

Joyce

Speak

*March 7
Fri
9-10*

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9:30 am Speak

September 10, 1985

*Cap Hilton
Presidential Ballroom*

Oy

The Honorable Robert Dole
141 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Dole:

The Association of Junior Leagues will hold a Public Affairs Training Seminar, March 5-7, 1986, at the Capitol Hilton in Washington, D.C. We hope that you will be able to be our guest speaker at the breakfast session, Thursday, March 6, beginning at approximately 8:15. We, of course, would be happy to accommodate your schedule as necessary.

We are especially eager for you to speak because your speech in 1984 was one of the highlights of the conference. Many members who attended that conference have recommended that you be invited again so that other Junior League members could have an opportunity to hear you. We do hope that you will be able to join us once again and look forward to hearing from you at your earliest possible convenience.

Sincerely,

Sally Orr

Sally Y. Orr
Director of Public Policy

Cap. Hilton

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SYO:ds

9/18/85 Return the l.c.

*Interested in:
overall view
of domestic policy
program
budget
monetary restraints*

BOB DOLE
KANSAS

United States Senate

OFFICE OF THE MAJORITY LEADER
WASHINGTON, DC 20510

March 6, 1986

TO: SENATOR DOLE
FROM: RICH BELAS
SUBJECT: TALKING POINTS FOR ASSOCIATION OF JR. LEAGUE

The Junior League strongly supports retention of the above-the-line charitable deduction for non-itemizers. The deduction is scheduled to sunset after 1986 under present law. The House tax reform bill made a modified form of the deduction permanent. Under the House bill deduction would be subject to a \$100 floor. The President's proposals would have sunset the deduction one year earlier--beginning in 1986.

Senator Packwood and Senator Moynihan have a longstanding interest in retaining the deduction.

The Junior League also supports continuing dependent care credits. The President's proposals included replacing the credit with a deduction, but the Administration has changed its mind and now supports the credit mechanism.

The Junior League also supports the present law deduction for volunteer mileage and would like a credit to be enacted.

TALKING POINTS -- JUNIOR LEAGUE

CIVIL RIGHTS RESTORATION ACT/GROVE CITY

-One issue which continues to be of key importance to me is the impact of the Supreme Court's Grove City decision on Federal civil rights protections, including Title IX, the only comprehensive Federal ban against sex discrimination in education.

-As you know, in the House of Representatives, two versions of the Civil Rights Restoration Act have been approved by the appropriate committees and are awaiting floor action. Consideration of these bills has been delayed, however, because various issues have not yet been resolved. The major controversy seems to center on those sections of the Title IX regulations which deal with abortion coverage under health plans offered by education institutions.

-In the Senate, the Civil Rights Restoration Act is pending in the Labor and Human Resources Committee, as is another measure I have introduced, the Civil Rights Amendments Act, which is also designed to restore civil rights coverage to its pre-Grove City status.

-Whether the Congress will be able to develop and enact into law consensus legislation during the remainder of this Congress remains an open question in light of pressing economic problems, the contentiousness of an election year, and the sensitive nature of this issue. But Grove City does remain among this Senator's priorities, and I am hopeful that at some point, we can develop a consensus bill.

Economic Equity Act

-Senator Durenburger has once again introduced the Economic Equity Act, which I know is a priority item with many organizations like this one who are concerned with women's economic issues.

-In the last Congress, I was pleased to have played a pivotal role in securing the enactment of reforms to our private pension system and child support enforcement program which will be of significant economic benefit to millions of women.

-In this Congress, I have introduced, as a separate bill, that part of the Economic Equity Act which deals with equal credit opportunity. Specifically, the bill would require the Federal Reserve Board to narrow the carte blanche exemptions currently contained in its equal credit opportunity regulations for commercial credit transactions. The bill is intended to enhance minority and women entrepreneurs' ability to combat discrimination when they have been denied credit to start or expand a business because of their sex, marital status or the color of their skin.

-This bill, which Senator Byrd and a large, bipartisan group of Senators have cosponsored, is currently pending in the Banking Committee. I have urged the Committee to take a hard look at the bill and the many reported instances of discrimination in business credit transactions which the bill is designed to address.

TAX REFORM EFFECTIVE DATES

- o Last December the Senate passed my resolution urging that the effective date for most provisions of tax reform legislation should be January 1, 1987. The reason for making tax reform "prospective only" is to eliminate the cloud of uncertainty that pending tax reform legislation leaves over many economic decisions that are influenced by tax policy.
- o The House also passed an "effective date" resolution, urging the chairman of the tax-writing committees to agree on some determination of effective dates other than the January 1, 1986 date in the House-passed bill.
- o Unfortunately, since last December little progress has been made in clarifying the effective date issue. Chairman Rostenkowski has made it fairly clear that he thinks the House bill effective dates are appropriate, although he is willing to remain open to selective changes in those dates.
- o Last week eleven members of the Finance Committee sent a letter to Senator Packwood urging that markup of tax reform legislation be delayed until the effective date issue is resolved. I am not sure that is the best strategy, but it is another indication of how much members are concerned about the effective date problem.
- o There is still some hope that Rostenkowski, Packwood, et al. can agree on a statement to resolve some of the uncertainty on effective dates. The closer we get to Senate action on the tax bill, the more likely it becomes that Senate's decision on effective dates will be the most important signal we give to the business community of our intentions on the issue.

