

July 20, 1990

M E M O R A N D U M

TO: SENATOR DOLE  
FROM: SHEILA BURKE  
SUBJECT: MEET THE PRESS

The attached briefing book contains material on the budget summit which I thought you might find useful in preparing for "Meet the Press".

I've included very brief summaries of some of the key revenue options as well as estimates for some COLA options.

While there seems to be some consensus on \$50 - 60 billion as the first year goal, we have yet to reach consensus on how to divide up the savings needed among the four key elements: revenues, entitlements, defense and discretionary programs. The differences are still substantial particularly with respect to entitlements and defense.

The other key issues to be resolved are whether or not to exclude both Social Security and the RTC from the deficit calculations. Clearly Social Security makes it better and RTC makes it worse.

MEMORANDUM

July 20, 1990

TO: Senator Dole

FROM: Kathy Ormiston

SUBJECT: Talking Points on the Economy for News Shows

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Good News

The economy has now completed 7 1/2 years of continuous growth (92nd month) -- the longest peacetime expansion on record.

Alan Greenspan, the Chairman of the Federal Reserve, has made assurances that he would move quickly to offset any negative economic effects of a budget agreement.

The unemployment rate at 5.2% remains at its lowest level in almost 20 years.

Exports have improved, contributing significantly to the pickup in industrial production this year.

Inflation has moderated in recent months due to falling prices for food and energy.

Bad News

Real GNP grew at a moderate 2% annual rate in the first quarter of this year. The index of leading economic indicators seem to suggest continued sluggish growth.

Consumer spending is flat. Other indicators of consumption, such as retail sales and housing starts, are down. On the more positive side, the personal savings rate this year is up almost a percent point over last year's level.

Short-term interest rates are lower than they were a year ago, but long-term rates are slightly higher partly due to government borrowing for the savings and loan bailout.

July 20, 1990

AGENDA FOR 1990 BUDGET DISCUSSIONS

1. GOAL OF DISCUSSIONS

- a. Agree on a serious deficit reduction agreement with following general characteristics.
  - o Real Reconciled Reductions of \$50 - 60 billion.
  - o Multi-year plan of \$450 - 600 billion.
  - o Real budget process reform that tightens budget process.
- b. If an agreement is reached make sure it can be implemented and that the results will actually be achieved.
- c. Reform items that should be included in any long-term agreements.

Issues discussed include:

- o Treatment of Social Security Trust Funds.
- o Treatment of FSLIC, REFCORP, and RTC funding provisions.
- o Gramm-Rudman-Hollings deficit targets, extensions or modifications.
- o Gramm-Rudman-Hollings sequester provisions.
- o Remove Gramm-Rudman-Hollings gimmicks.
- o Modifications to the Byrd rule to be applicable to House reconciliation provisions.
- o Reform of the credit accounting rules; e.g. Israeli loan guarantees.

2. OTHER ISSUES

Given budget implications, agreements need to be reached on:

- o Child Care
- o 1990 Farm Bill
- o 1991 Appropriations Bills



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## PRESIDENTIAL POLL: THE ADMINISTRATION RATED

# Bush admits domestic troubles need attention

By Jessica Lee  
USA TODAY

When President Bush talked with U.S. magazine publishers this week, he regaled them with tales of his work behind the scenes to push the Soviet Union toward accepting a united Germany in the NATO alliance.

Then he joked that he was trying "to deflect you away from matters domestic."

That crack may be the single biggest clue to how Bush views his performance after 18 months in the Oval Office.

Bush has made no secret that he's more comfortable awash in heady foreign affairs

than immersed in gritty domestic problems.

"I must say, I take pride in the way Europe is moving into this new era of freedom. It's a goal that we Americans have long worked to achieve," he told the publishers.

But he spoke humbly about this side of the Atlantic: "We have some big problems here at home. And I've got to address myself perhaps more effectively to some of those."

Bush's critics and fans describe his leadership style as reactive. He waits to see what's happening, then tries to influence events.

Duke University political scientist James David Barber says the public has become increasingly aware of the eruption of democra-

cy in Eastern Europe, Africa, Latin America.

"Here is the moment when the United States — the classic example of democracy — could be taking leadership (as with) the League of Nations, the United Nations, the Marshall Plan," Barber says.

But political scientist Aaron Wilavsky of the University of California at Berkeley says those who look to Bush for policy guidance and visionary planning misunderstand him.

"Bush is more interested in process and people than he is in policy. He thinks it would be wrong to have a fixed set of policies running into the future. He sees the future as inherently unknowable."

It is Bush's leadership style, experts say, that is making it difficult for him to make the leap from presiding over rapid world political changes to managing domestic crises.

Embarking on his second year in the White House in January, Bush listed crime control, child care, clean air and cutting capital gains taxes as his top priorities. Yet:

► Environmentalists, despite passage of a clean air law, rated Bush as a near failure, doing so while he was hosting leaders of the world's top industrial nations at the Houston summit. Bush bristled: "I think their grading system is absolutely, essentially absurd."

► Crime statistics, fueled by armed drug

traffickers, keep climbing despite Bush's big spending increases for the drug war.

► Numbers of children born into poverty grow. But Bush vetoed a bill to give parents unpaid leave and he has failed to marshal a consensus on how to provide education and health care for poor children.

► Capital gains taxes remain at the 28% level fixed four years ago. Not only did Bush lose his bid to cut them, he was forced by the surging deficit to renounce his "read my lips — no new taxes" pledge.

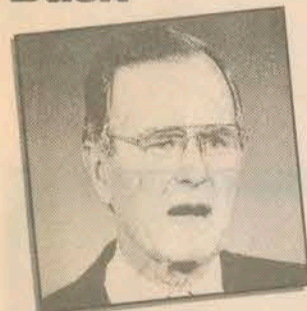
"That's called 'Bush lips,'" Barber says, adding that it's time to compare a president's promises with his performance.



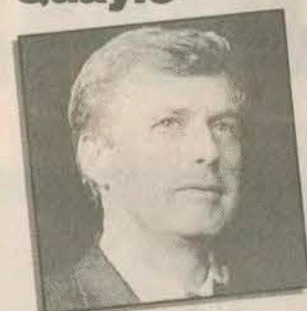
## Bush's popularity slipping

President Bush's approval rating — the percentage of people giving him a grade of A or B — tumbled while first lady Barbara Bush's held steady and Vice President Quayle's went up slightly, according to a USA TODAY Poll.

### Bush



### Quayle



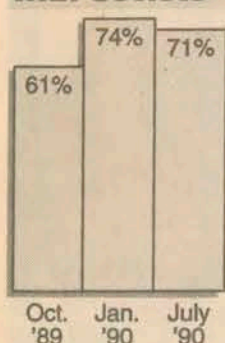
### Mrs. Bush



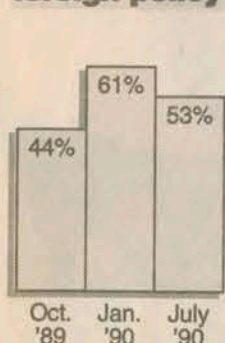
## President strongest in foreign policy

(percentage giving him A or B)

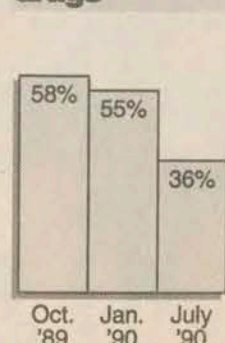
### Dealing with Soviets



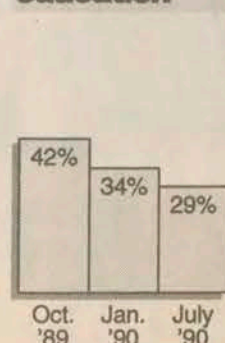
### Handling foreign policy



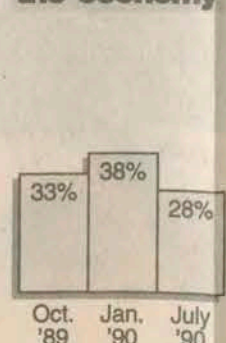
### Fighting drugs



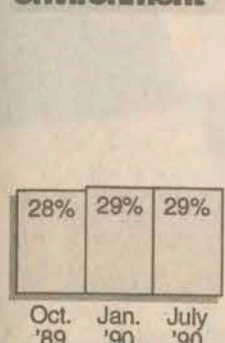
### Improving education



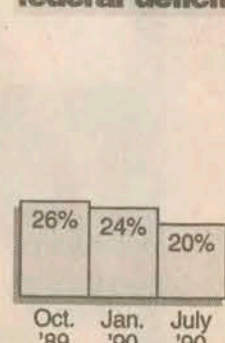
### Handling the economy



### Cleaning the environment



### Controlling federal deficit



## White House gets fewer high grades, more low marks for social work, money issues

(percentage giving each grade)

### Improving the education system

	Oct. '89	Jan. '90	July '90
A	14%	9%	6%
B	28%	25%	23%
C	28%	35%	38%
D	15%	15%	16%
F	9%	9%	11%

### Fighting the drug problem

	Oct. '89	Jan. '90	July '90
A	26%	26%	10%
B	32%	29%	26%
C	21%	24%	31%
D	10%	11%	17%
F	9%	8%	13%

### Cleaning up the environment

	Oct. '89	Jan. '90	July '90
A	8%	8%	6%
B	20%	21%	23%
C	37%	38%	37%
D	16%	16%	18%
F	10%	11%	12%

### Handling the federal deficit

	Oct. '89	Jan. '90	July '90
A	6%	5%	4%
B	20%	19%	16%
C	33%	39%	32%
D	19%	18%	21%
F	13%	11%	23%

### Managing the nation's economy

	Oct. '89	Jan. '90	July '90
A	8%	9%	5%
B	25%	29%	23%
C	39%	39%	39%
D	13%	13%	16%
F	9%	7%	13%

Source: July 16-17 Gordon S. Black Corp. telephone poll of 813 adults nationwide; margin of error is 3.5 percent.

Note: "Don't know" and "no answer" responses were eliminated from these lists.

## President's weakest spots relate to money

By Sharen Shaw Johnson  
USA TODAY

President Bush isn't in deep trouble with voters yet but he could be, say both GOP and Democratic pollsters.

Reason: Polls, including one this week by USA TODAY, show voters are disgruntled about money matters — and perceive Bush as not leading the way to economic safety.

Only 31% feel Bush takes charge; 59% said Congress has more influence over the USA's direction.

Voters, says GOP pollster Douglas Bailey, like Bush. But "nothing good is happening" domestically. "And there is no sense that the president is in command of those things."

"Ultimately it's bad news for a president not to be perceived to have the strength to be in command."

The poll was taken after Bush dropped his no-new-taxes campaign pledge, and amid news of a deepening deficit and widening S&L crisis.

Thomas Mann of the liberal Brookings Institution cautions that poll findings can reflect news coverage, and "there's been a tremendous amount of coverage of Bush's failure to get out front on pressing national issues, his timidity."

But Bush's recent actions "all suggest to me this presi-

dent is beginning to be a bit more of a leader."

What Bush should fear most, says Mann and others: "Economic collapse."

The USA TODAY Poll indicates Bush's softest spots are decorated with dollar signs:

► His overall performance ratings have returned to the same level where they were in October 1989. He's not in the danger zone for his policies toward the Soviets, but he's seeing slippage on domestic policies.

► But disapproval ratings soar when it comes to Bush's handling of financial matters. Grading him "D" or "F" for his handling of the deficit: 44%. For the S&L crisis: 40%.

Mann doesn't think even the S&L mess spells big trouble for Bush — or most lawmakers. Voters "don't blame any one of the parties. They sense the causes were multiple."

Democratic pollster Alan Secrest disagrees: "If voters' awareness about the S&L situation develops in a certain fashion, George Bush may well pay the political price" in 1992.

But, says Democratic pollster Raymond Strother: "He's still immensely strong and the economy is still good. All we're seeing is the rumblings; we haven't seen the quake."

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► Bush rating down, 1A

USA TODAY







## MID-SESSION REVIEW ON THE BUDGET

July 16, 1990

### Major Highlights:

1. Deficit forecasts for 1990 are up to \$218.5 billion including RTC, without RTC the estimate is \$161.4 billion, slightly higher than Darman's estimate to the Summit on June 20 of \$158 billion.
2. Deficit forecasts for 1991 are up to \$231.4 billion including RTC, without RTC the estimate is \$168.8 billion, up from the Summit estimate of \$159 billion.
3. The technical GRH deficit estimate for 1991 is \$148.4 billion.

*K*  
*201-555-1172*  
This would mean a sequester of \$84.4 billion. But interestingly, Darman does not show this as the sequester but rather an illustrative \$100 billion sequester, ostensibly the \$84.4 billion sequester as defined by current law plus \$18 billion for reauthorization of foodstamps.

The illustrative sequester estimate of \$100 billion translates into:

- o 25.1% sequester for defense programs (\$50 billion)
  - o 41.3% sequester for defense if military personnel is exempt.
  - o 38.4% sequester for nondefense programs.
4. The bottom line is that these numbers are consistent with what we have known in the Summit negotiations. They simply highlight the need to get on with the Summit and find an agreement before they become effective on October 15.



SUMMARY OF MAJOR  
PROPOSALS



# COMPARISON OF BUDGET PROPOSALS

(\$ BILLIONS)

	FY 1991 <i>DONAGHICI</i>				FY 1991-95 <i>DONAGHICI</i>			
	President	Senate Reported	House Passed	PLAN A-9	President	Senate Reported	House Passed	PLAN A-9
CBO SUMMER BASELINE DEFICIT a/.....	-162.4	-162.4	-162.4	-162.4	-781.5	-781.5	-781.5	-781.5
SPENDING:								
DEFENSE.....	-5.6	-12.3	-10.8	-9.6	-108.2	-202.4	-238.8	-157.7
NONDEFENSE DISCRETIONARY.....	-4.5	-5.1	3.4	-0.9	-59.2	-9.2	74.3	-16.5
ENTITLEMENT AND MANDATORY 1/.....	-15.0	-4.0	-1.9	-10.4	-121.1	-24.1	11.7	-109.0
USER FEES.....	-3.8	-6.2	-1.4	-2.3	-19.0	-32.3	-7.1	-14.3
ASSET SALES.....	-0.3	---	---	---	-7.9	---	---	---
TOTAL SPENDING.....	-29.2	-27.6	-10.7	-23.2	-315.5	-268.0	-159.9	-297.4
REVENUES.....	-10.3	-14.1	-17.5	-24.6	-21.9	-70.8	-119.3	-117.0
NET INTEREST.....	-1.5	-1.7	-1.2	-1.9	-52.3	-57.5	-43.8	-69.0
SUBTOTAL DEFICIT REDUCTION.....	-41.0	-43.4	-29.4	-49.7	-389.7	-396.3	-323.1	-483.4
PLAN DEFICIT.....	-121.4	-119.0	-133.0	-112.7	-391.8	-385.2	-458.4	-298.1

NOTE: BASED ON CBO SUMMER BASELINE ESTIMATES, EXCLUDING ADDITIONAL RTC COSTS. DETAILS MAY NOT ADD TO TOTALS DUE TO ROUNDING.

a/ INCLUDES HBC/SBC BASELINE ADJUSTMENTS.

1/ INCLUDES PAY OFFSETS.

PREPARED BY SBC MINORITY STAFF, 26-JUN-90.

