98.8

AS PERCENT OF GROSS NATIONAL PRODUCT (GNP)

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
Outlays	24.5%	23.1	22.2	21.4
Revenues	19.0%	18.9	19.0	19.4
Deficit	5.5%	4.1	3.1	2.0

This bold deficit reduction plan is urgently needed. If fully implemented, this plan will set the stage for lower interest rates and permit continued economic expansion.

Congress must act now to restrain spending and cut budget deficits. Since 1960, federal spending has increased nearly 1,000 percent. This spending has produced a national debt of \$1.8 trillion -- and rising. In December 1984, the deficit accumulated for that month alone was \$14.5 billion. This monthly deficit was greater than the total debt the nation accumulated from 1789 until 1928. Without decisive corrective action of the type proposed by President Reagan and the Senate Republican Leadership, budget deficits could exceed \$300 billion to \$400 billion annually. And the national debt will rise to nearly \$3 trillion in four short years.

A COMPASSIONATE BUDGET

This deficit reduction plan is truly historic. Never before has Congress considered a plan which would so dramatically curtail government spending. But even though this budget seeks major spending reductions, the federal budget will still offer huge resources and benefits to the needy. This budget provides full cost of living increases for all means-tested entitlement programs. In addition to full cost-of-living increases, the Supplemental Security Income program -- which assists elderly poor and disabled -- will increase monthly benefits \$10 and \$15 for individuals and couples respectively.

Under the Reagan/Senate GOP plan, some \$474 billion or nearly half of the budget will be spent on human resource programs including Social Security, food stamps, unemployment compensation, Aid to Families with Dependent Children, education benefits, Veterans benefits, and other social programs. This budget still provides income security for millions of beneficiaries:

- * 36 million will receive Social Security benefits.
- * 30 million will receive Medicare.
- * 4 million will receive SSI.
- * 30 million will receive food stamps.
- * 17 million will live in federally subsidized housing.
- * 1 million will receive AFDC.



PROGRAM

SUBCONTRACTORS ON CAPITOL HILL

SPONSORED BY THE
ASSOCIATED SPECIALTY CONTRACTORS, INC.

APRIL 14-16, 1985
Washington, D.C.

Subcontractors On Capitol Hill

Welcome to the first annual Associated Specialty Contractors National Legislative Conference—a conference with a difference! At this conference you will learn about the issues and then lobby a position with your elected representatives. It is a conference for all specialty contractors. Unity breeds success on those issues that affect your business.

Program

Sunday, April 14, 1985

12:00 noon - 7:30 p.m.
(Registration Area -
Ballroom Level)

Conference Registration Opens

4:00 p.m.
(State Room)

A special session for panel moderators and presidents of ASC member organizations.

5:00 p.m.
(Salon E -
Capital Ballroom)

How to Lobby - Whether you're a first timer or an old hand, you will benefit from this session on how to lobby your Congressional representatives. Also, learn about the plans for the Tuesday breakfast meetings.

6:00 p.m. - 7:30 p.m.
(Salon I & II -
Grand Ballroom)

Cocktail Reception

Monday, April 15, 1985

7:30 a.m. - 9:00 a.m.
(Salon I & II -
Grand Ballroom)

Opening Breakfast Session

- Welcome - Robert L. Wilkinson, President, ASC
- A Message From President Reagan
- ASC: Legislative Advocate for Construction
Herbert R. Jacobson, Chairman, ASC

Keynote Speaker

- Senator Robert Dole (R-KS)
Majority Leader, U.S. Senate



Robert Dole

9:00 a.m. - 10:30 a.m.
(Capitol Ballroom)

Taxes and Their Impact on the Subcontractor

- Representative James R. Jones (D-OK)
- Moderator - Lee K. Schwartz, Past President, Sheet Metal and Air Conditioning Contractors National Association



James R. Jones

10:30 a.m. - 10:45 a.m.

