

March 7, 1989

TO: SENATOR DOLE
FROM: DAVID TAYLOR
SUBJECT: National Conference of State Legislatures Event

At 9:00AM Thursday morning, you will be met at the door of the Mayflower Hotel by NCSL President Sam Nunez, Pres Pro Tem of the Louisiana State Senate, and Bud Burke, President of the Kansas State Senate. You are scheduled to speak in the Colonial Room for 15 to 20 minutes followed by a brief question and answer period. You will be addressing a group of 120-140 state legislative leaders attending NCSL's annual "Leader-to-Leader" meeting.

You will be introduced by Representative Lee Daniels, Minority Leader of the Illinois State Legislature and President-elect of the NCSL.

The Audience:

The audience will consist of floor leaders, presidents, speakers and prominent members from state legislatures across the country. Senator Mitchell will address the group just before you arrive. The group has meetings scheduled with President Bush, Speaker Wright, Secretary Dole, Secretary Kemp, Secretary Skinner, and a variety of other congressmen and Federal officials.

Topics:

The group is interested in your views on legislative priorities for the coming year. They are particularly interested in issues that could affect their own legislative schedules. Federal budget and tax priorities and their potential impact on state budgets will be of primary concern to the group.

The group would also be interested in your comments on issues that could result in a shift in the balance of power between the states and the Federal government.

UN

RD09 TT00

UNBX

RP-BUDGET

BY STEVEN KOMAROW

WASHINGTON (AP) -- CONGRESSIONAL LEADERS ANNOUNCED WEDNESDAY THEY HAVE AGREED TO BEGIN NEGOTIATIONS WITH THE BUSH ADMINISTRATION TOWARD COMPROMISE ON A FISCAL 1990 BUDGET.

THE TALKS, INVOLVING THE TOP REPUBLICANS AND DEMOCRATS ON THE HOUSE AND SENATE BUDGET COMMITTEES, WHITE HOUSE BUDGET DIRECTOR RICHARD DARMAN, AND SOMETIMES OTHERS, WERE SLATED TO BEGIN THURSDAY AFTERNOON.

"WE PROPOSE THAT THE BUDGET TASK FORCE DISCUSSIONS ENTER A NEW PHASE: AN EXPLORATION OF AREAS OF POSSIBLE COMPROMISE BETWEEN CONGRESS AND THE ADMINISTRATION ON A FISCAL YEAR 1990 BUDGET," SAID A LETTER OUTLINING THE NEW TALKS, WRITTEN BY HOUSE BUDGET CHAIRMAN LEON PANETTA, D-CALIF., AND SENATE BUDGET CHAIRMAN JIM SASSER, D-TENN.

"WITH THE DIFFICULT BUDGET ISSUES FACING THE PRESIDENT AND THE CONGRESS THIS YEAR, WE BELIEVE THESE NEGOTIATIONS WILL BE USEFUL IN DETERMINING WHETHER A REALLY STRONG AND CREDIBLE DEFICIT REDUCTION PACKAGE CAN BE ACHIEVED," SAID THE LETTER.

THE TALKS WERE APPROVED BY SENATE MAJORITY LEADER GEORGE MITCHELL, D-MAINE, AND HOUSE SPEAKER JIM WRIGHT, D-TEXAS. THE DEMOCRATIC LEADERS PLANNED TO REVIEW THE PROGRESS AFTER TWO WEEKS TO DETERMINE WHETHER THE TALKS WOULD CONTINUE, ACCORDING TO THE LETTER.

THE NEW DISCUSSIONS WERE WELCOMED BY THE WHITE HOUSE.

"WE'RE VERY PLEASSED TO SEE THIS DEVELOPMENT," SAID BARBARA CLAY, DARMAN'S SPOKESWOMAN.

CONGRESSIONAL BUDGET WRITERS HAVE BEEN MEETING PRIVATELY WITH DARMAN FOR WEEKS, BUT DEMOCRATS INSISTED THOSE DISCUSSIONS WERE LIMITED TO FINDING OUT MORE DETAIL ABOUT THE BUDGET BUSH PRESENTED LAST MONTH.

