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# FOIA MARKER

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**Record Group/Collection:** George H.W. Bush Presidential Records  
**Collection/Office of Origin:** Chief of Staff, White House Office of  
**Series:** Brady, Philip D., Files  
**Subseries:**

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**OA/ID Number:** 00719  
**Folder ID Number:** 00719-004a

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**Folder Title:**  
Departmental Calendar of Events: [David Bates January 25, 1989 Memo on Issues Packet containing Transition Office Contacts (TOC) for various cabinet agencies] [1]

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Stack:	Row:	Section:	Shelf:	Position:
<b>G</b>	<b>15</b>	<b>21</b>	<b>3</b>	

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July 19, 1989

MEMORANDUM FOR THE RECORD

RE: PHIL BRADY FILES

Last week, ORM received two folders from Phil Brady's office.

They are labelled as:

- 1) Confirmation Hearing Meetings
  - A) material on Susan Engeleiter, Paul Coverdell, Bruce Gelb and Constance Newman.
  - B) collection of Vice President Bush's statements and quotes issued during the 1988 campaign.
- 2) Departmental Calendar of Events
  - A) Listing of individuals recommended by Michael Farren to be Transition Office Contacts (TOC).
  - B) David Bates January 25 memo on Issues Packet containing TOC Issues Reports for the departments of Commerce, Energy, HHS, HUD, Interior, Labor, Transportation and VA.
  - C) Various 1989 calendars of events for departments and agencies. Some December 1988 memos to Richard English on the same subject.

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MEMORANDUM

14 December 1988

TO: RICHARD D. ENGLISH

FR: LEW CRAMPTON *LC*.

RE: IMPORTANT DATES AT EPA AND CEQ

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You asked for a listing of key agency dates for a consolidated events calendar being prepared by Kate Moore. Herewith, is listing of legislative, budgetary, programmatic and ceremonial dates for each agency. You should know that the dates for budgetary and programmatic actions are approximate.

COUNCIL ON ENVIRONMENTAL QUALITY:

- 31 January 1989: Publication of the 18th Environmental Quality Report for the Year 1987.
- 20 March 1989: Publication of the 19th Environmental Quality Report for the Year 1988.
- 5 June 1989: World Environment Day, sponsored by the United Nations Environment Programme. Should be the subject of a presidential message or declaration.

ENVIRONMENTAL PROTECTION AGENCY:

- 20 January 1989: Innauguration Day. Speech should have positive mention of environmental issues/initiatives.
- 23 January 1989: Proposed rule on final reporting for the Community Right-to Know program.
- 24 January 1989: Report to Congress on Clean Lakes Program.
- 27 January 1989: Final regulatory action on fuel volatility and onboard refueling control.
- 27 January 1989: Proposed standards for land disposal of low-level radioactive waste.
- 27 January 1989: Final farmworker safety rule complete.
- 31 January 1989: Promulgation of Clean Water Act sludge regulations.
- 31 January 1989: Administrator's decision required on date for Twelfth Joint Committee Meeting under the US/USSR Environmental Agreement.
- 4 February 1989: Regulations on industrial and large municipal storm-water dischargers permit must be established.
- 13 February 1989: Senate Environment and Public Works Hearings on FY 1990 budget.
- 15 February: Proposed rule to list federal facilities on the National Priorities List for Superfund cleanup.

1 March 1989: Final farmworker safety rule signed by Administrator.

6 March 1989: House and Senate appropriations hearings on FY 1990 budget.

8 March 1989: Final rule for critical aquifer protection area.

14 March 1989: Report to Congress on ocean dumping enforcement and monitoring.

14 March 1989: Decision on whether to regulate benzene emissions from chemical manufacturing plants.

1 April 1989: EPA/HUD Memorandum of Understanding on lead paint abatement must be signed and reported to House Appropriations Committee.

3 April 1989: Guidance for agricultural chemicals-in-groundwater for state programs must be published.

15 April 1989: Actions must be completed on Congressional Budget Resolution.

26 April 1989: United Nations Environment Programme's first meeting of parties to Montreal Protocol and Vienna Convention.

27 April 1989: Evaluation of Superfund cleanup priority list of federal facilities completed.

2 May 1989: National report on toxic information release data.

10 May 1989: Pacific Basin Council meeting for heads of environmental agencies.

15 May 1989: House consideration of annual appropriations begins.

1 June 1989: Proposed New Source Performance Standards for small industrial boilers.

8 June 1989: Promulgation of final regulations prohibiting methods of land disposal for hazardous wastes.

8 June 1989: Promulgation of final regulations specifying methods of treatment for listed hazardous wastes.

15 June 1989: Action completed on budget reconciliation.

19 June 1989: Promulgation of final National Primary Drinking Water Regulations for public water systems.

19 June 1989: Promulgation of final rule on land disposal restrictions for second third of hazardous wastes.

23 June 1989: Promulgation of final rule on reporting thresholds for community right-to-know.

23 June 1989: Approval of state wellhead protection program.

30 June 1989: Action on appropriations to be completed by the House.

December 15, 1988

TO: Richard English

FROM: Lynette Lenard *LL*

SUBJECT: TOC Calendar, DOI

Per your request, attached please find a comprehensive calendar of events for the Bureaus of the Department of the Interior from January 1, 1989 to May 31, 1989.

## JANUARY

### General

1. Proposed rule to list wild chimpanzees as endangered. (FWP/FWS)
2. Proposed rule on humane transport of wild animals to the U.S. (FWP/FWS)
3. Final Rules to implement changes to CITES Treaty. (FWP/FWS)
4. Continue work on ANWR. (BLM)
5. With convening of 101st Congress, expect attention to 1892 Mining Law. (BLM)
6. Continued Congressional attention to management of Indian minerals. (BLM/MMS)
7. FY 90 Budget Justification. (All Bureaus)
8. Continue work/discussions on proposed regulations re: modifications to product value definitions [coal, oil and gas, geothermal]. (MMS)
9. Decision re: direction of coal leasing policy will be required sometime during this spring. (BLM)
10. Policy determinations needed for 8 controversial sales to allow future steps to proceed. (MMS)
11. Decision on statutory authority for marine mining likely to be addressed by Congress. (MMS)
12. Definition of 12-mile Territorial Sea could result in further issues for OCS program. (MMS)
13. Antarctic Minerals Treaty will probably be signed and submitted to Senate. (MMS)

### Specific Dates:

- 1/1 Sunday: (by this date) Initiate registration for OMB/PCMI Annual Quality Productivity Conf.
- 1/2 Monday: Public Release of NPS Management Policies (FWS/NPS) (PBA)
- 1/4 Wednesday: Concurrent Surnaming of Regulatory Program by Ast. Secy's. (PBA)

MAY

General

1. Implement National Fire Policy Review Task Force recommendations. (BLM)
2. Asst. Secy decisions on FY91 budget. (all)
3. Announce strategy for implementation of "Recreation 2000: A Strategic Plan". (BLM)

Specific Dates:

- 5/3 Wednesday: Secy's FY90 Hearing, Senate Interior Appr. Subcom. (PBA)
- 5/7 Sunday: [through 5/10] American Archaeology Working Conference meeting. (BLM)
- 5/11 Thursday: House Energy & Water Appr. Subcom. FY90 markup, of Energy and Water Appr. Bill. (BuRec) (PBA)
- 5/14 Sunday: [sometime this week] Royalty Management Advisory Committee meeting. (MMS)
- 5/15 Monday: FY91 Bureau budgets to Dept. (PBA)
- 5/16 Tuesday: Full House Appr. Com. Markup FY90 Energy & Water Appr. Bill. (BuRec) (PBA)  
[through June 1] Initial PBA review of FY91 Bureau budgets. (PBA)
- 5/17 Wednesday: House Floor Action, FY90 Energy & Water Appropriations bill. (BuRec)(PBA)
- 5/28 Sunday: National Symphony Memorial Day Concert (FWP/NPS)
- 5/29 Monday: Memorial Day wreath laying ceremony. (FWP/NPS)  
Decision on structural changes to Yellowtail Dam due. (W&S)(BuRec)
- 5/31 Wednesday: Develop DOI inventory, A-76 commercial. (PBA)  
12th Annual Big Spring Arts, Crafts, and Bluegrass Festival, Ozark, Mo. (FWP/NPS)

THE WHITE HOUSE  
WASHINGTON

January 25, 1989

*Pl. file  
ref. Section D  
English materials  
on Department of  
Agency Calendar*

MEMORANDUM FOR ALL CABINET AFFAIRS STAFF  
FROM: DAVID Q. BATES  
SUBJECT: ISSUES PACKET

I thought you might find useful two sets of papers:

1. Transition Office Contact (TOC) papers outlining the commitments made by President Bush on a variety of issues during the campaign.
2. The TOC Issues Reports from the following departments:
  - Commerce
  - Energy
  - HHS
  - HUD
  - Interior
  - Labor
  - Transportation
  - VA

Because President Bush retained existing secretaries from the Treasury, Justice, and Education, there were no reports prepared. The Agriculture report is not available.

To get an idea of the Bush commitments and upcoming key issues that each department is likely to face in the coming months, you might want to review these reports.

MEMORANDUM

TO: Richard D. English  
FROM: Tony Lopez (T)  
RE: Bush Positions - Veterans Administration  
DATE: 7 December, 1988

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General:

The high regard of one free citizen for another who has served the common goal; this is the moral basis for our system of veterans' benefits, a system which is the most comprehensive in the world today. The Bush Administration will preserve the integrity of the Veterans' benefits system.

Goals:

Dealing with the aging of our Veterans

- Currently, there are more than 27 million veterans in the United States.
- Over six million are over the age of 65.
- Nearly ten million of our veterans served in World War II.
- In the next few years, we will see an explosion of the number of veterans over the age of 65.
- Therefore, a goal of the Bush Administration will be to have a health care policy that assures all of our citizens, veterans and non-veterans, access to appropriate health care and social services in their advanced years.

Growing Health Care Concerns of our Veterans

A goal of the Bush Administration will be to improve the ability of the Veterans Administration to provide appropriate quality care to aging veterans. To this end:

- More emphasis will be placed on:
  - Outpatient treatment
  - Long-term care
  - Working more with the states and the private sector to make Veterans Homes available

## VETERANS ADMINISTRATION Continued.

- Supporting programs such as geriatrics research and hospice care
- People are more important than programs and facilities. therefore the Bush Administration will:
  - Improve recruitment and retention of staff, especially nurses, at VA facilities
  - Encourage and support professionalism and excellence in the system

### Specific Commitments:

The Bush Administration will:

- Maintain comprehensive and sound Veterans Administration programs for all veterans, their dependents and their survivors.
- Use every resource available to resolve the fates of our prisoners of war (POW's); and our soldiers mission in action (MIA's) from all wars.
- Maintain and enforce the veteran's preference and all other veterans' employment rights
- Appoint the first Secretary of Veterans Affairs
- Ensure that veteran's issues receive the high level of attention they deserve
- Work to simplify and streamline the various delivery systems of the Veterans Administration while maintaining their integrity
- Continue improving the outreach to:
  - Aging veterans
  - Homeless veterans
  - Women veterans
  - Former prisoners of war
- Continue improving methods of coordination between the military services, the Veterans Administration and the private sector

CONFIDENTIAL

December 1, 1988

MEMORANDUM

FROM : ROB QUARTEL

*Rob Quarrel*

SUBJECT : TRANSPORTATION PROMISES

While no specific transportation paper was issued during the 1988 campaign, the VP did make a variety of commitments in various transportation areas.

GENERAL

- o "...more economic deregulation, less government interference, and greater public-private cooperation in construction and operation of public transit...."
- o "...to make travel safer, more efficient, and less expensive for the American consumer...."

CIVIL AVIATION

- o Ensure funding to complete National Airspace Plan
- o Retain current controllers, bring on board adequately trained new controllers as quickly as possible
- o Provide leadership to break logjam preventing construction of new airports
- o Oppose unreasonable restrictions on airport access
- o Seek changes/flexibility in airport funding formula/mechanism
- o Assure American carriers full, fair access to international route authorities
- o Spend monies from Aviation Trust Fund as intended

HIGHWAYS

- o Opposed excessive highway spending ("pork barrel")
- o Supported full expenditure of Highway Trust Fund, as deficit reduced, on highways, etc.

- o Opposed gas tax increase to reduce deficit
- o Opposed oil import fee

#### RAIL

- o Keep a strong passenger rail system -- make Amtrak more efficient, ensure that it has equipment it needs to provide safe, comfortable service.
- o Look to both public and private sectors for funding
- o Opposed transfer of \$70 MM from Coast Guard to Amtrak

#### MASS TRANSIT

- o Considers self "transit advocate"
- o Supports public-private cooperation in construction and operation of mass transit
- o Encourage competition, innovation, community involvement in planning

#### NATIONAL MARITIME POLICY

Maritime policy presents a special case. In this instance, a specific agreement was reached between the Campaign and the maritime union (MEBA). Key points were that Bush-Quayle supports:

- o Establishment of Executive Branch maritime liaison
- o Strict adherence to US Maritime Laws
- o Maritime concerns as priority in trade negotiations
- o Comprehensive review of USG policy re maritime promotional programs, productivity, procurement
- o Preservation and integrity of Jones Act
- o Comprehensive review of laws re foreign flag cruise vessels operating in US ports
- o Comprehensive maritime policy to restore US maritime industry in interest of economic and national security

Obviously, many of the above promises represent codes and compromises. Those can be discussed at a later date.

MEMORANDUM TO: Richard English

FROM: Margaret Garikes

RE: Health Care and Human Services-Promises, Promises

DATE: November 30, 1988

HEALTH:

General:

- o Committed to fight rising costs of health care.
- o Increase availability of employer-based health care through incentives to employers.
  - Support multiple-employer trusts and other risk pooling mechanisms as incentives to small employers.
  - Continue deductibility and clarification of the IRS interpretation on reserves.
- o Vigorously enforce anti-patient dumping laws.
- o Vigorously enforce survey and certification requirements to ensure high quality nursing home care.
- o Promote cost-effective plans, such as Health Maintenance Organizations and Preferred Provider Organizations.
- o Educate Americans on prevention of illness as the single most important element in leading long, healthy lives.
- o Support biotechnology advances. \*(Chron. Development)
- o Work with states to institute tort reform.

Long Term Care:

- o Improve availability of health and long term care through incentives.
- o Encourage states to improve availability of coverage for people with serious pre-existing conditions, by allowing such individuals to buy insurance coverage from state risk pools.

NOTE: Unless otherwise indicated the source for the bullet points is Leadership on the Issues.

- o Devote necessary resources to finding causes and cures for the most debilitating diseases.

- o Change the tax code to provide incentives for those who can afford to pay for long-term care using group plan insurance.

- o Change the tax code to allow conversion of IRA's, savings accounts and life insurance - so people can pay for long term care.

- o Encourage home health care. \*(Chron. Development)

#### Medicare and Medicaid:

- o Allow low income workers to purchase Medicaid coverage.

- o Extend Medicaid coverage to pregnant women and infants up to 185% of the poverty line.

- o Ensure the solvency of the Medicare Trust Funds.

- o Change Medicaid requirements that force people to "spend down" their life savings before they can qualify for coverage.

#### Maternal-Child Health:

- o Extend Medicaid coverage to pregnant women and infants up to 185% of the poverty line.

- o Work with states to increase coverage for older children through a variety of program incentives -- emphasizing innovative approaches, regulatory flexibility, and preventive medicine.

- o Establish an intensive case management system by expanding the Maternal and Child Health Block Grant.

- o Support funding for the Childhood Immunization Program.

#### AIDS:

- o Continue preventive education efforts.

- o Encourage voluntary testing of AIDS.

- o Supports laws barring discrimination against people suffering from AIDS. \*(Chron. Development)

- o Provide money for research and treatment. \*(Chron. Development)

- o Test with appropriate guarantees of confidentiality.\* (Chron. Development)

- o Continue expedited availability of AZT. \*(Chron. Development)

#### Rural Hospitals:

- o Support efforts to correct the differential payment for rural hospitals caused by the Prospective Payment Plan.

#### Disabled Americans:

- o Eliminate "Hire the Handicapped Week" and replace it by extending disabled persons the same equal opportunity protections afforded women and minorities.

- o Develop programs to increase benefits for home care of disabled children. \* (Chron. Development)

- o Develop programs and policies that promote independence, freedom of choice and productive involvement in the social and economic mainstream. \*(Chron. Development)

#### Child Support:

- o Fund research for improved paternity indicators.

- o Develop a nationwide indicator service.

- o Supports mandatory child support levels.

#### Headstart:

- o Expand Headstart to phase in all eligible four year old children.

#### Drug and Alcohol Abuse:

- o Maintain confidentiality for those who seek drug testing. \*(Drug Fact Sheet)

- o Help schools develop special education and treatment programs for students who do use drugs and alcohol.

- o Link federal assistance to the success rate of drug treatment programs.

- o Target drug education and treatment to expectant mothers.

**Social Security:**

- o Maintain the integrity of the social security system.
- o Protect the social security fund - no social security COLA cuts. \*(Chron. Development)
- o Oppose means-testing.

**Welfare Reform:**

- o Supports turning the welfare system into a one that is first and foremost a jobs system.
- o Streamline the welfare system.

**Native Americans:**

- o Supports efforts to provide the most cost effective, high quality health care.
- o Supports efforts to provide adequate drug and alcohol treatment services.

**Adoption:**

- o Change the social security laws that currently provide only for natural children.
- o Work to change federal and state laws as well as private sector practices which discriminate against adopted children.

M E M O R A N D U M

TO: Richard D. English  
FROM: Michael Marino  
RE: Bush Positions Relating to HUD  
DATE: November 30, 1988

General

A chief goal of the Bush Administration will be to see that all American families are able to obtain decent, affordable housing.

This goal can best be achieved by maintaining strong economic growth, which results in jobs and income. Continued low interest rates, low inflation and low taxes are central to doing so.

George Bush supports increased funding for low-income housing assistance. He supports subsidized housing for low-income families and funds to maintain public housing.

The campaign fact sheet on HUD-related issues makes the following general statements:

- Homelessness cries out for a solution.
- Low-income families need help paying the rent.
- Young families need help taking the first step toward the American Dream.
- The right of Americans of all races to live where they want needs to be protected.

The Homeless

The long run solution to homelessness is a strong economy, one that creates jobs. Jobs and incomes are the best way to help families afford housing. In addition to maintaining a strong economy, George Bush will:

- Seek full funding of the McKinney Act, which provides funds for shelters, for Single Room Occupancy housing, for food and for mental health and drug counseling.

- Amend the Act to provide for block grants to local administrators.

- Redirect some funding from the Act for on-site counseling at shelters.

- Form public/private partnerships to fund Single Room Occupancy housing modeled after the Illinois SRO plan.

- Cut red tape to make it easier for those in need to get government assistance -- a person should be able to go to one place and fill out one form.

#### Low-Income Rental Housing

George Bush " ... will help low-income people meet rents too high for them to afford, and will enable them for the first time to own and be responsible for their own homes ... (he) will work to assure that decent housing is affordable for all families." Specifically, George Bush:

- Supports enhancing the voucher program for low-income renters.

- Supports the Urban Homesteading Plan whereby tenants in public housing projects would control and own their own homes. Houses turned over to FSLIC and FHA by failing thrifts can be offered to low income renters to broaden the opportunities of ownership, where feasible and cost-effective.

- Believes the focus should be on helping those in need pay for housing, rather than building more housing. In 1987, the national housing vacancy rate was the highest in 20 years. Low-income families need more of their own earned money and a little help to pay for that housing. Where needed, however, the federal government will support local initiatives to build more housing.

#### First Time Home Buyers

George Bush will ask the FHA to:

- Experiment with reduced minimum down payments for mortgages for first time buyers.

- Experiment with regional FHA mortgage limits, reflecting differences in housing markets around the country.

- Increase mortgage limits as the prices of homes increase.

Enabling Housing to Compete for Credit

George Bush will maintain the important role of Ginnie Mae, Fannie Mae and Freddie Mac in ensuring a ready flow of funds for housing finance throughout the business cycle.

He will encourage more efficient private sector access to secondary market credit, for example through the further evolution of Real Estate Mortgage Investment Certificates (REMICs).

Fair Housing

George Bush will vigorously enforce the new fair housing law.

He has proposed amending the law so that anyone convicted of damaging someone's residence out of racial hatred can be sentenced to a jail term.

Richard -  
Comments?

Draft 11/30/88  
10:15 a.m.

C O N F I D E N T I A L

TO: File  
FROM: Richard W. Porter  
DATE: November 30, 1988  
SUBJECT: Labor Statements Made During The Campaign

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The following are the statements, goals and promises made by the President Elect relating to labor issues (broadly defined) during the campaign.

Child Care

- o Provide a \$1000 refundable children's tax credit per child under four, regardless of whether one or both parents work.
- o Continue the dependent care tax credit and make it refundable.
- o Encourage more employer sponsored child care and where liability keeps employers from acting, he will see that liability insurance is made available. Federal agencies will take the lead by providing flexible work schedules and assistance with child care.
- o Ask the Department of Labor and HHS to develop and distribute consumer education guidelines and will establish a parents' hotline for questions and whistleblowing.

Labor-Management Relations

- o Maintain the importance of labor-management relations in the workplace.
- o The appeals of both management and labor to Congress to change the labor laws would be, in my view, counterproductive.
- o Appoint people of integrity and great ability and who support the principles embodied in the National Labor Relations Act to the NLRB.

Minimum Wage and Mandatory Benefits

- o Opposed minimum wage increases. Any increase in the minimum wage should be combined with a lower youth or training wage.