Summary of  
net proposals



COLA OPTIONS

# COLA options

## SAVINGS FROM MODIFICATIONS TO COST-OF-LIVING-ADJUSTMENTS (assumes OMB 6/1/90 economics, in billions of dollars)

06/05/90

	annual savings					5-year savings
	1991	1992	1993	1994	1995	
<b>COLA Delays:</b>						
<b>3-month:</b>						
Social Security 1/.....	2.7	2.5	2.3	2.1	1.9	11.5
Other Non-Means-Tested.....	<u>0.9</u>	<u>0.8</u>	<u>0.7</u>	<u>0.7</u>	<u>0.7</u>	<u>3.7</u>
Subtotal.....	3.5	3.3	3.0	2.8	2.6	15.3
Means-Tested.....	<u>0.6</u>	<u>0.5</u>	<u>0.4</u>	<u>0.4</u>	<u>0.4</u>	<u>2.4</u>
Total.....	4.2	3.9	3.5	3.2	3.0	17.7
<b>6-month:</b>						
Social Security 1/.....	5.4	5.1	4.6	4.2	3.9	23.1
Other Non-Means-Tested.....	<u>1.7</u>	<u>1.6</u>	<u>1.5</u>	<u>1.4</u>	<u>1.3</u>	<u>7.5</u>
Subtotal.....	7.1	6.7	6.1	5.6	5.2	30.6
Means-Tested.....	<u>1.1</u>	<u>1.1</u>	<u>0.9</u>	<u>0.8</u>	<u>0.8</u>	<u>4.8</u>
Total.....	8.3	7.7	6.9	6.4	6.0	35.4
<b>9-month:</b>						
Social Security 1/.....	8.1	7.6	6.9	6.3	5.8	34.8
Other Non-Means-Tested.....	<u>2.4</u>	<u>2.4</u>	<u>2.2</u>	<u>2.1</u>	<u>2.0</u>	<u>11.1</u>
Subtotal.....	10.5	10.0	9.2	8.4	7.8	45.9
Means-Tested.....	<u>1.7</u>	<u>1.6</u>	<u>1.2</u>	<u>1.2</u>	<u>1.2</u>	<u>6.8</u>
Total.....	12.2	11.6	10.4	9.6	9.0	52.7
<b>6-month, 1991 and repeated in 1992:</b>						
Social Security 1/.....	5.4	7.7	9.8	9.0	8.3	40.2
Other Non-Means-Tested.....	<u>1.7</u>	<u>2.3</u>	<u>3.1</u>	<u>2.9</u>	<u>2.8</u>	<u>12.7</u>
Subtotal.....	7.1	10.0	12.9	11.9	11.0	52.9
Means-Tested.....	<u>1.1</u>	<u>1.9</u>	<u>1.7</u>	<u>1.7</u>	<u>1.7</u>	<u>8.1</u>
Total.....	8.3	11.9	14.6	13.6	12.7	61.0
<b>12-month, 1991 and repeated in 1992:</b>						
Social Security 1/.....	8.1	10.4	17.7	19.0	17.5	72.6
Other Non-Means-Tested.....	<u>2.4</u>	<u>3.3</u>	<u>5.4</u>	<u>6.0</u>	<u>5.7</u>	<u>22.8</u>
Subtotal.....	10.5	13.6	23.1	25.0	23.2	95.4
Means-Tested.....	<u>2.0</u>	<u>2.2</u>	<u>3.5</u>	<u>3.5</u>	<u>3.3</u>	<u>14.5</u>
Total.....	12.6	15.8	26.6	28.5	26.5	109.9



SAVINGS FROM MODIFICATIONS TO COST-OF-LIVING-ADJUSTMENTS  
 (assumes OMB 6/1/90 economics, in billions of dollars)

06/05/90	annual savings					5-year savings
	1991	1992	1993	1994	1995	
COLA Freeze 1991 Only:						
Social Security 1/.....	8.1	11.1	11.2	11.3	11.2	52.9
Other Non-Means-Tested.....	<u>2.4</u>	<u>3.5</u>	<u>3.6</u>	<u>3.6</u>	<u>3.7</u>	<u>16.8</u>
Subtotal.....	10.5	14.6	14.8	14.9	14.9	69.7
Means-Tested.....	<u>2.1</u>	<u>2.6</u>	<u>2.7</u>	<u>2.9</u>	<u>3.0</u>	<u>13.4</u>
Total.....	12.7	17.2	17.5	17.8	17.9	83.1
COLA Cuts:						
CPI Minus 1%, 1991 Only:						
Social Security 1/.....	1.7	2.4	2.4	2.4	2.4	11.3
Other Non-Means-Tested.....	<u>0.5</u>	<u>0.7</u>	<u>0.8</u>	<u>0.8</u>	<u>0.8</u>	<u>3.6</u>
Subtotal.....	2.2	3.1	3.2	3.2	3.2	14.9
Means-Tested.....	<u>0.3</u>	<u>0.4</u>	<u>0.4</u>	<u>0.5</u>	<u>0.5</u>	<u>2.0</u>
Total.....	2.5	3.5	3.5	3.6	3.6	16.8
CPI Minus 1%, 1991 and 1992:						
Social Security 1/.....	1.7	4.2	4.9	4.9	4.9	20.6
Other Non-Means-Tested.....	<u>0.5</u>	<u>1.3</u>	<u>1.6</u>	<u>1.6</u>	<u>1.6</u>	<u>6.5</u>
Subtotal.....	2.2	5.5	6.4	6.5	6.5	27.2
Means-Tested.....	<u>0.3</u>	<u>0.7</u>	<u>0.8</u>	<u>0.9</u>	<u>0.9</u>	<u>3.7</u>
Total.....	2.5	6.2	7.3	7.4	7.4	30.8
CPI Minus 1%, 1991-1995:						
Social Security 1/.....	1.7	4.2	6.8	9.6	12.5	34.9
Other Non-Means-Tested.....	<u>0.5</u>	<u>1.3</u>	<u>2.1</u>	<u>3.0</u>	<u>3.9</u>	<u>10.8</u>
Subtotal.....	2.2	5.5	9.0	12.6	16.4	45.7
Means-Tested.....	<u>0.3</u>	<u>0.7</u>	<u>1.1</u>	<u>1.7</u>	<u>2.2</u>	<u>6.0</u>
Total.....	2.5	6.2	10.1	14.3	18.6	51.8
CPI Minus 2%, 1991 Only:						
Social Security 1/.....	3.5	4.7	4.8	4.8	4.8	22.5
Other Non-Means-Tested.....	<u>1.0</u>	<u>1.5</u>	<u>1.5</u>	<u>1.6</u>	<u>1.6</u>	<u>7.2</u>
Subtotal.....	4.5	6.2	6.3	6.4	6.4	29.7
Means-Tested.....	<u>0.6</u>	<u>0.8</u>	<u>0.8</u>	<u>0.9</u>	<u>0.9</u>	<u>4.0</u>
Total.....	5.1	7.0	7.1	7.3	7.3	33.8

REVENUE OPTIONS



*Bob Dole, Bob Packwood and Pete Domenici*

## A 'Bubble' of Hot Air

In 1986, Congress completely overhauled our income tax system. Congress promised to lower tax rates and keep them there. Now that budget negotiations are well underway, there are some who would like to go back on that promise. They want to increase income tax rates while hiding behind what's become known as the "tax bubble."

At the heart of the 1986 tax reform is a vastly simplified tax rate structure. Our tax code has only two income tax rates now: 15 percent and 28 percent. For example, in 1990, a married couple will pay 15 percent tax on their first \$32,450 of taxable income and 28 percent tax on everything more than that amount.

The tax bubble refers to a 5 percent add-on in the tax code that only applies at certain higher income levels. In 1990, a married couple with two children will pay the 5 percent add-on for income more than \$78,400 but less than \$208,690. Because this adds 5 percent to the 28 percent tax rate, it creates the perception of a 33 percent tax rate. Since this 33 percent perceived rate begins and ends at specified income levels, it is referred to as a 33 percent tax bubble.

The 5 percent add-on was designed in 1986 for two important purposes. First, it gradually takes away the benefit of the 15 percent tax rate. This causes upper-income individuals to pay tax at a flat 28 percent rate on all their income, rather than paying tax on some of their income at the 15 percent rate.

Second, the 5 percent add-on gradually takes away the \$2,050 deduction for personal exemptions and dependents. Personal and dependency deductions reduce the taxes of families. The idea is that a family of four with \$30,000 of income cannot afford to pay the same tax as a single person with \$30,000 of income. However, higher-income individuals do not need this kind of a tax break, so personal and dependency deductions are taken away by the 5 percent add-on.

The bottom line is that the 5 percent add-on makes the federal income tax system more progressive because it phases out the benefit of the 15 percent rate bracket and personal and dependency deductions at upper-income levels. Once the phaseout of these benefits is accomplished, the 5 percent add-on is no longer needed, so it ends.

There is a common misconception that the 5 percent add-on is unfair because it taxes upper-middle income individuals at 33 percent and the wealthy only pay a 28 percent rate. Although the 5 percent add-on creates the perception of a 33 percent tax rate, it will never cause an individual's overall (average) tax rate to exceed 28 percent. In fact, the average tax of someone subject to the 5 percent add-on will never be as high as the average rate of wealthier individuals.

Let's look at some examples. Bill and Sally are married with taxable income of \$50,000. Their federal income tax would be

roughly \$10,000 in 1990—15 percent on the first \$32,450 and 28 percent on the balance. Their average tax rate is about 20 percent (\$10,000 divided by \$50,000).

Another married couple, Rick and Kim, have taxable income of \$100,000 and would pay roughly \$25,000 of tax, including the 5 percent add-on. Their average tax rate is about 25 percent.

Last, consider Ed and Kathy, who have taxable income of \$200,000, which exceeds the income levels for the bubble. In 1990, they would pay roughly \$56,000 of tax, including the 5 percent add-on. Their average tax rate is about 28 percent.

During the budget negotiations, we anticipate that some Democrats will advocate "bursting the bubble." This is just a euphemism for increasing income tax rates. The proposal would add a new 33 percent rate to the tax code and eliminate the 5 percent add-on, raising more than \$44 billion during five years. The revenue is raised from increasing the income tax rate, not from "fixing the bubble." It would produce a chorus of "I told you sos" from all the skeptics who said tax reform would not last. American taxpayers' worst fears would be realized—they gave up many of their deductions with the promise of lower tax rates, but now they would be faced with higher tax rates and fewer deductions.

There has also been talk of a "compromise rate," one that adds a new 31 percent tax rate and eliminates the bubble on a revenue-neutral basis. Yet this is just another way to renege on the promise of tax reform.

Another way to approach the bubble would be to redesign the phaseout of the benefit of the 15 percent rate and personal and dependency deductions to eliminate the perception of a 33 percent rate. This is likely to add more complexity to the tax code, but certainly it is possible.

But why do anything? When you "burst the bubble" all you get is a torrent of hot air. It is premised on the misconception that the bubble imposes higher taxes on middle-income individuals. In fact, the bubble makes the tax code more progressive. In fact, upper-middle-income individuals subject to the bubble do not pay higher overall tax rates than the wealthy.

Those who want to raise revenue by increasing income tax rates should not try to hide behind the bubble. Americans need to understand that raising tax rates is not necessary to "fix" the bubble. The debate should focus on exactly what it is—breaking the promise of tax reform and raising income tax rates.

*Senate Minority Leader Dole (R-Kan.) and Sen. Packwood (R-Ore.) are former chairmen of the Senate Finance Committee. Sen. Domenici (R-N.M.) is former chairman of the Budget Committee.*

### Revenues in the President's Budget

	1991		1991-1995	
	Administration	CBO	Administration	CBO
Capital gains	4.9	3.2	12.0	-12.0
Social Security items	4.7	4.6	20.2	20.1
IRS management reforms/ staff increase	3.0	0.3	9.3	4.3
Telephone excise tax extension	1.6	1.6	12.8	13.0
Airport and Airway Trust Fund extension and increase	0.5	1.3	4.1	11.8
Other revenue increases	1.1	1.2	6.3	6.2
Subtotal increases	15.8	12.2	64.7	43.4
Extend four expiring provisions	-1.2	-1.8	-12.8	-15.0
Other revenue decreases	-0.7	-1.0	-10.2	-11.5
Subtotal decreases	-1.9	-2.8	-23.0	-26.5
<b>TOTAL</b>	13.9	9.4	41.7	16.9

user fee's 5.6



REVENUE LOSERS IN THE PRESIDENT'S FY 1991 BUDGET  
(Joint Tax Estimates)

	Revenue Decrease (\$ in Billions)					
	1991	1992	1993	1994	1995	1991-95
1. Family savings accounts	- .4	- .6	- .9	-1.3	-1.6	-4.8
2. Penalty-free withdrawals from IRAs for first homes	- .2	- .2	- .2	- .1	- .1	- .9
3. Make R&D tax credit permanent	- .9	-1.2	-1.4	-1.6	-1.8	-7.0
4. R&D allocation for multi-national companies	- .4	- .7	- .8	- .8	- .9	-3.6
5. 1-year extension of low income housing credit	- .1	- .3	- .4	- .4	- .5	-1.7
6. Make permanent deduction of 25% of health insurance for self-employeds	- .3	- .3	- .4	- .4	- .5	-1.8
7. Energy tax incentives	- .3	- .4	- .6	- .6	- .7	-2.5
8. Tax incentives for enterprise zones	[No estimate; OMB est. \$1.8 over 5 years]					
9. Child care incentives	-.2	-2.0	-2.2	-2.3	-2.6	-9.3
10. Adoption expenses for special needs children	*	*	*	*	*	*

\* Loss of less than \$50 million.

# **Revenue Effects of Policy Changes**

FY 1991 (\$billions)

Revenue Source	Deficit Reduction Program		
	Administration	House	Senate Budget
Unspecified Revenues		13.9	13.9
Capital Gains	4.9		
Social Security Items	3.8		
IRS Compliance	3.0	3.0	1.1
Telephone Excise Tax	1.6	1.5	
Payroll Tax Speedup	0.9	0.9	
Penalty Waiver Amnesty			10.0
Other	0.9	0.9	0.2
Extend Expiring Provisions	-1.2		
<b>TOTAL</b>	13.9	20.2	25.2



Revenue  
Options

Summary  
OF

MAJOR REVENUE RAISERS

OPTIONS

PART I: BASE BROADENERS

Revenue Increase (\$ in Billions)

1991 1992 1993 1994 1995 1991-95

1. Home Mortgage Interest

a. Cap deduction at \$12,000/year for singles; \$20,000 for couples .6 1.6 1.8 2.0 2.2 8.2

b. Deny deduction for home equity loans Not available.

c. Deny deduction for second homes .1 .3 .3 .3 .3 1.3

2. State and Local Taxes

a. Deny deduction 4.4 29.5 31.4 33.4 35.5 134.2

b. Add 2% of AGI floor 1.4 9.3 10.0 10.7 11.5 42.9

3. Itemized Deductions

a. Add 1% of AGI floor on deductions not currently subject to a floor .8 5.2 5.6 6.0 6.4 24.0

b. Add 2% of AGI floor on deductions not currently subject to a floor 1.5 10.1 10.8 11.6 12.4 46.4

PART I: BASE BROADENERS (Continued)		Revenue Increase (\$ in Billions)					
		1991	1992	1993	1994	1995	1991-95
<hr/>							
4.	Advertising Expenses						
a.	Amortize 20% over 4 years	2.9	4.8	3.7	2.4	1.5	15.3
b.	Amortize 50% over 2 years	8.1	12.8	7.2	5.1	5.4	38.6
5.	Meals and Entertainment						
a.	50% deduction for business meals (instead of 80%)	2.0	3.4	3.6	3.9	4.1	17.0
b.	Deny deduction for business club dues	.1	.2	.2	.3	.3	1.1
c.	Deny deduction for business entertainment (other than meals and club dues)	.5	.9	1.0	1.1	1.1	4.6
6.	Employee Fringes						
a.	Tax employer health insurance payments in excess of \$100/mo. for individuals or \$250/mo. for families	6.1	11.6	14.1	16.7	19.6	68.1
b.	3% excise tax on non-retirement fringes	2.6	3.9	4.3	4.7	5.1	20.6
c.	Pensions and IRAs: 5% tax on investment income	4.4	7.4	7.9	8.4	9.0	37.1



PART I: BASE BROADENERS (Continued)	Revenue Increase (\$ in Billions)					
	1991	1992	1993	1994	1995	1991-95
<b>6. Employee Fringes, Cont.</b>						
<i>no</i> d. Allow excess pension funds to be used to pay retiree health (proposed in Admin. budget)	.3	.5	.2	*	*	1.0
<i>no</i> e. Income tax withholding on pensions and retirement annuities	2.4	1.0	1.1	1.2	1.4	7.1
<b>7. Credit Unions</b>						
a. Tax like thrifts	.4	.7	.8	.9	.9	3.7
<b>8. Estate Taxes</b>						
a. Carryover basis at death	*	*	.9	1.1	1.3	3.3
<i>no</i> b. Lower unified credit to exempt \$300,000 of assets rather than \$600,000	*	1.0	1.1	1.3	1.5	4.9
<b>9. Medicare</b>						
<i>no</i> a. Repeal maximum earnings subject to Medicare tax	3.5	9.9	10.5	11.3	12.0	47.2
<i>trust</i> b. Extend Medicare tax to state and local govt. employees (proposed in Admin. budget)	1.2	1.7	1.6	1.6	1.6	7.7

Note: Medicare revenue raisers increase trust funds.

PART I: BASE BROADENERS (Continued)	Revenue Increase (\$ in Billions)					
	1991	1992	1993	1994	1995	1991-95
10. Social Security						
a. Repeal maximum earnings subject to Social Security tax	16.0	42.0	45.0	48.0	51.0	202.0
b. Tax 85% of Social Security benefits if income exceeds current law thresholds	1.1	3.9	4.4	5.0	5.7	20.1
c. Extend Social Sec. tax to state and local government employees (proposed in Admin. budget)	.5	1.6	2.6	3.6	4.6	12.9

Note: Social Security revenue raisers increase trust funds.