MANY DEMOCRATS CONTEND THE BUSH BUDGET REVEALED MOSTLY THE POLITICALLY POPULAR ASPECTS OF A SPENDING PLAN THAT, IN ORDER TO REDUCE THE FEDERAL DEFICIT, WILL EVENTUALLY REQUIRE CUTS IN FEDERAL PROGRAMS.

THE WHITE HOUSE HAS REPEATEDLY ASKED THAT THOSE SPENDING CUTS BE SETTLED IN BIPARTISAN TALKS WITH CONGRESS.

WRIGHT, WHO HAS BEEN COOL TO THE IDEA OF AN EARLY BUDGET "SUMMIT" WITH THE REPUBLICAN WHITE HOUSE, PLAYED DOWN THE NEW TALKS AS "A BUDGET PLATEAU."

AP-MX-03-08-89 1930EST



National Conference of State Legislatures

444 North Capitol Street, N.W.
Suite 500
Washington, D.C. 20001
202/624-5400
FAX/202-737-1069

President Samuel B. Nunez, Jr.
Senate President Pro Tem
Louisiana

Executive Director
William T. Pound

February 24, 1989

The Honorable Robert Dole
Minority Leader
United States Senate
Washington, DC 20510

Dear Senator Dole:

Thank you for accepting our invitation to be a speaker for our Congressional Leaders breakfast during the annual National Conference of State Legislatures' Leader-to-Leader Meeting. The plenary breakfast is scheduled for 8:30 a.m. to 10:30 a.m., Thursday, March 9, in the Colonial Room of the Mayflower Hotel in Washington. Presiding at that session will be Illinois state Representative Lee Daniels, Minority Leader and President-elect of NCSL. A representative of the Senate Democratic leadership also has been invited.

The Leader-to-Leader Meeting is our most prestigious meeting of the year. It is conducted annually to provide an opportunity for presiding officers, majority and minority leaders and other key leaders of the states' legislatures to meet with congressional leadership and top administration officials, including President Bush, to discuss major issues and mutual concerns.

Accordingly, I would appreciate your addressing us on Congressional priorities as they pertain to important state-federal issues confronting the 101st Congress, including such items as the status of intergovernmental relations, deficit reduction, tax policy, and other domestic programs.

We would appreciate your office providing us with a biographical sketch for introductory purposes. If more information is needed, please contact Ron Field in our Washington Office at (202) 624-5400.

I look forward to seeing you on March 9.

Sincerely,

Samuel B. Nunez, Jr.
Senate President Pro Tem, Louisiana
President, NCSL

SBN/rhf



Speak

National Conference of State Legislatures

*March 9
Thurs.
Mayflower*

*Joyce
(copy to Chris)*

444 North Capitol Street, N.W.
Suite 500
Washington, D.C. 20001
202/624-5400
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President Samuel B. Nunez, Jr.
Senate President Pro Tem
Louisiana

Executive Director
William T. Pound

January 9, 1989

O.K.

*9:00 am
~~St. Louis Rm~~*

The Honorable Robert Dole
Minority Leader
United States Senate
141 Hart Senate Office Building
Washington, DC 20510

Bob
Dear Senator Dole:

On behalf of the National Conference of State Legislatures, I am pleased to invite you to address a plenary session of 125-150 state legislative leaders participating in our annual Leader-to-Leader meeting. I would hope that your address would focus on key issue priorities that the Senate must address in 1989.

The particulars on the session are as follows:

Date: Thursday, March 9, 1989
Site: Mayflower Hotel
Washington, DC
Time: 8:30 a.m. - 10:00 a.m. (Breakfast commences at 8:30 a.m. with presentations starting at 9:00 a.m.)

NCSL's Leader-to-Leader meeting is the most prestigious and important event which NCSL sponsors for the presiding officers and majority and minority leaders of the fifty states. These leaders utilize the meeting to obtain a sense of Congressional priorities and potential legislation being considered regarding these issues. This forum also provides featured speakers an unique opportunity to obtain a sense of state legislative priorities and concerns, particularly on matters with state-federal implications.

NCSL has been honored in the past by your willingness to serve as a presenter at previous Leader-to-Leader meetings. I hope that your schedule will again permit you to join us as a major speaker.

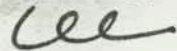
Senator Dole
January 9, 1989
Page two

For your information, we are extending a similar invitation to the Democratic leadership with the objective of hearing from the respective U.S. Senate leadership on both sides of the aisle.