- o Ensure that women can get their jobs back after pregnancy or caring for a seriously ill child.
- o The federal government should not mandate parental leave or health benefits.

#### Jobs and Job Training

- o 30 million more jobs in 8 years.
- o I want to make sure that every man or woman in America who wants a job can get a job.
- o Supports Job Training Partnership Act.
- o Supports Worker Readjustment Program.
- o Supports increased assistance to Black job training programs.

#### OSHA and Deregulation

- o Cut red tape, less government interference, but never compromise the safety of the workplace or American workers.

#### Age and Sex Discrimination

- o Work to eliminate age discrimination wherever it exists, and help bring about a new public perception of older workers as valuable, productive assets to society.
- o Make the 1990's the decade of the older worker.
- o It's time we had equal pay for equal work. I am not for a federal mandate requiring pay according to a scale of comparable worth.

#### ERISA and PBGC

- o Private pension and benefits system should remain voluntary.
- o Assets of private pension plans should be managed for the sole benefit of retirees. Risk and returns should not be compromised to advance unrelated social or political considerations.
- o Continue to work to expand pension and benefit plans and to enhance the portability and security of pensions.

CONFIDENTIAL MEMORANDUM

To: Richard English

From: Lynette Lenard, *LL*

Re: Interior Department Promises

Date: December 9, 1988

General:

- o Conservation and wise management of our natural resources (high priority)
- o Convene a global conference on the environment during the first year in office
- o Enforce environmental laws aggressively

Fish and Wildlife:

- o Balance protection of wildlife habitats with resource needs
- o Supported Wallop-Breaux amendment (which provides money from user fees on fishing equipment to manage and enhance sport fishing opportunities) [Seattle, WA, May 16, 1988]

National Parks:

- o Protect and expand National Park System. Establish a self-perpetuating trust fund based on the Land and Water Conservation Fund called the National Endowment for the Environment to protect and build the park system
- o Expand park system, refresh urban parks and develop greenways [Erie Metropark, MI, 8/31/88]
- o "I'd like to see legions of our young people volunteer to keep our parks in shape." [San Diego, CA, 10/14/88, speech on Youth Entering Service to America]

Native Americans:

- o Ask Congress to cooperate in settling the just claims of Native Americans

- o Provide tribal governments a greater voice in managing their own affairs
- o Federal incentives to businesses which locate on Indian reservations
- o Ensure that tribal rights to natural resources are protected and that tribes receive a fair market return as resources are developed
- o Help Native American parents take control of the reservation education system
- o Provide financial resources to create effective schools
- o Ensure equitable participation in health, housing, job training and education
- o Target Native American mothers to lower infant mortality, ensure infants have a good start, and help mothers

#### Ocean Dumping:

- o Crack down on ocean dumping, track disposal of medical wastes through FBI and Coast Guard
- o End ocean dumping by 1991. Develop land-based alternatives for sewage sludge disposal

#### Off-Shore Drilling/Leasing:

- o Opposes an outright ban on drilling off the California coast, but supports drilling only with environmental and aesthetic controls [New York Daily News, 5/5/88]
- o Defer lease sale 91 [Los Angeles, CA, 6/5/88]
- o Protect very sensitive off-shore tracts from drilling [Erie Metropark, MI, 8/31/88]

#### Public Lands:

- o Support multiple use of public lands and the current grazing fee formula
- o End ocean dumping by 1991. Develop land-based alternatives for sewage sludge disposal
- o Crack down on ocean dumping, track disposal of medical wastes through FBI and Coast Guard

- o Expedite cleanup of toxic waste dumps

Water Rights:

- o "Water belongs to the states, not the federal government" [AP, 5/5-6/88]
- o Set standards to prevent groundwater contamination and give priority to groundwater protection

Wetlands:

- o Support non-regulatory programs to encourage private, state, and local action on wetlands
- o Preserve wetlands resulting in no net loss [Erie Metropark, MI, 8/31/88]
- o Work with states to attain goal of no net loss of wetlands

M E M O R A N D U M

TO: RICHARD ENGLISH  
FROM: REID DETCHON  
DATE: NOVEMBER 29, 1988  
RE: ENERGY POLICY COMMITMENTS

ALTERNATIVE FUELS

Remove regulatory barriers to use of compressed natural gas, methanol, and ethanol as transportation fuels.

Establish a "clean fuel standard" and require that fuel sold in areas that exceed federal standards for carbon monoxide contain at least 3 percent oxygen by weight.

Get EPA to "aggressively pursue" greater use of alcohol blends or their equivalent in cities that are not meeting federal standards for carbon monoxide.

Goal: Produce 2.5 billion gallons of ethanol annually by 1990.

COAL

Continue \$2.5 billion Clean Coal technology program and deregulatory initiatives to encourage its use.

Negotiate tough with our trading partners who subsidize coal production.

Promote long-term export contracts with U.S. suppliers.

CONSERVATION

Personally emphasize the importance of conservation and new technologies as means for reducing oil imports.

ENVIRONMENT

Be a leader in international efforts to find cost-effective solutions to the global problems associated with energy use, including acid rain and increased CO2 levels.

Require that all federal agencies meet or exceed federal environmental requirements.

NATURAL GAS

Fully decontrol natural gas.

Encourage more competitive transportation of natural gas.

Complete current deregulatory initiatives to encourage use of natural gas.

NUCLEAR ENERGY

Continue development consistent with "the highest safety standards."

Impose the strictest standards on development of nuclear power technology, the operation of nuclear power facilities, and the planning for backup systems that will give several layer of protection against an emergency.

#### NUCLEAR FACILITIES

Position: We may need another plant, maybe in Idaho, to take care of the nuclear material requirements for our Defense Department.

Commitments: Make the Savannah River plant safer.

(Re toxic waste at federal facilities) "We cannot expect to correct it overnight, but attack it we will, as rapidly as we can."

#### NUCLEAR WASTE

Store waste as far away from people as possible -- in ways that are, literally, air tight and which protect humankind.

Transport waste to storage sites absolutely safely -- without error.

#### NUCLEAR WEAPONS

Position: "I favor strengthening IAEA." (International Atomic Energy Agency)

Commitments: (Through IAEA) Strengthen technological barriers.

Improve nuclear reactor safety and inspection procedures.

Tighten controls on nuclear reprocessing and shipment of spent fuels.

Strengthen technology transfer regulations against the development of missile delivery systems.

Establish a strict program of sanctions and embargos on violators.

#### OIL

Increase the fill rate of the Strategic Petroleum Reserve.

Press our allies to maintain comparable strategic reserves.

Goal: 750 million barrels in the Strategic Petroleum Reserve by 1993.

#### OIL AND GAS EXPLORATION AND PRODUCTION

Tax incentives for returning non-producing, temporarily abandoned stripper wells to production.

A 10 percent non-refundable tax credit for oil and gas exploration -- up to \$10 million of costs, 5 percent thereafter -- creditable to the alternative minimum tax, up to 80% of such tax.

Expansion of the R&D tax credit to include enhanced recovery techniques.

Elimination of 80 percent of intangible drilling costs as an alternative minimum tax preference item for independent producers.

Repeal of the Transfer Rule prohibiting independent producers from using percentage depletion on acquired properties.

Continue Outer Continental Shelf leasing, contingent on environmental safeguards.

Delay drilling under Lease Sale 91 in northern California. Take a very close look at environmentally sensitive areas involved before proceeding with Lease Sale 95 in southern California. Subject Santa Monica Bay and the near-shore ocean from Newport Beach to San Diego to the most careful study before allowing any drilling.

Open up the Alaska National Wildlife Refuge for exploration and development.

#### RESEARCH AND DEVELOPMENT

Encourage R&D for conservation and renewable energy resources such as geothermal, solar, and wind power.

Continue basic research in fusion, superconductivity, and particle acceleration with the Superconducting Supercollider.

Have the DoE help more with research money for secondary and tertiary recovery methods.

#### UTILITY REGULATION

Encourage competition wherever feasible within the electric utility industry, without sacrificing reliable service.

# # # #

M E M O R A N D U M

TO: RICHARD ENGLISH  
FROM: REID DETCHON  
DATE: NOVEMBER 29, 1988  
RE: ENERGY POLICY COMMITMENTS

OVERALL POSITION: "There is going to be a different energy policy under a Bush administration with more incentive to find more domestic oil and gas."<sup>1</sup>

OVERALL GOAL: Abundant energy supplies at reasonable prices, reducing our reliance on unstable foreign sources.<sup>2</sup>

ALTERNATIVE FUELS

Position: "The time has obviously come for the government to do all it can to accelerate the use of ethanol and methanol."<sup>3</sup>  
"I have been out front in favor of alternative sources of energy."<sup>4</sup>

Commitments: Remove regulatory barriers to use of compressed natural gas, methanol, and ethanol as transportation fuels.<sup>5</sup> (EPA action)

Establish a "clean fuel standard" and require that fuel sold in areas that exceed federal standards for carbon monoxide contain at least 3 percent oxygen by weight.<sup>6</sup> (EPA action)

Get EPA to "aggressively pursue" greater use of alcohol blends or their equivalent in cities that are not meeting federal standards for carbon monoxide.<sup>7</sup> (EPA action)

Goal: Produce 2.5 billion gallons of ethanol annually by 1990.<sup>8</sup>

COAL

Position: "I don't think you can look at the future of this country without saying that coal is going to be vital."<sup>9</sup>

Commitments: Continue \$2.5 billion Clean Coal technology program and deregulatory initiatives to encourage its use.

Negotiate tough with our trading partners who subsidize coal production. (Commerce, USTR action)

Promote long-term export contracts with U.S. suppliers.<sup>10</sup> (Commerce action)

CONSERVATION

Position: Conservation "will be a priority of my administration."<sup>11</sup>

Commitment: "I will personally emphasize the importance of conservation and new technologies as means for reducing oil imports."<sup>12</sup>

ENVIRONMENT

Commitments: Be a leader in international efforts to find cost-effective solutions to the global problems associated with energy use, including acid rain and increased CO2 levels.<sup>13</sup>

Require that all federal agencies meet or exceed federal environmental requirements.<sup>14</sup>

NATURAL GAS

Position: "What we need, then, is a major effort to exploit this great natural resource."<sup>15</sup>

Commitments: Fully decontrol natural gas.

Encourage more competitive transportation of natural gas.

Complete current deregulatory initiatives to encourage use of natural gas.<sup>16</sup>

NUCLEAR ENERGY

Position: "I believe we can safely use nuclear power."<sup>17</sup>

Supports proposed NRC rule change that would allow the federal government to license nuclear power plants over the objection of state and local authorities.<sup>18</sup>

Commitments: Continue development consistent with "the highest safety standards."<sup>19</sup>

"We must impose the strictest standards on development of nuclear power technology, the operation of nuclear power facilities, and the planning for backup systems that will give several layer of protection against an emergency."<sup>20</sup>

NUCLEAR FACILITIES

Position: We may need another plant, maybe in Idaho, to take care of the nuclear material requirements for our Defense Department.

Commitments: Make the Savannah River plant safer.<sup>21</sup>

(Re toxic waste at federal facilities) "The problem we have created is so large and so hugely expensive that we cannot expect to correct it overnight, but attack it we will, as rapidly as we can."<sup>22</sup>

NUCLEAR WASTE

Position: "I'm absolutely confident it can be stored in a safe way."<sup>23</sup>

"I support the compromise reached in Congress that essentially resolves this issue."

Commitments: Store waste as far away from people as possible -- in ways that are, literally, air tight and which protect humankind.

Transport waste to storage sites absolutely safely -- without error.<sup>24</sup>

NUCLEAR WEAPONS

Position: "I favor strengthening IAEA." (International Atomic Energy Agency)

Commitments: (Through IAEA) Strengthen technological barriers.

Improve nuclear reactor safety and inspection procedures.

Tighten controls on nuclear reprocessing and shipment of spent fuels.

Strengthen technology transfer regulations against the development of missile delivery systems.

Establish a strict program of sanctions and embargos on violators.<sup>25</sup>

#### OIL

Position: "I know -- from conviction and personal experience -- that a strong domestic oil industry is vital to our national security."<sup>26</sup>

Oppose oil import fee.<sup>27</sup>

Commitments: Increase the fill rate of the Strategic Petroleum Reserve.

Press our allies to maintain comparable strategic reserves.<sup>28</sup>

Goal: 750 million barrels in the Strategic Petroleum Reserve by 1993.<sup>29</sup>

#### OIL AND GAS EXPLORATION AND PRODUCTION

Position: "We should provide more stability to the industry by reducing the cost of domestic exploration and production for both oil and gas -- with the objective of saving marginal wells, stimulating exploration, and encouraging enhanced oil and gas recovery."<sup>30</sup>

Commitments: Tax incentives for returning non-producing, temporarily abandoned stripper wells to production.

A 10 percent non-refundable tax credit for oil and gas exploration -- up to \$10 million of costs, 5 percent thereafter -- creditable to the alternative minimum tax, up to 80% of such tax.

Expansion of the R&D tax credit to include enhanced recovery techniques.

Elimination of 80 percent of intangible drilling costs as an alternative minimum tax preference item for independent producers.

Repeal of the Transfer Rule prohibiting independent producers from using percentage depletion on acquired properties.<sup>31</sup> (Treasury action)

Continue Outer Continental Shelf leasing, contingent on environmental safeguards.<sup>32</sup> (Interior action)

Delay drilling under Lease Sale 91 in northern California. Take a very close look at environmentally sensitive areas involved before proceeding with Lease Sale 95 in southern California. Subject Santa Monica Bay and the near-shore ocean from Newport Beach to San Diego to the most careful study before allowing any drilling.<sup>33</sup> (Interior action)

Open up the Alaska National Wildlife Refuge for exploration and development.<sup>34</sup> (Interior action)

RESEARCH AND DEVELOPMENT

Position: "I would certainly fund modest sums for very basic research in this area [new projects]. But I would leave development and deployment efforts to the marketplace, because the government is a lousy picker of commercial winners and losers."<sup>35</sup>

Commitments: Encourage R&D for conservation and renewable energy resources such as geothermal, solar, and wind power.

Continue basic research in fusion, superconductivity, and particle acceleration with the Superconducting Supercollider.<sup>36</sup>

Have the DoE help more with research money for secondary and tertiary recovery methods.<sup>37</sup>

UTILITY REGULATION

Commitment: Encourage competition wherever feasible within the electric utility industry, without sacrificing reliable service.<sup>38</sup>

1. Interview, San Diego Union, 5/13/88
2. Campaign fact sheet, 7/22/88
3. Statement, Waterloo, Iowa, 11/18/87
4. First debate, 9/26/88
5. Fact sheet, 7/22/88
6. Speech, Kansas City, 11/12/87
7. Speech, Atlanta, 10/14/87
8. GB article, 3/87
9. Interview, Associated Press, 5/4/88
10. Fact sheet, 7/22/88
11. Speech, 8/31/88
12. GB article, Houston Chronicle, 7/24/88
13. GB article, Houston Chronicle, 7/24/88
14. Speech, Seattle, 5/16/88
15. GB article, Future Resources, 1-2/88
16. Fact sheet, 7/22/88

17. Interview, Monadnock Ledger, 12/87
18. Interview, Washington Post, 9/4/88
19. Fact sheet, 7/22/88
20. GB article, Future Resources, 1-2/88
21. Second debate, 10/13/88
22. Speech, Seattle, 5/16/88
23. Interview, Manchester Union Leader, 9/17/87
24. GB article, Future Resources, 1-2/88
25. Bush position papers, 6/13/88
26. Speech, Midland, Texas, 10/6/88
27. Fact sheet, 7/22/88
28. GB article, Houston Chronicle, 7/24/88
29. Fact sheet, 7/22/88
30. Speech, Midland, Texas, 10/6/88
31. GB article, Houston Chronicle, 7/24/88
32. Fact sheet, 7/22/88
33. Speech, San Diego, 10/14/88
34. GTE Presidential Forum, 5/88
35. GB article, Future Resources, 1-2/88
36. Fact sheet, 7/22/88
37. GTE Presidential Forum, 5/88
38. Fact sheet, 7/22/88

MEMORANDUM

1 December 1988

TO: Richard English  
FROM: Lew Crampton | C.  
SUBJECT: Review of Bush positions

You asked me to prepare a summary of Bush positions on environmental issues to guide the new leadership of the Environmental Protection Agency and assist the transition team in evaluating the information it will be receiving from the agency and from various other interested parties. Further, you asked that these issues be presented in some logical grouping distinguished by whether what George Bush or the campaign said about them constitutes a commitment, pledge, goal or position.

The format presented below names the issue and then lists underneath the important statements that were made about it by George Bush during the course of the campaign. The strongest and most specific of these are commitments, which represent promises. Pledges are undertakings that George Bush intends to carry out on his part, but getting them accomplished also depends on the actions of others outside of his Administration. Goals are less specific than pledges, representing broad objectives and desiderata that agency administrators will work toward over time. Positions are positions.

PERSONAL CONCERN FOR THE ENVIRONMENT

Commitments:

- O "I am an environmentalist: always have been and always will be" (Belmar Beach, New Jersey, 2 September 1988).
- O "In George Bush, you will have a President who is committed to conservation" (San Diego, California, 14 October 1988).

THE ENVIRONMENTAL PROTECTION AGENCY AS AN INSTITUTION OF GOVERNMENT

Commitments:

- O Appoint the finest, most qualified people to run the agency and give them "my support, my ear, my confidence, and my mandate to go after the polluters" (Erie Metropark, Michigan, 31 August 1988).
- O EPA will be an agency that is "unequivocally committed to environmental protection" (Seattle, Washington, 16 May 1988).

## CLEAN AIR

### Commitments:

- 0 Work with Congress to enact an effective reauthorization of the Clean Air Act with realistic timetables and tools to get the job done.
- 0 Work with states and localities to help them achieve tough but realistic targets on air quality without sacrificing growth and prosperity.
- 0 Make steady progress to reduce ambient ozone levels which help to create smog.
- 0 Promote the use of cleaner alternative fuels such as ethanol and methanol.

## ACID RAIN

### Commitments:

- 0 Support a program to cut millions of tons of sulfur dioxide by the year 2000, and to reduce significantly nitrogen oxide emissions.
- 0 Work with Congress on specific amounts and timetables - "We must have a clear commitment to emissions reductions, on a clear timetable" ("Leadership on the Issues," November 1988)
- 0 Lead international negotiations to limit emissions worldwide.

### Pledges:

- 0 Encourage energy conservation.
- 0 Encourage the development of "clean coal" technologies and the use of alternative fuels. Support federal research in this area.

### Goal:

- 0 Time any new mandates to industry so they are coordinated with the availability of improved coal-burning technologies and allow sufficient time to plan for necessary capital improvements.

### Positions:

- 0 Share the burden of achieving emissions reductions equitably; no one region or group should be forced to bear the entire cost of a problem that affects the whole nation.
- 0 "We know enough now to begin taking steps to limit future damage; action we take today - even as scientific inquiry

continues - is insurance against future disaster." ("Leadership on the Issues," November 1988)

#### STRATOSPHERIC OZONE DEPLETION

##### Commitments:

- 0 Work with other countries to ratify the Montreal Protocol to reduce the use of CFCs by 50% all around the world.
- 0 Implement the Protocol in the United States.
- 0 Continue to monitor the condition of the ozone layer and share this information with the rest of the world.

##### Pledge:

- 0 Encourage American industry to take a leadership role in finding safe and effective substitutes for CFCs

##### Goal:

- 0 Strive for the goal of phasing out all domestic production of CFCs.

#### GLOBAL WARMING AND THE "GREENHOUSE EFFECT"

##### Commitment:

- 0 Convene a global conference on the environment and invite high level leaders to Washington to develop a worldwide strategy for dealing with this difficult problem.

##### Pledge:

- 0 Support efforts to preserve tropical rain forests.

#### PROTECTING THE OCEAN

##### Commitment:

- 0 End dumping of sewage sludge in the ocean by 1991.
- 0 Work with the states to set up a program to track the disposal of medical wastes based on the pilot effort underway in New York and New Jersey.
- 0 Direct EPA, Coast Guard, FBI and the states to work together to track down and prosecute illegal dumpers to the fullest extent of the law.
- 0 Instruct EPA to increase its work in developing land-based alternatives for sewage sludge disposal.

##### Pledge:

- 0 Support a National Estuary Program to work out plans for reducing pollution in bays.

#### CLEANING UP HAZARDOUS AND TOXIC WASTES

##### Commitments:

- 0 Speed up and expedite cleanups of abandoned hazardous waste dumps under the Superfund program.
- 0 Strengthen enforcement of toxic waste laws and streamline the bureaucratic processes that sometimes slow cleanups down. Use authority to sue for triple damages: polluter pays.
- 0 Protect appropriations for Superfund.

##### Pledge:

- 0 Take actions to remove barriers to the development and commercialization of effective new site remediation technologies.

##### Goal:

- 0 More voluntary cleanups through negotiations, dispute resolution and removal of agency internal barriers that impede rather than encourage the efforts of responsible parties to act on their own to remove contamination.

#### PREVENTING POLLUTION

##### Commitments:

- 0 A "national commitment" to develop programs to reduce waste and prevent pollution.
- 0 Target federal R&D funds for research into safer, more environmentally sound ways to dispose of wastes than cannot be recycled.
- 0 Work with industry to develop voluntary programs to reduce emissions and the generation of hazardous wastes at the source.
- 0 Renew our national commitment to recycling.

##### Pledge:

- 0 Call on industry and consumers to increase their use of biodegradable products.

#### GROUNDWATER POLLUTION

##### Commitment:

High priority to groundwater protection, with federal leadership and state implementation.