PART II: EXCISE TAXES		Revenue Increase (\$ in Billions)					
		1991	1992	1993	1994	1995	1991-95
1. Energy Taxes							
M a.	Increase gas tax 12 cents/gallon	12.1	11.6	11.4	11.6	11.7	58.4
NO <del>yes</del> b.	Oil import fee (\$5/barrel)	8.5	8.8	9.2	9.8	10.5	46.8
c.	5% broad-based tax on energy consumption	14.2	15.0	16.0	17.0	18.1	80.3
2. "Sin" Taxes							
a.	Cigarettes						
i.	Double the tax (increase from 16 to 32 cents a pack)	2.8	2.8	2.8	2.7	2.7	13.8
ii.	Increase to 40 cents a pack (2 cents a cigarette)	4.1	4.5	4.4	4.4	4.3	21.7
b.	Increase distilled spirits tax to \$16 a gallon and increase tax on beer and wine to alcohol equivalent of distilled spirits	7.2	7.3	7.4	7.6	7.6	37.1
3. Telephone Tax							
yes a.	Make permanent	1.5	2.6	2.8	2.9	3.1	12.9
Note: This will be used to pay for child care.							

PART II: EXCISE TAXES (Continued)		Revenue Increase (\$ in Billions)					
		1991	1992	1993	1994	1995	1991-95
4.	Aviation Taxes						
4	a. Repeal trigger	.9	1.6	1.7	1.8	1.9	7.9
4	b. Repeal trigger and increase taxes by 25% (proposed in Admin. budget)	1.3	2.3	2.5	2.7	3.0	11.8
5.	New Tax on Stock Transfers						
?	a. Impose a .5% tax on stock transfers	7.8	11.6	12.2	12.8	13.4	57.8
6.	New Tax on Luxury Items						
4	a. Impose 10% tax on boats, yachts, china, crystal, electronic entertainment equipment, coin-operated amusement devices, airplanes (noncommercial) and social club dues	2.7	4.3	4.5	4.7	4.9	21.1



PART II: EXCISE TAXES (Continued)	Revenue Increase (\$ in Billions)					
	1991	1992	1993	1994	1995	1991-95

7. Possible New Taxes on Polluters

a.	Impose tax on acid rain pollutants (\$150/ton of sulphur oxides and \$250/ton of nitrogen oxides) emitted by utilities and manufacturers	3.2	4.7	4.7	4.7	4.7	22.0
b.	Impose tax on acid rain pollutants emitted by cars and trucks	1.9	2.8	2.8	2.8	2.8	13.1
c.	Impose tax on water pollutants	1.6	2.4	2.4	2.4	2.4	11.2

Note: The above new taxes on polluters are very rough estimates by CBO; Joint Tax does not believe we can raise as much money nor as quickly as CBO estimates.

*yes*

PART III: INCOME TAX RATES

Revenue Increase (\$ in Billions)

	1991	1992	1993	1994	1995	1991-95
<b>1. Individual Rates</b>						
a. Add a 33% bracket	4.2	8.2	9.3	10.6	12.0	44.3
b. Raise the 28% rate to 30%	10.4	19.9	21.8	23.9	26.1	102.1
c. Add a 5% surtax	13.5	25.7	27.7	30.0	32.6	129.5
d. Increase minimum tax rate to 25% (from 21%)	.3	1.5	1.1	1.0	.8	4.7
e. Lower capital gains rate (President's proposal)						
1. Treasury est.	5.4	2.8	1.2	1.7	1.4	12.5
2. Joint Tax est.	3.9	-4.3	-3.6	-4.3	-3.1	-11.4
<b>2. Corporate Rates</b>						
a. Raise the top rate to 35% (from 34%)	1.4	2.5	2.7	2.8	3.0	12.4
b. Add a 5% surtax	3.3	5.7	6.0	6.3	6.7	28.0
c. Increase minimum tax rate to 25% (from 20%)	2.4	3.5	2.5	1.6	1.1	11.1
<b>3. Indexing of Tax Items</b>						
a. 1-year delay (except EITC)	5.4	10.2	10.8	11.4	12.0	49.8



PART IV: VALUED-ADDED AND CONSUMPTION TAXES	Revenue Increase (\$ in Billions)					
	1991	1992	1993	1994	1995	1991-95
1. 5% VAT/national sales tax						
a. Comprehensive base, no exemptions	0	89.4	135.6	147.5	159.1	531.6
a. Comprehensive base, exempt food, housing and medical care	0	52.1	79.0	86.0	92.7	309.8
2. 5% Tax on Net Business Receipts	29.7	52.0	56.6	60.6	65.9	264.8
3. 5% broad-based tax on energy consumption	14.2	15.0	16.0	17.0	18.1	80.3

Source: Joint Committee on Taxation and CBO.

# THE BUBBLE

**CURRENT LAW:** A 5% add-on applies at certain income levels to gradually eliminate the benefit of the 15% rate and personal and dependency deductions for upper income individuals. The 5% add-on applies to singles with \$47,051 to \$109,100 of income and married couples with \$78,400 to \$185,730 of income. (The last income level is increased by \$11,480 for each additional dependent.)

## -----OPTIONS-----

		Revenue Increase (\$ in Billions)					
		1991	1992	1993	1994	1995	1991-95
1.	Repeal the 5% add-on that creates the bubble (eff. 1/1/91)	-5.8	-11.2	-12.3	-13.7	-15.1	-58.1
2.	Repeal the 5% add-on and add a new 33% rate (capital gains rate = 28%)	4.2	8.2	9.3	10.6	12.0	44.3
3.	Repeal the 5% add-on and add a new 31% rate (capital gains rate = 31%)	-----Revenue Neutral-----					

Estimates by Joint Committee on Taxation  
 (Assumes January 1, 1991 effective date)

**CAPITAL GAINS OPTIONS**

		Revenue Impact (\$ in Billions)					
		1991	1992	1993	1994	1995	1991-95
1.	President's proposal (30% exclusion after 3 years; nothing for corporations)						
a.	Treasury est.	5.4	2.8	1.2	1.7	1.4	12.5
b.	Joint Tax est.	3.9	-4.3	-3.6	-4.3	-3.1	-11.4
2.	Packwood proposal (35% exclusion after 7 years; small break for corporations)						
a.	Treasury est.	1.8	2.5	1.5	.1	- .7	5.2
b.	Joint Tax est.	1.7	-2.0	-2.7	-4.4	-5.3	-12.7



STOCK TRANSFER EXCISE TAX (STET)

CURRENT LAW: No similar tax.

PROPOSAL: Impose a new excise tax on value of securities purchased and sold. Transfers of all hedges (stocks, agricultural commodities, inventory hedges) and Treasury securities would be exempt.

-----OPTIONS-----

Revenue Increase (\$ in Billions)

	1991	1992	1993	1994	1995	1991-95
1. .15 percent (.0015)	2.2	3.2	3.4	3.6	3.8	16.2
2. .3 percent (.003)	4.4	6.5	6.8	7.1	7.5	32.3
3. .5 percent (.005)	7.3	10.8	11.3	11.9	12.5	53.8

Estimates by Joint Committee on Taxation  
(Assumes October 1, 1990 effective date)

SECURITY TRANSFER EXCISE TAXES  
OF OTHER COUNTRIES

Belgium:

Debt issued by Belgium -- .07 percent  
Debt issued by foreign governments -- .14 percent  
Futures contracts -- .17 percent  
Other securities -- .35 percent

Denmark:

Securities -- .5 percent

France:

Securities and bonds -- .15 to .3 percent  
Commodity contracts -- .2 to .26 percent

West Germany:

Newly issued stock -- .5 to 1 percent  
Security transfers -- .1 to .25 percent

Italy:

Variable rates of about .09 to .36 percent

Netherlands:

Newly issued stock -- 1 percent  
Security transfers -- .12 percent

United Kingdom:

Security transfers -- .5 to 1.5 percent

# STATE AND LOCAL INCOME TAX DEDUCTIONS

**CURRENT LAW:** Individuals who itemize are allowed to deduct the full amount of state and local income taxes. Non-itemizers do not deduct these taxes.

## -----OPTIONS-----

		Revenue Increase (\$ in Billions)					
		1991	1992	1993	1994	1995	1991-95
1.	Deny deduction <i>reduce 4/14</i>	4.4 3.3	29.5 7.4 22.1	31.4 7.6 23.9	33.4 8.8 25.4	35.5 8.9 26.6	134.2 101.0
2.	Cap deduction at \$5,000	1.4	9.6	10.5	11.5	12.7	45.7
3.	Cap deduction at \$10,000	1.0	6.7	7.3	8.1	8.9	32.0
4.	Cap deduction at \$15,000	.8	5.4	6.0	6.6	7.3	26.1
5.	Allow deduction for \$2,000 plus 15% of excess over \$2,000	1.8	12.3	13.3	14.4	15.6	57.3
6.	Allow deduction for amounts over 2% of AGI	1.4	9.3	10.0	10.7	11.5	42.9

Estimates by Joint Committee on Taxation  
(Assumes January 1, 1991 effective date)



# STATE INCOME TAXES

<u>State</u>	<u>Maximum Rate</u>	<u>State</u>	<u>Maximum Rate</u>
Alabama	5.0	Missouri	6.0
Alaska	NO TAX	Montana	11.0
Arizona	8.0	Nebraska	5.9
Arkansas	7.0	Nevada	NO TAX
California	9.3	New Hampshire	5.0
Colorado	5.0	New Jersey	3.5
Connecticut		New Mexico	8.5
Interest/Div.	14.0	New York	7.9
Cap. Gains	7.0	North Carolina	7.0
Delaware	7.7	North Dakota	12.0
D.C.	9.5	Ohio	6.9
Florida	NO TAX	Oklahoma	6.0
Georgia	6.0	Oregon	9.0
Hawaii	10.0	Pennsylvania	2.1
Idaho	8.2	Rhode Island	6.4
Illinois	2.5	South Carolina	7.0
Indiana	3.4	South Dakota	NO TAX
Iowa	9.9	Tennessee	6.0
Kansas	5.2	Texas	NO TAX
Kentucky	6.0	Utah	7.2
Louisiana	6.0	Vermont	7.0
Maine	8.5	Virginia	5.8
Maryland	5.0	Washington	NO TAX
Massachusetts		West Virginia	6.5
Int/Div/Cap Gain	10.0	Wisconsin	6.9
Other Income	5.4	Wyoming	NO TAX
Michigan	4.6		
Minnesota	8.0		
Mississippi	5.0		

CIGARETTE EXCISE TAXES

**CURRENT LAW:** \$8/1,000 (16 cents/pack of 20)

From 1951-1982, rate was 8 cents/pack; rate has been 16 cents/pack since 1983.

-----OPTIONS-----

		Revenue Increase (\$ in Billions)					
		1991	1992	1993	1994	1995	1991-95
1.	Double the tax	2.8	2.8	2.8	2.7	2.7	13.8
2.	Increase to 40 cents a pack (2 cents a cigarette)	4.1	4.5	4.4	4.4	4.3	21.7
3.	Index current rate	.1	.2	.3	.4	.6	1.6

Estimates by Joint Committee on Taxation  
(Assumes October 1, 1990 effective date)

## ALCOHOL EXCISE TAXES

### **CURRENT LAW:**

1. Distilled Spirits: \$12.50/gal. (\$1.98/750 ml bottle)

From 1951-1984, the tax was \$10.50/gal.; increased \$2/gal. beginning in 1985.

2. Beer: \$9/barrel (16 cents/6 pack of 12 oz. beers)

No tax increase since 1951.

3. Wine, varies based on alcohol content:

- Table 17 cents/gal. (3 cents/750 ml bottle)
- Dessert 67 cents/gal. (13 cents/750 ml bottle)
- Champagne \$3.40/gal. (67 cents/750 ml bottle)

No tax increase on table/dessert wines since 1951;  
no tax increase on champagne since 1955.

### -----OPTIONS-----

		Revenue Increase (\$ in Billions)					
		1991	1992	1993	1994	1995	1991-95
1.	Double beer & wine taxes	1.4	1.5	1.5	1.5	1.5	7.4
2.	Increase distilled spirits tax by \$2/gal.	.4	.4	.4	.4	.4	2.0
3.	Increase distilled spirits tax by \$2/gal. and increase beer & wine taxes to alcohol equivalent of distilled spirits	5.4	5.7	5.8	5.8	5.9	28.6
4.	Increase distilled spirits tax by \$3.50/gal. and increase beer & wine taxes to alcohol equivalent of distilled spirits	7.2	7.3	7.4	7.6	7.6	37.1
5.	Index current rates	.1	.3	.5	.6	.8	2.3

Estimates by Joint Committee on Taxation  
(Assumes October 1, 1990 effective date)



### BROAD BASED WHOLESALE ENERGY TAX

**CURRENT LAW:** No similar tax.

Note: Gasoline excise tax is 9 cents/gal.; highway diesel fuel excise tax is 15 cents/gal.

**PROPOSAL:** Impose a new wholesale level tax on all forms of energy (petroleum, coal, natural gas, electricity (including nuclear and hydroelectric)). The base for the tax may be either the average retail price of the energy source, or BTU equivalency. Use as a feedstock for non-energy production would be exempt. Imports would be taxed; exports would not.

-----**OPTIONS**-----

		Revenue Increase (\$ in Billions)					
		1991	1992	1993	1994	1995	1991-95
1.	1% tax based on average retail sales price of major energy sources	2.0	3.1	3.3	3.5	3.8	15.7
2.	2% tax	4.0	6.2	6.6	6.9	7.5	31.2
3.	5% tax	10.3	15.4	16.3	17.2	18.2	77.5

Estimates by Joint Committee on Taxation  
(Assumes January 1, 1991 effective date)

## Outline of Possible Comprehensive Energy Tax

### Tax Base and Point of Collection

Excise taxes would be imposed on the following energy sources at the points in their chain of distribution indicated:

Petroleum	Entry into or removal from refinery
Coal	Removal from mine or coal processing plant
Natural gas	Removal from natural gas processing plant; entry into transmission pipeline for gas bypassing processing plant
Natural gas liquids	Removal from production facility
Electricity (other than that produced with taxed fuels)	Transfer from generating plant to grid

Imports generally would be taxed at the border

If border adjustments were provided, imported derivative products would be taxed at the border (generally at the base rate amount, described below) if the imbedded energy tax that would have been incurred as a direct cost of producing the products if domestically produced exceeded [5-10] percent of their value on importation.

### Tax Rates

The environmental/energy tax would be imposed at set dollar/cents amounts per unit derived by applying an established percentage (e.g., 2.5-5 percent) or set monetary amount per unit to a chosen base. The base would be one of the following:

(1) Average national retail sales price (1983-84 Dole approach).--IRS would determine an average national retail sales price for each taxable energy source, multiply that base by the prescribed percentage, and publish a table showing the per unit tax rate. The sales price for a taxable



energy source would be adjusted only when the market price for that source had increased or decreased by more than \_\_\_ percent from the price used in calculating currently applicable per unit tax rates. Adjustments would be made no more frequently than annually. Floor stocks taxes would be imposed on energy sources held beyond the point of taxation when the per unit rates increased by more than \_\_\_ percent.

(2) BTU base.--IRS would follow a similar procedure to that outlined in (1), above, but would use average BTU content per quantity of each taxable energy source in lieu of average national retail sales price and a prescribed value per BTU in lieu of the percentage set in (1). IRS could be authorized to vary BTU content within a taxable fuel source (e.g., *Western v. Appalachian coal*) where BTU content differed by more than threshold amounts.

Choice of the base would be a political decision because of its potential impact of various energy sources and geographic regions.

Use of a national average retail price provides a tax rate unaffected by transfer pricing considerations. However, it has the effect of imposing a greater percentage increase on low-cost regions, thereby changing relative prices between regions. Conversely, use of smaller than national base regions increases energy prices in higher cost regions by greater absolute dollar amounts.

#### Possible Exemptions

Exemptions, realized by the mechanism and in the amount indicated, could be provided for--

- (1) Coal, petroleum, or natural gas used for a non-fuel (e.g., raw material) use.
- (2) Coal, petroleum, or natural gas used in the production of the same taxable fuel by refund to the user of the product.
- (3) Exports of primary energy sources generally by refund to the exporter.
- (4) Exports of derivative products having an imbedded production energy tax in excess of [5-10] percent of the product value by refund on exportation. (Self-generators of energy for these products could be allowed up-front exemptions in the case of products clearly destined for export as is allowed under other present Federal excise taxes.)