February 25, 1986

Tax Reform Talking Points

- o The President's tax plan and the House bill are similar in concept--they both shift more of the tax burden to corporations and reduce the tax burden on individuals. But the bills are very different in how they make the change.
- o Both substantially reduce tax rates for individuals (the President to a maximum of 35%; Ways and Means to 38%) and for corporations (President 33%; Ways and Means 36%). But the Ways and Means rates take effect at much lower income levels: the 35% rate clicks in at \$43,000 for married couples, as opposed to \$70,000 under the Reagan plan.
- o Neither plan gets an A+ for the major objectives of tax reform--simplification and fairness, but the President's plan repealed many more of the overly complicated provisions of the tax code than the Ways and Means Committee effort. The House bill just modifies, but leaves in place, many complex tax rules.
- o The House bill falls far short of the President's on fairness grounds. Fringe benefits and itemized deductions are major causes of differing tax liabilities, and unlike the President's proposal, the House retained the State and local tax deduction, did less to limit interest-paid deductions, and did nothing on fringe benefits. This means that taxpayers with equal incomes can still have substantially different tax liabilities.
- o I have personally long favored income tax reform and, as Chairman of the Senate Finance Committee, led the fight over a number of years to plug unjustified tax loopholes.
- o The Senate Finance Committee now is expected to begin action on tax reform in the second or third week of March. A lot of difficult decisions await the Committee if it is to make significant progress towards the goals the President has outlined: lower tax rates, a \$2,000 personal exemption for everyone, and more incentive for saving and capital investment.
- o I strongly believe that whatever we do on tax reform should be confined to trade-off between broadening the income tax base and lowering income tax rates for business and individuals. We should not resort to the gimmick of new taxes or add on taxes just to avoid tough decision on tax reform.

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- o Above all, we should not lose sight of the basic goals of tax reform: lower rates and a more equitable, level playing field that will be more productive for the economy and fairer to the average taxpayer. This is the latest step in the direction we set when we indexed the tax code in 1981 and began major tax reforms in 1982.

THE ECONOMY IN 1986

- o No one can really predict the course of the economy in 1986, although of course we have to take a stab at it to guide our budget decisions. But it is increasingly clear that the economy began picking up late last year. Leading indicators rose 0.9% in December, the eighth month in a row. Unemployment is down to 6.7%, the lowest since 1979.
- o There are forces at work that improve the prospects for strong growth this year. One of these is the drop in oil prices, which acts like a tax cut for energy users and helps moderate inflationary pressures that might build as a result of the dollar's decline. Coupled with the monetary stimulus the Federal Reserve provided in the last six months of 1986, and the prospect for improvement in our balance of trade later in the year (as the effects of the dollar decline are felt), this means we have a good chance for healthy growth in 1986.
- o Clearly the number one threat to maintaining a healthy economy remains the U.S. budget deficit. If it's not reduced sharply this year, we won't meet the commitment we made to our trading partners to secure their agreement to ease the dollar down. What's more, we would put an unconscionable burden on the Federal Reserve to keep the recovery going by pumping more money out in order to keep interest rates down. That's a sure recipe for inflation.
- o We've created 9 million jobs with a near record economic recovery. We've got inflation down to the lowest levels in two decades. Let's not throw it all a way by punting on the deficit issue. The fact is that all the economic pundits we've been hearing in recent years have been wrong: the economy is more resilient than many believed, but not so strong as to be able to sustain huge deficits this late in the recovery. It's time for everyone to "give" a little in the interest of a deficit-reduction plan that will steer us safely through the potentially treacherous waters ahead.

February 19, 1986

BUDGET FOR FY 1987

- o The President's budget for FY 1987 is a blueprint for deficit reduction that Congress will have to take seriously even if we can't agree with it in all particulars. It is important to keep in mind OMB Director Miller's contention that, if we adopt this budget in full, we can meet the Gramm-Rudman targets for the rest of the decade without the need for major additional cuts.
- o The 1987 budget plan is designed to get the deficit down to \$143.6 billion: just below the G-R-H target of \$144 billion. Total spending is projected at \$994 billion, and revenues at \$850.4 billion. Total interest expense is \$206.85 billion, and net interest (exclusive of intra-government payments) is \$148 billion.
- o The deficit would be reduced by \$38 billion in FY 87, and by \$166 billion over three years. Defense would still grow by 3% in real terms (increase in budget authority adjusted for inflation). Increased funds would be provided for fighting terrorism, for law and drug enforcement, for the space program, aviation safety, and AIDS research.
- o Major new deficit-reduction initiatives include privatization of government activities, ranging from Amtrak to power facilities to Ex-Im bank loans; transferring a few programs to the States, such as the Agriculture Cooperative Extension Service and highway; a wide array of user fees on government services; eliminating programs like EDA, UDAG, SBA, maritime subsidies, and the ICC.
- o There are additional receipts in the budget as well: extending the cigarette tax, higher fees for black lung, repealing the gasohol exemption, increased contributions to civil service retirement and the like.
- o The CBO indicates that the President's budget may be some \$14 billion short of its 1987 goal because of low estimates of defense spending already in the pipeline. That is a legitimate matter for review, but if baseline spending is higher, then any cuts will have more of an impact as well.

