

BOB DOLE
KANSAS

United States Senate

OFFICE OF THE MAJORITY LEADER
WASHINGTON, DC 20510

July 23, 1985

M E M O R A N D U M

TO: SENATOR DOLE

FROM: GEORGE PIELER

SUBJECT: YOUR SPEECH TO THE NATIONAL ASSOCIATION OF FARMER
ELECTED COMMITTEEMEN TONIGHT, JULY 23, 1985, AT
6:30 P.M. AT THE HOTEL WASHINGTON

Attached are talking points on Ag prepared by Mark Scanlon,
plus material on the House budget offer and tax reform.

Att.

NAFEC TALKING POINTS

* GENERAL: Herb Edmonds from McLouth, Kansas, is serving as NAFEC's president. NAFEC's purpose is to preserve and strengthen the farmer elected committee system for local administration of ASCS programs.

* Among NAFEC's farm policy goals: - Increase farm income until it reaches parity with non-farm income; - preserve the family farm; - conservation; - expand agricultural markets; support the best interests of ASCS county employees.

* BUDGET: Adoption of a budget package from the House/Senate conference would be the greatest step Congress could take on behalf of rural America and farmers. Significantly reducing the deficits over the next three to five years would moderate the strength of the dollar and reduce interest rates. The result would be greater export sales, lower production costs and higher prices for farmers.

* FARM BILL STATUS: Senators & staff have met daily for the last several weeks to develop a single bill from the nine omnibus proposals before the Senate committee which would have broad bipartisan support. It is especially important for winter wheat farmers to know general guidelines of the 1986 program before Congress adjourns Aug 2nd.

* FARM BILL OBJECTIVES: Primary concerns among Senators are to improve farm income to family-sized farmers while enhancing competitiveness in world markets. It will be difficult to meet these goals and keep within the framework of the Senate passed budget resolution. Estimated costs of proposals currently pending before the Committee range from \$34 - \$44 bln.

* TENTATIVE DIRECTION - Price support protection for family-sized farms will likely be maintained or improved. An option for a referendum in 1986 on mandatory production controls may be part of the Senate and House bills. - Possible authority for the use of a marketing loan whereby producers could repay their original loan at the lower of the loan rate or the market price. - Improved/expanded export tools to allow U.S. producers to better compete in world markets. - Expanded P.L. 480 provisions. - Strong "Sodbuster" provisions to prevent government payments for crops produced on highly erodible land and a new "Conservation Reserve" to idle up to 30 million acres of less productive land by 1990. Possible ARP's at the following levels in the Senate bill for 1986: Wheat - 20%; Corn - 15%; Cotton - 20% and rice - 35%.

* OTHER: - Farmers can be pleased that Congress finally passed the Export Administration Act which greatly reduced any President's power to impose embargos by requiring Congressional approval of any embargo within 60 days; also provides sanctity of contracts for 270 days. - The Senate Ag Committee has adopted legislation protecting commercial export sales from Cargo Preference requirements.

WHY THE HOUSE OFFER IS NOT ACCEPTABLE

Surface Appeal, But Not Enough Real Savings

- o According to the House Budget Committee, its latest offer would reduce the deficit by \$56.9 billion in 1986 and \$272.6 billion over three years.
- o This offer would appear to come reasonably close to the Senate budget plan which would reduce the budget by \$295 billion over three years.
- o But this latest House offer is not yet acceptable because we believe that many of the claimed savings will never be realized and it does not contain the kind of long-range reforms that are going to actually produce close to \$300 billion in savings over three years.
- o The cold hard numbers, according to calculations made by OMB, show that there are about \$8.3 billion in hard savings, \$19.1 billion in bookkeeping savings and soft savings--and when you subtract savings from contracting out and debt service, the House offer contains about \$12.7 billion in new savings--no where close to the amount needed to replace savings lost by dropping the COLA freeze.

Defense Flim-Flam

- o About 50% of the House offer savings come from the Defense budget, when Defense constitutes only 30% of the Federal budget. The Senate defense cuts are 38% of its budget, a much more reasonable figure.
- o Even if you accept last week's White House "framework" agreement on a lower defense number, this House offer falls short. This offer is \$4 billion less in 1986 defense budget authority than the House supposedly agreed to (in exchange for dropping COLA's). That is a 1.5 percent real reduction.
- o The House defense number also inflates their savings by counting \$22 billion in slower spendout of defense authority. That slowdown may occur: but if so, we need to inflate the Senate's savings by the same amount--that would get us to \$317.2 billion in 3-year savings. The point is, this is not new savings that would result from legislative changes.
- o In addition, defense savings are credible only if they are really going to be achieved. In the conference on the DOD bill, the House has already receded to the higher Senate figure: that's above the new House offer. If a budget isn't going to be implemented, it is just numbers on a piece of paper.