Effective Date

The tax would be effective on the later of January 1, 1991, or the first day of the calendar quarter beginning at least six months after its enactment. Floor stocks taxes would be imposed on all taxable energy sources held for sale beyond the point of taxation on the effective date.

Joint Committee on Taxation  
January 31, 1990  
JCX-2-90

**ESTIMATED REVENUE EFFECTS OF EXTENDING EXPIRING PROVISIONS PERMANENTLY**  
**Provisions with Negative Revenue Effects**

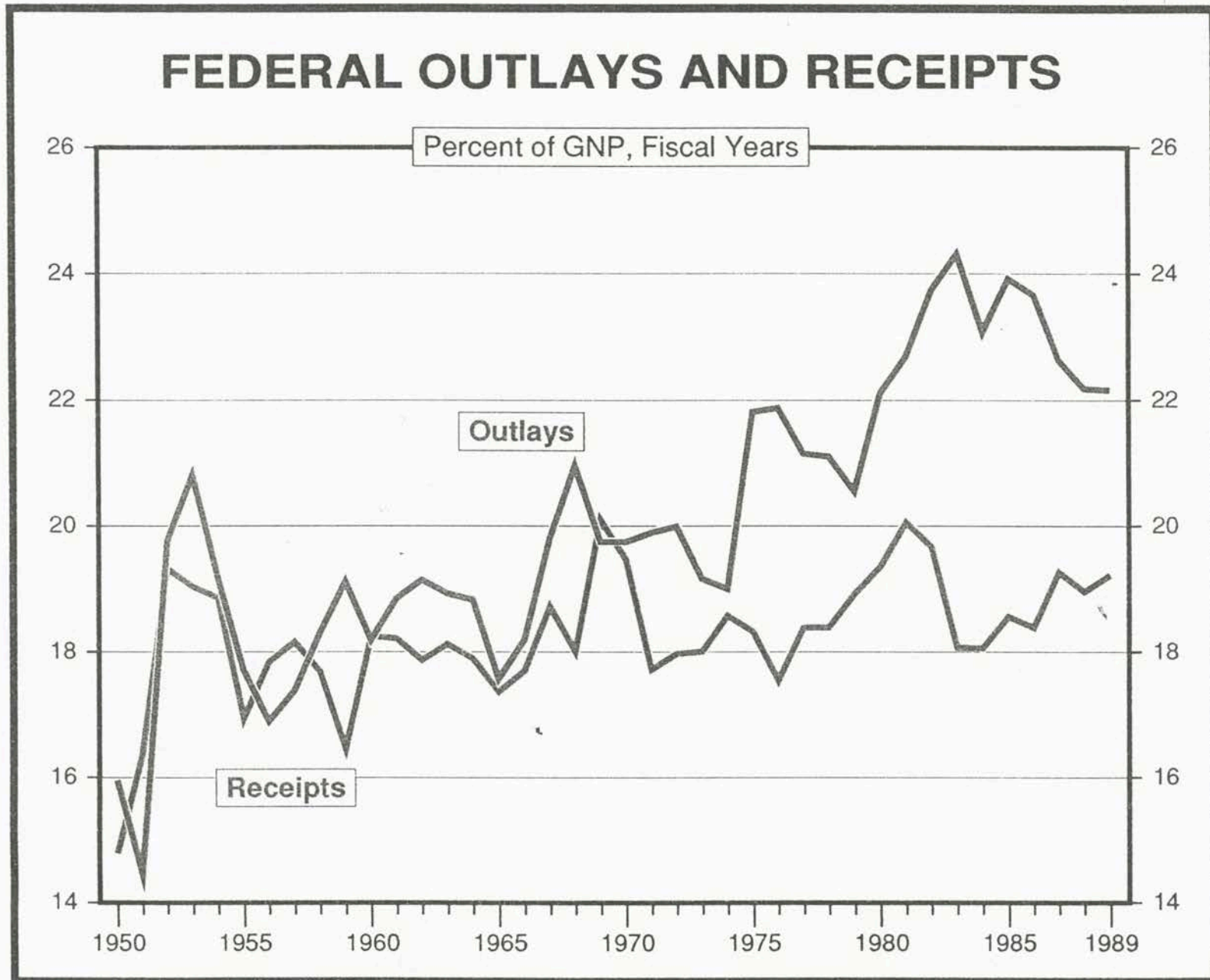
**Fiscal Years 1991-1995**  
*[Millions of Dollars]*

Provision	Expiration Date	1991	1992	1993	1994	1995	1991-95
1. Foreign allocation of R&D.....	8/1/90 (1)	-503	-708	-772	-837	-903	-3,723
2. Research and experimentation credit (2).....	12/31/90 (3)	-922	-1,175	-1,299	-1,443	-1,575	-6,414
3. Employer-provided educational assistance.....	9/30/90	-255	-331	-345	-358	-372	-1,661
4. Group legal services.....	9/30/90	-80	-108	-113	-120	-125	-546
5. Targeted jobs tax credit.....	9/30/90	-81	-154	-211	-242	-266	-954
6. Business energy credits (solar, geothermal, and ocean thermal property).....	9/30/90	-55	-54	-41	-42	-45	-237
7. Low-income housing credit.....	12/31/90 (3)	-173	-454	-827	-1,229	-1,613	-4,296
8. Mortgage revenue bonds and mortgage credit certificates.....	9/30/90	-10	-50	-140	-240	-330	-770
9. Qualified small-issue manufacturing bonds.....	9/30/90	-10	-50	-120	-190	-260	-630
10. Health insurance for self-employed.....	12/31/90 (3)	-374	-473	-544	-626	-720	-2,737
11. Orphan drug credit.....	12/31/90	-4	-7	-7	-7	-7	-32
12. "Placed-in-service date" for nonconventional fuels production credit.....	12/31/90	-6	-14	-20	-26	-33	-99
<b>GRAND TOTALS.....</b>		<b>-2,473</b>	<b>-3,578</b>	<b>-4,439</b>	<b>-5,360</b>	<b>-6,249</b>	<b>-22,099</b>

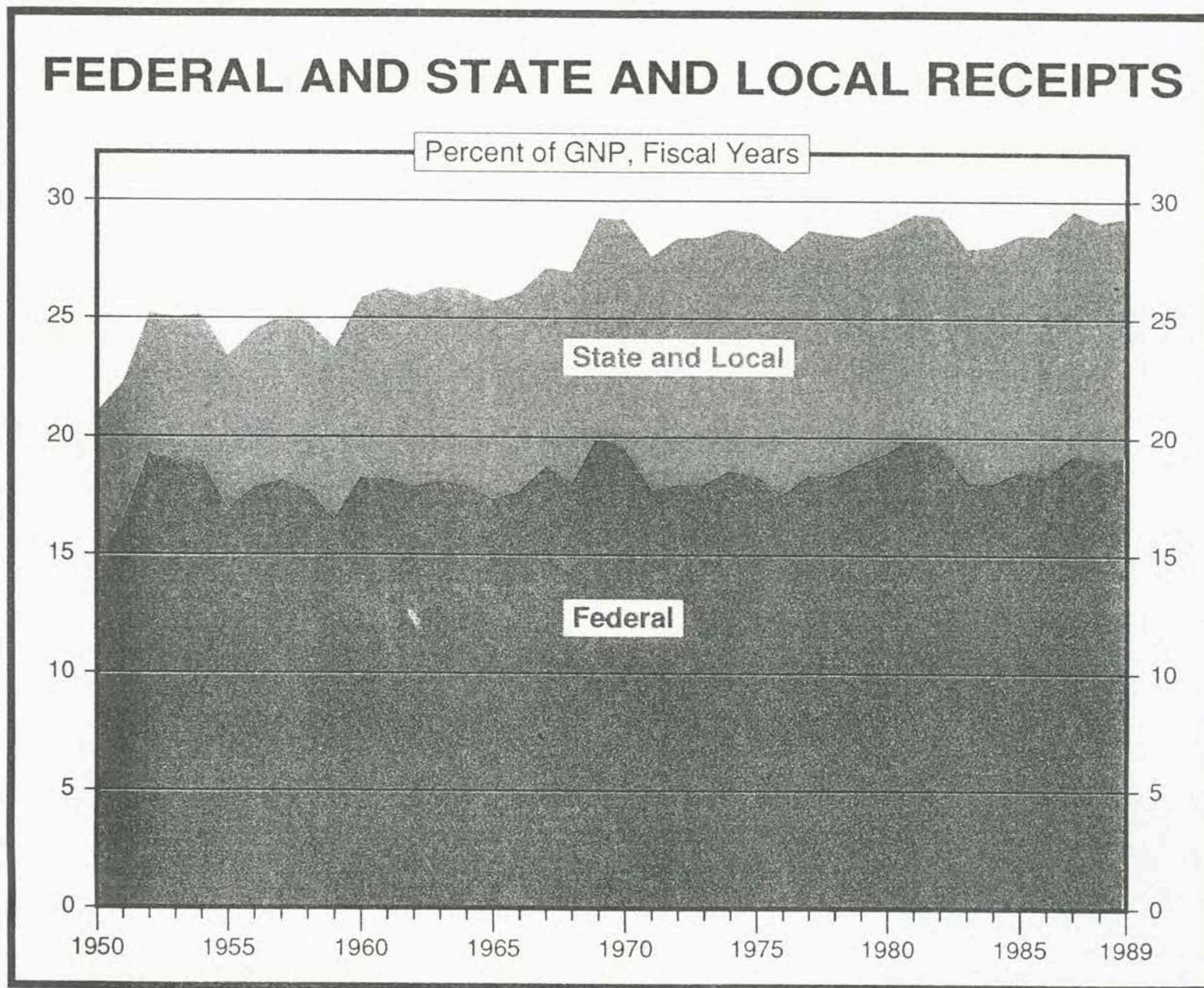
NOTES: All estimates assume full restoration of tax benefits for 1990, and permanent extension thereafter.  
Estimates assume legislation enactment date of October 1, 1990.

- (1) The Omnibus Budget Reconciliation Act of 1989 extended this provision on a prorated basis for 9 months after start of a firm's first tax year beginning after August 1, 1989.
- (2) Estimate reflects a phased-in increase in the base limitation to 75% for taxable years beginning in 1995 or later (as provided for in the permanent extension of the credit approved by both the House of Representatives and the Senate Finance Committee).
- (3) The Omnibus Budget Reconciliation Act of 1989 extended these provisions for a 9-month prorated portion of the year.

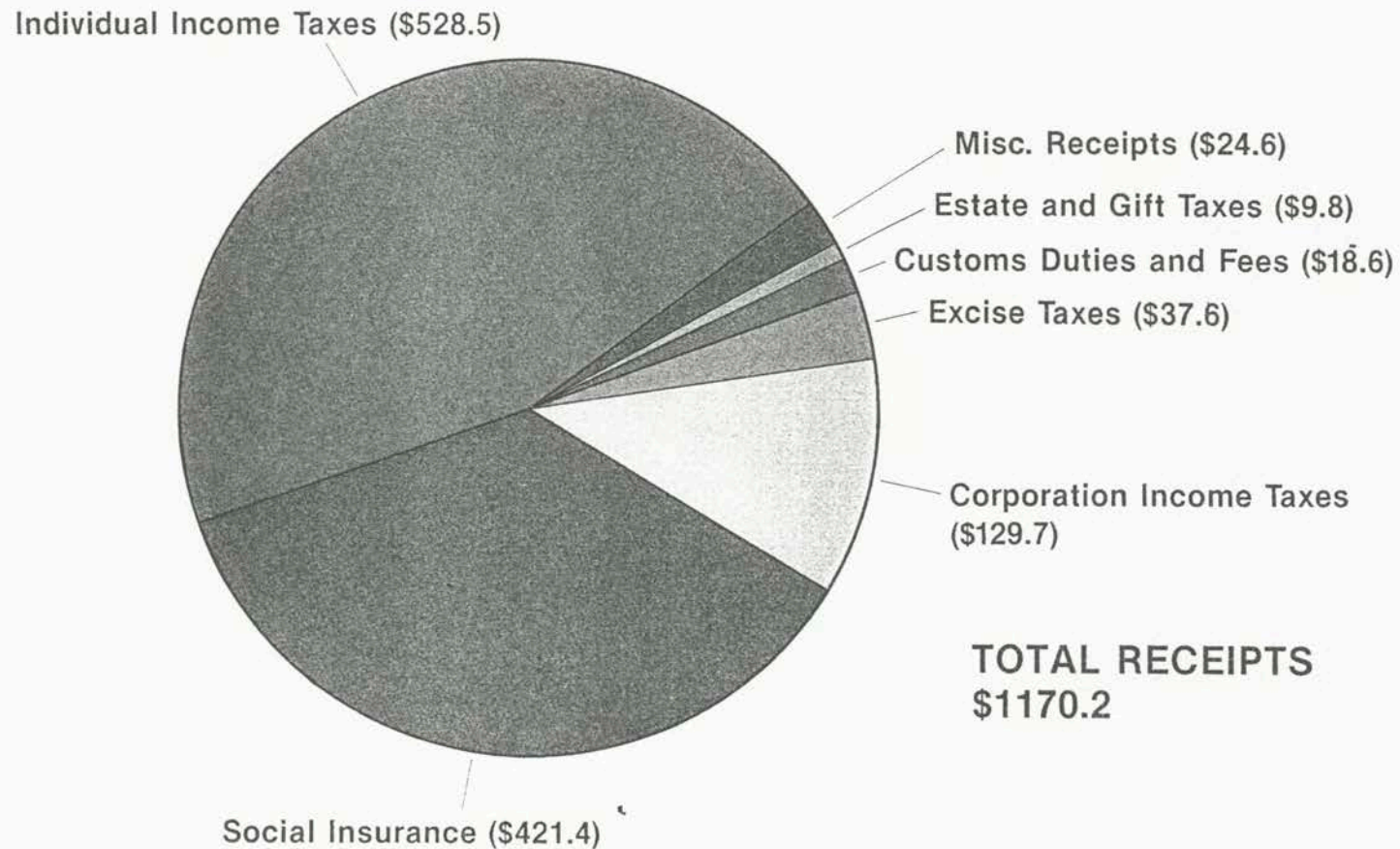
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*6/19/90*





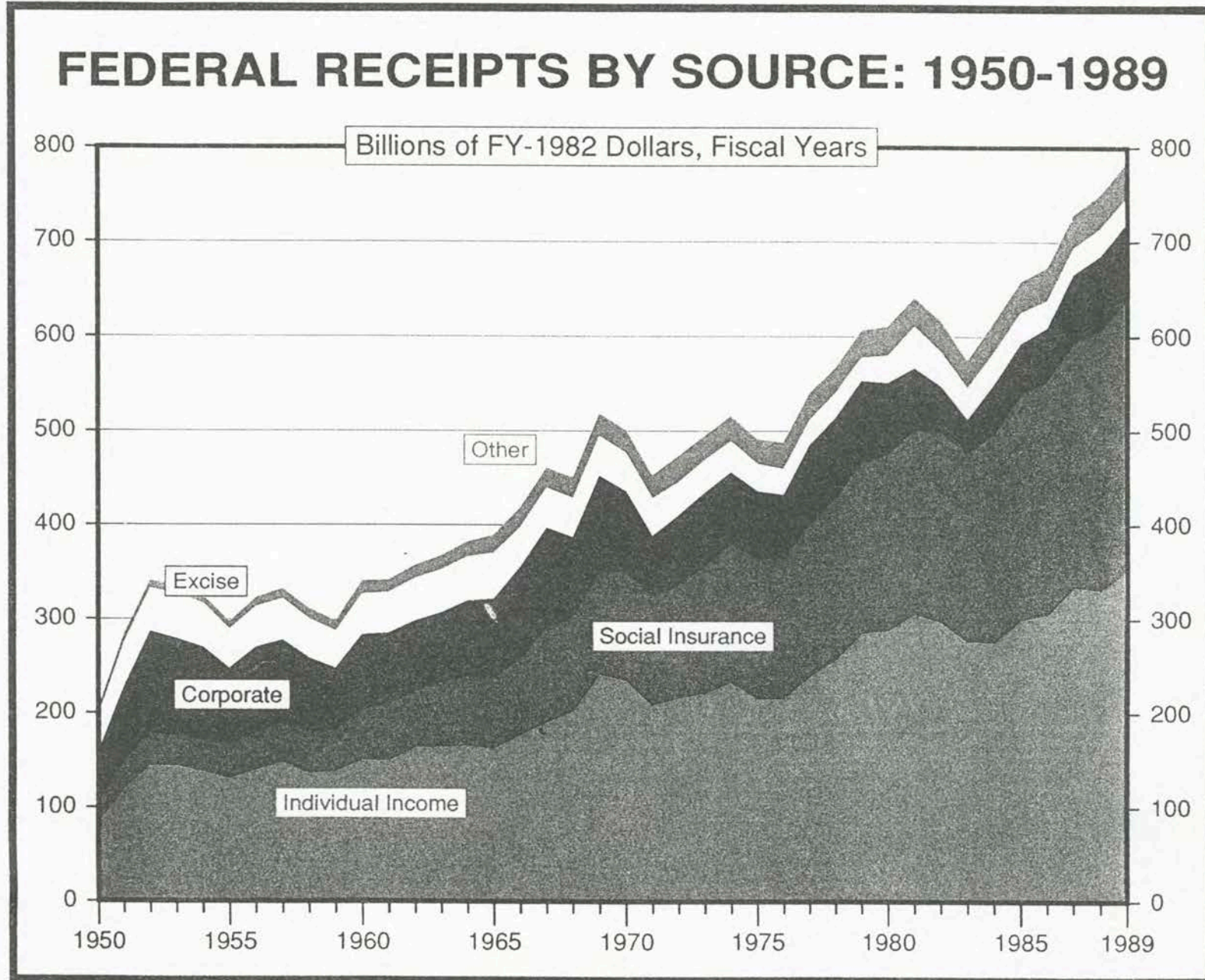


## ESTIMATED FEDERAL RECEIPTS BY SOURCE, FY 1991



June 6, 1990-A891









# OPTIONS

## BUDGET PROCESS REFORM

6-28-90

### Status of Drafting

<u>Principal Sponsors</u>	<u>Proposal</u>	<u>Drafted</u>
Domenici	5 year caps on spending	no
Domenici	5 year allocations of spending	no
Domenici	Extension of points of order	no
Domenici/ Admin	Joint budget resolution	yes
Domenici/ Admin/Panetta	Credit Reform	yes
Domenici/ Admin	Extension of points of order to credit	no
Domenici	Strengthen Byrd rule	no
Frenzel/ Domenici	Extend Byrd rule to House	yes
	Modify GRH targets	no
Domenici/ Admin/etc.	Extension of GRH	yes
Domenici/ Rostenkowski	Protections for Social Security surpluses	yes
Domenici	Joint Budget Committee	yes
Domenici	Replace functions with broad categories	yes
Domenici	2 Year budget resolution	yes
Domenici	Automatic budget resolution	yes
Domenici	Automatic CR	yes