Gramm-Rudman, the Dollar, and Inflation

- o Gramm-Rudman should help us meet the commitment we made last September to our trading partners: to reduce the deficit as part of our effort to moderate the value of other dollar.
- o By the same token, the risk of inflation should be reduced if we bring down the deficit under Gramm-Rudman, because the pressure to pump up the money supply to keep interest rates down will ease considerably.

Gramm-Rudman: Challenge to the Established Fiscal Order

- o The first actions in response to the new Gramm-Rudman deficit control reform will be taken early in 1986. For those of you who missed it, late last year the Congress imposed a new fiscal straightjacket on itself. The new law sets firm deficit targets for each of the new five years, and mandates automatic across the board spending cuts if the deficit exceeds the target. The first round of automatic cuts under the proposal will take effect March 1 unless Congress comes up with a better way to meet the target.
- o In addition, President Reagan's budget for fiscal year 1987 is due to Congress by February 5. So we will have reconsideration of the 1986 budget proceeding simultaneously with our first shot at the 1987 budget.

That is a tall order, but is one we ought to be able to fill. Difficult as it seems, we should remember that the Gramm-Rudman law contains new procedures designed to make it easier to meet the deficit targets. We explicitly bring loan programs and other 'off-budget' items into the budget process; set a point of order against legislation from committees that have not met their budget savings allocation; and rule out of order legislation inconsistent with the deficit targets.

Possible Problems. We know there will be a rocky road ahead in implementing Gramm-Rudman. Congressmen Synar and others already have won the first round in their suit claiming it is unconstitutional, and the Reagan Administration also has some problems with the role of the Congress' General Accounting Office in mediating the deficit forecasts. The Supreme Court will have to give us a final ruling on all that in a few months. Even more important, what Congress can legislate, Congress can back out of. That's why we need a constitutional mandate for budgetary restraint, as well as a statutory one.

- o So Gramm-Rudman hasn't made our options any easier: but if it works as planned, it will force us--and the President--to make some decisions and choose among the various deficit-reduction options. That means everyone's cherished spending programs will be put to the test of fiscal responsibility.

Spending the Key. Finally, let me emphasize that Gramm-Rudman is a device for reducing Federal spending. It is not a tax increase plan, or a subterfuge for one. If we fail on the spending front, we can look at other options. But the sooner we entertain any revenue options, you can bet the pressure for spending cuts will drop fast.

The Deficit and the Average American

- o Unless we follow a deficit reduction path like that mandated under Gramm-Rudman, American families will face either higher interest rates or higher inflation: not to mention the risk of a disastrous new recession throwing millions of breadwinners out of work. That is what the Gramm-Rudman-Hollings initiative is all about.
- o Most economists believe that enactment of deficit reduction measures that eliminate the deficit by the end of the decade will produce a drop of at least 1 percent in interest rates over the short run and 2 to 3 percentage points over the long term: relative to what they otherwise would be.
 - With a 2% drop in interest rates, the monthly payment on a median priced home (\$80,000) would go down by about \$100 a month.
 - Conversely, if we don't reduce the deficit to keep rates as low as they are now, homeowners could face that large an increase--or more-- in monthly payments.
 - A 2% drop in interest rates would mean an additional \$4,000 in income for the average wheat farmer with a 1,000 acre operation.
 - In 1985, the Federal Government will overspend close to \$1,000 for every man, woman, and child in America.
 - This \$1,000 per head of additional federal debt will be one more burden for our children to repay in higher taxes or higher inflation in the future.

Interest on the Debt

The massive increase in debt has itself created one of the largest and fastest growing components of Federal spending--interest on the debt. Constant deficits have put fiscal policy on an endless treadmill of paying for the irresponsibility of previous decades:

- o In 1965, interest on the national debt cost \$9 billion and consumed 1.4% of GNP. By 1980, annual interest costs rose to \$52 billion--2% of GNP. But the worst was yet to come.
- o In 1985, interest on the national debt cost taxpayers \$130 billion--almost three times the level of five years ago. this represents 3.8% of GNP, 13.5% of the entire 1985 budget, and a 1,450% increase in costs over 1965.
- o \$130 billion is equal to the sum total of all Federal spending from 1789--the founding of the republic--to 1936. It also equals total Federal outlays in 1966, the entire defense budget in 1980, and twice the level of medicare funding today.

But if we can adhere to the deficit-reduction goals we've set for ourselves, I am very, very optimistic about the course of the economy. I think we take too much for granted what we have achieved so far: strong growth without inflation. We can keep that going if we reduce the deficit substantially. The way is open to economic performance unprecedented in the postwar period if we have the will to find it.