Refreshment Break

10:45 a.m. - 12:15 p.m.
(Capitol Ballroom)

Utility Competition with Small Business

- Representative James J. Florio (D-NJ)
- Frank S. Swain, Chief Counsel, Office of Advocacy, Small Business Administration
- Moderator - William L. Harvey, President, National Association of Plumbing-Heating-Cooling Contractors



James J. Florio



Frank S. Swain

12:30 p.m. - 2:00 p.m.
(Salon I & II -
Grand Ballroom)

Lunch

"PAC Power—Why PACs Matter"

- Senator Frank H. Murkowski (R-AK)
- Senator Albert Gore, Jr. (D-TN)
- Richard R. Thaxton, Political Consultant
- Moderator - David B. Wagner, SMAC-PAC Chairman



Frank H. Murkowski

2:10 p.m. - 3:30 p.m.
(Capitol Ballroom)

Labor Issues in the 80's

- Senator Don Nickles (R-OK), Chairman,
Senate Subcommittee on Labor
- Betty Murphy, Attorney and former National
Labor Relations Board Chairman
- Moderator - Herbert R. Jacobson, Chairman, ASC



Don Nickles



Betty Murphy

3:30 p.m. - 3:45 p.m.

Refreshment Break

3:45 p.m. - 5:00 p.m.
(Capitol Ballroom)

**Doing Business with the Government - Set Asides,
Prompt Payment, Retainage, Assigned Subcontracts**

- Linda Chavez, Executive Director,
U.S. Civil Rights Commission
- Robert L. Wilkinson, President, ASC
- Moderator - Emerson Hamilton, Chairman,
Public Affairs Committee, National Electrical
Contractors Association



Linda Chavez

Tuesday, April 16, 1985

7:30 a.m. - 9:00 a.m.

(Buses will depart
promptly at 7:00 a.m. from
the Pennsylvania Avenue
entrance)

Congressional Breakfasts on Capitol Hill

(Location based on Region. The dot on your
badge will determine which room your region
is assigned.)

- House Public Works and Transportation Committee
Room - Red Dot - Region One
2167 Rayburn House Office Building
- Room B369 - Rayburn House Office Building
Blue Dot - Region Two
- House Government Operations Committee Room -
Green Dot - Region Three
2154 Rayburn House Office Building

9:00 a.m. - 5:00 p.m.

Capitol Hill Visitations (This time is set aside to meet with
U.S. representatives and senators in their offices.)

Be sure and send in your Congressional contact forms! We'd like to know the results of
your meetings with your legislators. Please fill out one copy of the "Congressional Contact
Report Form" for each of your meetings with a senator or representative. Return the form
in the envelope provided to:

Associated Specialty Contractors

7315 Wisconsin Avenue
Bethesda, MD 20814-3299
(301) 657-3110

Associated Specialty Contractors (ASC):

Background Information

The Associated Specialty Contractors, Inc. (ASC) is an umbrella organization of eight national associations of construction specialty employer contractors.

Established in 1955, the ASC works to promote the interests of construction specialty contractors through interindustry relations, governmental relations, and labor relations.

The combined membership of these associations is 26,000 business firms. However, the segments of the industry represented by these groups consist of about 166,000 business establishments with 1,459,000 employees and annual sales of \$80 billion, according to the 1982 Census of Construction. Over 95 percent of the ASC member firms fall in the category of small businesses under the definition of the Small Business Administration.

- Mason Contractors Association of America
- Mechanical Contractors Association of America
- National Association of Plumbing-Heating-Cooling Contractors
- National Electrical Contractors Association
- National Insulation Contractors Association
- National Roofing Contractors Association
- Painting and Decorating Contractors of America
- Sheet Metal and Air Conditioning Contractors National Association

Women's Program

Monday, April 15, 1985

9:30 a.m.

Capitol Hill Tour - Leave by chartered bus, Pennsylvania Avenue entrance. You'll visit the Capitol, Supreme Court, and Library of Congress.

12:30 p.m.

Luncheon - Mansfield Room, U.S. Capitol

2:00 p.m.

Discussion with Women of Washington - The panelists will tell of their individual roads to Washington, and of the demands placed on their husbands as a result of their careers as politicians and how it affects them.

- Gretchen Poston, Former White House Social Secretary
- Peatsy Hollings, Wife of Senator Ernest Hollings
- Claire Schweiker, Wife of Richard Schweiker, former Cabinet Secretary and Senator
- Moderator - Ellen Proxmire, Wife of Senator Proxmire

3:30 p.m.

Return to Hotel by Chartered Bus