**Pledge:**

Support the development of innovative biotechnology products that will replace some pesticides and reduce groundwater contaminations.

**FEDERAL FACILITIES POLLUTION**

**Commitment:**

Insist that federal facilities, including military bases, meet all environmental standards. "The government should live within the laws it imposes on others." (Seattle, Washington, 16 May 1988)

**WETLANDS PRESERVATION**

**Commitment:**

Develop a coordinated wetlands policy for federal agencies.

**Pledge:**

Work with states to attain the goal of no net loss of wetlands.

**INTERNATIONAL LEADERSHIP ON THE ENVIRONMENT**

**Commitment:**

Convene a global conference on the environment at the White House to address global warming, acid rain, reforestation, stratospheric ozone depletion, and a broad range of other issues.

**Goal:**

The United States should be a leader in addressing international environmental problems and promoting cooperative solutions that keep us competitive in the world marketplace.

**OFFSHORE OIL DRILLING**

**Position:**

Development of our most promising oil and gas reserves is called for, but drilling should not take place in those environmentally sensitive areas where the risk of damage is too great.

**RADON PROTECTION**

**Pledge:**

Initiate a national survey of schools in 1990 to detect and mitigate radon.

**Goal:**

Vigorously address the problem of radon, lead and asbestos at home and at school.

**GENERAL POLICY**

**Commitment:**

Look to the marketplace for better solutions to environmental problems as regulation becomes more costly and disruptive.

**Pledge:**

Work with the private sector and university researchers to identify breakthrough technological solutions that will bring about faster and better hazard abatement and pollution control. The challenge for government is to encourage, not stifle these new approaches to our problems.

**Positions:**

"We want environmental regulation based on good research and sound data, developed with a clear eye and an open mind, and vigorously and uniformly enforced" (Seattle, Washington, 16 May 1988).

"We should work just as hard at anticipating and preventing problems as we do in reacting to them" (Seattle, Washington, 16 May 1988)

Environmental action has too often been marked by bitter and often nonproductive confrontation between competing interests. A hallmark of the Bush Administration will be an effort to establish the required credibility for a process of cooperation and consultation among all involved parties to produce the most protection in the fastest time and in the most effective ways.

Ultimately, the goal of a clean and healthy environment is not in conflict with the need to create jobs in a growing economy. The American people want both - and it will be a principal mission of this Administration to provide them.

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## U.S.-JAPAN TRADE RELATIONS

### ISSUE:

Notwithstanding an unprecedented concentration of political will and resources over the past eight years, we have not achieved equitable access to the Japanese economy.

### SIGNIFICANCE:

Japan is our second largest trading partner and accounts for about one-third of our trade deficit. It is our most important competitor in high technology, and the "lightning rod" for Congressional and private sector criticism of current U.S. trade policy. U.S.-Japan trade issues will arise in confirmation hearings, Trade Act implementation and major diplomatic meetings.

### BACKGROUND:

Since 1981, the U.S. has devoted substantial effort to eliminating trade barriers in Japan and to broadening our bilateral dialogue into new areas (science and technology, industry restructuring, distribution). We have achieved the removal of most formal trade barriers, but many significant impediments remain.

### STATUS AND OUTLOOK:

The U.S. trade deficit with Japan -- \$59 billion in 1987 and estimated at \$51 billion for 1988 -- remains unacceptably high. During the past year, we have resolved some of the most contentious trade issues. In May, we reached agreement on U.S. access to Japanese government construction projects. In June, President Reagan signed on science and technology cooperation. In June, Commerce and the Ministry of International Trade and Industry (MITI) reached an agreement to work together on the "Market Japan -- With America's Best" program. In September, Secretary Verity led the first "Market Japan" trade mission to Tokyo. In October, Japan agreed to eliminate restrictions on the use of proprietary protocols by U.S. providers of International Value Added Network (IVAN) services.

Difficult issues remain, which may have more urgent implications for the structure of U.S. industry than those we have dealt with in the past. Japanese targeting of selected industries continues, promising upcoming trade battles in supercomputers, superconductors, high definition television and aerospace. We still have not achieved our market access goals under the Semiconductor Arrangement and there is mounting evidence that Japanese suppliers, in cooperation with the Japanese government,

are restricting semiconductor supplies to U.S. computer manufacturers to undermine the arrangement. The Japanese may take the U.S. to the General Agreement on Tariffs and Trade (GATT) on the sanctions issue.

Japanese patent policies/practices continue to disadvantage U.S. patent holders, especially our smaller, entrepreneurial firms. Increased consumer spending in Japan has focused attention on the antiquated distribution system, which raises the prices of all goods, but falls most heavily on imports. Many Japanese suppliers have not raised prices in the U.S. to reflect the higher yen. Some may be dumping.

In October, U.S. Trade Representative Yeutter rejected the Rice Millers petition against Japanese rice quotas on the condition that Japan permit progress on agriculture at the Uruguay Round mid-term review. There are several important fisheries problems with Japan including whaling, fisheries enforcement, and salmon fisheries.

After six months of decline, the Japanese global surplus has turned upward, based principally on a surge in export sales. There is mounting resistance in Japan to any further trade concessions to the U.S. The Japanese Government can be expected to try to terminate the MOSS (Market-Oriented, Sector Specific) negotiations, and get agreement on a moratorium on "trade frictions" in the interest of reducing stress on the political/security relationship. This will likely entail some consultative mechanism -- perhaps with powers to issue binding decisions on trade disputes, including 301 and anti-dumping cases. A conscious effort by the Japanese to diversify their markets -- shifting to Europe and even to the Soviet Union-- could eliminate whatever leverage we have left and create a whole new class of political problems.

The impending death of the Emperor is an event of historic significance for post-war Japan. It will entail a shut-down of government functions in the short run, and over the longer term, a national rethinking of their role in the world, especially their relationship with the U.S.

## COMPLETION OF THE EC INTERNAL MARKET--1992

### ISSUE:

By 1992 the European Community intends to end non-tariff trade barriers for internal EC trade. While this presents real commercial opportunities, the United States is very concerned that Europe-wide barriers could be erected against U.S. business as a result of this EC initiative.

### SIGNIFICANCE:

The European Community is making rapid progress in achieving a single unified market of 320 million consumers by 1992. The implementation of the program will significantly change the business environment for U.S. companies which export to or invest in Europe.

This could be good for the United States but the U.S. business community is very much concerned that if the European Community is left to design this program without explicitly taking into account third country interests, the United States will lose market share.

Among other matters, U.S. business is concerned that:

- o market access could be denied through exclusion from the process of developing business regulation in such sectors as medical devices, electrical devices, food processing, and other manufactures.
- o the licensing of U.S. financial services companies in the European Community could be delayed or denied based on principles of reciprocity.
- o and that new local content requirements could deny market access not only to U.S. exports but also to products of U.S. multinationals based in Europe.

We estimate that these practices could affect about 50 percent of U.S. commercial interests in the European Community--as much as \$300 billion.

### BACKGROUND:

The Commerce Department has taken the lead in working with the U.S. business community in maximizing our market access in the EC's 1992 program. The Commerce Department is working very closely with U.S. industry here and in Europe to determine the effects of proposed EC Directives on U.S. commercial interests.

The U.S. business community is looking to the Commerce Department to defend U.S. commercial interests in the EC and to provide information and assistance in operating in European markets. The

substantial impact that the new EC business environment will have on our trade with Europe, as well as Commerce's plans to track EC developments and expand our programs aimed at defending U.S. business interests are issues sure to arise in confirmation hearings.

STATUS AND OUTLOOK:

The U.S. business community and Congress seem to be unaware that Europe is imposing the single market initiative right now. Twenty percent of the program is already implemented and U.S. companies making beer and forklifts have already been caught with investments and marketing strategies that are seriously affected by the changes in business regulation.

The EC is making rapid progress, and expects to have proposed most of the legislative directives by the end of this year.

The business community is very supportive of initiatives that Commerce has taken to get influence on the 1992 program. Secretary Verity proposed that the U.S. and the EC create business advisory groups to recommend ways to make the technical and regulatory environments in both regions more compatible. We expect much of the 1992 program to begin to affect U.S. business interests in 1989 and 1990.

## URUGUAY ROUND

### ISSUE:

The eighth round of multilateral trade negotiations under the General Agreement on Tariffs and Trade (the GATT), known as the Uruguay Round, is at a critical juncture. A Mid-Term Review is being held this week (the week of December 5, 1988) in Montreal, Canada, where GATT trade ministers will set the course for the remaining two years of the negotiations.

### SIGNIFICANCE:

The Administration, with the full support of the Commerce Department, attaches a high priority to strengthening and improving the international trading system through the Uruguay Round. The United States Government (USG) is seeking to expand the GATT to critical new areas of trade importance, including services, investment and intellectual property. We also want to bring developing countries, particularly the newly industrialized countries, under GATT disciplines.

Congress and the U.S. private sector are providing support for the negotiations. The recently passed Omnibus Trade and Competitiveness Act of 1988 provides negotiating authority and expedited, non-amendable consideration of any Uruguay Round agreements. The U.S. private sector is warily supportive of the Round, with exporting industries afraid that their current protection will be traded away for concessions.

### BACKGROUND:

At the launching of the Uruguay Round in September 1986 at Punta del Este, all U.S. negotiating priorities were included in the Ministerial Declaration. Since that time the negotiations have generally proceeded well, though developed and developing country differences are surfacing as the negotiations enter a more substantive phase.

The Commerce Department is a key player in the interagency process, providing significant support to the U.S. Trade Representative in developing policy initiatives for each of the substantive negotiating groups, participating in the actual negotiations (including serving as lead negotiators in Geneva on two issues), and supplying key data and analysis. We have established our own internal teams on each negotiating topic and are working closely with our industry advisors to ensure that their concerns are factored into the development of our negotiating strategy.

STATUS AND OUTLOOK:

Uruguay Round negotiations are being conducted on fifteen issues: tariffs, non-tariff measures, textiles, natural resources, tropical products, agriculture, subsidies, safeguards, Multilateral Trade Negotiations (MTN) agreements, GATT articles, services, intellectual property, investment, dispute settlement, and functioning of the GATT system. The negotiations are scheduled for completion by 1990.

During the Mid-Term Review, the U.S. and the European Community have yet to reach an agreement on farm trade reforms which may imperil 11 other accords reached earlier and threatens a collapse of the global free trade talks. Latin nations have threatened to scuttle all agreements reached during the week if the farm trade issues remain stalemated. India has blocked an agreement to establish rules and standards to stop the international piracy of trademark and patented products. The USG estimates international piracy costs American firms \$60 billion a year. Under GATT rules, objections by one country can block action.

Successes of the Review include a tentative agreement to establish for the first time a free trade in service industries such as engineering, banking, communications and insurance. Tentative agreements were also made on speeding GATT-dispute settlement procedures and establishing reviews of individual countries' trade policies.

Although the current round of trade-reform talks is scheduled to continue for 2 more years, officials fear that a failure to agree on major issues during the Mid-Year Review will set a sour tone for the next phase.

TIMETABLE:

- o Mid-Term Review, Montreal Canada (December 5-8, 1988)
- o Private Sector Advisers Plenary on Mid-Term Review (December 15, 1988)
- o Uruguay Round Negotiating Groups, Geneva, Switzerland (resume late January, 1989)
- o Commerce/USTR Industry Trade Advisory Committee Meetings, Washington, DC (1/30-2/10, 3/27-4/07, 1989)

## ORGANIZATION CHANGES

### ISSUE:

Proposals have been made that ITA reorganize to address internal operating problems. ITA is reviewing these proposals and other alternatives to address the problems.

### SIGNIFICANCE:

ITA reorganization could come up as an issue in confirmation hearings. Congressman Barnard recently recommended (11/88) that ITA reorganize and a GAO report (8/88) stated that ITA's trade event program had problems that would benefit from reorganization. ITA is committed to resolving the problems identified by Barnard and GAO and to addressing other organizational/operational issues.

### BACKGROUND:

In a letter of 11/4/88 to Secretary Verity, Congressman Doug Barnard, Chairman of the Commerce, Consumer, and Monetary Affairs Subcommittee of the House Committee on Government Operations, recommended that ITA reorganize to improve program effectiveness and management accountability, and suggested one approach to reorganization. Congressman Barnard has asked the Department to resolve problems promptly and warned the Secretary that "there is nothing to prevent Congress from specifically requiring reorganization". He suggested that ITA should begin work without delay on reorganization.

In August 1988, GAO issued a draft report ("Export Promotion: Problems in Commerce's Programs") recommending that ITA reorganize to increase accountability and control over trade event management. ITA agreed that problems exist, and committee to a comprehensive revision of event management procedures.

Issues within ITA that are currently under review and have organizational implication include:

- o The Trade Act. This act contains a provision affecting organization structure (e.g. creation of an "Office of Barter", export promotion cooperators program, structure of the US&FCS) and programs of ITA.

o Export Promotion Responsibilities. This is the issue addressed by GAO and Congressman Barnard. Responsibilities are shared among US&FCS\*, TD\*, and IEP\*. This split was intended to provide ITA with country expertise, industry expertise, and a comprehensive domestic and overseas service delivery system. In practice, this division sometimes lacks coherence due to differing organizational perspectives and priorities.

o Internal Operational and Structural Issues. In addition to specific factors discussed above, there are a number of internal issues that should be addressed. These include a concern over the number of DAS\* level management officials. Especially within Trade Development, the existence of ten DASSs raises span of control questions and suggests that a consolidation of the organization at the DAS level may increase the effectiveness of the organization and reduce some internal coordination problems. Resource savings could be realized by reduction in the number of DASSs and their support staffs.

Coordination of trade promotion activities needs careful scrutiny as part of this overall review including trade events coordination and the role of overseas posts. The US&FCS, TD and IEP are all heavily involved in both activities. The concerns raised by GAO on events planning are, in part, based on coordination problems. Developing and implementing a trade promotion events schedule that maximizes the objectives of all units within ITA is difficult. All ITA units and other Departmental units make demands on posts and the process in place to ensure that the posts are not overloaded needs strengthening.

The issue is how best to address the problems. Some of these may merit organizational change while others may require revision in operating procedures or delegations.

STATUS AND OUTLOOK:

ITA intends to take a detailed look at organizational and management issues over the next 120 days and to work with the Department's management team to develop options and recommendations for the next Secretary. No organizational chart has been put on paper yet.

- \* - US&FCS      U.S. & Foreign Commercial Service
- \* - TD            Trade Development
- \* - IEP           International Economic Policy
- \* - DAS           Deputy Assistant Secretary

## U.S. MERCHANDISE TRADE DEFICIT

### ISSUE:

Although shrinking, the U.S. trade deficit still remains large. The 1988 deficit should fall by about 20 percent to \$140 billion from the record 1987 deficit of \$170 billion.

### SIGNIFICANCE:

The continuing, large deficits are seen as being detrimental to the U.S. economy (especially employment) and, thus, could provoke U.S. trade restricting actions and foreign retaliation. The deficits also are leading to a growing U.S. international debt that will require large debt-servicing payments.

### BACKGROUND:

The September 1988 deficit (the latest month reported) declined to a seasonally adjusted \$10.5 billion. This total was 15 percent smaller than the \$12.3 billion deficit in August, and 23 percent smaller than the monthly average so far in 1988.

The Administration is pursuing policies which contribute to lowering the trade deficit. Paramount are efforts to reduce the Federal budget deficit, to increase savings and to improve coordination of macroeconomic policies of major industrial country trading partners. The Administration continues to oppose attempts to reduce the deficit via restrictive trade policies which could result in counterproductive foreign retaliation. However, many members of the Congress continue to support such protectionist measures as the recent textile bill.

Supporters claim that protectionist legislation would lead to greater domestic output, as well as improved access to foreign markets. Opponents anticipate retaliation and widespread negative indirect effects such as increased inflation and inability of developing countries to service international debts.

### STATUS AND OUTLOOK:

Led by strong growth in U.S. exports--up to almost 29 percent for January-September of this year versus the comparable period last year--the 1988 trade deficit is running at an annual rate of only 9 billion. By comparison, import growth is running at a rate of only 9 percent. Calculated in volume or real terms, the U.S. merchandise trade deficit has been declining since the 3rd quarter of 1986. This means that improved foreign trade performance has been contributing to the Gross National Product (GNP) growth for 2 years. Because imports are so much larger than exports, shipments abroad must increase more than 1.5 times as rapidly as imports for the deficit to contract. Thus, further

deficit reduction will require sustained export growth much greater than import growth.

Rapid deficit growth was produced by: the over 30 percent appreciation of the U.S. dollar during 1983-85; rapid U.S. economic recovery concurrent with slower growth abroad; import cut-backs by international debt-troubled less-developed countries (LDCs); and accelerated technology transfer and rapid high-tech production capacity growth abroad, particularly in newly industrializing countries (NICs). The rapid dollar appreciation in 1984-85 mainly reflected a rapid inflow of foreign capital replying to the large expanding U.S. savings-investment gap.

Continued U.S. trade deficit growth since the post-February 1985 depreciation of the dollar was due to continued high U.S. import demand and the initial perverse price impact of dollar devaluation on the current-dollar value of the deficit.

So far in 1988, exports and imports are clearly showing the positive impact of the post-February 1985 dollar depreciation. The deficit is now running at more than \$30 billion below its 1987 peak. Export growth is expected to remain high as foreign buyers react to favorably priced U.S. goods that are lower priced in foreign currencies. Import growth in nominal value terms should moderate further in response to increased import prices on goods from countries with currencies that appreciated against the dollar. However, deficit reduction continues to be limited by a continued high level of import demand supported by strong U.S. demand for consumer and capital goods. Moreover, deficit reduction continues to be constrained by a lack of further reduction in the federal budget deficit and the U.S. saving gap, which supports a continued high demand for foreign capital.

In volume terms (on a balance-of payments basis), a significant turnaround already is occurring. Between 3rd quarter 1986, the deficit volume peak, and 2nd quarter 1988 (the latest volume data available), the trade deficit in constant 1982 dollars decreased 38 percent. During that period, at annual rates, real exports increased by 38 percent, while imports rose by 6 percent.

Increased net imports have helped control U.S. inflation and stimulated U.S. industries' efforts to improve efficiency and restructure. Prolonged large trade deficits, however, impose undue structural changes on the economy and generate large debt servicing requirements. On the other hand, export growth has been a major contribution to U.S. economic output. Between the second quarter of 1987 and 1988, merchandise exports accounted for 44 percent of the growth in U.S. GNP.

## OUTLOOK FOR THE PRESIDENT'S STEEL PROGRAM

### ISSUE:

On September 30, 1989, 21 export restraint agreements negotiated under the President's Steel Program will expire. On November 4, Vice President Bush said in a letter to Senator Heinz that he would extend the program; the issues will be duration, product and country coverage and levels at which imports will be restrained.

### SIGNIFICANCE:

A Cabinet decision on the form of the extended program will be required soon after the new administration takes office.

### BACKGROUND:

The current program, established in 1984, is one of a long series of government efforts to help the steel industry regain its former competitiveness. The present program was established with the following four objective:

- o To give the steel industry a period of relative stability to facilitate restructuring so it would be more able to compete in the world market;
- o To offset the injurious effect of unfair trade
- o To avoid rigid protectionism, such as through global quotas, and
- o To maintain imports at a relatively constant share of the domestic market, roughly 20-21 percent.

The Department of Commerce administers 21 bilateral steel trade agreements covering 29 countries, or about 70 percent of total U.S. steel imports since the program began. Steel import penetration fell to 21.3 percent in the second half of 1984.

The steel industry believes the program has worked well in moderating injury experienced from unfair trade practices and is united behind plans to wage an extensive campaign to retain the present system and extend coverage to non-VRA (Voluntary Restraint Agreement) countries. The industry states that the underlying world and domestic problems which gave rise to the need for VRAs remain, and for that reason the program should be extended.

### STATUS AND OUTLOOK:

In a letter to Senator Heinz, Vice President Bush stated "one of the key trade policy goals of a Bush Administration will be to achieve an international consensus on eliminating these practices

[dumping, subsidization and market distorting practices], and, pending that, I can assure you of my intention to continue the [steel] voluntary restraint program after September 30, 1989."

The steel industry is preparing a large number of unfair trade cases for possible filing early next year. The filing of these cases would provide increased leverage in the renegotiation of the VRAs. It is unclear whether the President-elect's campaign statement on the extension of the VRAs will affect the filing of unfair trade cases.

TIMETABLE:

An interagency group has been established to discuss various options and to recommend action; it began intensive activity in mid-November. An options paper; requiring immediate action, will be ready to present to senior officials when the new Administration takes office in January for a final decision by the President by the end of February.

## PRESIDENTIAL DECISION ON EXPORT CONTROL POLICY

### ISSUE:

In light of changes in the areas of trade, strategic relationships and technology, the President needs to determine the balance he wishes to strike in his export control policy. The President will need to give clear guidance to the relevant agencies tasked with implementing dual-use export controls regarding the intent of this policy, the balance to be struck between strategic and commercial interests and the respective roles of the agencies responsible for this policy. At issue are our fundamental strategic relationship with the East, our ability to compete with our allies (as well as neutrals) in sales of strategic, high technology goods, and our ability to implement foreign policy export controls in the future.

### SIGNIFICANCE:

The administration of U.S. export control policy has often been frustrated by differing policy objectives within the key agencies. There has also been an unbalanced weighing of the roles of these agencies. Until the administration of export controls is governed by a single clear policy that also delineates the specific role of each agency, there will continue to be problems. The President needs to provide clear policy guidance on export controls very early in the Administration.