<u>Status of Drafting</u>		
<u>Principal Sponsors</u>	<u>Proposal</u>	<u>Drafted</u>
Archer/ Admin	Constitutional amendment to balance the budget	yes
Admin	Line item veto constitutional amendment	yes
Frenzel/ Admin	Second GRH sequester	yes
Admin/ Coats	Enhanced rescission	yes
Admin	Automatic across-the-board offsets for discretionary supplementals	no
Admin	Emergency reserve accounts for supplementals	no
Admin	Binding, multi-year budget resolutions, with binding functional totals	no
Admin	Credit reform caps	no
Admin	Tougher capital standards, risk-sharing fee, etc. requirements for contingent liabilities	no
Admin	Alternative measures of the budget for trust funds operating budgets, and capital accounts	no
Numerous	Exclude Social Security from GRH	yes
Ford/ Roth	2 year budget: resolution & appropriations (Roth/Ford)	yes
Panetta	Extend credit reform to deposit insurance	yes
Rostenkowski/ Panetta	Extend Gephardt rule to the Senate (automatic debt limit)	yes



<u>Principal Sponsors</u>	<u>Proposal</u>	<u>Status of Drafting</u>	<u>Drafted</u>
Conrad	Look-back Sequester		yes

CIVIL RIGHTS

## CIVIL RIGHTS

### THE REUTER TRANSCRIPT REPORT

#### CBS THIS MORNING INTERVIEW

Guest: Attorney General Dick Thornburgh  
July 20, 1990

\*\*\*\*\*

The editor of the report is Robert Doherty. Steve Ginsburg, Tim Ahmann, Peter Ramjug and Paul Schomer also are available to help you. If you have questions, please call 202-898-8345. For service problems inside the District of Columbia, call 202-898-8355; outside D.C., call 1-800-537-9755.

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PAULA ZAHN: And joining us now from Washington with the administration point of view is Attorney General Dick Thornburgh. Good morning, sir.

THORNBURGH: Good morning, Paula.

ZAHN: You've heard what Senator Kennedy just had to say. What is the problem that you and the administration have with this bill?

THORNBURGH: Well, the principal problem is that the president wants a civil rights bill that he can sign; he does not want to sign a quota bill. Quotas run contrary to the expectations of any man or woman who shows up applying for a job; they don't expect to be hired by the numbers; they want to be considered on the basis of their own qualifications. They certainly do not want to be excluded because of any racial or sexual or religious or ethnic characteristics. And what we're concerned about is the fact that this bill, as it's written and as it's passed by the Senate, would exert enormous pressure upon employers to do their hiring by the numbers.

ZAHN: Explain to me how that will happen.

THORNBURGH: First of all, the bill gives the right to an individual to sue simply on the basis of an imbalance between the make-up of the employer's work force and the work force in the community in question. It then forces the employer to justify his practices. It finds him guilty until proven innocent with regard to any practices he has with regard to hiring. And this can become so costly and so difficult an operation for the average employer, facing the prospect of lawsuits and lawyers' fees, that it's going to compel him to



throw in the towel and say I'll just do my hiring by the numbers. And that kind of quota isn't fair to the employee, isn't fair to the employer, and it's certainly not consistent with the underlying theory of the Civil Rights Act since 1964.

ZAHN: But as we've listened to the debate over the last couple of days, you get the impression that perhaps you're not all that far apart, that there is some very specific language that you're looking at right now that, if it is changed, you might find palatable. What specifically could you point to in that bill that could be changed that in fact would make the president sign it?

THORNBURGH: I think the president's offer to incorporate the language--and language is important in legislation and the law--the language that existed with regard to business necessity justifications that existed prior to these latest Supreme Court rulings would have solved the problem. But that was rejected by Senator Kennedy and those who supported the bill as passed. We think discussions can and should go forward. As I said, the president wants to sign a bill that accomplishes the goal of removing barriers to employment opportunity. But he will not sign a quota bill, because it runs contrary to that goal and it's really not in the American tradition.

ZAHN: Are you hopeful that you're going to be able to reach some sort of compromise when it comes to the House version of this bill?

THORNBURGH: Hope springs eternal in Washington, Paula. I think we're prepared to sit down and discuss with supporters of the bill ways in which changes can be made that make it consistent with the president's desires.

ZAHN: How far apart would you say you are at this point?

THORNBURGH: It's hard to say. I think in the aftermath of the Senate passage, we have got to regroup and examine what potential there is for change in the House. Senator Nancy Kassebaum introduced into the Senate, in the course of the debate, a bill we feel would meet all of the administration's objections. And I think that's an appropriate vehicle for us to consider with our colleagues in the House in trying to bring this controversy to a close in a way that will rule out quotas but rule in maximum employment opportunity for all Americans.

ZAHN: Here we are, 25 years after the civil rights--some 25 years after the Civil Rights Act of 1964 was passed--still dealing with some very basic employment issues.

THORNBURGH: Yes.

ZAHN: Why is that?

THORNBURGH: Well, I think we have to constantly re-examine and monitor what the effect of these laws have been. Next week the president will sign a landmark piece of legislation that he strongly supports, the Americans with Disabilities Act, which includes 43 million new American citizens in the same kind of rights that have been available to others since 1964. And that's an example of how we have to constantly keep working to keep up to date to make sure that nobody is denied any opportunity because of their race or their color or their religious background or ethnic background--and now any condition of disability.

ZAHN: Attorney General Dick Thornburgh, thanks for joining us this morning.

END OF INTERVIEW



## Justice Department Material

### Why the Kennedy bill is a bad bill

-- It induces quotas and does more for lawyers than the victims of discrimination. It would require employers to engage in time consuming and expensive litigation.

-- There are two parts of the legislation that make it a quota bill: the section of the bill that seeks to overturn the Wards Cove case and the section of the bill that seeks to overturn the Wilks case.

(1) The Wards Cove section of the bill is aimed at what are called "disparate impact" cases. These are not situations where an employer is intentionally discriminating. No, they are cases where someone comes in and alleges that an employer's neutral business practices operate to create a "racially unbalanced workforce." What the Kennedy bill does is unfairly weight the scales heavily in the plaintiff's favor in these cases by:

(a) allowing plaintiffs to indiscriminately indict whole groups of practices so that an employer has to defend virtually everything that he or she does;

(b) putting the burden of proof on the employer to prove that the indicted practices are necessary for the business; and

(c) severely restricting what the employer can do to prove business necessity.

Let's face it. Confronted with the threat of costly and difficult litigation, with the card stacked against them, employers will do the obvious; they will remove the threat by hiring by the numbers; they will resort to quotas. This would be diminishing the rights of some to protect the rights of others.

(2) The Wilks section of the Kennedy bill would largely prevent people who are injured by decrees that contain quotas or that stimulate quota-like behavior from coming into court and challenging the decrees. In other words, it would deprive people of their day in court.

-- Another part of the bill would foster litigation by undermining the remedial scheme in Title VII of the Civil Rights Act of 1964. It would do this with unlimited compensatory and punitive damages.





Dennis Shea  
Tele. No. this weekend  
(718) 261-2732

## CIVIL RIGHTS ACT OF 1990

- O PRESIDENT BUSH AND HIS ADVISORS WALKED THE "EXTRA MILE" TO REACH A NEGOTIATED AGREEMENT WITH SENATOR KENNEDY AND WITH THE OTHER PROPONENTS OF THE SO-CALLED CIVIL RIGHTS ACT OF 1990. ALTHOUGH NO AGREEMENT WAS REACHED, THE PRESIDENT CAN HOLD HIS HEAD HIGH. HE GAVE IT HIS BEST SHOT. AND HE DID NOT BACK DOWN SIMPLY BECAUSE A BILL HAD A WONDERFUL-SOUNDING NAME.
- O LIKE THE PRESIDENT, I WANT TO VOTE FOR A CIVIL RIGHTS BILL THIS YEAR. THAT'S WHY I SUPPORTED THE MORE BALANCED APPROACH OF THE ALTERNATIVE CIVIL RIGHTS BILL, CRAFTED BY SENATORS KASSEBAUM AND GORTON. THE KASSEBAUM-GORTON BILL EXPANDS THE COVERAGE OF SECTION 1981 TO COVER RACIAL HARASSMENT ON-THE-JOB. IT PROTECTS COURT-ORDERED CONSENT DECREES WITHOUT RUNNING ROUGH-SHOD OVER THE DUE PROCESS RIGHTS OF OUR NATION'S CITIZENS. AND IT ESTABLISHES A STRONG FEDERAL REMEDY FOR SEXUAL HARASSMENT IN THE WORKPLACE -- DAMAGES UP TO \$100,000.
- O THE KENNEDY BILL, ON THE OTHER HAND, GIVES NEW MEANING TO THE WORD "OVERREACHING."
- O QUOTAS. THE KENNEDY BILL DISTORTS TITLE VII BY RESTRICTING THE DEFINITION OF "BUSINESS NECESSITY," THE DEFENSE AVAILABLE TO EMPLOYERS IN SO-CALLED "DISPARATE IMPACT" CASES. THIS NEW, RESTRICTIVE DEFINITION -- COMBINED WITH THE PROSPECT OF BEING DRAGGED INTO COURT TO FACE UNLIMITED JURY AWARDS -- WILL FORCE EMPLOYERS TO "HIRE-BY-THE-NUMBERS." THAT'S WHY THE KENNEDY BILL IS A "QUOTA BILL."
- O THE KENNEDY BILL BOLDLY DECLARES THAT "IT SHALL NOT REQUIRE AN EMPLOYER TO ADOPT QUOTAS." IT IGNORES THE FACT THAT THE BILL WILL STILL "ALLOW" EMPLOYERS TO ADOPT QUOTAS. AND, IN FACT, EMPLOYERS WILL BE "FORCED" TO HIRE-BY-THE-NUMBERS SIMPLY TO AVOID EXPENSIVE AND TIME-CONSUMING LAWSUITS.
- O ON WEDNESDAY, I ASKED SENATOR KENNEDY TO ADD STRONG ANTI-QUOTA LANGUAGE TO THE BILL. MY REQUEST WAS REJECTED. WHAT'S SENATOR KENNEDY AFRAID OF?
- O THE KENNEDY BILL IS NOT ABOUT RACIAL JUSTICE. IT'S NOT ABOUT EQUAL OPPORTUNITY OR INDIVIDUAL RIGHTS. THE KENNEDY BILL IS ABOUT QUOTA JUSTICE, PURE AND SIMPLE, AND THE AMERICAN PEOPLE WILL NOT BE FOOLED.

- O UNLIMITED DAMAGES. THE KENNEDY BILL ALTERS THE CAREFUL BALANCE OF TITLE VII BY ALLOWING UNLIMITED COMPENSATORY DAMAGES, UNLIMITED PUNITIVE DAMAGES, AND UNLIMITED JURY TRIALS. THIS DOESN'T PROMOTE CONCILIATION OR SETTLEMENT -- ONE OF THE CORE PRINCIPLES UNDERLYING TITLE VII. THIS PROMOTES LITIGATION.
- O "LAWYERS BONANZA." THE KENNEDY BILL GIVES LAWYERS THE STRONG INCENTIVE TO BRING TITLE VII SUITS BY GUARANTEEING THAT THEY WILL GET A "PIECE OF THE ACTION" IF THESE SUITS ARE SUCCESSFUL. THAT'S NOT CIVIL RIGHTS. THAT'S A "LAWYER'S BONANZA."

#### DEFINITION OF "BUSINESS NECESSITY"

IN GRIGGS V. DUKE POWER (1971), THE SUPREME COURT STATED THAT AN EMPLOYMENT PRACTICE IS JUSTIFIED BY A "BUSINESS NECESSITY" IF IT IS "MANIFESTLY RELATED TO THE EMPLOYMENT IN QUESTION."

DURING THE SENATE DEBATE, SEN. KENNEDY KEPT ASSERTING THAT HIS BILL WOULD CODIFY THE GRIGGS DECISION. THIS ASSERTION IS FALSE.

NONE OF THE VARIOUS PERMUTATIONS OF THE KENNEDY BILL CONTAINS THE GRIGGS DEFINITION OF "BUSINESS NECESSITY."

ORIGINAL KENNEDY-HAWKINS BILL: "ESSENTIAL TO EFFECTIVE JOB PERFORMANCE"

DANFORTH COMPROMISE: "SUBSTANTIAL AND DEMONSTRABLE RELATIONSHIP TO EFFECTIVE JOB PERFORMANCE"

FINAL KENNEDY BILL: "SIGNIFICANT RELATIONSHIP TO SUCCESSFUL PERFORMANCE OF THE JOB"



# Anti-Quota Amend. Rejected by Kennedy

ON P. 15, LINE 23, STRIKE ALL THROUGH P. 16, LINE 1, THE WORD "ORIGIN" AND INSERT

NOTHING IN THE AMENDMENTS MADE BY THIS ACT, OR IN ANY STATUTE AMENDED BY THIS ACT, SHALL BE CONSTRUED TO REQUIRE, PERMIT, OR RESULT IN THE ADOPTION OR IMPLEMENTATION OF HIRING, PROMOTION, OR TERMINATION QUOTAS BY AN EMPLOYER, EMPLOYMENT AGENCY, LABOR ORGANIZATION, JOINT LABOR-MANAGEMENT COMMITTEE CONTROLLING APPRENTICESHIP OR OTHER TRAINING PROGRAMS, OR THOSE FEDERAL ENTITIES SUBJECT TO THE PROVISIONS OF SECTION 717 (OR THE HEADS THEREOF), ON THE BASIS OF RACE, COLOR, RELIGION, SEX OR NATIONAL ORIGIN.



JUL-28-98 FRI 13:54 HAL DAUB FOR SENATE

# Exon Says Support Of Civil Rights Bill Hinges on Changes

By Paul Goodsell

WORLD-HERALD BUREAU

Washington — Sen. J.J. Exon, D-Nebr., said he voted for the Civil Rights Act of 1990 after receiving assurances that it will be modified before going to President Bush for his signature or veto.

Exon said the bill, as passed 65-34 Wednesday by the Senate, does not yet include a provision to limit punitive damages against employers who discriminate — a change Exon said is needed.

But he said both Senate Majority Leader George Mitchell, D-Maine, and Sen. Edward Kennedy, D-Mass., the bill's sponsor, have agreed to make that and other changes to satisfy concerns from senators like Exon.

If they do not, Exon said, "I will have an opportunity to vote against (the bill) when it comes back for final action."