Please contact Michael Bird of NCSL's Washington office or me if you have any questions.

Thank you for your consideration.

Sincerely,



Lee Daniels
Minority Leader
Illinois House of Representatives
President-elect, NCSL

312/917-2053 *Att: Capt*
217/782-7012 -

LD/mb

March 7

PAUL BUD BURKE
SENATE PRESIDENT

P.O. BOX 6867
LEAWOOD, KANSAS 66206



OFFICE OF THE PRESIDENT

STATE CAPITOL
TOPEKA, KANSAS 66612-1565
913-296-2419

January 31, 1989

CHAIRMAN:
LEGISLATIVE COORDINATING COUNCIL
CHAIRMAN:
ORGANIZATION, CALENDAR AND RULES
MEMBER:
INTERSTATE COOPERATION
LOCAL GOVERNMENT
PUBLIC HEALTH & WELFARE
STATE FINANCE COUNCIL

The Honorable Robert Dole
Senate Minority Leader
141 Hart Senate O.B.
Washington, D.C. 20510

Dear Senator Dole:

I am certain you have already been contacted about addressing a plenary session of state legislative leaders participating in the NCSL's Leader-to-Leader meeting in Washington on Thursday, March 9, 1989.

We have appreciated your appearances at various NCSL meetings in the past and would certainly enjoy having you speak at our breakfast on Thursday morning, March 9.

I want to encourage you to consider appearing for the Thursday morning breakfast but, if that is not possible, I feel sure the schedule will be adjusted to fit your schedule. As an alternative to Thursday morning, perhaps the Friday morning breakfast might be a good second choice. In any event I look forward to seeing you some time during the two day time period.

With warmest regards,

A handwritten signature in dark ink, appearing to read "Bud", written over a faint, larger signature.

Paul Bud Burke
Senate President

PBB/pas

Enclosure

MARCH 8, 1989

TO: SENATOR DOLE
FROM: CAROLYN SEELY 
SUBJECT: COLLECTION OF STATE SALES TAXES ON MAIL ORDER SALES

At the Conference of State Legislatures tomorrow, you may be asked about pending tax legislation of interest to the states. Several states have mounted a campaign for legislation to require collection of state sales taxes on mail order sales in interstate commerce. Senator Cochran will introduce the legislation shortly as he did last Congress.

More than 14% of retail sales are now made by out-of-state marketers and are de facto accorded sales tax exemption. Because of a 1967 Supreme Court case, Federal legislation is necessary to require vendors which have no presence in the jurisdiction of sale to collect and remit the sales tax.

THAD COCHRAN
MISSISSIPPI

United States Senate

WASHINGTON, DC 20510

March 6, 1989

COMMITTEE ON
AGRICULTURE, NUTRITION,
AND FORESTRY

COMMITTEE ON
APPROPRIATIONS

COMMITTEE ON
LABOR AND
HUMAN RESOURCES

SELECT COMMITTEE ON
INDIAN AFFAIRS

cc: SB, JW, CS

Dear Colleague,

I am writing to invite you to join me as a cosponsor of legislation I have introduced to close a loophole which is eroding State tax bases and injuring local retailers.

The Equity in Interstate Competition Act, S. 480, would help State governments collect sales taxes on interstate mail order sales. An identical measure I introduced during the 100th Congress was the subject of hearings in the Senate by the Subcommittee on Taxation and Debt Management. A similar bill was approved by the House Ways and Means Subcommittee on Select Revenue Measures.

State governments are becoming increasingly concerned about their inability to collect sales taxes owed on out-of-State purchases by their residents. In 1967, the Supreme Court held in the National Bellas Hess case that, without congressional guidance, a State could not require an out-of-state mail order vendor to collect and remit the State tax on sales to customers in that State if the company does not have an actual physical presence in that State.

Since that decision 22 years ago, new technologies in direct marketing have significantly changed the retail sales market. More than 14 percent of all retail sales are now made by out-of-State direct sellers. Many of these purchases escape taxation, causing serious problems for State tax bases. The Advisory Commission on Intergovernmental Relations (ACIR) estimates that States lose more than \$2 billion annually in uncollected sales taxes.