### BACKGROUND:

Since the beginning of the Gorbachev era, the United States has witnessed an increasing eagerness, both within our own private sector and among our allies, to improve and increase the West-East trading relationship. Our allies in COCOM (the Coordinating Committee on Export Controls in Paris which involves an informal agreement of NATO, less Iceland, plus Japan) are generally eager to pursue increased trade with East Bloc countries in light of the current glasnost of the Soviet Union. These pressures are felt sharply by those agencies charged with administering U.S. export control policy.

These agencies have responded to this new climate differently--each brings its own mission perspective to the table. The result is often a stalemate at the intermediate levels of government decision making. The balancing of policies relating to military security on one hand and economic security (the competitiveness of U.S. companies in international markets) on the other hand demands attention at the highest level of Government. Clear policy and jurisdictional guidance must be established.

STATUS AND OUTLOOK:

A draft National Security Decision Document (NSDD)\* has been circulating in the Government to address interagency problems. The new Administration should review it, keeping the problem discussed above in mind.

\*A NSDD is a National Security Council document which is signed by the President.

## U.S.-CANADA FREE TRADE AGREEMENT

### ISSUE:

The U.S.-Canada Free Trade Agreement (FTA) is the most comprehensive free trade arrangement ever negotiated between any two countries. It is the first to cover trade, investment and services as well as agriculture.

### SIGNIFICANCE:

The FTA significantly liberalizes trade between the two countries, is a good deal for both countries, and is a significant improvement over current conditions. If the FTA fails in Canada, our bilateral relationship will be damaged and our ability to successfully conclude the Uruguay Round will be adversely affected. The future of U.S.-Canadian commercial relations will be an issue in confirmation hearings. Many decisions on bilateral issues will be required early in the new Administration regardless of the FTA's fate.

### BACKGROUND:

The origins of the FTA date from the March 1985 Summit when the President and Prime Minister Mulroney agreed to explore ways to reduce barriers to trade between the two countries. The Senate barely gave the Reagan Administration authority for the negotiations due to concern over Canadian trade practices (especially subsidies), and the Administration's conduct of trade policy in general.

Canada wanted greater and more secure access to the U.S. market. It was also driven by protectionism in the U.S. which could have had a devastating effect on its economy (about 20% of Canada's GNP is in exports to us). Canada also had just survived a countervailing duty case filed against \$3 billion in its lumber exports. A potential duty against such a huge amount of trade was a compelling motivation. Several other unfair trade cases against Canadian products were influential. Both sides shared frustration over attempts to get a new GATT round going.

Negotiations on the FTA began in May 1986 and were rocky through to the end in October 1987. The FTA was concluded only through the efforts of the Secretary of Treasury Baker and Ambassador Yuetter following a last minute walkout by Canada.

Commerce is responsible for the Subsidies Work Group negotiations over the next five to seven years on a substitute system of rules for dealing with subsidies and dumping. This is crucial to the long-term success of the FTA and will require substantial Department resources, creativity and energy. We also have the lead in the Select Panel on Automotive Trade--a binational study

of the competitiveness of the North American industry. Other important areas include technical standards, energy, and services. All these issues will require the attention of the Administration in the short term.

We have developed an aggressive Outreach Program to educate business about new trade and investment opportunities resulting from the FTA. The Department is cooperating with other agencies and the private sector (trade associations) to conduct seminars, prepare publications and counsel firms on how to benefit from the FTA.

STATUS AND OUTLOOK:

Congress approved the FTA implementing legislation and President Reagan signed it on September 28, 1988. The Canadian House of Commons and the Canadian Senate are holding a Special Session on Monday, December 12, 1988 to vote on the FTA. The Senate Opposition has decided to recede their opposition and will allow it to be approved. The House of Commons will easily pass the implementing legislation.

January 1, 1989 is the scheduled implementation date.

## JOINT VENTURES WITH THE SOVIET UNION

### ISSUE:

Whether a special policy and procedures need to be adopted for reviewing export license applications involving joint ventures with the Soviet Union.

### SIGNIFICANCE:

U.S. industry has exhibited considerable interest in these joint ventures. Industry is concerned that the United States will lose out on important marketing opportunities because U.S. export control policies are more stringent than those of our Coordinating Committee (COCOM) competitors. The Soviet Union currently has nine joint venture agreements with American firms.

### BACKGROUND:

Over the past year, the number of inquiries concerning joint ventures with the Soviet Union have increased substantially. This has occurred as a result of improved United States-Soviet relations and the passage in the Soviet Union of a law authorizing the establishment of joint ventures. U.S. business has strong interest in penetrating the Soviet market by means of joint ventures.

Most joint ventures that Commerce has reviewed contemplate the transfer of civilian manufacturing technology for civilian products. Current export controls would permit only low level technology to produce non-military products. The Department of Defense is concerned that unanticipated technology transfer may occur to the detriment of U.S. national security. U.S. industry is concerned that overly strict control of United States-Soviet joint ventures will disadvantage U.S. exporters in the Soviet market since other nations are not as constrained to control this type of technology.

### STATUS AND OUTLOOK:

The Bureau of Export Administration and Defense are engaged in staff-level discussions aimed at identifying specific joint ventures related to policy and procedural issues that require resolution. It is expected that these issues will be identified for the new Administration before January 20, 1989.

**"NO EXCEPTIONS" POLICY**  
**FOR EXPORTS TO THE SOVIET UNION**

**ISSUE:**

Whether to continue or abolish the "No Exceptions" policy regarding the export of strategic technology to the Soviet Union.

**SIGNIFICANCE:**

This issue affects exports to the Soviet Union, which is becoming an increasingly attractive market to U.S. business interests. This issue is also important to several key Coordinating Committee (COCOM) members. COCOM is comprised of the NATO countries minus Iceland, but including Japan. This issue will likely be raised with the new Administration bilaterally and in COCOM during the next six months.

**BACKGROUND:**

In response to the Soviet invasion of Afghanistan, the United States adopted a policy of denying all high-level exports to the Soviet Union that were subject to full COCOM review -- i.e., all so-called General Exceptions (GE) requests. This policy of automatically denying GE exports to the Soviet Union became known as the "No Exceptions" policy.

**STATUS AND OUTLOOK:**

The "No Exceptions" policy was imposed by the President in response to Afghanistan. Commerce and State believe this policy should cease after the Soviets withdraw from Afghanistan. Defense wants to extend the policy even after the withdrawal. Resolution of this issue should be deferred until the new Administration is in place.

## OVERVIEW OF TRADE REMEDY LAWS

### Trade Laws Administered by the Commerce Department

#### Antidumping Law:

U.S. companies file complaints with Commerce and U.S. International Trade Commission (ITC). Commerce investigates whether imports of a particular product are being sold in the U.S. at a price less than the price for which they are sold in the country in which they are produced (i.e., dumping). The ITC investigates whether the dumping is materially injuring the U.S. industry which competes against the imported product. If both the ITC and Commerce find in the affirmative, dumping duties are imposed equivalent to the margin of underselling.

#### Countervailing Duty Law:

The procedure is the same as above. The ITC investigates the existence of material injury to U.S. industry. The Commerce Department investigates whether or not the imported product is the beneficiary of a subsidy conferred by a foreign government. If both Commerce and the ITC find in the affirmative, then countervailing duties are imposed equivalent to the amount of subsidy conferred on the imported product in question.

#### Section 232 / National Security:

In response to a petition by a U.S. industry, Commerce investigates whether imports of a particular product threaten to impair the national security. Commerce makes a recommendation to the President as to the existence of such a threat and measures, if necessary, which should be taken to alleviate the threat. President makes final decision.

### Laws Administered by the U.S. Trade Representative and ITC

#### Section 301 / Access to Foreign Markets:

In response to a petition by a U.S. industry, USTR investigates whether a foreign government is engaging in a market restricting practice which is either in violation of an international trade agreement, or unreasonable or discriminatory, and a burden on U.S. commerce. USTR, in consultation with Commerce, State and other interested Departments, makes a determination as to the existence of such a practice and, if affirmative, imposes retaliation against the offending country.

Section 201 / Serious Injury to U.S. Industry:

In response to a petition by a U.S. industry, ITC investigates whether imports are a substantial cause of injury to such industry. ITC reports its findings through the USTR to the President. The President must take action to restrict imports and thereby help the industry adjust to imports and become competitive, unless he determines that the economic costs of import protection to the nation outweigh its benefits.

Section 337 / Imports Which Violate U.S. Patents or Trademarks:

In response to a complaint by a U.S. industry, the ITC investigates whether imports infringe upon U.S. patents, trademarks, copyrights, or other intellectual property. If the ITC finds in the affirmative, it can direct Customs to exclude the infringing merchandise.

MODERNIZATION AND RESTRUCTURING OF  
THE NATIONAL WEATHER SERVICE

ISSUE:

The Reagan Administration has proposed investments approaching one billion dollars to modernize radars, upgrade meteorological satellites, automate weather instruments and increase the capability of computer and telecommunication systems to support the National Weather Service (NWS). A 1986 Strategic Plan by the Department of Commerce to streamline the field office structure of NWS to use the new technologies most efficiently in the 1990s was rejected by the Office of Management and Budget (OMB) on the grounds of insufficient savings in operating cost for the modernized NWS.

SIGNIFICANCE:

The National Weather Service provides essential severe weather and flood warnings to the public as well as more general weather forecasting services. These services are now provided by approximately 235 NWS offices across the country (including Alaska, Hawaii, and Puerto Rico). NWS is perhaps the most visible Department of Commerce program and the quality of NWS services has always been an extremely sensitive matter with the public and Congress. The absence of an approved Strategic Plan for the modernization and restructuring of NWS in the Executive Branch can expose the Department to severe bipartisan criticism because no details have been made public about the package of planned changes and improvements in NWS. The Congress may perceive that NWS operations will be reduced for budget reasons or concerns may arise about "inadequate" coverage of new technologies such as Doppler radar.

BACKGROUND:

The Department of Commerce has worked for nearly a decade to develop a systematic approach to use advancing science and technology to remedy major deficiencies in the severe weather warning program of NWS. Currently, a third of severe weather events are not covered by NWS warnings, and two thirds of the warnings that are issued are false alarms. The Department's Strategic Plan for NWS takes an integrated view of the most effective use of the new technologies. Warning services can be improved substantially to give greater lead times, more precise targeting of areas at risk and fewer false alarms. For example, warnings for large tornadoes may be extended from one to two minutes to 20 minutes or more. The Strategic Plan also provides for significant productivity gains through automation. The number of NWS field offices can be reduced by 50 percent and staff savings of more than 25 percent are possible. While the procurement process is underway for the new technologies, the new systems to modernize NWS will not begin to be delivered until FY 1991. The modernization is expected to be completed in the

latter 1990's. Consolidation of field offices or personnel savings cannot be obtained without reduction in services until the new technologies are fully operational.

STATUS AND OUTLOOK:

Congressional acceptance of the Department's Plan for NWS, if it were accepted by OMB, would be difficult to obtain because of the historical tendency of Congress to reject proposals to close weather offices. Even though the Department's Plan would actually improve services, some significant effort to "sell" this approach to Congress will be needed. One measure of the Congressional sensitivity to this question, is the inclusion of a major section in the NASA Reauthorization Act that will severely restrict the Secretary's ability to close NWS Offices. In a related matter, the FY 1989 appropriation for NWS has created a shortfall of approximately \$20 million. NWS operations will have to be reduced, at least in part, and station closures may be necessary.

The President signed the NASA Reauthorization Act (which incorporates provisions authorizing NOAA's satellite and atmospheric programs) on November 18. The Secretary of Commerce is required by that Act to submit to the Congress within 90 days a strategic plan to modernize the NWS.

GEOSTATIONARY OPERATIONAL ENVIRONMENTAL SATELLITES  
(GOES) FUNDING

ISSUE:

The appropriate division of responsibility between NASA and NOAA for funding of operational environmental satellite programs must be determined.

SIGNIFICANCE:

The current NOAA forecast shows a Fiscal Year 1990 budget request increase of \$220 million in the GOES I-M development. The current NOAA budget for GOES I-M is substantially below the NASA estimate for GOES I-M costs. NOAA and NASA are working to resolve this through various measures, including renegotiating the GOES I-M contract with Ford Aerospace to contain costs. Even if the immediate problem is solved, uncertainty over NASA and NOAA funding roles could result in similar problems on future projects. The roles need to be clarified and adhered to.

BACKGROUND:

There has been a great deal of Congressional interest in the GOES contract ever since the first indication of technical problems arose. It has been mentioned in Congressional hearings and is currently undergoing a General Accounting Office (GAO) audit of the past and present management of the contract. Under the NASA/NOAA Basic Agreement (1973) with regard to procurement and funding, the Department of Commerce (NOAA) is responsible for:

- o determining its satellite program requirements,
- o specifying quantities to be measured by the satellites, and
- o funding, establishing, and operating its operational satellite systems.

NASA is responsible for:

- o procuring the operational systems,
- o funding and conducting development of new and advanced technology and prototype spacecraft in support of the operational satellite systems.

NASA is to conduct all procurement. NOAA is to reimburse NASA for procurement of the operational systems. NASA is to fund the new developmental systems. The Basic Agreement has never been amended. Moreover, the agreement is consistent with the basic mission of NASA as set forth in the the Space Act. In 1982, over NOAA protest, NASA decided to stop funding developmental efforts for NOAA. As a result of this decision, when NOAA initiated

procurement of its new geostationary spacecraft series, GOES I-M, NOAA was responsible for all development and procurement costs. Under the Basic Agreement, the Research and Development phase of the series (GOES I and its launch) would have been paid for by NASA.

The GOES I-M program has experienced severe cost increases, primarily due to the extensive development and testing required for the new GOES spacecraft and instrument design. The NOAA budget was not adjusted to acknowledge the new NOAA funding role; it does not include contingency funds or "allowance for program adjustments" (APA) such as those contained in NASA budgets for developmental programs.

STATUS AND OUTLOOK:

As part of the FY 1990 budget process, the Department of Commerce has asked OMB to determine the appropriate NASA and NOAA roles in funding new series of operational environmental spacecraft for the future. If OMB determines that the Basic Agreement's provisions should be retained, NASA budgets should reflect responsibility for funding developmental efforts. If OMB determines that NOAA should assume full responsibility for funding development of new spacecraft series, the Basic Agreement should be amended to reflect this. The NOAA budget will need to include adequate contingency funds, and OMB budgetary ceiling amount will need to recognize these adjustments.

## FORMATION OF NEW TECHNOLOGY ADMINISTRATION

### ISSUE:

Public Law 100-519 (October 1988) established the Technology Administration, to be headed by an Under Secretary for Technology. The Technology Administration's basic mission and organization have been designed, but work remains to be done to make the organization fully operational.

### SIGNIFICANCE:

The Technology Administration will provide for the first time a catalyst within the Federal government for forging a stronger link between U.S. technology and competitiveness.

### BACKGROUND:

The enabling legislation and the Omnibus Trade and Competitiveness Act of 1988 (as the latter pertains to technology matters) provide guidance as to the general design of the Technology Administration's organization and responsibilities.

The Deputy Secretary held a decision analysis session on October 28 to address the organization and functions of the Under Secretary for Technology. Based on that session, the Under Secretary's Department Organization Order (DOO) was developed and submitted for review and approval.

The proposed Department Organization Order includes only those components of the Technology Administration described in the enabling legislation plus NTIA. It includes neither the Office of Space Commerce nor technology-related functions from any other bureau.

### STATUS AND OUTLOOK:

Full implementation involves:

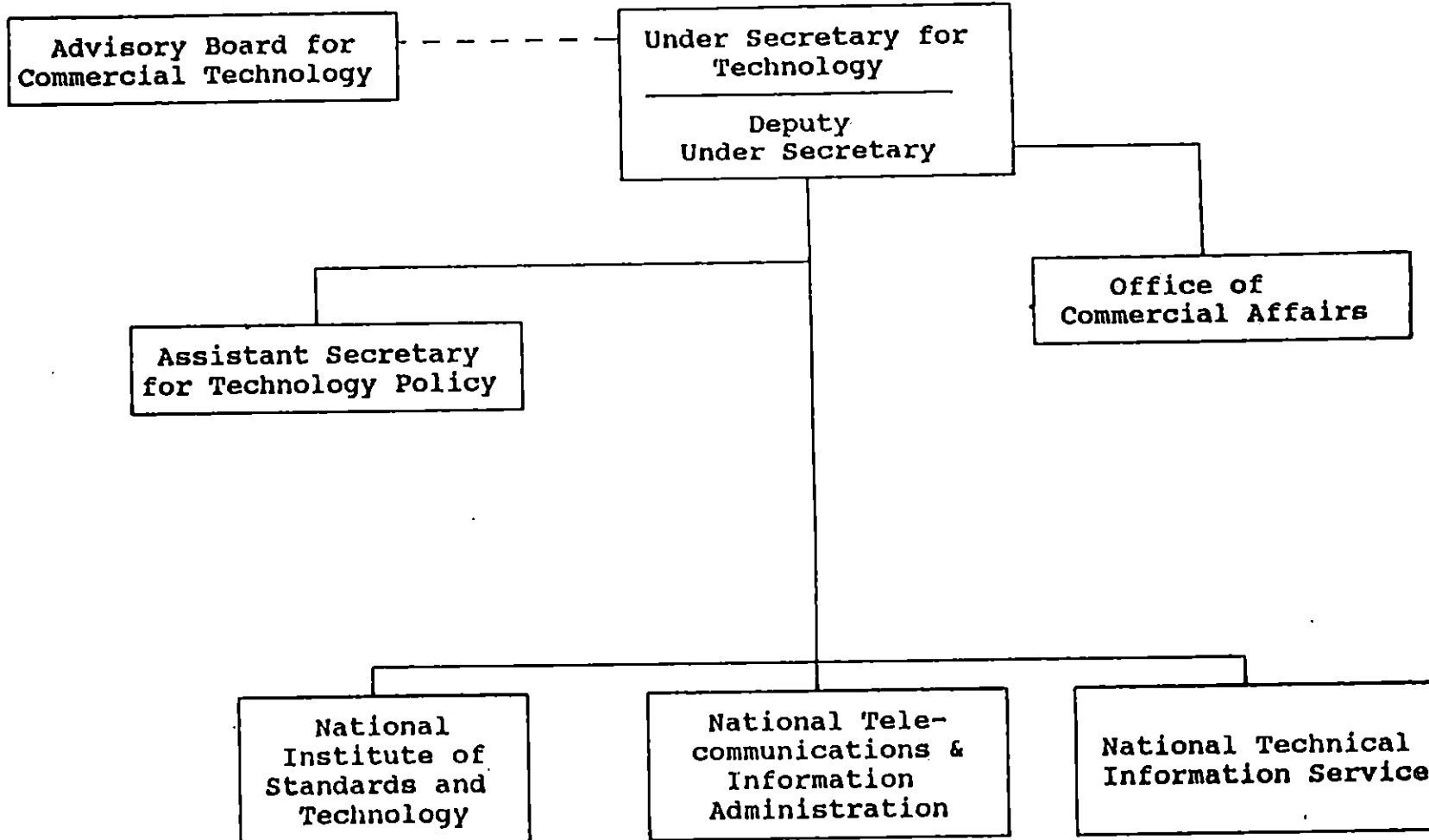
- (1) Ensuring, through promotion and mission definition, an aggressive role for the Technology Administration as advocate for change to enhance the U.S. economic growth and competitiveness. Meetings with national experts, extensive internal Commerce discussions, and public relations events have been held or are planned to accomplish this purpose.
- (2) Establishing the organization and program structure for the Technology Administration. The basic Organization Order, which will be submitted for the Secretary's signature in the next few days, settles the general framework and organizational structure for the Technology Administration.

A working group, led from the Deputy Secretary's office, has been established to concentrate on remaining implementation steps. These include such matters as personnel and payroll, delegations of authority, position descriptions for new officials, accounting codes, and other administrative matters. This group consists of administrative specialists assigned to the Technology Administration from its component bureaus.

TIMETABLE:

Submit Department Organization Order for the Technology Administration for review and clearance.	11/21/88
Complete Organization Orders, including delegations of authority, for the new components of the Technology Administration, ie., A/S Technology Policy, Office of Technology Policy, Office of Commercial Affairs. This action will settle the Under Secretary's policy and program responsibilities.	12/16/88
Complete Congressional notification and reprogramming for Congressional committees (OMB clearance of these materials will be required before they are transmitted to the Congress).	1/15/89
Prepare FY 90 budget materials in the event of a budget revision by President-elect Bush.	1/15/89
Complete all administrative actions necessary to manage the Technology Administration, e.g., personnel administration, accounting systems, financial controls, planning and budget operations.	1/31/89
Review and assess consolidated MBO's from Technology Administration organizations.	2/15/89

TECHNOLOGY ADMINISTRATION



Based on discussion in October 28, 1988  
Decision Analysis session on the  
organization of the Technology Administration

STATUS OF LITIGATION ON STATISTICAL  
ADJUSTMENT OF THE UNDERCOUNT

ISSUE:

On November 3, 1988 New York City and State, California, Chicago, the NAACP and other Plaintiffs filed suit against the Secretary of Commerce seeking a reversal of the Department of Commerce's decision not to adjust the 1990 Census for a possible undercount on the basis that the decision was arbitrary and capricious.

SIGNIFICANCE:

If the Plaintiffs prevail on all issues, the 1990 Census must be designed to adjust for the expected undercount. Such an adjustment may increase the number of Representatives in large urban areas which have a substantial minority population. Municipalities and States which do not have large minority groups may object to the adjustment as they would lose representation in the House of Representatives.