Exon and fellow Sens. Bob Kerrey, D-Nebr., and Tom Harkin, D-Iowa, voted for the legislation. Sen. Charles Grassley, R-Iowa, voted against the bill, which the Bush administration opposes.

## Cast Their Votes

Except for Exon, the Nebraska and Iowa senators cast their votes the same as they did Tuesday on a vote to cut off debate on the bill.

Exon was the lone Democrat who voted against ending debate, criticizing the legislation as a "lawyers' relief bill" and describing it as "too much, too fast."

But by Wednesday's vote, Exon said, Democratic leaders had agreed to changes that he and others sought. One of those changes is a \$150,000 cap on punitive damages that can be awarded to individuals who win discrimination lawsuits, he said.

In addition, he said, he wants the final version of the bill to include more specific legal language to prevent businesses from being forced to adopt hiring quotas.

Neither change was actually included in the bill passed Wednesday because Senate Minority Leader Robert Dole, R-Kan., blocked consideration of those amendments.

Dole, who used harsh words in criticizing Tuesday's vote to end debate, said Democrats wanted to "have it both ways" by stopping consideration of some, but not all amendments.

Exon said he was upset with what he called Dole's "shenanigans."

"The only conclusions you could bring from Dole's inappropriate actions last night are that he is not for the civil

rights bill, or that he was playing 'spoiled boy attitude' with the loss that he suffered (Tuesday)," Exon said. "I think he was on a personal tiff."

## Bush Administration

Exon said Dole should have been interested in improving the civil rights bill, especially to make changes that have been urged by the Bush administration.

Now, Exon said, the changes will be added during a conference between negotiators for the Senate and House, which has not voted on the bill. Exon said he will not support the final negotiated version if it does not include the provisions he wants.

The Bush administration and many Senate Republicans have contended that the bill would make it too easy for workers to challenge employment practices that disproportionately affect minority groups.

Businesses would have to prove that their practices were prompted by "business necessity," and opponents of the bill say that the threat of lawsuits will lead many employers to adopt quotas.

## Additional Burdens

Harkin said the bill did not impose additional burdens on business but simply reversed recent Supreme Court decisions that limited the impact of federal laws against job discrimination.

One of those decisions was in the 1989 case of Wards Cove Packing Co. vs. Atonio, when the court held that a worker who challenges a company's hiring practices must identify the specific practices.

"It goes back to what current law is," Harkin said. "The Supreme Court case of Wards Cove changed the law, sort of muddled up the waters. We're going back to the way it was for 18 years."

Harkin said the Senate-passed civil rights legislation helps businesses by clarifying laws dealing with discrimination.

The bill does not require businesses to adopt quotas, Harkin said. An amendment added Wednesday stipulates that the bill could not be construed to require an employer to adopt hiring or promotion quotas.

Exon said he agreed with that amendment, but wants the final version of the bill to include language that says the same thing while defining quotas more specifically.

"I thought that made a major repair to the bill, and is in line with what the president said he wanted," Exon said. "But I felt we should have gone one step further beyond that."

Carson Finance



# DEMOCRATIC

## PROPOSAL

ESTABLISH FUNDRAISING TARGETS FOR EACH STATE THAT WOULD BE USED  
TO LIMIT FUNDRAISING FROM DIFFERENT SOURCES

PAC contributions amounts would be cut in half and overall  
PAC contributions could comprise no more than 20 percent of  
target.

Individual contributions from out-of-state could comprise  
no more than 50 percent of target.

Once the target is met, it could be exceeded by 25 percent  
of the limit to the extent of in-state contributions of less  
than \$100.

Vouchers amounting to 20 perecent of such target would be  
provided to enable the candidates to purchase broadcast time to  
communicate with voters.

All other issues to be negotiated, including what  
incentives are offered to encourage candidates to participate  
in agree to such restrictions.



BOB DOLE  
KANSAS

## United States Senate

OFFICE OF THE REPUBLICAN LEADER

WASHINGTON, DC 20510-7020

July 6, 1990

The Honorable George J. Mitchell  
United States Senate  
Washington, D.C. 20510

Dear George:

Thank you for forwarding your five-point campaign finance reform proposal to me. I have reviewed the proposal and have the following comments.

Point One: Establish fundraising targets for each state that would be used to limit fundraising from different sources.

As far as I can tell, the term "fundraising targets" is simply a euphemism for "aggregate spending limits." Without more detail, it is impossible for me to know whether there is, in fact, a meaningful difference between the two terms.

Point Two: PAC contribution amounts would be cut in half and overall PAC contributions could comprise no more than 20 percent of the target.

This provision proposes a restriction on PAC contributions that is less severe than the restrictions contained in both S. 2595, the Republican campaign finance reform proposal, and in the Boren-Mitchell substitute to S. 137.

As you know, the Republican bill would prohibit the involvement of PACs altogether from the federal election process. With certain exceptions, the Boren-Mitchell substitute prohibits PAC contributions to Senate candidates.

Although your proposal would reduce the maximum allowable PAC contribution from \$5,000 to \$2,500 and cap total PAC contributions at 20 percent of the fundraising target, it would still allow PACs to play a very significant role in Senate elections. For example, using the Boren-Mitchell substitute's general-election spending limit for Kansas (\$956,000), your proposal would still allow me and other Senate candidates in Kansas to receive \$191,200 in PAC contributions for our general-election campaigns.

Point Three: Individual contributions from out-of-state could comprise no more than 50 percent of target.

As you may know, the Republican campaign finance reform proposal would cut in-half -- from \$1,000 to \$500 -- the maximum allowable contribution from an individual residing outside of a candidate's home state. I continue to believe that a straightforward reduction in the individual contribution limit is a simpler and more efficient way to lessen the influence of out-of-state interests in Senate campaigns than the creation of an aggregate cap on out-of-state contributions.

Point Four: Once the target is met, it could be exceeded by 25 percent of the limit to the extent of in-state contributions of less than \$100.

This provision is completely identical to the so-called "flexible" spending limit proposed in the original Boren-Mitchell substitute. As far as I can tell, not a single change is contemplated by this provision.

I would like to point out that the "flexible" spending limit proposed in the original Boren-Mitchell substitute differs from the Bipartisan Panel's "flexible" spending limit in the following three ways.

First, the "flexible" spending limit that you have proposed is not "flexible" at all. It is actually fixed at a pre-determined level -- an amount equal to a State's general-election spending limit, or fundraising target, plus an amount equal to 25% of the general-election spending limit or fundraising target. The "flexible" spending limit outlined by the Bipartisan Panel, on the other hand, is not fixed, since it depends totally on the contributions that a candidate can raise from individuals residing in his or her home state. The more money raised in-state, the higher the flexible spending limit.

Second, your "flexible" spending limit proposal caps the aggregate amount of in-state individual contributions at 25% of a State's general-election spending limit. The Bipartisan Panel, on the other hand, would allow for an unlimited aggregate amount of contributions from in-state individuals.

Finally, your "flexible" spending limit proposal provides that the maximum individual in-state contribution may not be in excess of \$100, once the general-election spending limit has been reached. The Bipartisan Panel, on the other hand, explicitly took no position on this issue. The Republican-appointed members of the Panel believe that the maximum allowable in-state contribution should be \$1,000, if not higher.



Point Five: Vouchers amounting to 20 percent of such target would be provided to enable the candidates to purchase broadcast time to communicate with voters.

This provision is completely identical to the broadcast voucher proposal contained in the original Boren-Mitchell substitute. I assume that the broadcast vouchers would continue to be financed through the check-off on the federal income-tax return, which is unacceptable for many Republicans.

George, I intend to enlist the help of the Republican campaign finance negotiating team and prepare a Republican counter-proposal. I hope to submit this counter-proposal to you sometime early next week.

Sincerely,

A handwritten signature in dark ink, appearing to be 'Bob Dole', written over the printed name.

BOB DOLE

BD/ds



Draft  
July 12, 1990

## CAMPAIGN FINANCE REFORM COUNTER-PROPOSAL

1. "Flexible" Fundraising Targets. Adopt "flexible" approach advocated by Bipartisan Panel. Establish aggregate state-by-state fundraising targets based on voting age population. Fundraising targets would cap contributions from political action committees (if PAC-ban is declared unconstitutional), personal funds, and contributions from out-of-state individuals in excess of \$250.

Flexible Component. Exempt donations from in-state individuals. Exempt donations of \$250 or less from out-of-state individuals.

Conditions. "Flexible" fundraising targets must be a) "reasonably high," b) conditioned on "a significantly expanded role for the parties," and c) subject to automatic cost-of-living adjustments (See Panel Report, pages 6-7).

Voluntary. Acceptance of "flexible" fundraising target would be voluntary. Participating candidates would be entitled to 1) reduced broadcast rates (discussed below) and 2) reduced postal rates or free mailings.

2. Political Action Committees. Prohibit all PACs from participating in the federal election process.

Fall-back: If PAC-ban is declared unconstitutional, reduce the maximum allowable PAC contribution from \$5,000 to \$1,000. Limit aggregate PAC contributions to 20% of fundraising target.

3. Out-of-State Contributions. Reduce from \$1,000 to \$500 the contribution limit for individuals residing outside of a candidate's home state.

4. Political Parties. Exempt certain organizational activities (e.g., research, get-out-the-vote, voter registration) from the coordinated expenditure limitations.

5. Broadcast Rates.

a. Lowest Unit Rate. Require broadcasters to offer Congressional candidates non-preemptible lowest unit rate 45 days before the primary and 60 days before the general election. Mandate candidate access to non-preemptible, lowest unit rate time slots.

b. Broadcast Vouchers. Allow Senatorial Committees to purchase broadcast vouchers out of separate coordinated expenditure fund. Vouchers would be used to purchase TV ads during the 8-week period before the general election.

6. Challenger "Seed Money." Allow political parties to match early, in-state contributions to challengers. Party committee matching funds would be permitted to a maximum of \$100,000 for House and Senate candidates.

7. Tax-Exempt Organizations. Prohibit all tax-exempt 501(c) organizations from engaging in any activity which attempts to influence a federal election on behalf of a specific candidate. Prohibit tax-exempt 501(c) organizations from engaging in voter registration or get-out-the-vote activities if a Member of Congress solicits donations for the organization.

8. Franked Communications. Prohibit franked "mass mailings" during the election year of a Member of Congress.

9. "Soft Money." Codify Supreme Court's Beck decision. Prohibit corporations, unions, and trade associations from financing the administrative expenses of their connected PACs. Prohibit corporations, unions, and trade associations from engaging in voter registration and get-out-the-vote activities in connection with a federal election.

10. Bipartisan Commission. Establish a Bipartisan Commission to review effects of legislation on campaign spending and the cost of campaigns during the 2 general elections following enactment. Require Bipartisan Commission to submit a report to the Senate Majority and Minority Leaders and to the House Majority and Minority Leaders outlining their findings 5 years after enactment.

11. Sunset Provision. Establish sunset provision after 3 general elections (i.e. 6 years). At that time, legislation would expire unless reenacted by Congress and signed by the President.

ALL OTHER ISSUES TO BE NEGOTIATED.

OLIE NORTH



Dennis Shea  
Tele. # this weekend: (718) 261-2732

#### OLIVER NORTH

- O LT. COLONEL OLIVER NORTH WAS CONVICTED IN FEDERAL DISTRICT COURT ON THREE COUNTS: 1) THE SHREDDING OF NATIONAL SECURITY COUNCIL DOCUMENTS, 2) THE ACCEPTANCE OF AN ILLEGAL GRATUITY (THE SECURITY FENCE FOR HIS HOME), AND 3) OBSTRUCTION OF JUSTICE. EACH COUNT IS A FELONY.
- O THE FEDERAL APPEALS COURT OVERTURNED NORTH'S CONVICTION UNDER THE FIRST COUNT -- THE SHREDDING OF NATIONAL SECURITY DOCUMENTS. WITH RESPECT TO THE FIRST COUNT, THE FEDERAL APPEALS COURT RULED THAT DISTRICT COURT JUDGE GERHARD GESELL GAVE THE JURY ERRONEOUS INSTRUCTIONS.
- O MORE IMPORTANTLY, THE FEDERAL APPEALS COURT RULED THAT THE DISTRICT COURT MUST HOLD A "FULL-BLOWN" EVIDENTIARY HEARING TO DETERMINE WHETHER ANY EVIDENCE -- WITNESSES, TESTIMONY, DOCUMENTS PLACED IN THE RECORD -- WAS "TAINTED" IN ANY WAY BY NORTH'S IMMUNIZED TESTIMONY BEFORE CONGRESS. IF ANY TRIAL EVIDENCE IS SHOWN TO HAVE BEEN "TAINTED" BY NORTH'S IMMUNIZED CONGRESSIONAL TESTIMONY, ALL CHARGES AGAINST HIM MUST BE DISMISSED.
- O TO SHOW THAT NOT A SINGLE SHRED OF TRIAL EVIDENCE WAS TAINTED BY NORTH'S TESTIMONY BEFORE CONGRESS IS A PHENOMENALLY DIFFICULT BURDEN FOR INDEPENDENT COUNSEL LAWRENCE WALSH TO MEET. TO HIS CREDIT, WALSH GAVE AMPLE WARNING TO CONGRESS THAT CONGRESS' KANGAROO-COURT IRAN-CONTRA PROCEEDING WOULD JEOPARDIZE HIS OWN EFFORTS AT PROSECUTING NORTH.
- O WHEN CONGRESS CONDUCTS GRAND-JURY TYPE PROCEEDINGS LIKE IRAN-CONTRA, IT ASSUMES THE RISK THAT IT WILL JEOPARDIZE THE SUBSEQUENT PROSECUTION OF SOMEONE WHO HAS RECEIVED CONGRESSIONAL IMMUNITY. WITH THE DECISION OF THE FEDERAL APPEALS COURT IN THE NORTH CASE, CONGRESS HAS LEARNED THIS LESSON THE HARD WAY.
- O CONGRESS HAD NO BUSINESS CONDUCTING IRAN-CONTRA IN THE FIRST PLACE. CONGRESS HAS TROUBLE ENOUGH LEGISLATING, NEVER MIND CONDUCTING A PUBLIC TRIAL LIKE IRAN-CONTRA. CONGRESS SHOULD LEAVE THE TRIALS WHERE THEY BELONG -- IN THE COURT SYSTEM.

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July 20, 1990  
FOR IMMEDIATE RELEASE

CONTACT: MARY BELCHER  
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complains about  
Congressional  
interference  
↓

STATEMENT OF LAWRENCE E. WALSH  
INDEPENDENT COUNSEL

Everyone familiar with these proceedings has recognized the difficulty presented by the grants of immunity by Congress. We have diligently tried to work around these difficulties. We are studying the opinions to determine the most appropriate next step.

Should it be decided to proceed promptly before the District Court in accordance with the direction of the Court of Appeals, John Keker and the original trial team will represent this Office. Our other ongoing investigations will continue.

Rejected by Kennedy

ON P. 15, LINE 23, STRIKE ALL THROUGH P. 16, LINE 1, THE  
WORD "ORIGIN" AND INSERT

NOTHING IN THE AMENDMENTS MADE BY THIS ACT, OR IN  
ANY STATUTE AMENDED BY THIS ACT, SHALL BE CONSTRUED  
TO REQUIRE, PERMIT, OR RESULT IN THE ADOPTION OR  
IMPLEMENTATION OF HIRING, PROMOTION, OR TERMINATION  
QUOTAS BY AN EMPLOYER, EMPLOYMENT AGENCY, LABOR  
ORGANIZATION, JOINT LABOR-MANAGEMENT COMMITTEE  
CONTROLLING APPRENTICESHIP OR OTHER TRAINING  
PROGRAMS, OR THOSE FEDERAL ENTITIES SUBJECT TO THE  
PROVISIONS OF SECTION 717 (OR THE HEADS THEREOF), ON  
THE BASIS OF RACE, COLOR, RELIGION, SEX OR NATIONAL  
ORIGIN.



News from Senator

# BOB DOLE



(R - Kansas)

SH 141 Hart Building, Washington, D.C. 20510

FOR IMMEDIATE RELEASE  
JULY 20, 1990

CONTACT: WALT RIKER  
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## CIVIL RIGHTS

THIS PAST WEDNESDAY -- FOR THE FIRST TIME DURING MY NEARLY 30 YEARS IN CONGRESS -- I VOTED AGAINST A BILL THAT WORE THE CIVIL RIGHTS LABEL.

### QUOTA JUSTICE

DESPITE MY RECORD OF SUPPORT FOR CIVIL RIGHTS LEGISLATION -- A RECORD ABOUT WHICH I AM VERY PROUD -- WEDNESDAY'S VOTE WAS AN EASY ONE FOR ME.