This situation also places local retailers at a competitive disadvantage, although they contribute services, convenience, charitable efforts, as well as other tax revenues, to their communities. It is unfair to exempt mail order firms from collecting sales taxes that are collectible when the same products are purchased from a local retailer.

My bill authorizes the states to require mail order firms to collect the tax at the time of the sale. The bill would ensure that this power does not violate due process requirements by providing that collection may be imposed only if the seller engages in regular or systematic soliciting of sales in that State. Small mail order firms with less than \$12.5 million gross sales nationwide, or less than \$500,000 in a particular State, would be exempted. Collection of local sales taxes would not be required unless they are uniform throughout the State.

It is time that Congress recognize this tax inequity facing our States, and act to give States the authority to collect taxes owed them on interstate mail transactions.

If you would like to cosponsor the bill, please have your staff contact Linda Slade or Claire Ford of my staff at 4-5054.

Sincerely,

A handwritten signature in cursive script, appearing to read "Thad Cochran".

THAD COCHRAN
United States Senator

INTRO

THANK YOU LEE...I APPRECIATE YOUR KIND
WORDS...AND YOUR SUPPORT ON THE CAMPAIGN TRAIL.
AS YOU KNOW, I PROMISED A "ROUGHER AND
TOUGHER" AMERICA: BUT THE PEOPLE VOTED FOR
"GENTLER AND KINDER".

-2-

BUT SERIOUSLY, I WANT TO SAY THAT PRESIDENT
BUSH IS OFF TO AN EXCELLENT START IN THE OVAL
OFFICE; AND WE HAVE ESTABLISHED A CLOSE WORKING
RELATIONSHIP.

SO CLOSE IN FACT, THAT I HAVE SPENT MORE TIME
LATELY TALKING TO THE PRESIDENT THAN I HAVE TO HIS
LABOR SECRETARY.

-3-

DOLE IN THE STATEHOUSE

AS ALWAYS, I AM PROUD TO SPEAK TO MY GOOD FRIENDS IN THE STATE LEGISLATURES -- IN OTHER WORDS, TO ALL MY FRIENDS OUT THERE IN THE "REAL WORLD".

I STARTED MY CAREER IN THE KANSAS STATEHOUSE. NO DOUBT ABOUT IT, IT WAS AN EXCITING TIME FOR A YOUNG MAN FROM RUSSELL, KANSAS. IT WAS EVEN MORE EXCITING TO LOOK OVER TO THE OTHER SIDE OF THE AISLE TO SEE 20 DEMOCRATS -- WE HAD 105!

-4-

I WOULD TAKE THOSE ODDS RIGHT NOW -- AND SO
WOULD JOHN TOWER.

"KINDER AND GENTLER" IS A TWO-WAY STREET

GEORGE BUSH HAS FOLLOWED THROUGH ON HIS
CAMPAIGN COMMITMENT TO BRING A NEW DIRECTION TO
THE WHITE HOUSE, AND A NEW STYLE OF LEADERSHIP
FOR AMERICA. HE HAS EXTENDED HIS HAND TO
CONGRESS AND IN DOING SO HAS CALLED FOR A KINDER
AND GENTLER AMERICA.

-5-

BUT THE PRESIDENT CAN'T DO IT ALONE: "KINDER
AND GENTLER" IS A TWO-WAY STREET, JUST AS THE
RELATIONSHIP MUST BE BETWEEN THE CONGRESS AND
THE EXECUTIVE BRANCH; BETWEEN DEMOCRATS AND
REPUBLICANS; AND BETWEEN 50 STATES AND A PLACE
CALLED WASHINGTON.

-6-

STATE AND FEDERAL COOPERATION: A GOOD START

WE HELPED START THIS NEW WORKING PARTNERSHIP
WITH SOME DRAMATIC ADVANCES ON THE
CONGRESSIONAL FRONT: AND I AM TALKING ABOUT THE
HISTORY-MAKING WELFARE REFORM BILL; OUR SWEEPING
ANTI-DRUG PACKAGE; AND THE RENEWED COMMITMENT
TO AMERICA'S HOMELESS.

-7-

I AM PROUD OF THESE NEW INITIATIVES AND I AM
PROUD OF YOUR ROLE IN HELPING THEM BECOME A
REALITY. BUT THERE IS PLENTY OF WORK TO BE DONE --
AND WE NEED YOUR HELP.