BACKGROUND:

On October 30, 1987 the Department decided not to adjust the 1990 Census count to correct for a possible undercount in the 1990 Census. The principal reason for this decision was that the techniques available for adjusting the undercount are controversial, untested, and of doubtful validity. The plaintiffs argue that the undercount in large urban areas is greater for blacks, hispanics, and other minority groups. Plaintiffs argue that due to the undercount they will suffer loss of political representation and federal funds. Similar suits seeking adjustment of the 1980 census were also filed. However, the Department has prevailed in these suits.

STATUS AND OUTLOOK:

Office of General Counsel attorneys are working closely with Department of Justice attorneys in defending this lawsuit. Unless we reconsider our decision not to adjust, the case will be decided by the U.S. District Court in Brooklyn, NY.

TIMETABLE:

Our response to Plaintiffs' complaint is due on December 15th and Plaintiffs' answer to our response is due January 23rd. We expect a trial in this matter in early to mid 1989 (February-April).

EXCLUSION OF "ILLEGAL ALIENS" FROM THE 1990  
COUNT AND STATUS OF LITIGATION

ISSUE:

On February 18, 1988, the Federation for American Immigration Reform, a number of Congressmen and the States of Pennsylvania and Kansas ("plaintiffs") filed suit against the Secretary of Commerce seeking to excise illegal aliens from the 1990 Census of Population count for apportionment purposes on the basis that it is unconstitutional to include them.

SIGNIFICANCE:

If the plaintiffs prevail, the 1990 Census must be designed to exclude illegal aliens from the 1990 Census count. Exclusion of illegal aliens from the census count may have the effect of decreasing the number of Representatives from large states which have a large number of illegal aliens.

BACKGROUND:

The Department of Justice has determined that the exclusion of illegal aliens in the census count for apportionment purposes would be unconstitutional. The Bureau of the Census has historically in all previous census counted all "persons", as that term is stated in the U.S. Constitution. This has been interpreted as including illegal aliens. This interpretation and practice has been affirmed in Congressional debates. A similar case was filed in 1980 in which the Department prevailed. While we prevailed on procedural grounds, the Court observed that the Constitution appeared to require inclusion of illegal aliens.

Moreover, the Census Bureau has consistently stated that in the census count, it has no way of determining whether an alien is here legally or not. This issue may come up during the confirmation hearings.

STATUS AND OUTLOOK:

Commerce Department attorneys are working closely with Justice Department attorneys to defend this lawsuit. We filed a Motion for Summary Judgement in this case on August 10, 1988.

TIMETABLE:

We are awaiting the Judge's decision on our Motion for Summary Judgement. This is expected in the near future.

## MANAGEMENT ISSUES INVOLVED IN CONDUCTING THE CENSUS

### ISSUE:

At least three issues relating to the conduct of the 1990 Decennial Census, (1) difficulty in hiring personnel, (2) the printing of census questionnaires, and (3) the potential effect of FY 1989 cuts, are likely to require attention during the transition period.

### SIGNIFICANCE:

(1) Continued problems in hiring staff for the address listing operation and (2) any delays in getting the questionnaire to the printer on schedule could significantly increase costs and jeopardize the Census Bureau's ability to adhere to the tight schedule necessary to conduct the census. (3) The significance of the FY 1989 budget cuts will not be known until late 1988 or early 1989 when the Census Bureau learns what the FY 1990 budget proposal will be. In the short term, the FY 1989 cuts do not have any significant effects on planned activities.

### BACKGROUND:

(1) Currently the Census Bureau is hiring persons at planned pay rates of \$5.50 an hour. The Census Bureau is finding it difficult to locate enough applicants in some areas. We are offering higher wage rates to applicants in some areas of the country and preliminary results suggest this strategy is working. (2) The Census Bureau will mail questionnaires to over 100 million housing units in late March 1990. To accomplish this, questionnaire printing will begin in January 1989. The 1990 census will require approximately 250 million short and long forms, including Spanish-language and other special purpose questionnaires. The Government Printing Office will award the printing contract before the end of the year. (3) The FY 1989 budget request of \$459.8 million for the decennial census was cut by \$43.8 million; \$25 million from the contingency reserve and \$18.8 million in unspecified program cuts.

### STATUS AND OUTLOOK:

(1) The Bureau will make a final assessment of the effect of increased wage rates on employee recruitment efforts by the end of this year. (2) We plan to finalize the questionnaire on schedule before the end of the year. (3) We will also determine the impact of the FY 1989 budget cuts at about the same time.

**Issue No. 1:****MODERNIZING THE NUCLEAR WEAPONS COMPLEX**Background

After the Chernobyl accident in 1986, Secretary Herrington asked the National Academy of Sciences to assess safety and technical issues at the DOE reactors. The NAS report in November 1987 was quite critical of the DOE performance on safety and made clear the need for modernization.

The nuclear weapons complex is now 30 to 50 years old. For at least the last 20 years, we have invested only about half of what was needed in capital expenditures. As a result, many facilities are at the end of their useful life, and the fragility of those remaining is increasing. Substantial upgrades are needed.

Maintaining our stockpile of nuclear weapons requires the capacity to produce tritium, plutonium, and highly enriched uranium. Tritium, a key component in the effectiveness of nuclear weapons, decays at the rate of 5.5% a year. Unless tritium containers are changed every 3 to 6 years, the reliability of our weapons goes down. In addition, tritium is continuously needed as we replace weapons to improve their safety and operational characteristics.

No tritium is currently being produced. Three reactors at Savannah River, designated by the letters L, K, and P, are the only sources of tritium for our nuclear weapons. The L Reactor was shut down in June for annual maintenance and seismic review; the K Reactor was shut down in April for modification of the emergency core cooling system and seismic review; and the P Reactor was shut down in August for seismic upgrades. Cracks have since been found in pipe welds in both the K and L Reactors.

Meanwhile, the Natural Resources Defense Council has filed suit demanding that DOE prepare an environmental impact statement -- a process that can last from six months to two years or more -- before restarting any one of the reactors.

Plutonium has been produced by reactors at Savannah River and Hanford, and by reprocessing plutonium scrap and residues from retired weapons at Rocky Flats. The Chernobyl-style reactor at Hanford is not operating for safety reasons. Reprocessing of plutonium at Rocky Flats has also been halted, pending resolution of safety concerns.

The availability of plutonium now rests largely on reprocessing production scrap or residues. Upgrades are planned at Rocky Flats, and a Special Isotope Separation process is being developed for Idaho to provide a reactor-independent source of plutonium.

The National Academy of Sciences report on "Safety Issues at the Defense Production Reactors" put the challenge bluntly:

"The remaining useful life of the four production reactors is likely to be equal to or shorter than the time needed to authorize, fund, design, and build new facilities to produce special nuclear materials....

"If the United States finds it necessary to have a reliable and safe capability for the production of strategic nuclear materials, then planning for the New Production Reactors or other alternatives should be accelerated."

Coverage of these problems in the national press -- especially The New York Times and the Wall Street Journal -- has been intense.

#### Next steps

DOE laid out a 160-point program of repair to be completed before restart could occur at Savannah River, but even that was deemed inadequate by the Secretary's own Advisory Committee on Nuclear Facilities Safety, headed by John F. Ahearne, a former chairman of the Nuclear Regulatory Commission. New problems come to light almost every day.

Westinghouse is taking over from DuPont on April 1 as the management and operations contractor for Savannah River. In March Westinghouse will do a baseline study of the condition of the reactors and assess its ability to get them operating again. The answers are expected by mid-summer.

As for the lawsuit, the President has no power to preempt the National Environmental Policy Act. Short of congressional action, DOE's best recourse, according to its General Counsel, is to start preparing an environmental impact statement, perform the repairs needed immediately, and argue in court that an injunction is an inappropriate remedy under the circumstances. Restart thus may be at least a year away.

#### New Production Reactors

Congress directed the Secretary of Energy to recommend

a replacement strategy for the nation's nuclear material production reactors, including preferred technologies and sites. In August 1988, Secretary Herrington recommended the construction of a heavy water reactor at the Savannah River facility and, concurrently, preparation for construction and operation of a four-unit modular high-temperature gas-cooled reactor at the Idaho National Engineering Laboratory. Even with the accelerated schedule he proposed, however, the first reactor would not be available until at least 1998, making repair of the Savannah River reactors critical.

The Nuclear Materials Acquisition Strategy timetable follows.

The new production capacity is intended to replace all existing tritium production -- using more than one technology, at more than one location, to minimize the danger of lengthy shutdown due to geographic event or regulatory requirement. The heavy water reactor at Savannah River would use existing technology, updated, and would be capable of producing 100 percent of our tritium needs.

The Idaho plant would serve as a backup and supplement, capable of producing 50% of our tritium needs. The technology involved there would have the additional benefit of demonstrating the feasibility of an inherently safe design for a new generation of civilian power plants. However, full production is not expected at Idaho before 2010, making it somewhat tangential to the current crisis.

The cost of this plan is \$6.8 billion in current dollars (\$3.2 billion for Savannah River, \$3.6 billion for Idaho), \$9 billion in escalated dollars.

A short-range option is the N Reactor at Hanford, which has been shut down for almost two years and is being placed in cold standby. It could be converted to tritium production within three years at an incremental cost of about \$300 million and provide about two-thirds of our tritium needs. However, the N Reactor is a Chernobyl-style power plant, and the public reaction to a restart program could be adverse.

Another alternative is the never-used WNP-1 nuclear plant from the Washington Public Power Supply System (WPPSS). It could be adapted for tritium, but only at some technical risk, and at the cost of breaching the civilian-military nuclear barrier that we impose on other nations. There is strong opposition to this option.

In view of the intensifying controversy over the safety of the production reactors at Savannah River, it may be

appropriate to reevaluate the possibility of building two smaller heavy-water reactors incorporating inherently safe passive cooling features instead of one large one based on past technology.

Because of the need and the visibility of this program, it is scheduled to gear up very rapidly, spending \$60 million in the current fiscal year (FY 1989). Deputy Secretary Salgado created an Office of New Production Reactors answering directly to him -- as opposed to the Assistant Secretary for Defense Programs -- to retain control and ensure that safety and environmental issues would be addressed head-on. The unspoken message: Business as usual won't cut it.

Experienced engineers from Duke Power and Southern California Edison are being hired under contract for design work.

Initial staffing was accomplished by transferring or detailing personnel from various DOE organizations. At peak, additional resources of 75-100 full-time equivalent (FTE) staff will be needed in each of the cognizant field offices, i.e., Savannah River and Idaho operations offices.

The need for 150 to 180 additional DOE personnel to staff the New Production Reactors program and project offices will have an impact on other DOE programs and projects, most of which already are constrained by personnel resources. Although the Department is hiring some outside staff to reduce the impact, the need for security-cleared personnel to fill certain sensitive positions will restrict the assignment of new hires.

#### Budget issues

Congress has not yet approved the two-site approach. Indeed, Sen. Exon (D-Neb.), chairman of the key Armed Services subcommittee, is opposed, saying we can't afford to build both. Sen. Thurmond (R-S.C.), ranking Republican on the full committee, strongly supports the Savannah River reactor, and Sen. McClure (R-Idaho), ranking Republican on both the Energy and Natural Resources Committee and the Energy and Water Development appropriations subcommittee, favors the Idaho plant equally strongly. A single-site approach failed to win congressional approval in 1983-84.

Construction of the New Production Reactors is only part of a modernization plan, called the 2010 Report, that Congress demanded by December 15. The plan, which is classified, calls for the expenditure of an additional \$81 billion over current spending levels in the next 20 years.

(See chart.) This figure includes sharply increased spending for environmental restoration. (See Issue #3.) On January 4, 1989, DOE reported that the cost of corrective and remedial actions needed to protect the environment, safety, and health will be between \$53 billion to \$92 billion, above and beyond the routine, day-to-day costs in this area of \$1.8 billion a year. Conflicts between these competing demands and the budget constraints are inevitable.

Many apparently conflicting cost estimates have appeared in the press. Some include modernization, and some do not. Some extend over a longer time frame than others. Here is a shorthand guide to commonly cited numbers:

**\$29 billion:** The incremental cost of environmental restoration through the year 2010, as estimated in the modernization study.

**\$35 billion - \$65 billion:** The total cost of environmental restoration (extending beyond 2010), as estimated by Environment, Safety & Health and by GAO.

**\$52 billion:** The incremental cost of modernization through the year 2010, as estimated in the modernization study.

**\$53 billion - \$91 billion:** The incremental cost of needed corrective actions and cleanup, as estimated by Environment, Safety, and Health.

**\$81 billion:** The incremental cost of environmental restoration plus modernization through the year 2010, as estimated in the modernization study.

**\$91 billion - \$128 billion:** The total cost of needed corrective actions and cleanup, plus the cost of appropriate day-to-day practices through the year 2010, as estimated by Environment, Safety, and Health.

**\$110 billion:** The (high-case) total cost of environmental cleanup (\$65 b.) plus the ongoing cost of environmental, safety, and health measures currently in place (\$25 b.) plus the cost of properly disposing of radioactive waste (\$20 b.), as estimated by Environment, Safety & Health and by GAO.

**\$170 billion:** The previous number plus modernization, as estimated by GAO.

**\$244 billion:** The total budget for Defense Programs through the year 2010, as estimated in the modernization study.

The net result is that the Department's budget requirements for Defense Programs are projected to increase by almost 90 percent over the next five years, well above OMB's targets.

The FY 1990 budget contains a \$900 million increase in the "050" defense account (from \$8.1 billion in FY 1989 to \$9.0 billion in FY 1990), but even that falls an estimated \$360 million short of the need, according to DOE. Left unfunded, according to DOE officials, was the restart at Savannah River (\$150 million), a reasonable start on environmental restoration (\$140 million), and needed repairs to the Waste Isolation Pilot Plant (\$70 million).

The Department historically has had a slush fund available called a "pre-financing" account but is using that up in FY 1989 to meet the unexpected safety demands of its deteriorating facilities. Without additional funds, DOE budget officials say they will be forced to "do all the things that have landed us in this mess" -- i.e., postpone needed capital outlays needed to meet current environment, safety, and health standards.

Asked not to appeal the OMB decision, Secretary Herrington wrote to the President on December 9 to alert him to the problem. The Washington Post quoted from the letter on December 18, and on "Meet the Press" that day White House Chief of Staff Duberstein said the \$900 million increase is all that DOE will get.

The Secretary privately expressed concern about this position. "For the budget to be taken seriously on the Hill," he said, "it has to be credible in environmental terms. The DOE request to OMB was the minimum needed to be credible. The Reagan budget, as approved by OMB, will not be credible."

The FY 1990 budget asks for \$315 million in funds for environmental restoration. Senator Glenn said recently he thinks \$1.3 billion would be reasonable.

Defending his support of safety issues, the Secretary said, "This department is out of balance. We are too production-oriented. All I'm trying to do is put the thing back into balance. Or the President is not going to have 10 years of operation -- you're going to have a major incident.

"We could run the reactors right now for one year, two years... but sooner or later we're going to have a problem."

The Secretary related the following anecdote about a visit he made to Savannah River:

In one control room, the main pump was on with a green light next to it. In another room, the main pump was on with a red light next to it. In yet another room, the main pump was on with a white light next to it. "The men get used to it," the staff said of the disparity.

The urgent need for a resumption of tritium production will force tough choices on Congress -- shifting money from the Pentagon's account, shifting it from the non-defense side of the budget, or significantly reducing the Department's ability to respond to the crisis.

The political struggle over funding will be intense. For example, consider simply the question of reprogramming \$60 million in FY 1989 money for corrective actions at Savannah River -- money that had been set aside for cleanup work at Hanford Reservation in Washington. Because of the shutdown of N Reactor, some 4,500 workers are being laid off there; the environmental restoration money was supposed to provide some new jobs; and it is a high priority for Sen. Hatfield -- the ranking Republican on the Senate Appropriations Committee.

However, Tom Palmieri, OMB's budget analyst for DOE's weapons program, said the Department could get through FY 1990 without too much difficulty -- by foregoing the Special Isotope Separation program, a process for purifying plutonium (\$200 million), and the Inertial Confinement Fusion program, which attempts to use lasers to trigger a fusion reaction (\$170 million).

The disparity between the requirements of the modernization report and OMB's approved funding targets becomes substantially more dramatic in the following years. Unless defense spending increases overall, DOE will need a larger share of the pie, at the expense of DOD, if the full scope of improvements is to occur. The incoming Secretary will have to work with NSC, DOD, and OMB to get agreement on the pace and scope of the modernization activities.

"One of the jobs of the Secretary is to keep options open for the President," the Secretary said. "You can't have a situation where we need weapons, and he finds out we can't produce them."

Palmieri of OMB did not dispute the fact that increases will be needed in the out-years. But he said, "I don't think the necessary management controls are in place to allow that ramp up."

A further impediment to the modernization plan has developed in the form of a second NEPA lawsuit that is expected from a coalition of citizens' groups. The lawsuit would seek to bar DOE from proceeding with the 2010 Report at all until an environmental impact statement is prepared covering the entire modernization program.

Possible presidential actions to deal with the problems in the nuclear weapons complex are discussed further in Section 8.

Issue No. 2:

## OVERSIGHT OF DOE FACILITIES

### Background

The people involved in producing and maintaining our nuclear weapons complex have operated in an atmosphere of collegial secrecy for 40 years. They are emerging only now, and with considerable discomfort, into the harsh light of public scrutiny.

The technocrats who populate DOE's facilities still show vestiges of the old AEC mentality that they know best and the public is a nuisance. Theirs is not the world of blueprint and regulation; they're hands-on engineers who can tell you where every pipe is -- whose only standard was what they thought best. Now they are being blamed for failing to meet the environmental, safety, and health standards of the 1980s -- at facilities built and largely operated before those standards were ever contemplated.

In 1985 DOE created an Assistant Secretary for Environment, Safety, and Health, whose charge was to implement an effective internal program of oversight.

However, the National Academy of Sciences, in its 1987 report, "Safety Issues at the Defense Production Reactors," concluded:

"The Department of Energy's safety oversight of the production reactors is ingrown and largely outside the scrutiny of the public. Weaknesses in management of the defense production reactors have led to a loose-knit system of largely self-regulated contractors operating within budgetary constraints imposed by and on the Department of Energy."

The Academy recommended "an independent external safety oversight committee, advisory to the Secretary." As Congress, led by Sen. Glenn, chairman of the Governmental Affairs Committee, moved forward in response, Secretary Herrington established an Advisory Committee on Nuclear Facilities Safety, headed by John F. Ahearne, a former chairman of the Nuclear Regulatory Commission.

In addition, the Assistant Secretary for Environment, Safety, and Health was given the authority, to be exercised when possible with the concurrence of the Secretary, to shut down any DOE facility for safety reasons. This authority has never been used, but the threat of it has -- as, for example, at Savannah River.

The Secretary strongly defended his approach. Ahearne is "nobody's patsy," he said, and has strong respect in Congress. "What you don't want is Senator Glenn having oversight on the Hill, or some independent political body with shutdown authority. There are national security considerations involved." As for the advisory committee's recommendations, he said, while they are not binding, "I'd be hard-pressed to go against them."

Nevertheless, creation of the Defense Nuclear Facilities Safety Board was approved as part of the DOD authorization bill. In light of the ensuing developments at Savannah River, Sen. Glenn and other members of Congress have since said that they will seek to broaden both the scope and authority of the oversight board. Of particular concern is the Department's accountability to the Board's recommendations.

As enacted, the five-member Board is empowered to review and evaluate DOE nuclear safety standards, investigate events it considers dangerous, review facility design and construction, and make recommendations to the Secretary of Energy with respect to protecting public health and safety.

The Board has the authority to issue subpoenas and hold public hearings. It has broad access to DOE defense facilities and information, and may assign on-site resident staff. Accountability to Board recommendations is provided through timetables for response and Federal Register publication of responses.

The Secretary, to the extent provided in appropriations, will transfer necessary budgetary resources to the Board. The Board is authorized to hire 100 full-time staff in addition to consultants.

#### Next steps

The President is directed to submit nominations for Board membership to the Senate by March 22, 1989. However, he is permitted automatic 90-day extensions upon request.

DOE intends to submit a plan for ensuring the safe construction of the New Production Reactors to the Ahearne Committee in December 1988. Full committee approval of the Committee's recommendations is expected by the end of January. DOE expects to accept all of the recommendations.

Negotiations with Sen. Glenn and others must focus on the appropriate role for the oversight board. Will it

review DOE's internal oversight process, or will it effectively take over the oversight function within DOE?

ES&H blames many of DOE's problems on a lack of technical oversight expertise in the field offices, and says it is trying to remedy that with its own staff. But it has to do so with just 200 full-time employees.

DOE claims no inherent objection to external oversight, saying it is less concerned about who does the oversight than it is about how many levels of redundant and possibly conflicting oversight there will be.

However, DOE and the Armed Services Committees would strongly resist oversight by the Nuclear Regulatory Commission, arguing that the NRC is not equipped to review these technologies involved, which differ from the light water reactors used by electric utilities.

Possible presidential actions to deal with the problems in the nuclear weapons complex are discussed further in Section 8.

**Issue No. 3:**

**SAFEGUARDING HEALTH AND THE ENVIRONMENT AT DOE FACILITIES**

Background

Poor waste management practices in the past have created serious contamination problems at DOE facilities. DOE is generally subject to federal environmental requirements, and President-elect Bush pledged during the campaign that federal facilities would comply with the same environmental laws as private industry.