IT WAS EASY BECAUSE WHEN YOU TAKE THE TIME TO LOOK BEHIND THE LABEL AND AT THE ACTUAL TEXT OF THE SO-CALLED CIVIL RIGHTS ACT, YOU'LL SEE THAT THIS BILL HAS VERY LITTLE TO DO WITH CIVIL RIGHTS, OR FACIAL JUSTICE, OR EQUAL OPPORTUNITY. YOU'LL SEE THAT IT HAS MORE TO DO WITH FORCING EMPLOYERS TO "HIRE-BY-THE-NUMBERS." WITH QUOTA JUSTICE. AND WITH DISTORTING -- NOT RESTORING -- THE CIVIL RIGHTS VISION THAT HAS SERVED THIS NATION WELL FOR MORE THAN 25 YEARS.

THE SO-CALLED CIVIL RIGHTS ACT OF 1990 ALTERS THE CAREFUL BALANCE OF TITLE VII BY ALLOWING "SKY'S-THE-LIMIT" JURY AWARDS -- UNLIMITED COMPENSATORY DAMAGES, UNLIMITED PUNITIVE DAMAGES, AND UNLIMITED OPPORTUNITIES FOR THE PLAINTIFFS' BAR TO MAKE A KILLING IN THE COURTROOM.

THIS APPROACH DOESN'T PROMOTE CONCILIATION AND SETTLEMENT, ONE OF THE CORE PRINCIPLES UNDERLYING TITLE VII AND THE CIVIL RIGHTS ACT OF 1964. THIS PROMOTES NEEDLESS, TIME-CONSUMING, AND OFTEN VERY EXPENSIVE LITIGATION THAT WILL BREAK THE BACKS OF MANY SMALL BUSINESSES IN THIS COUNTRY.

THAT'S NOT FAIR. AND THAT'S NOT WHAT THIS SENATOR MEANS BY "CIVIL RIGHTS AND EQUAL OPPORTUNITY."

### WALK THE EXTRA MILE

PRIOR TO THE VOTE ON WEDNESDAY, PRESIDENT BUSH AND HIS ADVISORS WALKED THE EXTRA MILE IN AN EFFORT TO NEGOTIATE A COMPROMISE WITH SENATOR KENNEDY AND WITH THE WASHINGTON CIVIL RIGHTS LOBBY.

FAXES WERE EXCHANGED. NEW LEGISLATIVE LANGUAGE WAS PROPOSED -- IT SEEMS ALMOST ON AN HOURLY BASIS. AND VERY LENGTHY MEETINGS WERE HELD BETWEEN THE BILL'S PROPONENTS HERE IN CONGRESS AND THE PRESIDENT'S TOP ADVISORS, INCLUDING CHIEF OF STAFF JOHN SUNUNU, WHITE HOUSE COUNSEL BOYDEN GRAY, AND ATTORNEY GENERAL DICK THORNBURGH.

SO, EVEN THOUGH NO AGREEMENT WAS EVER REACHED, PRESIDENT BUSH CAN HOLD HIS HEAD HIGH. HE GAVE IT HIS BEST SHOT. AND HE DID NOT BACK DOWN AND RUN-FOR-THE-HILLS SIMPLY BECAUSE THE BILL'S SPONSORS WERE CRAFTY ENOUGH TO BLESS THEIR LEGISLATIVE CHILD WITH A WONDERFUL-SOUNDING NAME.

### STILL HOPEFUL FOR A COMPROMISE

THE HOUSE JUDICIARY COMMITTEE IS SCHEDULED TO TAKE UP THE CIVIL RIGHTS ACT OF 1990 EARLY NEXT WEEK. AND THE FULL HOUSE WILL PROBABLY CONSIDER THE BILL SOMETIME IN LATE AUGUST OR EARLY SEPTEMBER.

SO THERE SEEMS TO BE ENOUGH TIME FOR BOTH THE ADMINISTRATION AND THE BILL'S PROPONENTS TO GET TOGETHER AND GIVE A NEGOTIATED AGREEMENT ONE LAST SHOT.

BUT THE BILL'S PROPONENTS HERE IN CONGRESS MUST REALIZE THAT PENNSYLVANIA AVENUE IS A TWO-WAY STREET. THERE HAS TO BE "GIVE" ON BOTH SIDES. THEY MUST UNDERSTAND THAT A "DEAL'S A DEAL," AND THAT WHAT MAY BE PERCEIVED AS THE RHETORICAL UPPER-HAND DOESN'T JUSTIFY RENEGING ON AGREEMENTS THAT HAVE BEEN MADE IN GOOD FAITH.

I KNOW THAT PRESIDENT BUSH WANTS TO SIGN A CIVIL RIGHTS BILL, AND HE WANTS TO SIGN IT THIS YEAR.

AND I, AS SENATE REPUBLICAN LEADER, HAVE ALWAYS WANTED TO HELP PUT THAT BILL ON THE PRESIDENT'S DESK.

THERE'S STILL TIME. AND I STILL REMAIN HOPEFUL THAT AGREEMENT CAN BE REACHED ON A BALANCED AND RESPONSIBLE CIVIL RIGHTS BILL FOR THE '90S.

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News from Senator

# BOB DOLE



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FOR IMMEDIATE RELEASE  
July 20, 1990

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DOLE ISSUES STATEMENT ON 1990 FARM BILL  
"WE MUST BE BUDGET CONSCIOUS WITH THIS BILL," DOLE SAYS AS DEBATE  
BEGINS ON THE SENATE FLOOR

WE HAVE FINALLY BEGUN FLOOR DEBATE ON THE 1990 FARM BILL. WINTER WHEAT PRODUCERS AND OTHER FARMERS NEED TO KNOW WHAT KIND OF FARM PROGRAM WE ARE GOING TO HAVE FOR THE CROP YEAR ALREADY UPON US. I HAVE ASKED SECRETARY YEUTTER TO MAKE SOME KIND OF ANNOUNCEMENT REGARDING THE 1991 ACREAGE REDUCTION REQUIREMENT AND HE HAS AGREED TO DO SO BY THE END OF THE MONTH.

YESTERDAY'S BUDGET FIX

I WANT TO CONGRATULATE THE CHAIRMAN AND THE RANKING MEMBER OF THE COMMITTEE FOR OFFERING THEIR BUDGET-RELATED AMENDMENT YESTERDAY, BUT I THINK IT IS IMPORTANT TO REVIEW THE BIDDING AND PUT THIS AMENDMENT IN CONTEXT -- BECAUSE WHERE YOU STAND MAY DEPEND UPON WHERE YOU SIT. LET ME BE CLEAR ABOUT ONE FACT: THIS AMENDMENT DOES NOT SPELL THE END OF THE BUDGET STORY.

THE CURRENT LAW BASELINE, JUST UPDATED THIS WEEK BY OMB, PROJECTS SPENDING ON COMMODITY PROGRAMS OF ABOUT \$54 BILLION OVER THE NEXT FIVE YEARS. CBO'S BASELINE IS \$52 BILLION, NOT TREMENDOUSLY DIFFERENT FROM OMB'S.

BILL STILL OVER BUDGET

THE COMMITTEE ORIGINALLY CAME FORWARD WITH A BILL THAT IS PROJECTED TO COST ALMOST \$60 BILLION. THIS IS A NUMBER SUBJECT TO GREAT UNCERTAINTY; IT COULD BE MORE. BUT THE COMMITTEE BILL WAS CLEARLY AN INCREASE OVER CURRENT LAW -- THIS AT A TIME WHEN, RIGHT DOWN THE HALL FROM THIS FLOOR, THE BUDGET SUMMITTEERS ARE MEETING TO TRY TO CUT A DEFICIT THAT IS NOW OVER \$200 BILLION FOR FISCAL YEAR 1991.

SO I DON'T THINK IT WAS REALISTIC OF THE COMMITTEE TO COME FORWARD WITH A BILL THAT WAS A \$6 BILLION BUDGET INCREASE. DON'T GET ME WRONG. I SUPPORT A STRONG AGRICULTURE PROGRAM. I COME FROM RURAL AMERICA.

BE HONEST WITH PRODUCERS

BUT FARMERS WANT TO BE LEVELLED WITH. THEY DON'T WANT TO HEAR ONE STORY FROM THIS SENATE WHEN WE PASS A BILL, ONLY TO GET THE REAL BAD NEWS IN A FEW MONTHS. SO LET'S LOOK AT WHERE WE ARE. THE AMENDMENT OFFERED BY THE COMMITTEE YESTERDAY WOULD CUT ABOUT FOUR BILLION DOLLARS FROM THEIR ORIGINAL BILL OVER FIVE YEARS. THAT LEAVES THE BILL \$1.6 BILLION OVER THE CURRENT LAW BASELINE. AND THE BIGGEST PART OF THE SAVINGS -- \$3 BILLION OF THE \$4 BILLION CUT -- CAME FROM A SHIFT IN REPAYMENT DATES FOR LOANS. SO IT'S NOT COMPLETELY REAL SAVINGS.

DON'T IGNORE FUTURE CUTS

BUT EVEN WITH THE AMENDMENT, A BILL THAT IS ABOUT \$1.5 BILLION OVER THE BASELINE IGNORES THE FACT THAT ADDITIONAL CUTS ARE AROUND THE CORNER. THE ADMINISTRATION HAS ASKED FOR \$1.1 BILLION IN FARM PROGRAM SAVINGS THIS YEAR -- \$18.7 BILLION OVER FIVE YEARS.

- MORE -



- 2 -

AND THE SUMMIT IS TALKING ABOUT SAVINGS OF ANYWHERE FROM \$6 TO \$18 BILLION BELOW THE CURRENT LAW BASELINE. SO WE'VE GOT TO BE REALISTIC. THE DEFICIT IS NOW \$168 BILLION --\$231 BILLION IF YOU COUNT THE S&L's. WE FACE A SEQUESTER OF OVER \$100 BILLION IN JUST TWO AND ONE HALF MONTHS. THAT MEANS, IF THERE IS NO BUDGET AGREEMENT, A CUT OF 38% ACROSS THE BOARD IN ALL FARM PROGRAMS.

SO RURAL AMERICA SHOULD WANT TO SEE A SUCCESSFUL BUDGET SUMMIT. THEY SHOULD WANT AN AGREEMENT. AND IF THERE IS TO BE A SUCCESSFUL SUMMIT - IF THERE IS TO BE AN AGREEMENT - AGRICULTURE WILL HAVE TO DO ITS PART. THOSE WHO WISH TO OFFER AMENDMENTS TO RAISE SPENDING OR THOSE WHO THINK OUR JOB IS DONE SHOULD KEEP THIS IN MIND. SO LET'S NOT MISLEAD THE PRODUCERS OUT THERE. LET'S NOT SEND THEM THE WRONG SIGNAL.

SUBSTITUTE RECOGNIZES BUDGET

I HAVE A SUBSTITUTE DRAFTED, WHICH I HAVE DISCUSSED WITH SENATOR LUGAR, THAT WOULD AT LEAST BRING OUR BILL SLIGHTLY BELOW CURRENT SERVICES. IT ALSO MOVES US CLOSER TO THE 1985 FARM BILL WHICH MOST FARMERS AND MEMBERS OF CONGRESS SAY WAS A GOOD BILL, AND PROBABLY ONE OF THE MOST SUCCESSFUL FARM BILLS IN HISTORY. THE WHITE HOUSE HAS SAID IT WILL VETO THIS BILL IF IT IS NOT BROUGHT IN LINE WITH THE SUMMIT AGREEMENT. I APPRECIATE OUR CHAIRMAN'S COMMITMENT TO FORESTALL FINAL CONSIDERATION OF A FARM BILL CONFERENCE REPORT UNTIL AND UNLESS THE BILL MEETS SUMMIT AGREEMENT SPENDING LEVELS.

ALSO NEED POLICY REVISIONS

I ALSO HOPE WE ARE ABLE TO MAKE SOME POLICY IMPROVEMENTS HERE ON THE FLOOR. IT WILL MAKE OUR JOB A LITTLE EASIER LATER ON. I KNOW SENATORS GRASSLEY AND BOSCHWITZ WILL HAVE SOME SUGGESTIONS ON FLEXIBILITY. SENATORS McCONNELL AND FOWLER APPARENTLY HAVE A DAIRY PLAN. SENATORS CHAFFEE, ROTH, AND METZENBAUM HAVE SOME HONEY AND PEANUT IDEAS THAT DESERVE CONSIDERATION. THERE ARE MANY OTHERS WHO MAY HAVE AMENDMENTS AS WELL.

THE BOTTOM LINE IS THAT THERE ARE GOING TO HAVE TO BE BUDGET SAVINGS BELOW THE BASELINE. IT COULD BE ABOUT A BILLION FOR NEXT YEAR. AND IT COULD BE SEVERAL BILLION OVER FIVE YEARS. AND WE SHOULD BEGIN NOW TO TALK ABOUT OPTIONS FOR ACHIEVING THOSE SAVINGS.

THOMAS JEFFERSON ONCE SAID THAT "THE WHOLE OF GOVERNMENT CONSISTS OF THE ART OF BEING HONEST." LET'S BE HONEST TO OUR FARMERS. WE NEED A BUDGET AGREEMENT. AND AGRICULTURE WILL HAVE TO DO ITS PART. YESTERDAY'S AMENDMENT WAS ONLY A FIRST STEP.

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News from Senator

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FOR IMMEDIATE RELEASE  
JULY 11, 1990

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## S&L CROOKS

I WANT TO COMMEND MY DISTINGUISHED COLLEAGUES, SENATORS HEINZ, GARN, WIRTH, AND GRAHAM, FOR THEIR HARD WORK IN NEGOTIATING THE FINAL VERSION OF THIS AMENDMENT.

I ALSO WANT TO THANK ATTORNEY GENERAL DICK THORNBURGH AND SECRETARY OF TREASURY NICK BRADY FOR THEIR WILLINGNESS TO COME TO THE BARGAINING TABLE AND IRON OUT THE DIFFERENCES SEPARATING THE ADMINISTRATION AND SOME OF MY COLLEAGUES HERE IN THE SENATE.

### A LITTLE HISTORY

PRIOR TO THE JULY 4TH RECESS, THE SENATE HAD TWO S&L PROPOSALS ON THE TABLE: WE HAD AN AMENDMENT DRAFTED BY SENATE REPUBLICANS AND ENDORSED BY PRESIDENT BUSH. AND WE HAD A DEMOCRATIC AMENDMENT SPONSORED BY THE CHAIRMAN OF THE JUDICIARY COMMITTEE AND BY SOME OF THE DEMOCRATIC MEMBERS OF THE BANKING COMMITTEE.

NO DOUBT ABOUT IT, BOTH AMENDMENTS HAD MANY GOOD PROVISIONS. BOTH AMENDMENTS HAD THE SAME PRIMARY GOAL -- TO RECOUP SOME OF THE HORRIFYING FINANCIAL LOSSES INVOLVED IN THE SAVINGS AND LOAN DISASTER AND TO PUT THE S&L CROOKS IN THE ONLY PLACE THEY BELONG -- BEHIND BARS.

BUT THE REPUBLICAN AND DEMOCRATIC AMENDMENTS ALSO HAD MANY SIGNIFICANT DIFFERENCES -- DIFFERENCES THAT GUARANTEED A PARTISAN APPROACH TO A PROBLEM THAT HAS NO PARTY AFFILIATION AND MAKES NO DISTINCTIONS BETWEEN DEMOCRATS AND REPUBLICANS.

FORTUNATELY, THE SENATE FINALLY WISED UP. AND WE DECIDED THAT -- WHEN IT CAME TO THE S&L ISSUE -- THE PARTISAN APPROACH SIMPLY DIDN'T MAKE MUCH SENSE, PARTICULARLY FOR THE HARD-WORKING TAXPAYERS OF THIS COUNTRY.

SO TODAY WE ARE VOTING ON A SINGLE AMENDMENT, COMBINING THE BEST IDEAS OF SENATE REPUBLICANS AND SENATE DEMOCRATS, AND REPRESENTING A BIPARTISAN APPROACH TO WHAT IS TRULY A BIPARTISAN PROBLEM.

### THE PROBLEM OF FRAUD

ONE OF THE MAIN CAUSES BEHIND THE COLLAPSE OF THE SAVINGS AND LOAN INDUSTRY CAN BE SUMMED UP IN A SINGLE WORD -- GREED. THE GREED OF DISHONEST THRIFT EXECUTIVES. THE GREED OF DISHONEST ATTORNEYS AND ACCOUNTANTS. THE GREED OF OTHER DISHONEST THRIFT "INSIDERS."