-8-

ONE THING I LEARNED BACK IN MY STATE

LEGISLATIVE DAYS WAS THAT LAWMAKERS NEVER RUN OUT OF IDEAS ON HOW TO SPEND MONEY. IT'S A HABIT THAT CONGRESS CAN'T KICK. BUT YOU AND I KNOW THAT THERE JUST ISN'T ANY MORE MONEY TO SPEND IN THIS TOWN. THAT'S WHY WE NEED FRESH IDEAS, AND NEW PARTNERSHIPS -- ON BUDGET AND TAXES, ON HEALTH CARE AND EDUCATION, ON RURAL AND URBAN AMERICA AND A HUGE LIST OF OTHER PRIORITIES.

-9-

BUT THE LIST STARTS WITH PUBLIC ENEMY NUMBER

ONE -- THE FEDERAL DEFICIT.

TALKING POINTS ON THE BUDGET

- O THE PRESIDENT HAS MADE REDUCING THE BUDGET DEFICIT HIS NUMBER ONE PRIORITY. HIS FIRST MEETING WITH CONGRESSIONAL LEADERS, WHICH I ATTENDED, WAS A BIPARTISAN MEETING ON THE DEFICIT. THE PRESIDENT IS PREPARED TO NAME

-- 2 --

HIS NEGOTIATORS AND BEGIN SERIOUS TALKS ON
DEFICIT REDUCTION AS SOON AS THE DEMOCRATIC
LEADERSHIP IS READY TO PARTICIPATE.

THE BUSH BUDGET

- O NOW I HAVE TO ADMIT THAT I DIDN'T REALLY
APPRECIATE THE MERITS OF THE FLEXIBLE FREEZE
UNTIL NEW HAMPSHIRE. THE CONCEPT OF A
FREEZE IS SIMPLE -- IF YOU SPEND A BILLION
DOLLARS IN 1988, YOU CAN SPEND A BILLION
DOLLARS IN 1989.

-- 3 --

O BY APPLYING A FREEZE TO A POT OF SPENDING WORTH \$136 BILLION, THE PRESIDENT SAVES AROUND \$10 BILLION IN PROJECTED GROWTH OVER A SINGLE YEAR. THAT'S NOT SMALL CHANGE. IN ADDITION, THE PRESIDENT HOLDS GROWTH IN DEFENSE SPENDING TO THE RATE OF INFLATION, SIGNIFICANTLY CUTS MEDICARE, FEDERAL RETIREMENT, AGRICULTURE SUBSIDIES, AND FEDERAL HEALTH BENEFITS.

-- 4 --

O FOR MANY IN WASHINGTON A FREEZE IS A RADICAL
CONCEPT. THEY BELIEVE FEDERAL SPENDING
SHOULD GROW BEYOND INFLATION, WHETHER OR
NOT WE HAVE THE MONEY TO PAY FOR IT. WELL, AS
FAR AS I KNOW THERE IS NO RULE THAT SAYS
GOVERNMENT PROGRAMS SHOULD NEVER BE
SHRUNK OR BE ELIMINATED. THAT KIND OF
THINKING IS JUST WRONG IN THIS ERA OF
CONSTRAINTS.

-- 5 --

O IF CONGRESS IS EVER GOING TO CUT THE DEFICIT,
WE NEED TO LOOK ANEW AT EVERY SINGLE
GOVERNMENT PROGRAM. THIS WILL MEAN MAKING
HARD CHOICES ABOUT WHAT TO CUT AND WHAT TO
ELIMINATE.

-- 6 --

STATE AND LOCAL BUDGETS UNDER THE BUSH BUDGET

O THE BUSH ADMINISTRATION IS WELL AWARE OF THE INCREASING FINANCIAL BURDEN THE STATES HAVE HAD TO BEAR IN RECENT YEARS. THE PRESIDENT'S KINDER AND GENTLER BUDGET IS KINDER AND GENTLER TO STATE AND LOCAL GOVERNMENT TOO.

O PRESIDENT BUSH HAS VIGOROUSLY ADDRESSED TWO OF THE BIGGEST PROBLEMS STATE AND LOCAL GOVERNMENT FACE -- THE HOMELESS AND LOW

-- 7 --

INCOME HEALTH CARE. HIS BUDGET RESTORES
PRESIDENT REAGAN'S \$1.7 CUT IN MEDICAID AND
ADDS \$400 MILLION TO FULLY FUND THE MCKINNEY
ACT FOR THE HOMELESS.