Health

During the last 10 years, a growing number of accusations and lawsuits have alleged increased cancer and other health problems among persons living near DOE defense sites. A dose reconstruction effort has begun at Hanford to determine the levels of exposure of the local population to radioactive iodine. People living near the Savannah River Plant are concerned about exposures to toxic chemicals and tritium. Rocky Flats area residents are concerned about plutonium contamination in the soil and water, especially the Bloomfield Reservoir, which serves Denver. Fernald Plant area residents are claiming cancer deaths and other health problems associated with exposure to uranium. Other defense-related sites are experiencing similar public concerns.

Due to the transient nature of people living around the defense sites, the cost of a major epidemiology study to determine if these allegations are true would be very expensive and take many years to complete. However, DOE has conducted epidemiology studies of workers in its production plants and is about to launch a beryllium exposure study of former workers.

As many as 10,000 workers were exposed to beryllium. Only 1 percent of those will get berylliosis, but the disease is fatal unless caught early. The Secretary said he intends to ignore OMB objections and notify former workers of their possible exposure beginning on January 6.

Legislation was passed last year compensating veterans who participated in atmospheric nuclear tests. Compensation bills have been submitted in Congress for the Utah, Nevada, and Arizona residents exposed to atmospheric nuclear tests debris, but no omnibus legislation has been submitted.

There has been significant press attention to the health problems alleged to be caused by DOE defense-related

sites. The 101st Congress will in all likelihood hold hearings, initiate GAO investigations, and require additional epidemiological studies.

### Nuclear waste

DOE plans to dispose of its high-level radioactive waste in the same depository that will be constructed for civilian waste. But it also generates large amounts of transuranic waste -- that is, material contaminated with radioactive elements. This material is generally toxic and long-lived.

DOE has prepared a storage site for transuranic waste -- the Waste Isolation Pilot Plant (WIPP) near Carlsbad, New Mexico -- at a cost of more than \$800 million over the past eight years. It is located on land owned by the Department of the Interior, which is willing to relinquish title. DOE needs to complete either a legislative or administrative land withdrawal (i.e., a transfer of title from Interior to Energy) before it can begin the emplacement of waste and conduct experiments.

In the 100th Congress, land withdrawal legislation was introduced, but the New Mexico delegation was unable to agree on what the legislation should include. The points of contention were the role of New Mexico's Environmental Evaluation Group, how much waste could be emplaced and when, and what benefits should accrue to the state -- e.g., the building of new roads and municipal bypasses. Administrative land withdrawal is an option, but Senator Domenici is strongly opposed.

Meanwhile, waste continues to pile up at the Rocky Flats plant near Denver. Gov. Cecil Andrus of Idaho has refused to allow any more shipments to his state, where such waste had been stored previously, and Gov. Roy Romer of Colorado has threatened to set a limit on how much can be kept at Rocky Flats. The impasse could force a shutdown of the plant.

Deputy Secretary Salgado met with Govs. Andrus and Romer, together with New Mexico Gov. Garrey Carruthers, on Dec. 16, 1988, on this issue. He offered to wait one year for Congress to act on a land withdrawal, but said DOE would have to go forward administratively if Congress does not act in that time.

Still in question is how much waste will be permitted during the demonstration phase of the project. EPA is supposed to study the degree of migration by the waste to determine whether the site will remain safe for 10,000

years. Senator Domenici wants to make sure that DOE doesn't simply dump all its waste at the site without waiting for EPA's verdict.

### Environmental restoration

DOE facilities are subject to federal and state laws designed to preserve and protect the environment and to clean up existing environmental problems. Problems at DOE sites include both radioactive and chemical contamination.

Statutes allow EPA and/or the states to withdraw operating permits as a result of noncompliance with environmental laws. This could lead to a shutdown of production facilities. Regulatory agencies and interest groups are placing increasing pressure to bring facilities into compliance and clean up contaminated sites as soon as possible.

Most of these sites were built and operated for years before current environmental standards went into effect. Due to their age and the recently strengthened environmental regulatory requirements, some of these facilities require modifications, and others need to be replaced. Each site has unique problems and unique solutions associated with cleanup and compliance.

DOE has taken a number of steps to address these problems:

-- In 1985, Secretary Herrington directed that an environmental survey be conducted to establish a baseline of existing and potential environmental problems at all DOE sites. In November 1988, DOE issued a preliminary assessment of the 16 sites that support the Defense Programs mission. The study attempted to rank the problem areas on the basis of their potential threat to human health; a final report will be completed at the end of 1989.

-- The Environment, Safety, and Health assessment of DOE needs, issued in December 1988, estimated the cost of environmental restoration at \$35 billion to \$63 billion for the defense complex alone.

-- The Department has implemented a remedial action program for inactive waste sites, as required by the Superfund legislation (CERCLA) and the Resource Conservation and Recovery Act (RCRA). For sites which have the most serious problems and appear on the National Priorities List, DOE and EPA enter into interagency agreements which define work schedules and activities to be conducted in the remedial action process.

-- During FY 1987, an Environmental Restoration program was established in Defense Programs to characterize, assess, and conduct remedial actions at inactive waste sites and spill sites at DOE defense facilities. The program, driven mainly by legislation, conducts activities on a priority basis to assure that potential risks to the environment and human health and safety are eliminated or reduced to acceptable levels. The scope and schedule for these activities are negotiated with EPA and the states and are the subject of various permits, consent orders, and compliance agreements.

Funding for environmental restoration was \$98 million in FY 1988, and \$159 million in FY 1989. The Reagan budget asks \$315 million in FY 1990 and \$325 million in FY 1991; Senator Glenn has said he thinks \$1.3 billion would be reasonable. The amount appropriated for "corrective actions" to meet environmental, safety, and health standards was \$425 million in FY 1989; actual spending will be at least \$200 million higher; the FY 1990 budget request contains \$478 million for corrective actions.

At current spending rates (\$150-\$200 million per year) cleanup would require over 200 years, whereas a 20-year cleanup campaign would involve an expenditure of \$1.7-\$3.0 billion annually. Achieving compliance with current environment, safety, and health criteria at current spending rates (\$600 million per year) would require between 10 and 15 years. An additional \$500-\$700 million per year is required just to maintain compliance, independent of cleanup activities.

#### Next steps

The question DOE faces is how to pay for efforts to achieve and maintain compliance with current environment, safety, and health requirements while performing its other missions.

The Department will require major funding increases over the next five years to address this problem and satisfy critics in Congress, the states, and the general public. Since DOE cannot cover these increases within its normal budget target, a transfer of funds from other areas of the budget must be considered. The defense function is the most logical source of funding since most of the cleanup is related to defense activities, as noted earlier. (See Issue No. 1.)

Possible presidential actions to deal with the problems in the nuclear weapons complex are discussed further in Section 8.

## Issue No. 4:

### BUILDING THE SUPERCONDUCTING SUPER COLLIDER

#### Background

For 50 years the United States has been the leader in high-energy physics research, thanks to successive commitments to more powerful and sophisticated particle accelerators.

The proposed Superconducting Super Collider (SSC), designed as a racetrack-shape accelerator to be built in a tunnel 53 miles around, would be a proton-proton collider with 20 times the energy level of today's machines. It offers the opportunity to make significant discoveries into the nature of matter and energy.

President Reagan called for construction of the SSC in January 1987. The total SSC project cost is estimated to be \$4.4 billion (in FY 1988 dollars). The FY 1989 budget provided \$98.6 million for R&D, preliminary engineering and design, and site selection activities, but Congress barred DOE from beginning construction. Initial construction funding is being requested in FY 1990. The budget request for FY 1990 is \$254.6 million.

In April 1987, a competitive site selection process was initiated. Forty-three proposals were received initially, of which seven were selected for final consideration -- Arizona, Colorado, Illinois, Michigan, North Carolina, Tennessee, and Texas. On November 10, 1988, Secretary Herrington announced that the site proposed by the State of Texas had been selected as the preferred site.

#### Next steps

The final Environmental Impact Statement will be completed before the final site selection announcement is made in January. The preliminary site was Waxahachie, Texas, near Dallas-Fort Worth, and is very unlikely to be changed. It was preferred in 4 out of 5 categories, with its geological characteristics counting especially strongly in its favor. However, the states that lost out are quite unhappy, and Congress may be cool to the project. The area is represented by a junior House Republican, Joe Butler.

Because of the high price tag, Congress has thus far declined to commit to construction of the SSC, preferring instead to wait and see what the new Administration proposes.

Other congressional concerns include the firmness of the cost estimates; the need for the project; its likely effect on other government-funded scientific research, especially research that does not require major facilities (referred to as "small science"); and the fairness of the site selection process.

In addition, OMB is reluctant to commit to construction, recalling an unhappy experience several years ago when construction of an accelerator proceeded ahead of the necessary technology and ultimately had to be scrapped. One problem lies in the magnets involved. Only two have worked properly, with fine-tuning at a cost of \$1 million per. The failure of 6 others was recently highlighted in a major article in the New York Times. The SSC will require thousands of magnets, fabricated in mass production at a cost of just \$100,000 apiece. The feasibility of that is not clear.

OMB's gambit is to require 30 percent non-federal funding up front. Texas is expected to cough up \$1 billion or more, but that will leave \$800,000 or so for foreign and industrial participants to commit to. In addition, OMB stretched the project out by 1 1/2 years. These factors combine to make the prospects for a construction start in FY 1990 uncertain at best.

The Assistant Secretary for International Affairs and Energy Emergencies indicates that the call for foreign participation has brought an encouraging response by the seven economic summit countries, particularly France and Italy. However, the Office of Energy Research says it will be impossible to obtain firm commitments for foreign contributions prior to a clear U.S. commitment to the project.

#### Budget pressures

The size of the SSC makes it an inviting target for budget cuts, but it should be noted that the nature of high energy physics requires that many scientists work on a single machine rather than on a variety of less costly projects.

DOE has responded to the issue of the SSC squeezing out "small science" by placing SSC funding "over target" and thus not at the expense of other worthy science projects. However, the increasing pressure on the DOE budget makes any such deal tentative at best. A major failure or construction cost overrun could be disastrous for competing research projects and for DOE. Recently, Frank Press, president of the National Academy of Sciences, suggested

that construction might be deferred while magnet research is continued and until the current budget conflict is resolved.

The Congressional Budget Office (CBO) issued a report on October 28, 1988, which was critical of the project. DOE sent a strong rebuttal to CBO, but the report surely will be used by congressional opponents of the project. Among other things, the report suggests as a "low cost" alternative that the U.S. consider supporting the European consortium's (CERN) proposed Large Hadron Collider as a "next step" in high energy physics, presumably with the Europeans returning the favor by supporting the SSC early in the next century. However, the European machine is thought by DOE to be a much inferior facility.

Issue No. 5:

## CARBON DIOXIDE AND GLOBAL CLIMATE CHANGE

### Background

Carbon dioxide in the upper atmosphere, like the glass roof of a greenhouse, allows sunlight to pass through to the Earth but traps the heat that returns in the form of infrared radiation. The hot, dry summer of 1988 helped popularize concerns that the increasing amount of carbon dioxide produced by our use of fossil fuels will result in a permanent manmade warming of the global climate.

The concentration of carbon dioxide in the atmosphere has increased by about a quarter in the last 100 years as a direct result of deforestation and the rising use of fossil fuels. The average global temperature has increased by about one degree Fahrenheit over the same period. However, the current base of scientific knowledge is inadequate to establish a cause-and-effect relationship between these two facts.

It is believed that increased levels of carbon dioxide and other greenhouse gases, such as methane, nitrogen oxides, and chlorofluorocarbons (CFCs), will change the earth's climate, but an international scientific consensus is lacking on the timing, magnitude, and regional distribution of change. Models of the climate system predict that a doubling of carbon dioxide in the atmosphere would increase the average temperature on Earth by 2 to 9 degrees Fahrenheit over the next 50 years, causing very significant climate changes.

Carbon dioxide emissions, about one-fourth caused by deforestation and the rest by the use of fossil fuels, are blamed for about half of the greenhouse effect. Other contributors include methane, which is 20 times as effective as carbon dioxide in trapping infrared radiation, and CFCs, which are 10,000 times as effective.

Carbon dioxide emissions from the U.S. and Western Europe are currently stable or declining, while emissions from developing nations and Eastern Europe exceed those of the U.S. and Western Europe and are growing. In 1950, North America accounted for nearly 43 percent of the world's carbon dioxide emissions (1.6 billion tons of carbon). In 1986, North America, despite a higher output of carbon dioxide, accounted for only 24 percent of the 5.4 billion tons of carbon emitted worldwide. Developing countries, especially China, are expected to become major sources of carbon dioxide emissions in the near future.

The U.S. emissions total comes 44 percent from oil, 36 percent from coal, and 20 percent from natural gas. Allocated by end use, electric power generation accounts for 35 percent of the total, transportation 32 percent, heating and cooling 13 percent, and industrial uses 20 percent.

The Office of Science and Technology in the Executive Office of the President coordinates government-wide activities on this issue through the Federal Coordinating Committee on Science, Engineering and Technology (FCCSET) Committee on Earth Sciences. DOE was identified as the lead agency for basic research on carbon dioxide and other greenhouse gases in the National Climate Policy Act of 1978 and the Energy Security Act of 1980.

DOE has funded a carbon dioxide research program since 1978, managed within the Office of Energy Research. FY 1989 funding is about \$18 million. Including FY 1989, the total funding to date is \$130 million.

DOE programs in conservation, renewable energy, nuclear, fossil, fusion, and environmental analysis also have a bearing on this issue. For example, the development of advanced clean coal technologies will have an effect on carbon dioxide emissions because less coal will be used to produce the same amount of electricity.

In addition, DOE's Energy Research Advisory Board is prepared to study the question of what research is needed to establish a relationship between greenhouse gases and global climate.

Congressional interest in this area has been increasing. Proposed legislation, most prominently identified with Sen. Wirth and Rep. Claudine Schneider, seeks to achieve a 20 percent reduction in carbon dioxide emissions by 2005, primarily through an increased emphasis on natural gas, energy efficiency standards, and renewable energy.

On January 5, the National Academy of Sciences recommended to the President-elect that the government take immediate steps to learn how we are changing the global environment and to develop suitable policy responses.

#### Proposed solutions

Specific proposals to reduce the threat of global warming include the following:

1. Demand greater energy efficiency -- for example, by gradually raising fuel economy standards

for automobiles to 45 miles per gallon and setting new standards for appliances.

2. Include environmental costs in an analysis of the relative costs of various energy alternatives in preparing a National Least-Cost Energy Policy Plan.

3. Burn more methane. Natural gas produces only half as much carbon dioxide as coal per unit of energy, and, unburned, is itself a greenhouse gas. Natural gas can also substitute for oil in transportation uses: Methanol, an alcohol fuel made from natural gas, produces less carbon dioxide than gasoline and runs more efficiently. Landfills generate significant amounts of methane which could be made into methanol.

3. Increase funding for research into non-fossil energy sources, particularly photovoltaic cells for solar power production and new designs for passively safe nuclear power plants. (Environmental activists remain fundamentally opposed to nuclear power, however.)

5. Reward utilities for encouraging conservation.

6. Increase the gasoline tax by 10 to 50 cents a gallon.

7. Impose a tax on carbon dioxide emissions -- a carbon user's fee.

8. Convene an international conference on global warming. This proposal was endorsed by Vice President Bush in a speech in Seattle on May 16, 1988.

9. Eliminate the global production of CFCs by the year 2000. The recently concluded Montreal Accord will achieve only a 50 percent reduction in that time.

10. Encourage the use of less-polluting energy technologies overseas, particularly in developing countries.

11. Encourage reforestation programs in developing countries in exchange for debt relief. Forests are carbon dioxide "sinks."

In addition to DOE, federal agencies actively involved in the issue of global climate change include EPA, NASA, the National Science Foundation, and the National Oceanic and Atmospheric Administration (NOAA). DOE may need to reassert its primacy in this area in a new Administration.

Issue No. 6:

## PLANNING AND EVALUATING RESEARCH AND DEVELOPMENT

DOE has the largest single R&D complex and the largest collection of scientists and engineers under one management in the world. Although DOD has an R&D budget that is five times as large as DOE's (roughly \$50 billion to \$10 billion), its research occurs chiefly in the laboratories and workshops of its industrial contractors.

DOE's nine multiprogram labs have 46,500 employees and an annual budget of \$5.7 billion. Four are primarily devoted to defense programs, five to energy research. The physical plant was largely built in the 1940s and 1950s and, like the nuclear weapons complex, has not been adequately kept up over the years. Part of the problem is institutional -- maintenance costs are broken out as a separate account and not charged as overhead. This encourages underfunding of this vital but unexciting area.

Perhaps more importantly, the labs have lost the clearly defined sense of mission that accompanied the early days of nuclear weapons research and development. Each lab has become something of an entrepreneurial science center, with its own patrons in Congress. This political reality would inhibit any attempt to consolidate or rationalize the system.

Such a recommendation was made in 1983 by the White House Science Council's Federal Laboratory Review Panel, headed by David Packard:

"At most multiprogram laboratories, the research activities could be reduced in breadth, and reconcentrated on those areas most relevant to the missions and of demonstrated excellence. The size of a laboratory must be determined by its mission requirements and by the quality of its work."

Within DOE, the well-being of the labs is a recurrent area of concern. DOE attempts to steer research equitably so that a constant level of effort (and expertise) is maintained at each of the major labs. Yet there appears to be no ongoing evaluation of the quality of the work done at the different labs, or of the various management systems used by the contractors. The oversight is largely financial and administrative.

Again, from the 1983 Packard report:

"The laboratories must be held more accountable

for the quality and productivity of their research and development. There should be an oversight function that is responsible for the continuing excellence of the laboratories. This function could be performed by an external oversight committee."

DOE plans to establish such an oversight committee, on a pilot basis at Oak Ridge, in FY 1989. If the test is deemed a success, it would be expanded to the other four energy research labs.

Similarly, there has been no strategic assessment of the Department's research priorities since the radical budget shifts of the early 1980s. (See chart.) Any organization should have a periodic examination of whether one program or project is getting too much money relative to another, but that kind of evaluation generally goes on only within Fossil Energy, for example, not across program lines -- except as Assistant Secretaries battle over budgets. OMB, for one, thinks a reappraisal is long overdue.

Such a review could be assigned to the Deputy Secretary or the Director of the Office of Policy, Planning & Evaluation, but they may lack the depth of scientific understanding needed to make the choices. The Director of the Office of Energy Research, the Secretary's designated science advisor, would have the expertise, but may be too closely aligned with the particular discipline of particle physics to be seen as objective. An independent appraisal may be warranted.

The Department has a number of technical advisory committees available to it, of which the best known is the Energy Research Advisory Board. The Board may need reassurance that its recommendations will be taken seriously and not simply filed on a back shelf, but presumably would respond to such a challenge from a new Administration.

Another alternative is the National Academy of Sciences, to which the Department has turned for major studies, such as the evaluation of safety issues at the defense production reactors.

The Energy Research Advisory Board has a flexible membership (currently 24), with one-year terms that expire in July. Usually 20 to 30 percent of the members rotate off each year.

It is felt that the chairman should be either a distinguished scientist or a personal friend of the Secretary in order to ensure direct access. The current chairman, a longtime friend of the Secretary, is ready and

willing to step down.

The Board meets quarterly, with panels assigned to a particular project meeting more frequently as needed. Reports take up to 18 months to prepare, although an effort is being made to cut that at least in half.

No reports are currently in progress, although a review of the magnetic fusion program is required by law in 1989. However, the Board is prepared to begin a study on what program of research is needed to establish a relationship between greenhouse gases and global climate. (See Issue No. 5.)

Issue No. 7:

## PRIVATIZING URANIUM ENRICHMENT

### Background

The uranium enrichment enterprise meets the demands of foreign and domestic electric utilities and the U.S. government for the enrichment of customer-provided natural uranium for use in nuclear reactors.

The government started enriching uranium in World War II. In order to separate the U-235 isotope for its growing stockpile after the war, the Government built three Gaseous Diffusion Plants (GDPs), located in Oak Ridge, Tennessee (1948); Paducah, Kentucky (1954); and Portsmouth, Ohio (1956). Today, only a portion of the GDP at Portsmouth is still used for military needs: The top end of the enriched uranium goes to the Naval Reactors. The remainder goes to the commercial market. The biggest single customer is Tokyo Electric.

When foreign competition arose in the mid-'70s, the Ford Administration sought to regain control of the free-world market and tried to attract private industry into building additional capacity in the U.S. Legislation was proposed. Although more advanced technology existed, Ford decided to pursue the expensive, but proven, gaseous diffusion process. The decision hinged on a \$6 billion loan guarantee, which failed to pass Congress.

In 1976, the Carter Administration -- with rhetoric promising non-proliferation benefits -- committed to the Gaseous Centrifuge Enrichment Plant (GCEP) in Portsmouth. That plant was to have a total capacity of 8.8 million SWU (adding to the existing 28 million SWU gaseous diffusion capacity). Congress authorized only the first quarter of the plant. Construction on that part of the plant is complete.

In 1986, DOE cancelled GCEP. Over a 10-year period the government had invested \$2.5 billion in this project. Instead of completing GCEP, DOE proposed to develop a third enrichment technology, the Atomic Vapor Laser Isotope Separation (AVLIS) process. This lab-stage process is supposed to enrich uranium at substantially less cost than the existing GDPs or GCEP.

In recent years the decline in worldwide demand for enrichment services and the emergence of foreign competition have reduced the U.S. share of the market to 62 percent. To combat this situation, DOE sought to strengthen the

competitive posture of the enrichment program by issuing a new, more attractive contract and attempting to operate the enterprise in a more cost-efficient manner. Indeed, the program is profitable if you ignore the money lost on the GCEP at Portsmouth.