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Domestic Savings: Not Enough

- o The House continues to avoid specifying to what extent committees will be reconciled to achieve savings thereby leaving in question the actual achievable savings. Example-- the House Budget contains an additional \$1.9 billion in savings from farm programs, but no assumptions about how these savings will be achieved.
- o This new offer does make some progress towards achieving our goals of terminating unnecessary programs by agreeing to termination of 8 programs. However this still falls short of the 13 recommended for termination by the Senate.
- o Not one dollar of new entitlement savings is suggested; in fact no long term reforms are even assumed in programs like the civil service retirement system.
- o The House offer continues to assume substantial savings in foreign assistance expenditures although the full House has already passed higher levels for the Foreign Assistance Authorization bill.
- o The House offer for rural housing assumes savings from two assumptions -- a reduction in program levels and a change in financing. It appears they achieve 90 percent of the Senate savings.
- o In fact the House proposal does not reduce the long-term cost of the Farmers Home program. It merely changes the time by which loans are repaid. It will not produce programmatic reform.
- o Under its new offer the House has proposed savings of almost \$250 million over three years for postal subsidies. Although this is better than the \$100 million in savings in the House-passed resolution the new offer still equals only about 11 percent of the three year saving in the Senate budget.
- o The House offer assumes an additional \$1 billion in unspecified reductions in the transportation programs. While this could affect aviation, Coast Guard, and Maritime programs, without specific reconciliation instructions it is unlikely that these cuts will be made.
- o The House proposal contains \$5.4 billion in new and unrealistic taxes in user fees.

TABLE 2
MAJOR DOMESTIC SAVINGS 1986-88
(\$ billions)

	<u>Deeper Senate Savings</u>	<u>Movement in House Offer #2</u>
COLAs.....	28	0
Low-income.....	13	0
Non-poverty domestic.....	22	15
Other.....	5	2
Total.....	<u>68</u>	<u>17</u>

House Offer #2 accepts 25% of the deeper Senate savings

LOOK CLOSELY AT THE HOUSE \$15 BILLION IN NON-POVERTY DOMESTIC SAVINGS

	<u>Movement in House Offer #2 1986-88</u>
Hard programmatic savings.....	3.2
Soft programmatic savings.....	11.8
Total.....	<u>15.0</u>
<u>Other House Proposals</u>	
User fees.....	1.0
Management and other.....	1.0

July 20, 1985

List of Proposed Terminations

SENATE

1. Trade Adjustment Assistance
2. Appalachian Development Program
3. Economic Development Program
4. Urban Development Action Grant (UDAG)
5. Export-Import Bank Direct Loans
6. Community Services Block Grant
7. Work Incentive Program (WIN)
8. Housing Development Action Grant (HoDAG)
9. Section 312 Rehab Loans
10. Direct Treasury Payment for most
of Postal Subsidy Program
11. Conrail
12. General Revenue Sharing
13. U.S. Travel and Tourism Program

HOUSE

- *1. Conrail
- *2. General Revenue Sharing
- **3. U.S. Travel and Tourism
- **4. Fishery Loan Fund
- **5. Community Development
section 108 loan program
- **6. Rail Service Assistance
- **7. Payments of BLM Mineral
Receipts
- **8. Payments-in-lieu-of-Taxes

* In original House resolution

** In latest House offer

Basic Issues in Tax Reform

- While the President's tax reform plan is comprehensive and contains nearly a hundred separate items, it can be enacted in this Congress.
- Both TEFRA with 150 tax provisions and the Deficit Reduction Act with nearly 300 tax provisions were larger. In addition, one-third of the items in the President's proposal would simply repeal provisions in present law. If Congress agrees with these suggestions, they will not be difficult to draft.
- But more importantly, there are very few provisions which are critical to the basic concept of the President's proposal--reducing rates and making the tax system more neutral. There are four principal revenue reducing provisions and nine major revenue raisers.
- The provisions which significantly reduce revenues are individual rate reduction (\$260 billion through 1990), the double personal exemption (\$193 billion), corporate rate reduction (\$154 billion), and corporate dividend relief (\$27.6 billion). Other revenue reducing provisions such as the tax credit for research and development (\$7 billion) and the spousal IRA's (\$4.1 billion), while not insignificant, are much less important from a revenue loss standpoint.
- On the revenue-raiser side, the list of large items is similarly limited: repeal of the investment tax credit (\$165 billion through 1990), repeal of the state and local tax deduction (\$149 billion), recapture of the rate differential on accelerated depreciation (\$57.6 billion), reform of the completed contract and other multiperiod production accounting rules (\$44 billion), reform of the capital cost recovery deduction (\$37 billion), repeal of the two-earner couple deduction (\$34 billion), repeal of income averaging (\$18.7 billion), reform of the tax-exempt bond rules (\$13 billion), and reform of the foreign tax credit (\$13 billion).
- Other items, such as reforming the reserve deductions for property and casualty insurance companies and repealing depository institution bad debt reserve deductions, would raise significant, but substantially less, revenue.
- The remaining provisions will have to be analyzed carefully to decide whether they are important enough, despite the lesser revenue impact, to include in the final package.