- O THOSE OF US IN WASHINGTON WOULD LIKE TO DO
MORE, BUT IT'S HARD TO FUND REVENUE SHARING
PROGRAMS WHEN THERE IS NO REVENUE TO
SHARE. THIS WILL BE A YEAR OF CONSTRAINED
RESOURCES AND HARD CHOICES FOR EVERYONE.

-- 8 --

- O WHY CONGRESS NEEDS TO COME TO THE
BARGAINING TABLE

- O PRESIDENT BUSH IS TO BE CONGRATULATED FOR
MAKING THE HARD CHOICES IN HIS BUDGET. NOW
IT IS TIME FOR THE DEMOCRATS TO LAY THEIR
CARDS ON THE TABLE, SO THAT BUDGET
NEGOTIATIONS CAN BEGIN.

-- 9 --

O STARTING BUDGET NEGOTIATIONS IMMEDIATELY IS THE ONLY RESPONSIBLE THING TO DO, BECAUSE WHILE WE FIGHT OVER THE BUDGET, SIX YEARS OF SOLID, LOW-INFLATION ECONOMIC GROWTH IS COMING TO AN END. INFLATION IS ACCELERATING, THE FED IS RAISING INTEREST RATES, AND THE MARKETS ARE NERVOUS.

-- 10 --

O IN THE NEXT FEW WEEKS IT WILL BECOME CLEAR
WHETHER THE DEMOCRATS ARE WILLING TO MOVE
FORWARD. IMPORTANT DEADLINES ARE LOOMING:
CONGRESS IS REQUIRED TO COMPLETE ACTION ON
THE BUDGET BY APRIL 15 AND SPEAKER WRIGHT
HAS INDICATED THAT THE HOUSE WILL MEET THIS
DEADLINE.

-- 11 --

O SQUABBLING OVER THE BUDGET PREVENTS US FROM TACKLING IMPORTANT PROBLEMS LIKE THE SAVINGS AND LOAN CRISIS. THE PRESIDENT SHOULD NOT HAVE HIS LEGISLATIVE AGENDA HELD HOSTAGE BY A CONGRESS THAT PREFERS TO POINT FINGERS RATHER THAN FACE UP TO THE TOUGH BUDGET CHOICES NEEDED TO MEET THE GRAMM-RUDMAN-HOLLINGS TARGETS.

TAXES

- O I AGREE WITH THE PRESIDENT THAT TO BALANCE THE BUDGET WE NEED TO LOOK AT SPENDING CUTS AND NOT NEW TAXES. I DO NOT BELIEVE TAX INCREASES ARE A SUBSTITUTE FOR SPENDING RESTRAINT TO REDUCE THE FEDERAL BUDGET DEFICIT.

- O I ALSO BELIEVE THAT KEEPING THE LOWER RATES ENACTED IN 1986 IS VERY IMPORTANT, BOTH AS AN ECONOMIC INCENTIVE AND TO CONVINCING TAXPAYERS THAT OUR TAX LAWS ARE FAIR. IN 1987, I INTRODUCED A RESOLUTION ADOPTED BY THE SENATE THAT WE SHOULD NOT ATTEMPT TO REDUCE THE DEFICIT BY TAMPERING WITH TAX RATES.

-2-

O THE BUDGET PROPOSED BY PRESIDENT BUSH MAKES GOOD ON HIS CAMPAIGN PROMISES TO MEET THE GRAMM-RUDMAN-HOLLINGS DEFICIT TARGETS WITHOUT RAISING TAXES. SOME DEMOCRATS HAVE INDICATED THAT THE PRICE FOR ENACTING SOME OF THE PRESIDENT'S PROGRAMS, SUCH AS LOWER CAPITAL GAINS TAXES, MUST BE INCOME TAX RATE INCREASES. I BELIEVE THE THEY WILL FIND THAT WHEN THE PRESIDENT SAID "NO NEW TAXES", HE MEANT IT. THAT INCLUDES EXCISE TAXES, AS WELL AS RATE INCREASES.