The new AVLIS technology would cut the cost of enrichment by reducing the electricity needed in the process and thus would make the product more competitive in world markets. The enrichment program, it is thought, could then be turned over to the private sector.

As a transition step, a restructured government enrichment corporation would be established, which would transfer the enterprise from the government to private-sector ownership as soon as possible.

It is argued that a restructured enterprise could compete more effectively with foreign suppliers; generate a greater return to the government for its past investment in the program; provide for more cost-effective operations; continue to support the energy security of the United States; and enhance this country's balance of trade.

In 1988, two versions of legislation to create a government corporation passed the Senate. However, the legislation was never acted on in the House, due to significant opposition based on anti-nuclear sentiment by some key members. A proposal to write off the failed GCEP also attracted the opposition of the National Taxpayers Union.

The Reagan Administration submitted new legislation as part of the FY 1990 budget, building on the groundwork laid in the previous session. It proposes to transfer \$241 million in FY 1989 revenues to the new corporation and create a sinking fund to which the corporation would contribute to pay for the eventual decommissioning of the current enrichment facilities.

Other alternatives which might be considered include obtaining NRC licenses for the DOE facilities to make them more attractive to the private sector, or simply retaining enough capacity for military needs, transferring the AVLIS technology to industry, and announcing that commercial production will be abandoned on a date certain, far enough in the future so that industry could move to replace it.

Issue No. 8:

**BUDGET STATUS AND OPTIONS FOR FY 1990 AND FY 1991**

Current status

The FY 1990 DOE budget is just under \$15 billion, or 1.1 percent of the total federal budget. This size in relation to the total budget has remained virtually constant throughout the Reagan Administration. However, the relative demands placed on the Department have shifted markedly during this same period. In FY 1982, less than half of the DOE budget went for defense activities; in FY 1990 it is close to three-fifths.

There are three ways to look at DOE's annual budget in more detail, each reflecting the major decision-making phases of the federal budget process. The first organizes the budget according to the amounts allocated to the major DOE programs (i.e., Defense Programs, Nuclear Energy, Energy Research, and so forth). The second splits the budget according to the "functional classifications" that are used by OMB in the preparation and submission of the President's budget. The third divides the budget according to the jurisdictions of the respective appropriations subcommittees (that is, the so-called 302(b) allocations).

As a benchmark, the current status of the DOE budget request for FY 1990 is presented in Tables 1A, 1B, and 1C, along with some comparable figures for the DOE appropriations for the current fiscal year, FY 1989. The FY 1990 budget figures represent the requests transmitted to Congress in President Reagan's budget on January 9, 1989.

Table 1A shows the allocations by DOE program, how these allocations compare to the FY 1989 appropriations, and the share of the total DOE FY 1990 budget that is allocated to each program.

Table 1B breaks down the FY 1990 DOE budget by functional classifications -- the way it is presented in the President's budget. As shown, 60 percent of the budget falls under Defense (Function 050), 8 percent under General Science, Space and Technology (Function 250), and 32 percent under Energy (Function 270).

Table 1C shows the FY 1990 DOE budget allocated among the appropriations subcommittees, based on recent experience for the 302(b) allocations. The Energy and Water Development subcommittee is expected to consider 92 percent of the budget, and Interior and Related Agencies 8 percent.

The DOE allocation to the appropriations subcommittees on Energy and Water Development will be roughly 80 percent of their total 302(b) allocations (again, extrapolating from the FY 1989 experience); the DOE allocation to the subcommittees on Interior and Related Agencies will be roughly 10 percent of their 302(b) allocations.

The President's FY 1990 budget for DOE raises several key issues, the budgetary consequences of which are addressed in the various budget options presented below. First, a short synopsis of the events leading up to the President's FY 1990 budget follows:

FY 1989: Supplemental Appropriation Request

-- DOE proposed an FY 1989 Supplemental Appropriation of \$400 million.

-- President's Budget Review Board (BRB) ruled that DOE should find offsets. BRB cited \$600 million in prefinancing and \$950 million in FY 1988 unobligated balances.

-- DOE position: The \$950 million cited by BRB included funds that are not available for Defense (viz., \$350 million for Clean Coal; \$60 million for Power Marketing revolving funds; \$300 million already used as offsets; and \$120 million in the final stages of obligation).

-- DOE narrowed the request to the most critical \$250 million of needs, and used all available Defense Programs prefinancing and remaining unobligated balances as offsets.

FY 1990: Process to date

It should be noted that biennial budget requests are required for the portion of DOE's budget that falls under the Defense Function, i.e., the "050" classification. Annual budget requests are submitted for the non-defense areas.

-- President's budget submitted to Congress on January 9:

(a) increases total DOE Budget Authority (B.A.) by \$1.1 billion, or 7.7 percent over the FY 1989 level,

(b) increases B.A. for defense activities by \$927 million for FY 1990, or 11.4 percent, and

(c) increases B.A. for non-defense activities by \$146 million, or 2.5 percent.

-- DOE request to OMB was roughly in accord with OMB's target allowances for non-defense activities, but exceeded the OMB allowances for Defense Programs.

#### Issues and options

The broad budgetary implications of these lower-than-anticipated funding levels for DOE defense activities are:

(a) For FY 1990, DOE has \$360 million less than anticipated for funding its "ongoing" defense activities at roughly current levels, a shortfall which will require a realignment of funds;

(b) For FY 1991, DOE has \$965 million less than anticipated for funding its ongoing defense activities at current levels, plus a \$1 billion shortfall for the multi-year modernization of the nuclear complex.

(c) For the fiscal years beyond 1991, the shortfall below anticipated funding for modernization and environmental restoration expands to \$4.5 billion by FY 1994. In 20 years, this shortfall amounts to \$81 billion.

The budgetary consequences of alternative policies to resolve these three broad issues are addressed below. The options are geared toward actions that could be taken by the incoming Administration's "amended" budget to be submitted to Congress in February or March. As a general point, however, making internal DOE adjustments to accommodate the current OMB positions -- as an indication of good faith -- may increase the chances that some additional funding can be obtained through the amended budget submission.

#### FY 1990: The immediate picture

DOE's position is that the \$360 million anticipated for Defense Programs, but not included in the President's budget, was to be allocated as follows:

-- \$150 million for additional work necessary to restart the Savannah River reactors,

-- \$140 million for efforts to bring production facilities into compliance with environmental laws, and

-- \$70 million for waste management problems at Rocky Flats.

Taking this position as the status quo, the President's FY 1990 budget (as shown in Table 1A) implies:

-- in FY 1990 DOE will rebalance within the defense accounts between environment and production activities;

-- there is a high risk of continued environmental and safety problems; and

-- there may be shortfalls in meeting production requirements and a reduction in weapons delivery schedules.

Table 2 presents the budgetary impact of the various options discussed below. Generally, the idea is to illustrate how these options would affect the budget in relation to the status quo, as broken down in Table 1A.

Option A: Rebalance with across-the-board cuts

-- Assume no change in the FY 1990 total DOE budget -- i.e., the \$360 million shortfall sticks.

-- \$360 million is 2.4 percent of the total DOE budget.

-- Rebalance the shortfall by restoring the \$360 million to Defense Programs and then cutting all programs (including defense) by 2.4 percent.

Option B: Cut non-050, non-250 items

-- Eliminate the impact of the \$360 million shortfall on Defense Programs by reducing programs under functional classification 270 (classifications listed in Table 1A).

-- Advantages: Funds for improvements in nuclear weapons activities are restored to anticipated levels, and funds for the Superconducting Super Collider (included in the 250 classification) are protected.

Option C: Cut non-050, non-250, non-Interior 270 accounts

-- Restore the \$360 million for defense by cutting only the amount from Function 270 that falls under the jurisdiction of the Energy and Water Development appropriations subcommittee.

-- Advantage: Avoids cuts in Clean Coal Technology program and other Interior subcommittee programs, which amount to only 10 percent of that subcommittee's 302(b) allocation.

Option D: Delay construction of Superconducting Super Collider

-- FY 1990 budget includes \$255 million for the first year of construction of the SSC which, if reprogrammed, reduces the shortfall to \$105 million, or 0.7 percent.

-- Realign \$255M to Defense Programs, providing an additional 3 percent increase.

**TABLE 1A**  
**DOE BUDGET ALLOCATIONS BY PROGRAM:**  
**BUDGET AUTHORITY IN FY 1989 AND FY 1990\***  
(Dollars in Millions)

<u>PROGRAM AND FUNCTIONAL CLASSIFICATION</u>	<u>FY 1989 APPROP.</u>	<u>FY 1990 PRES. BUDGET</u>	<u>FY 1990 BUDGET SHARE</u>
Defense Programs 050 - ALL	\$7,410.0	\$8,071.5	54%
New Production Reactors 050 - ALL	60.0	303.5	2%
Nuclear Energy 050 - 53% 270 - 47%	1,240.0	1,259.7	8%
Energy Research 250 - 47% 270 - 53%	2,169.8	2,462.2	16%
Fossil Energy 270 - ALL	1,172.6	1,003.7	7%
Environ, Safety, Health 270 - ALL	91.0	124.6	0.8%
Cons., Renew. Energy 270 - ALL	465.9	209.6	1%
Civilian Radioactive Waste 270 - ALL	366.3	501.0	3%
Man. and Admin. (note: incl. Intern. Affairs and offsets) 270 - ALL	210.2	248.8	2%
FERC 270 - ALL	108.8	116.6	0.8%
Energy Inform. Admin. 270 - ALL	62.9	65.2	0.4%
PMAs 270 - ALL	539.4	604.0	4%
Econ. Reg. Admin. (note: incl. Hearings & Appeals) 270 - ALL	21.4	20.3	0.1%
<u>DOE TOTAL</u>	<u>\$13,918.7</u>	<u>\$14,991.3</u>	

\* Change from FY 1989 to FY 1990: \$1.1 billion (7.7%)

**TABLE 1B**

**DOE BUDGET ALLOCATIONS BY  
FUNCTIONAL CLASSIFICATIONS  
FY 1990  
(Dollars in Millions)**

<u>FUNCTIONAL CLASSIFICATION</u>	<u>AMOUNT (PERCENT OF DOE BUDGET)</u>
050 - Defense	\$ 9,027.0 (61%)
250 - General Science, Space and Technolgy	1,169.4 ( 8%)
270 - Energy	4,677.7 (31%)

**TABLE 1C**

**BUDGET ALLOCATIONS BY APPROPRIATIONS  
SUBCOMMITTEES: FY 1990**  
(Estimated 302(b) Allocations in Millions of Dollars)

Appropriations Before the Energy and Water Development  
Subcommittee:

Account Name	Amount
Energy Supply R & D	\$ 2,162
Uranium Enrichment	0
General Science and Research	1,169
Isotope Production and Distribution	16
Atomic Energy Defense Activities	9,027
Dept. Administration	180
Office of Inspector General	23
PMAs	604
FERC	116
Nuclear Waste Fund	500
Geothermal Waste Fund	0.08
	Subtotal: \$13,798
	% of FY 1990 Budget: 92%

Appropriations Before the Interior and Related Agencies  
Subcommittees:

Account Name	Amount
Clean Coal Technology	\$ 325
Fossil Energy R & D	164
NPR and Oil Shale Reserves	192
Energy Conservation	96
Energy Regulation	20
Emergency Preparedness	7
SPR	195
Strategic Petroleum Acct.	127
Energy Information Activities	65
	Subtotal: \$ 1,190
	% of FY 1990 Budget: 8%

Permanent - Indefinite Appropriations:

	Amount
Payments To States	\$ 2.4
	DOE Total: \$14,991

TABLE 2

BUDGET IMPLICATIONS OF  
VARIOUS POLICY OPTIONS  
(Dollars in Millions)

PROGRAM	<u>Additions (+) / Reductions (-) / No Change (N/C)</u> <u>from FY 1990 Budget*</u>			
	Option A	Option B	Option C	Option D
Defense Programs	+ \$162.4	+ \$360.0	+ \$360.0	+ \$255.0
New Production Reactors	- 7.1	N/C	N/C	N/C
Nuclear Energy	- 29.5	- 46.8	- 62.6	N/C
Energy Research	- 57.7	- 99.5	- 133.3	- 255.0
Fossil Energy	- 23.5	- 77.2	N/C	N/C
Envir., Safety & Health	- 2.9	- 9.6	- 12.8	N/C
Cons. & Renew. Energy	- 4.9	- 16.1	- 11.8	N/C
Civil. Rad. Waste	- 11.7	- 38.6	- 51.6	N/C
Man., Admin. & Support	- 8.7	- 19.1	- 25.6	N/C
Energy Inform. Admin.	- 1.5	- 5.0	N/C	N/C
Power Mtkg. Admins.	- 14.2	- 46.5	- 62.3	N/C
Econ. Reg. Adm. & Hrgs/Apps.	- 0.5	- 1.6	N/C	N/C

Option A: Rebalance with across-the-board cuts

Option B: Cut non-050, non-250 items

Option C: Cut non-050, non-250, non-Interior accounts

Option D: Delay start of Superconducting Super Collider

\* NOTE: Assumes no change in FERC, which collects full cost of operations.

Issue No. 9:

## STRUCTURE AND ORGANIZATION OF THE DEPARTMENT

### Background

In the campaign of 1980, President Reagan promised to abolish DOE. Indeed, a plan was advanced in 1982 and 1983 to break up the Department and move most of it into Commerce, but there was little appetite for the change, either in Congress or in the White House. Secretaries Hodel and Herrington also discussed rationalizing Energy with Interior, but nothing came of that, either. These assaults, combined with major budget cuts, have served mainly to lower morale within the Department. The question now is how to make it better.

The two major structural problems most frequently identified by observers inside and outside the Department are (1) confusion about the division of responsibility between the Deputy Secretary and the Undersecretary, and (2) inadequate management control over the management and operations contractors at DOE facilities.

#### 1. Division of responsibility

The Secretary needs a surrogate to represent the Department when he or she is not available. Particularly when foreign visitors are involved, the rank of the surrogate is considered important, and so that task has fallen mostly to the Deputy Secretary. The Secretary also needs a Chief Operating Officer to oversee the day-to-day management of this sprawling entity called DOE. That responsibility traditionally has been held by the Undersecretary. The jobs have been termed "Mr. Inside and Mr. Outside."

The roles have been reversed for the past year because Secretary Herrington rewarded his long-time Undersecretary, Joe Salgado, by moving him into the higher-paying Deputy slot without changing his responsibilities. But generally, the Deputy Secretary has been charged with formulating energy policy, while the Undersecretary has been given the management of the Defense Programs.

#### Option: One additional Undersecretary

With the escalating crisis now engulfing the Department's nuclear weapons complex, such a division of labor no longer makes as much sense. One alternative being discussed (and supported by the Deputy Secretary and Sen. Warner, among others) is the creation of an additional

Undersecretary's position. There would be, in effect, two Chief Operating Officers -- one for Defense Programs and one for Energy Programs.

The Deputy Secretary would be charged with resolving disputes between the two Undersecretaries, and would supervise the various cross-cutting internal offices of the Department:

- Congressional, Intergovernmental & Public Affairs;
- Environment, Safety & Health;
- International Affairs & Energy Emergencies;
- Management and Administration; and
- Office of General Counsel.

Also reporting to the Deputy would be the miscellaneous independent boards and offices:

- Office of Inspector General;
- Economic Regulatory Administration;
- Energy Information Administration;
- Board of Contract Appeals;
- Office of Hearings and Appeals;
- Office of Minority Economic Impact; and
- Office of Small and Disadvantaged Business Utilization.

The Undersecretary for Defense Programs would have responsibility for:

- Defense Programs;
- Office of New Production Reactors;
- A new Office of Environmental Restoration; and
- The operations offices at Albuquerque, Nevada, and Savannah River.

The Undersecretary for Energy Programs would have responsibility for:

- Policy, Planning & Analysis;
- Nuclear Energy/Civilian Radioactive Waste Management;
- Fossil Energy/Economic Regulatory Administration;
- Conservation & Renewable Energy/Power Administrations;
- Office of Energy Research; and
- The five other operations offices.

Such a plan would integrate policy and execution on the Energy Programs side and would reduce the daunting "span of control" problem the Chief Operating Officer now faces in trying to manage the entire Department.

HEALTH AND HUMAN SERVICES ISSUES

ABORTION	LONG-TERM CARE
AIDS	MEDICARE/MEDICAID FINANCING OF ABORTIONS
AoA	MEDICAID REFORM
CATASTROPHIC HEALTH INSURANCE	PROSPECTIVE PAYMENT SYSTEM (PPS)
CHILD CARE	RELATIVE VALUE STUDY
DRUG ABUSE	RURAL HEALTH CARE
FETAL TISSUE RESEARCH	SHORTAGE OF NURSES
FOSTER CARE/ADOPTION ASSISTANCE	SOCIAL SECURITY RETIREMENT EARNINGS TEST
HEAD START	MEDICALLY UNINSURED
INFANT MORTALITY	

## ABORTION

### BUSH POSITIONS:

- o Supports a Constitutional Amendment that would reverse Roe v. Wade.
- o Supports a human life amendment with the exception for the life of the mother, rape or incest.
- o Opposes use of federal funds to pay for abortion except when the life of the mother is threatened.

BACKGROUND: Since 1973, when States were enjoined from prohibiting abortion, the total number of abortions performed annually in the United States has doubled. In 1973, approximately 745,000 abortions were performed. By 1983, the most recent year for which abortion data are available, that number had risen to and leveled off at approximately 1.57 million abortions.

The Hyde Amendment precludes the use of Departmental funds to perform abortions except where the life of the mother would be endangered if the fetus were carried to term.

CURRENT STATUS: Major Administration anti-abortion initiatives have included:

- o The enactment of the Adolescent Family Life (AFL) Demonstration program, the Federal Government's only program specifically focused on the problems of teenage pregnancy.
- o Introduction of legislation which would find that the Supreme Court erred in its Roe v. Wade decision and which would enact the Hyde Amendment on a permanent, government-wide basis.
- o Final regulations published in the Federal Register (February 2, 1988) to implement the statutory prohibition on abortion as a method of family planning in Title X family planning programs. These regulations enforce section 1008 of the Title X statute which states, "None of the funds appropriated under this Title shall be used in programs where abortion is a method of family planning."
- o In response to the President's request, the Surgeon General is in the process of developing a comprehensive report on the health, physical, and emotional effects of abortion on women which will be presented to President Reagan.

### NEXT STEPS:

- o A ruling in one of the appeals cases (Boston) regarding the

legal challenge to the Title X abortion regulations is expected in the near future. Decision on appeal of adverse ruling required.

- o Decision on re-introduction of Administration pro-life legislation required.
- o Decision on FDA approval of abortion causing drugs, such as RU-486 required.

## AIDS

### BUSH'S POSITION

- o During the campaign, the President-Elect proposed to:
  - Continue preventative education efforts
  - Encourage voluntary testing of AIDS; encourage States to offer routine testing for those who seek marriage licenses; provide appropriate guarantees of confidentiality.
  - Support laws barring discrimination against people suffering from AIDS.
  - Continue expedited availability of AZT
  - Support actions by States to make it a crime to knowingly expose innocent people to the AIDS virus.

### BACKGROUND

- o As of Nov. 1988, more than 77,000 cases of AIDS have been reported to the CDC. Current estimates are that 1 to 1.5 million people in the United States are infected with HIV.

### CURRENT STATUS

- o The authority to direct Departmental efforts against the HIV epidemic was given to the Assistant Secretary for Health (ASH). A National AIDS Program Office (NAPO) was established to coordinate PHS activities.
- o Each of the agencies in PHS which participate in AIDS-related activities have offices which coordinate and oversee their respective activities.
- o Vice-President Bush directed FDA to expedite approvals for therapies for life-threatening illnesses. FDA published a Final Rule Oct. 1988.
- o The Secretary of HHS will be one of the 5 members of a 2 year National Commission on AIDS policy.

### NEXT STEPS

- o Identify the actions HHS has in progress to help to ensure confidentiality and anti-discrimination.
- o Evaluate the effectiveness of the current prevention education program directed by CDC. How is CDC interacting with NIDA?
- o Identify the leadership and their authority over existing programs in each agency for inter and intra agency coordination.
- o Determine if the budget request for FY1990 is appropriate.
- o Evaluate the impact of the AIDS Program on utilization of FTEs and reappropriation of non-AIDS funding.

## Organizational Placement of the Administration on Aging (AoA)

### BACKGROUND:

- o In 1987, Congress amended the Older Americans Act of 1965 to mandate a direct reporting relationship between the Commissioner of AoA and the secretary of HHS.
- o The Older Americans Act of 1965 was also amended at that time to mandate that the AoA Regional Commissioners report directly to the Commissioner of AoA instead of the OHDS Regional Commissioners. The OHDS Regional Commissioners would henceforth provide technical support and advice only.
- o However, both appropriations and technical support for AoA staff and programs continues to be provided through the Office of the Assistant Secretary of OHDS.
- o Internal accommodations have been made between the Office of the Assistant Secretary of OHDS and the Commissioner of AoA whereby all programmatic and Salary & Expense monies are provided to the Commissioner of AoA over which the Commissioner of AoA has total discretionary power.

### CURRENT STATUS:

- o AoA staff and lobbying groups for the elderly contend that HHS is "dragging its feet" in terms of their perception that the changes in the Older Americans Act intended to set up AoA as a separate OPDIV.
- o "Personality differences" have exacerbated this issue within OHDS.
- o Congressman Thomas Downey (Dem. - Second Congressional District of New York) has requested all copies of internal memos on this issue dating back to November of 1987 with the possibility of Congressional hearings on this matter as early as January 1989.
- o There is also an internal HHS study being performed on this issue, with a report due in January of 1989.