THIS ISN'T JUST MY VIEW. IT'S THE VIEW OF MANY OUTSIDE EXPERTS. AND IT HAPPENS TO BE THE VIEW OF THE ATTORNEY GENERAL, WHO RECENTLY TESTIFIED THAT 25 TO 30 PERCENT OF ALL THRIFT FAILURES CAN BE ATTRIBUTED TO FRAUD OR INSIDER ABUSE.

UNFORTUNATELY, WE CAN'T CHANGE HISTORY. WE CAN'T CORRECT THE ABUSES. AND WE CAN'T GO BACK IN TIME AND CHANGE THE HEARTS AND MINDS OF THOSE "HIGH FLYERS" WHO GAMBLERED WITH THE SAVINGS OF THEIR DEPOSITORS AND WITH THE TAX DOLLARS OF THE AMERICAN PEOPLE.

BUT THE SENATE CAN TAKE SOME IMPORTANT STEPS -- TODAY -- TO HELP BRING THE S&L CROOKS TO JUSTICE, TO RECOUP SOME OF OUR LOSSES, AND TO ENSURE THAT HISTORY DOESN'T REPEAT ITSELF.

IN A NUTSHELL, THAT'S WHAT THE BIPARTISAN S&L AMENDMENT IS ALL ABOUT. THE BIPARTISAN AMENDMENT ADOPTS THE PROVISIONS OF THE TAXPAYER RECOVERY ACT, INTRODUCED BY MYSELF AND SENATOR KASSEBAUM EARLIER THIS YEAR, WHICH MAKE CRIMINAL RESTITUTION ORDERS ISSUED AGAINST THOSE WHO HAVE DEFRAUDED FINANCIAL INSTITUTIONS NON-DISCHARGEABLE IN BANKRUPTCY.

IT DIRECTS THE COURTS TO GIVE EXPEDITED REVIEW TO CASES BROUGHT BY THE FDIC AND THE RTC.

IT GIVES THE FDIC AND THE RTC STRONGER ENFORCEMENT TOOLS, INCLUDING SUBPOENA AUTHORITY AND THE AUTHORITY TO BRING CIVIL ACTIONS UNDER RICO.

IT SUBSTANTIALLY INCREASES THE PENALTIES FOR BANK FRAUD AND EMBEZZLEMENT.

IT AUTHORIZES \$162.5 MILLION FOR FISCAL YEARS 1991, 1992, AND 1993 TO HIRE MORE JUSTICE DEPARTMENT PROSECUTORS AND INVESTIGATORS.

AND THE BIPARTISAN AMENDMENT RESTRUCTURES THE FEDERAL ATTACK ON THRIFT FRAUD -- ALONG THE LINES SUGGESTED BY SENATOR GRAHAM -- BY ESTABLISHING A "FINANCIAL INSTITUTIONS CRIME UNIT" WITHIN THE OFFICE OF THE DEPUTY ATTORNEY GENERAL.

THESE ARE ALL IMPORTANT PROVISIONS, AND I AM PROUD TO ENDORSE THEM.

### MORE THAN ENOUGH BLAME

WE ALL KNOW THAT THERE'S MORE THAN ENOUGH BLAME TO SPREAD AROUND ON THE S&L FRONT. SO I HOPE THAT THIS AMENDMENT COULD BE THE "BEGINNING OF THE END" FOR THE PARTISAN RANCOR IN CONGRESS.

THIS AMENDMENT MAY DISTURB THOSE SLICK POLITICAL OPERATIVES WHO THINK THAT THE S&L DISASTER MAKES FOR "GOOD POLITICS."

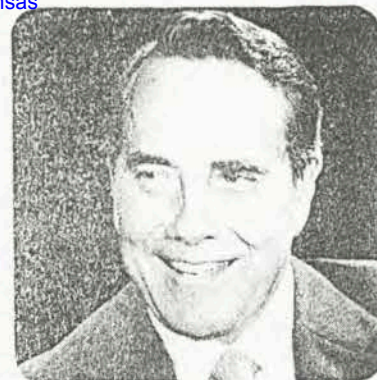
BUT THIS AMENDMENT IS "GOOD NEWS" FOR THE AMERICAN PEOPLE, WHO DON'T WANT TO TRIVIALIZE AN AMERICAN FINANCIAL TRAGEDY WITH ILL-CONCEIVED EFFORTS TO ACHIEVE SHORT-TERM POLITICAL GAIN.

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News from Senator

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FOR IMMEDIATE RELEASE  
JUNE 22, 1990

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## **\*\*SNOOZE AND LOSE CONGRESS\*\***

### PARTISAN ATTACKS FAIL TO OBSCURE CONGRESSIONAL ROLE IN S&L NIGHTMARE

WE'VE BEEN HEARING A LOT OF RHETORIC THIS WEEK ABOUT WHO'S TO BLAME FOR THE NATION'S SAVINGS AND LOAN DEBACLE.

SOME SLICK CONSULTANTS BELIEVE IT'S THE BEST WAY TO ATTACK PRESIDENT BUSH; THE BEST WAY TO TAKE ON A PRESIDENT WITH RECORD-BREAKING POPULARITY AND JOB APPROVAL RATINGS.

I HAVE ALWAYS BELIEVED THERE WAS MORE THAN ENOUGH BLAME TO SPREAD AROUND ON THE S&L FRONT. BUT APPARENTLY THE TEMPTATION TO PLAY POLITICS IN AN ELECTION YEAR IS JUST TOO STRONG FOR SOME PEOPLE.

#### THE "SNOOZE AND LOSE" CONGRESS

IT'S ALWAYS EASY TO BLAME ONE PERSON. TO BLAME THE WHITE HOUSE. IT LOOKS GOOD IN A PRESS RELEASE. BUT PENNSYLVANIA AVENUE IS A TWO-WAY STREET. AND IF WE'RE LOOKING FOR BLAME, YOU DON'T HAVE TO LOOK ANY FARTHER THAN THE U.S. CONGRESS.

SOME CRITICS SAY GEORGE BUSH IS THE "S&L PRESIDENT". WELL, I SAY WELCOME TO THE "S&L CONGRESS": WHILE CONGRESS WAS SNOOZING, THE AMERICAN TAXPAYERS WERE LOSING.

BUT THAT HASN'T STOPPED SOME MEMBERS OF THE "SNOOZE AND LOSE CONGRESS" FROM ATTACKING THE PRESIDENT. IF YOU WANT SOME PROOF, TAKE A LOOK AT THIS PARTISAN GAME PLAN.

#### THE FIRST 30-SECOND SPOT

IT'S THE FIRST '30 SECOND' SPOT OF THE 1990 CAMPAIGN, BROUGHT TO YOU BY THE DEMOCRATIC CAUCUS. THIS IS THE COVER LETTER OF A PACKAGE OF POLITICAL MISCHIEF URGING DEMOCRATS TO HIT THE AIRWAVES WITH ONE MESSAGE IN MIND: BLAME GEORGE BUSH FOR THE S&L MESS. BLAME THE PRESIDENT, NOT THE SNOOZE AND LOSE CONGRESS.

EVERY DEMOCRAT RECEIVED THIS SO-CALLED "EXCELLENT PACKAGE", COMPLETE WITH SNAPPY TALKING POINTS AND PARTISAN RHETORIC FOR USE WITH THEIR -- QUOTE -- "COLLEAGUES AND CONSTITUENTS".

SO LET'S SEE THIS WEEK'S S&L OFFENSIVE AGAINST PRESIDENT FOR WHAT IT IS: A CAREFULLY ORCHESTRATED POLITICAL ATTACK.

#### THE FACTS

AFTER LISTENING TO ALL THIS HYPE, ONE WOULD THINK THAT THE "S&L CONGRESS" WAS AN INNOCENT BYSTANDER TO THE COLLAPSE OF THE THRIFT INDUSTRY. YOU WOULD THINK THAT THE SNOOZE AND LOSE CONGRESS HAD NOTHING TO DO WITH HUNDREDS OF THRIFT INSOLVENCIES, WITH A REGULATORY ENVIRONMENT THAT ENCOURAGED RAMPANT FRAUD AND INSIDER ABUSE, AND WITH A BAILOUT PRICE-TAG THAT WILL COST THE AMERICAN TAXPAYERS HUNDREDS OF BILLIONS IN HARD-EARNED TAX DOLLARS.

BUT THE S&L CONGRESS CAN'T ESCAPE FROM THE SIMPLE -- AND INCRIMINATING -- FACTS.

MR PRESIDENT, LET'S TAKE A LOOK AT SOME OF THE FACTS.

**FACT:** ON FEBRUARY 12, 1986, THE GENERAL ACCOUNTING OFFICE ESTIMATED THAT FSLIC WOULD NEED AS MUCH AS \$22.5 BILLION IN NEW CAPITAL.

**FACT:** ON MARCH 13, 1986, FEDERAL HOME LOAN BANK BOARD CHAIRMAN ED GRAY TESTIFIED BEFORE THE SENATE BANKING COMMITTEE THAT FSLIC WOULD NEED \$16 TO \$23 BILLION TO RESOLVE TROUBLED THRIFTS OVER A FIVE-YEAR PERIOD.

**FACT:** ON JANUARY 6, 1987, THE REAGAN ADMINISTRATION'S \$15 BILLION RECAPITALIZATION PLAN WAS INTRODUCED IN THE HOUSE AND HERE IN THE SENATE.

**FACT:** ON MARCH 2, 1987, A PLAN PROVIDING ONLY \$7.5 BILLION IN NEW FUNDING FOR FSLIC -- ONE-HALF OF THE AMOUNT REQUESTED BY THE REAGAN ADMINISTRATION -- WAS REPORTED OUT OF THE SENATE BANKING COMMITTEE.

**FACT:** ON APRIL 1, 1987, THE HOUSE BANKING COMMITTEE REPORTED OUT A PLAN PROVIDING ONLY \$5 BILLION IN NEW FSLIC FUNDING. THAT'S ONE-THIRD OF THE REAGAN ADMINISTRATION'S ORIGINAL REQUEST.

AND NOT SURPRISINGLY, THE COMMITTEE VOTE WAS A LOP-SIDED 45 TO 5.



ACCORDING TO THE HOUSE REPORT ACCOMPANYING THE HOUSE'S WATERED-DOWN RECAPITALIZATION BILL, THE BILL "PROVIDED FOR A STRONG SERIES OF FORBEARANCE PROVISIONS TO ENSURE THAT SAVINGS INSTITUTIONS AND INDIVIDUAL BORROWERS ARE PROTECTED FROM ADVERSE SUPERVISORY ACTIONS."

THE REPORT GOES ON TO STATE THAT THE HOUSE BILL IS INTENDED TO "PERMIT THE CONTINUED OPERATION OF THRIFT INSTITUTIONS THAT DO NOT MEET CURRENT REGULATORY CAPITAL REQUIREMENTS."

AND WHAT IS PERHAPS THE WORST INSULT OF ALL, THE HOUSE REPORT LAMENTS THAT THE FEDERAL HOME LOAN BANK BOARD "WAS OVERLY AGGRESSIVE...IN ITS EFFORTS TO PROTECT THE FSLIC FUND."

**FACT:** ON AUGUST 4, 1987 -- AFTER A FULL-SCALE LOBBYING EFFORT BY THEN SECRETARY OF TREASURY JIM BAKER -- THE CONGRESS FINALLY PASSED A \$10.8 BILLION RECAPITALIZATION PLAN.

**FACT:** IF THE REAGAN ADMINISTRATION'S \$15 BILLION RECAPITALIZATION PLAN HAD BEEN PROMPTLY ADOPTED BY CONGRESS, THE SIZE OF THE SAVINGS AND LOAN BAIL-OUT WOULD BE MUCH SMALLER TODAY.

**FACT:** DURING THE FSLIC RECAPITALIZATION DEBATE, CONGRESSMAN JIM LEACH OF IOWA OFFERED AN AMENDMENT THAT WOULD HAVE SPECIFICALLY AUTHORIZED THE BANK BOARD TO PROHIBIT STATE-CHARTERED THRIFTS FROM MAKING DIRECT INVESTMENTS IN CERTAIN "UNSAFE OR UNSOUND" ACTIVITIES, INCLUDING SUCH SO-CALLED "TRADITIONAL" THRIFT ACTIVITIES AS THE FINANCING OF WINDMILLS, RACETRACKS, HAMBURGER JOINTS, AND STUD FARMS.

THE S&L HIGH-FLYERS WON OUT IN THE END, WHEN THE AMENDMENT FAILED OVERWHELMINGLY IN SUBCOMMITTEE BY A VOTE OF 7 TO 30. WHEN EXPLAINING HIS VOTE AGAINST THE AMENDMENT, ONE CONGRESSMAN STATED THAT "WE HAVE NOT HAD HEARINGS ON HOW DIRECT INVESTMENTS...HAVE INJURED THE SAVINGS AND LOAN INDUSTRY. WE ARE MAKING OUT OF THIS A SITUATION THAT [SIMPLY] DOESN'T EXIST."

**FACT:** CONGRESSMAN STAN PARRIS OF VIRGINIA OFFERED AN AMENDMENT REQUIRING THRIFTS TO PHASE-IN "GENERALLY ACCEPTED ACCOUNTING PRINCIPLES" OVER A FIVE-YEAR PERIOD. DESPITE GAAP'S WIDE ACCEPTANCE IN THE ACCOUNTING AND BUSINESS COMMUNITIES, THE AMENDMENT WAS DEFEATED OVERWHELMINGLY BY VOICE VOTE.

FINALLY, LET ME JUST ADD THAT CONGRESS DIDN'T PASS A PERFECT BAILOUT BILL LAST YEAR.

IT'S A BILL RIDDLED WITH CONFLICTING GOALS FOR THE RTC THAT MAKE IT EVEN MORE DIFFICULT FOR THE RTC TO DO ITS JOB.

THE RTC, FOR EXAMPLE, IS SUPPOSED TO DISPOSE OF ASSETS QUICKLY, BUT IT IS PROHIBITED FROM "DUMPING" THESE ASSETS INTO SOFT REAL ESTATE MARKETS. THE RTC IS SUPPOSED TO GET THE BEST POSSIBLE RETURN ON THE ASSETS, YET CERTAIN PROPERTIES MUST BE OFFERED TO LOW-INCOME GROUPS FOR UP TO 90 DAYS. AND THE RTC IS SUPPOSED TO UTILIZE THE PRIVATE SECTOR, YET MANY OF THE CONFLICT-OF-INTEREST PROVISIONS MAKE PRIVATE SECTOR PARTICIPATION DIFFICULT, IF NOT IMPOSSIBLE.

WITH THESE KINDS OF CONGRESSIONALLY-MANDATED REQUIREMENTS, IT'S A MINOR MIRACLE THAT THE RTC CAN REDUCE ITS ASSET INVENTORY AT ALL.

#### CONCLUSION

THIS IS JUST A SMALL SLICE OF THE S&L CONGRESS' OWN DREARY LEGISLATIVE RECORD ON THE SAVINGS AND LOAN DISASTER.

IT IS A RECORD STREWN WITH NEGLIGENCE, WITH LOST OPPORTUNITIES, AND FRANKLY, WITH A CONSIDERABLE AMOUNT OF ARROGANCE.

SO I HAVE TO SHAKE MY HEAD WHEN I SEE THESE ORCHESTRATED CONGRESSIONAL ATTACKS ON THE PRESIDENT

THREE YEARS AGO, THE WASHINGTON POST PUBLISHED AN EDITORIAL ENTITLED "S&L'S IN TROUBLE."

ACCORDING TO THE EDITORIAL, CONGRESS WAS THEN "HARD AT WORK" ON A BILL TO MAKE "S&L REGULATION WEAKER THAN EVER."

THE EDITORIAL GOES ON -- AND I QUOTE:

"THE [REAGAN] ADMINISTRATION WANTS TO SHUT DOWN THE BANKRUPT [THRIFTS]. IT WANTS TO RAISE THE DEPOSIT INSURANCE PREMIUMS THAT S&L'S PAY AND SHORE UP THE INSURANCE FUND. IT WANTS TO CRACK DOWN ON THE LOOSE PRACTICES THAT GOT THOSE FAILED S&L'S INTO TROUBLE. BUT THE SENATE'S [THRIFT RECAPITALIZATION] BILL IS INADEQUATE, AND THE HOUSE'S IS A POSITIVE MENACE."

IT IS UNFORTUNATE THAT THE "SAVINGS AND LOAN" CONGRESS DID NOT HEED THESE WORDS THREE YEARS AGO.

I ASK UNANIMOUS CONSENT THAT THE FULL TEXT OF THE EDITORIAL BE REPRINTED IN THE RECORD IMMEDIATELY AFTER MY REMARKS.

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