-3-

- O THIS IS AN IMPORTANT ISSUE FOR THE STATES AS WELL AS FOR THE CONGRESS. MANY TAX INCREASE PROponents RECOMMEND FEDERAL EXCISE OR SALES TAXES WHICH WOULD DIRECTLY INTERFERE WITH EXISTING STATE TAXES. SO-CALLED "SIN TAXES" ARE NOT JUST WIN-WIN PROPOSITIONS. THE FEDERAL GOVERNMENT MAY BE TAKING REVENUE, NOT FROM THE TAXPAYERS, BUT FROM STATE COFFERS.

TALKING POINTS ON S&LS

DECISIVE ACTION BY THE PRESIDENT

- O TO HIS CREDIT, GEORGE BUSH ACTED SWIFTLY AND DECISIVELY ON THIS ISSUE. HE SAT DOWN WITH INDUSTRY REPRESENTATIVES AND CONGRESSIONAL LEADERS, ASKED FOR OUR INPUT AND MADE A DECISION. A LOT OF PEOPLE HAVE CRITICIZED PORTIONS OF THE PLAN, BUT SO FAR, NO ONE HAS COME UP WITH ANY REALISTIC ALTERNATIVES. ON THE WHOLE, I THINK THIS WAS A VERY POSITIVE FIRST STEP FOR THE PRESIDENT.

-2-

TIMING

- O THE ADMINISTRATIVE MERGER BETWEEN THE FSLIC AND THE FDIC IS ALREADY UNDER WAY. THE FDIC IS MOVING QUICKLY TO ASSUME SUPERVISORY CONTROL OF THE 222 INSOLVENT THRIFTS THAT REMAIN OPEN. IN MY HOME STATE OF KANSAS, THE FDIC HAS ALMOST COMPLETED ITS TASK, TAKING OVER 12 OF THE 13 INSOLVENT INSTITUTIONS.

-3-

O NONETHELESS, IT IS UNLIKELY THAT THE SENATE
BANKING COMMITTEE WILL COMPLETE ACTION ON
THE BILL BEFORE MID-APRIL. IN THE HOUSE, THE
PROSPECTS FOR ACTION REMAIN UNCERTAIN.

-4-

COST ESTIMATES/ASSUMPTIONS

- O THE NUMBERS INVOLVED ARE STAGGERING, AND IT'S NO SECRET THAT THE TAXPAYER IS GOING TO HAVE TO TAKE A BIG HIT ON THIS.

- O THE IMPORTANT THING IS FOR US TO ACT QUICKLY BECAUSE PROMPT ACTION WILL DEFINITELY REDUCE THE ULTIMATE COST OF THIS PROBLEM.

-5-

FRAUD & MISMANAGEMENT

- O I WAS PLEASED TO SEE THAT THE PRESIDENT'S PLAN INCLUDES \$50 MILLION FOR THE JUSTICE DEPARTMENT TO HELP THEM FERRET OUT AND PROSECUTE FRAUD WITHIN THE SAVINGS & LOAN INDUSTRY. THOSE THAT TOOK ADVANTAGE OF THE SYSTEM SHOULD BE PROSECUTED TO THE FULLEST EXTENT OF THE LAW. WE DON'T WANT TAX DOLLARS GOING TO LINE THE POCKETS OF CRIMINALS.

-6-

THE FDIC FUND

- O WHILE THE BUSH PLAN CALLS FOR AN ADMINISTRATIVE MERGER OF THE TWO FUNDS, LET THERE BE NO MISTAKE. THE INSURANCE FUNDS FOR THE BANKING AND THRIFT INDUSTRIES WILL REMAIN SEPARATE. FDIC FUNDS WILL NOT BE USED TO "BAIL OUT" THE THRIFT INDUSTRY.

-11-

BAD PUBLICITY AGGRAVATES THE PROBLEM

- O DEPOSITORS WITHDREW \$5.2 BILLION FROM SAVINGS & LOANS LAST MONTH, \$7.0 BILLION IN JANUARY AND A RECORD \$8.1 BILLION IN DECEMBER 1988. BAD PUBLICITY AGGRAVATES THIS PROBLEM BECAUSE IT AFFECTS DEPOSITOR CONFIDENCE. SO, AS YOU CAN SEE, DECISIVE ACTION IS ABSOLUTELY ESSENTIAL.