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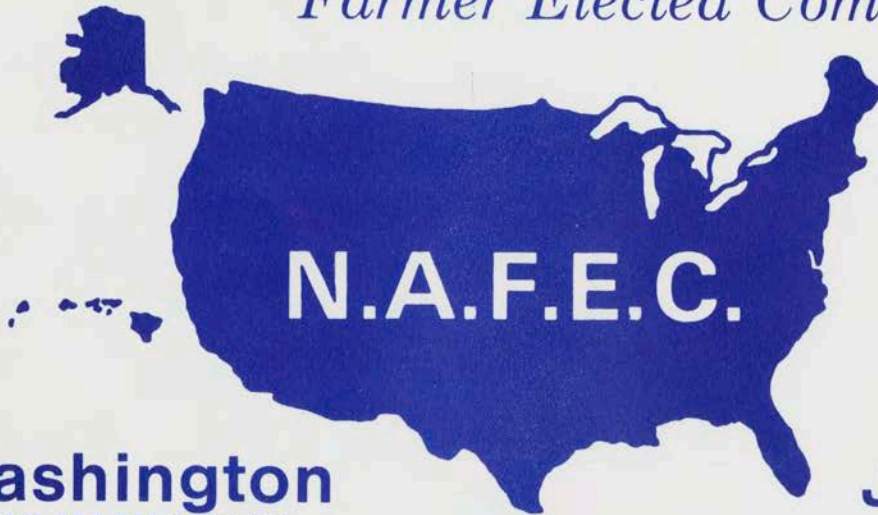
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*National Association of
Farmer Elected Committeemen*



Hotel Washington
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WASHINGTON, D.C.

JULY
22 - 23 - 24, 1985

N.A.F.E.C. 21st Annual Policy Conference

MONDAY, JULY 22, 1985

1:00 - 5:00 P.M. Registration
Hotel Washington Lobby
2:00 P.M. Board of Directors Meeting
State Presidents (or representative)
and NAFEC Executive Committee

TUESDAY, JULY 23, 1985

8:00 - 9:00 A.M. Registration
Washington Room
9:00 A.M. Conference Convenes
Washington Room
Call to Order Herbert Edmonds, NAFEC President
McLouth, KS
Invocation Harold Stewart
NAFEC 1st Vice President
Mt. Morris, NY
Pledge of Allegiance Robert D. Miller
NAFEC 2nd Vice President
Greenwood, MS
Secretary/Treasurer Report Verner Magnusson
Dale W. Hidy
Roll Call of States
President's Report Herbert Edmonds
NAFEC President
McLouth, KS

10:00 A.M.

The following persons have been invited to appear on the Policy Conference Program. Their schedules may vary due to Congressional activities and will be called upon at the President's direction:

DAVID SENTER
Executive Secretary
AAM
CHUCK FRAZIER
NFO
EDWARD ZORINSKY
US Senator - NE

ROGER BOTTRELL
D.A.M.
EVERETT RANK
Administrator, ASCS
MILTON HERTZ
Associate Administrator, ASCS
LARY SILVER
President NASCOE
Idaho

11:45 A.M. Lunch Break
1:15 P.M. Conference Reconvenes
Harold Stewart, Presiding
NAFEC 1st Vice President
Mt. Morris, NY
1:20 - 4:30 P.M. Adoption of Resolutions
Robert D. Miller
NAFEC 2nd Vice President
5:30 pm
6:00 P.M. Congressional Reception
North Hotel Roof Terrace
7:00 P.M. Congressional Banquet
Washington Room
Presiding Herbert Edmonds
Keynote Address Senator Robert Dole
6:30 pm
Kansas

WEDNESDAY, JULY 24, 1985

9:00 A.M. Conference Reconvenes
Washington Room
Call to Order Herbert Edmonds
President NAFEC
9:10 A.M. Invitation to Missouri
Herbert Edmonds
9:15 A.M. Unfinished Business
10:00 A.M. Adjourn Conference
Herbert Edmonds
11:00 A.M. Congressmen & Senators Visitation
Capital Hill Offices

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