### NEXT STEP:

- o New Secretary will need to take steps to resolve this issue in order to avoid potentially difficult Congressional hearings which may ultimately remove this issue from HHS control by mandating the organizational placement of AoA.

## CATASTROPHIC HEALTH INSURANCE

### BACKGROUND:

- o Congress passed the Medicare Catastrophic coverage Act of 1988- the largest expansion of Medicare since its inception in 1965.
- o HCFA has lead responsibility for implementing the legislation.
- o Benefits are phased in from 1 January 1989 to 1 January 1991. The income related premium must be paid by 15 April 1990, but eligible persons who pay estimated quarterly income taxes must begin paying the new premium 15 April 1989.
- o Hospital benefits (Part A) are effective 1 January 1989;
  - Beneficiary pays one annual deductible;
  - Hospice care, skilled nursing care, and home health care provisions.
  - HCFA anticipates no implementation problems with this aspect of the program.
- o Physician services benefits (Part B) are effective 1 January 1990.
  - Annual limit on beneficiaries' out of pocket expenses (\$1,370 in 1990).
  - HCFA anticipates no implementation problems with this aspect of the program.
- o New categories of benefits
  - o Outpatient prescription drugs;
    - This is the heart of the largest expansion in Medicare since its inception. Under the current system, Medicare pays only for certain drugs administered in hospitals under Part A. In 1991, Medicare will begin to pay a portion of prescription drugs. HCFA estimates that claims for the first year will exceed 700 million. All Medicare and Medicaid claims now existing total 500 million claims.
      - Implementation. Computer terminals must be installed in all participating drug providers,

software must be developed and a myriad of other problems exist. Still, implementation is proceeding on schedule at this time.

- Respite care;
- Mammography screening.
- o Financing
  - The plan was intended to be self financing.
  - Monthly premium (\$4 in 1990);
  - Income related supplemental premium. This premium will increase in stages. For the 1989 tax year, it will equal 15% of Federal income tax, with a limit of \$800 per individual.
  - Monthly drug premium (\$1.94 beginning in 1991), drug deductible and drug co-payment (rising from 50% in 1991 to 80% in 1993).
  - HCFA estimates that the trust fund which is intended to finance this program will be bankrupt in 1991, following the implementation of the new drug benefits.

CURRENT STATUS:

- o HCFA has developed implementation plans which are proceeding as scheduled.
- o Congress is facing pressure to cut the premiums and deductibles currently intended to finance CHI. Several members of Congress have indicated an intent to re-visit the issue of the size of the premiums early in the next session.

## CHILD CARE

### BUSH POSITION

- o During the campaign, the President-Elect proposed a federal child care initiative which would include the following:
  - Children's Tax Credit: A refundable tax credit up to \$1000 per child under age 4, regardless of whether one or both parents work.
  - Refundable Dependent Care Tax Credit: Would offset the costs of parents' child care expenses for children up to age 15 years.
  - Child Care and Flexible Work Schedules for Employees: Would encourage greater role of employers in child care and establish a federal reinsurance revolving pool to reduce obstacles presented by lack of available liability insurance.
  - Improved Quality and Availability: Will ask Labor and HHS to develop and distribute consumer information.
- o Would also encourage the development of innovative approaches for sick child care, special child care, and before- and after-school child care.

### BACKGROUND:

- o In FY 1988, the Federal Government will have spent \$6.9 billion on child care including:
  - The Child and Dependent Care Tax Credit (\$3.9 billion)
  - The Child Care Food Program (\$607 million)
  - Social Services Block Grant (\$660 million).

### CURRENT STATUS:

- o HHH's role in child care has been:
  - Direct federal expenditures through SSBGs;
  - The AFDC disregard;
  - Funding Head Start for low-income children; and
  - Funding studies and demonstrations to provide information and technical assistance to federal, state and local officials, employees, providers and parents.

### NEXT STEPS:

- o Will need to determine ways to support Bush proposal
- o Will need to coordinate activities related to child care which are currently undertaken by FSA, HDS, and ASPE/OS.

## DRUG ABUSE

### BUSH'S POSITION

- o During the campaign, the President-Elect pledged to:
  1. maintain confidentiality for those seeking drug testing
  2. require drug testing of anyone whose actions at work would put others at risk
  3. link federal assistance to the success rate of drug treatment programs
  4. help schools develop special drug education and treatment programs

### BACKGROUND

- o In March of 1987 the National Drug Policy Board (NDPB) was established, co-chaired by the HHS Secretary and Attorney General. PHS played a major role in developing programs to decrease the demand for illicit drugs

### CURRENT STATUS

- o In November, the Anti-Drug Abuse Act established a new unit to supersede the NDPB and to provide oversight of Federal demand and supply reduction efforts--the Office of National Drug Control Policy (ONDCP) within the White House. The ONDCP will fully replace the NDPB within 30 days of appointment of the Director (Drug Czar).
- o The recently passed Anti-Drug Abuse Act of 1988 also increased the budget of the Alcohol, Drug Abuse and Mental Health Administration (ADAMHA) by \$283 million. ADAMHA is presently developing a plan to implement the requirements of this Act.
- o The responsibilities and budget of the Office of Substance Abuse Prevention (OSAP) in ADAMHA have significantly increased. The primary focus of their initiatives will be targeted to the nation's youth.

### NEXT STEPS

- o It is anticipated that HHS will be called on to strongly support the ONDCP in terms of staff and to establish demand reduction goals, strategies and evaluation criteria.
- o Incorporate Bush's proposals concerning drug abuse in the nation's youth in ADAMHA's expanded program responsibilities.
- o Begin to develop strategies for the interaction between the White House office and HHS.

## USE OF HUMAN FETAL TISSUE IN BIOMEDICAL RESEARCH

### ISSUE:

Should the NIH support transplant research on the use of human fetal tissue from induced abortions?

### BACKGROUND:

The NIH, under strict regulations providing for the protection of human subjects, has conducted research involving the use of human fetal tissue for some time. Recent advances and opportunities for scientific progress in Parkinson's disease and juvenile diabetes using transplants of human fetal tissue have been accompanied by increasing public and congressional concern over the ethical conduct of using post-mortem fetal tissue from induced abortions.

### CURRENT STATUS:

The publicity surrounding the use of fetal tissue in research has, in general, focused on experiments involving the transplantation of the tissue. However, virtually all of the \$11.2 million NIH spent in FY 1987 on fetal research was aimed at basic research, not transplantation. These basic research projects are some of the most promising in biomedical research.

In late 1987, NIH asked the assistant secretary for health for permission to fund an experiment involving therapeutic transplantation of human fetal tissue to treat a patient with Parkinson's disease. The Assistant Secretary for Health temporarily withheld his approval of the "proposed experiment and future experiments in which there is performed transplantation of human tissue from induced abortions" pending the outcome of an advisory committee's assessment.

The NIH expects to forward the report of the Human Fetal tissue Transplantation Research Panel, the comments and recommendations of the Advisory Committee to the Director, and the NIH position recommending use of tissue obtained from aborted human fetuses to the Assistant Secretary on January 9, 1989.

### NEXT STEPS:

A draft Presidential Executive Order is presently under consideration at the White House and the Department of Justice to ban the use of human tissue obtained from aborted fetuses.

On September 8, the President directed the Secretary of Health and Human Services to work with the White House Office of Policy Development to "protect unborn or newborn" children from experimentation, research, and organ transplantation, except in

cases where the unborn or newborn child would itself directly benefit by any such procedures to which it was subjected.

ASH has proposed the establishment of the Ethics Advisory Board to advise the Secretary of bioethical issues regarding such topics as Federal funding of in vitro fertilization, definition of death, and other research controversies. Decision may be required on whether to establish Board or designation of its membership.

## Foster Care/Adoption Assistance (FC/AA) Program Issues

### BACKGROUND

- o FC/AA is an entitlement program administered by ACYF within OHDS designed to assist states with the cost of maintaining special needs children in foster care and with the maintenance costs of children adopted under special conditions.
- o For the purposes of this program, special needs children are defined as older; physically, intellectually, or emotionally handicapped; of minority heritage; or a member of a sibling group that should remain together.
- o Although FC/AA is an entitlement program, its expenditures are "capped" resulting in significant carry-over obligations from year-to-year.
- o FC/AA is the fastest growing program in terms of costs within HHS (total cost for FY '88 \$1.1 billion), with administrative costs increasing 500 percent over the last four years.
- o FC/AA has also been repeatedly cited by Congress for its failure to provide timely information regarding its operations, and has questioned the thoroughness of its oversight functions.

### CURRENT STATUS:

- o OHDS has proposed to transfer FC/AA administrative costs from an entitlement to a formula grant program; this change is part of the OMB FY 1990 budget to go to Congress.
- o OHDS is significantly behind Congressional mandates for both developing a nationwide data collection system and publishing regulations on how this system will work.
- o Congress (led by Senator Weicker) has imposed a moratorium on FC/AA's ability to approve disallowances to States which are not in compliance with FC/AA standards.

### NEXT STEPS:

- o Continue to support change in way FC/AA administrative costs are reimbursed.
- o Find ways to speed up compliance with Congressional mandates for developing a nationwide data collection system regarding adoption services and practices.
- o Clarify what information can and can not be obtained in FC/AA state reviews.

## UNIVERSAL HEAD START FOR FOUR-YEAR-OLDS

### BUSH'S POSITION

- o During the campaign, the President-Elect pledged to phase in an expansion of Head Start to all eligible 4-year-olds.

### BACKGROUND

- o Head Start is a federally-funded, comprehensive child development program which provides services to low-income preschool children and their families.
  - In FY 1988, Head start cost \$1.2 billion and served 454,000 children of which 63 percent were 4-year-olds.
  - There are almost 900,000 low-income 4-year-olds nationwide; it is estimated that 37 percent of these low-income 4-year-olds are already enrolled in some preschool program, including Head Start.

### CURRENT STATUS

- o Expanding Head Start to all eligible four-year-olds raises the following issues:
  - Should only four-year-olds not currently being served in a preschool arrangement be targeted?
  - Should four-year-olds be eligible for multiple years of service?
  - How should service be established in areas where grantees do not currently exist?
- o Targeting all low-income four-year-olds not now in a preschool program would cost an estimated \$1.5 billion.

### NEXT STEP:

- o Will need to determine ways of fulfilling the President-Elect's pledge to expand Head Start to all eligible 4-year-olds.
- o Will need to decide whether or not to increase Head Start budget proposal for FY 1990.

## INFANT MORTALITY

### BUSH'S POSITION

- o The President-Elect proposed several initiatives that would help to decrease infant mortality rates:
  - Extend Medicaid coverage to pregnant women and infants up to 185% of the poverty line
  - Support mandatory Medicaid coverage for prenatal and infant services.
  - Establish an intensive case management system by expanding the Maternal and Child Health Block Grant.

### BACKGROUND

- o US ranks below 19 other countries in infant mortality rates (9.9 deaths/1000 live births).
- o Infant mortality rates are double in blacks compared to whites.

### CURRENT STATUS

- o HHS has addressed this problem through:
  - Maternal and Child Health Block Grant (PHS-HRSA)
  - Comprehensive Perinatal Care Program through community/migrant health centers (PHS-HRSA)
  - Expansion of eligibility and coverage for pregnant women for Medicaid benefits (HCFA)
  - Adolescent Family Life Program (PHS-OASH)- education/comprehensive health care programs
  - Family Planning Program (PHS-OASH)-prevention of teenage pregnancy/parental involvement.
  - Surveillance by CDC on pregnancy risk factors

### NEXT STEPS

- o Evaluate the effectiveness of the existing programs in targeting vulnerable populations such as substance abusers, the homeless and minorities.
- o Increase public awareness and responsibility regarding measures that have been shown to decrease infant mortality.
- o Implement programs of the President-Elect that will have an impact on infant mortality rates.

## LONG-TERM CARE OF THE ELDERLY

### Bush Positions:

- o Improve availability of health and long term-care through incentives.
- o Change the tax code to allow conversion of IRA's, savings accounts and life insurance- so people can pay for long-term care.
- o Encourage home health care.
- o Devote necessary resources to finding causes and cures for the most debilitating diseases. Specifically, supports adequate funding for research on diseases such as Alzheimers, osteoporosis, and strokes.
- o Advocates elimination of the threat of spousal impoverishment from long-term health costs.

### Background:

- o In 1985, approximately 5 million older persons received long-term care in the community and about 1 million in institutions.
- o These numbers could more than double over the next 30 years because of increases in life expectancy and the aging of the baby boom generation.
- o Although most long-term care recipients rely on family caregivers, nursing home expenses are the leading cause of out-of-pocket health care costs.
- o Total nursing expenses were about \$36 billion in 1985, paid for primarily by the Medicaid (over \$17 billion) and by the elderly directly out-of-pocket (about \$16 billion).
- o Although private long-term care insurance is growing, expenditures are small (about \$300 million).

### Current Status:

Two policy approaches are now before Congress for the reform of long-term care financing:

- o A new Federal entitlement under Medicare financed principally through additional payroll taxes.
- o Changes in Federal tax and insurance rules to promote personal savings and private LTC insurance.

While each approach could increase the pressure on the budget, a new public program could double the size of Medicare.

Next Steps:

- o At the direction of President Reagan, HHS has developed several proposals to stimulate private financing.
- o The Treasury Department may soon release its own report on financing options as well.

## MEDICARE/MEDICAID FINANCING OF ABORTIONS

### MEDICAID

#### History

- o Prior to 1977 Medicaid treated abortions as it did any other medical service and funded them accordingly.
- o In 1977 Congress passed the first of the "Hyde Amendments," which restrict Federal financing of abortions. The language changed slightly from appropriation to appropriation, but the original version required the following:
  - Prohibited Federal financing of abortions in all circumstances except:
    - 1) where the life of the mother would be endangered if the fetus were carried to term;
    - 2) where the pregnancy was the result of rape;
    - 3) where the pregnancy was the result of incest; and
    - 4) where the mother would suffer severe and long lasting damage to her health if the fetus were carried to term.
- o Court rulings in 1979-80 left the constitutionality of the Hyde Amendments in doubt, and Medicaid provided full Federal funding.
- o At the same time, in 1980, Congress passed legislation which sought to restrict Federal funding to cases where the life of the mother was endangered.
- o On 30 June 1980, the U.S. Supreme Court found that Congress could restrict the Federal funding of abortions in McRae v. The Secretary of HEW.
- o In FY 1980, Congress provided an additional exception for victims of rape and incest.
- o In the Supplemental Appropriations Act of 5 June 1981, Congress again eliminated all exceptions except where the life of the mother would be endangered if the fetus were carried to term.
- o The standard has not changed since June 1981.

- o Medicaid has funded the following number of abortions:

- FY 1984 . . . . . 895 abortions.
- FY 1985 . . . . . 865 abortions.
- FY 1986 . . . . . 227 abortions costing \$138,000.

-- The decrease in 1986 was due to the elimination of abuses in the system largely providing for abortions when the mother threatened suicide.

-- Figures are not available for FY 1987 and 1988, but the figures are expected to remain constant at FY 1986 levels.

#### MEDICARE

- o Prior to 1972, Medicare applied almost exclusively to people over the age of 65. Hence, Medicare did not fund any abortions.
- o In 1972, Medicare was amended to include disabled persons, including the mentally retarded. This is when Medicare first became involved in abortions.
- o Medicare Part B relies on general revenues and is covered by the restrictions imposed by the Hyde Amendments.
- o Medicare therefore will fund abortions for covered disabled persons where the life of the mother would be endangered were the fetus carried to full term.
- o Medicare Part A is funded through individual premiums and it is not clear whether Part A is covered by the Hyde Amendments.
- o Medicare does not have records on how many abortions were funded, but the number is expected to be very low (in the tens each year).
- o Contact source: Thomas Hoyer, Director of the Division of Provider Service Coverage Policy, HCFA. FTS 646-4607.

## MEDICAID REFORM

### Bush Positions:

- o Change Medicaid requirements that force people to "spend down" their life savings before they can qualify for coverage.
- o Extend Medicaid coverage to pregnant women and infants up to 185% of the poverty line.
- o Supports mandatory Medicaid coverage for prenatal and infant services.
- o Allow low income workers to purchase Medicaid coverage.

### BACKGROUND:

- o Medicaid provides open ended funding for medical services for eligible low income persons. Generally, states determine eligibility, services and reimbursement. The average Federal share is 56%.
- o Medicaid was originally tied to the receipt of welfare, but Congress has incrementally expanded the federal eligibility guidelines to include pregnant women, children, the elderly and the disabled.
- o Medicaid's appropriation is \$33 billion for FY 1989, but OMB has recommended a \$1.1 billion reduction from the amount that would result from a continuation of the same eligibility and benefit policies in FY 1990. OMB's recommended amount is \$36 billion, an increase in absolute dollar terms from FY 1989.
- o President-elect Bush stressed improving the quality and availability of care to low income individuals as part of a kinder America during the campaign. Any expansion of Medicaid benefits will be difficult to finance, and any cut in the rate of Medicaid growth may present legislative difficulties.
- o States complain that Federal rules are too costly, burdensome, inappropriate for conditions in many states and tend to stifle State initiatives.
- o Whether and how to finance long term care of the chronically impaired is an area where there is great pressure to expand coverage.

- o Congress has recently focused attention on Medicaid coverage for the Mentally Retarded/Developmentally Disabled ("MR/DD").
  - Medicaid is the major Federal funding source for MR/DDs, and critics charge an inappropriate bias toward institutional care.
  - DHHS has proposed a new program for MR/DDs which provides for great State flexibility beyond a core of Federal quality and eligibility guidelines.
- o Congress has also focused on efforts to recover Medicaid costs from the estate of a deceased beneficiary. Few states exercise their authority to recover costs from estates, despite studies that indicate considerable amounts can be recouped. DHHS report to Congress on Medicaid estate recoveries is due 31 December 1988.
- o Medicare Catastrophic Coverage Act of 1988 imposes Federal requirements on Medicaid coverage of long term care and certain other coverages.

#### DHHS PROPOSAL TO RESTRUCTURE MEDICAID

- o DHHS has proposed a program that vastly expands State flexibility. Federal requirements would be limited to the following core, beyond which States would have total flexibility:
  - o Beyond certain mandatory eligibility groups based on need, eligibility determinations for long term care would be left to each State.
  - o Minimum benefits would be prescribed for mandatory eligibles, with comparable services available to all eligibles throughout the State.
  - o States would be free to set provider reimbursement methods and rates.
  - o States would be required to enforce Federal quality assurance standards.
  - o Federal funding would be calculated prospectively starting with a base year and revised to account for changes in the number of people needing assistance and in the cost of services.

## Prospective Payment System (PPS)

### Background:

- o PPS is a system of compensating hospitals under Medicare Part A. It does not apply to payment for doctors' services under Part B.
- o Under PPS, hospitals receive fixed amounts based on the principle diagnosis for each hospital stay. The payment is based on the average cost for treating a particular illness or injury.
- o Medicare categorizes illnesses into "Diagnostic Related Groups" or "DRGs". Medicare uses over 470 DRGs which consider the principal diagnosis, patient's age and sex, any complications and other factors.
- o Medicare will make additional payments to hospitals when treatment requires exceptionally costly care.
- o Medicare implemented PPS in 1983.
- o PPS is a cost containment measure. The theory is that it provides an incentive for hospitals to provide care as effectively and efficiently as possible.
- o Effect on quality. It is difficult to measure the quality of health care, but PPS appears to have had no negative effect on quality.
  - Medicare sets certain national standards.
  - Groups of doctors in each state, acting as Peer Review Organizations, review the quality of practices.
- o The prices set by PPS have a large effect on the profitability of hospitals, and the setting of those prices is a large issue.
  - The prices for each DRG are updated annually as part of the budget.
  - President Reagan's FY 1990 budget calls for an increase in DRGs equal to the "market basket" minus 1.5%. The market basket cost is the cost of hospital inputs, and it includes labor, supplies, an estimate of inflation and other factors.
  - 1 March 1990, the Secretary must submit to Congress an estimate of the percentage change recommended to the FY 1990 DRG figures.

## Relative Value Study

### Background

- o The "Hsiao Study". Ordered by Congress, HCFA commissioned a study that seeks to lay out the value of doctors' procedures relative to one another.
- o HCFA commissioned researchers from Harvard University, headed by Professor William Hsiao, to conduct the study.
- o The study attempts to assign weights to different procedures and services in order to correct what some view as an imbalance in the current system of compensation.
  - The study gives greater weight to certain services, particularly those requiring personal interaction and analytical skills. The study gives less weight to other procedures, generally high technology and surgical procedures.
- o Phase I of the study resulted in a 2400 page report which was made public in October 1988. Technical corrections required a final report which was submitted to HCFA in mid-December 1988.
- o HHS must respond to the study in a report to Congress on 1 July 1989. OMB will be heavily involved in any response.
  - The Office of Research and Demonstrations is drafting a response to the study which will be complete by February 1989.
- o In the meantime, Congress has mandated a Phase II report from the study which will be due in June 1990. Phase II will include other procedures.
- o The issue of relative value compensation is a hot political issue. The AMA House of Delegates has endorsed the concept with certain caveats, and the Physician Payment Review Commission strongly supports the principle.

## RURAL HEALTH CARE

### Bush Positions:

- o Support efforts to correct the differential payment for rural hospitals caused by PPS.
- o Work with states to reform antiquated tort laws that artificially increase costs of medical care and limit access to care, especially in rural areas.

### Background

- o Rural hospitals and physicians face different needs and are treated differently by Medicare and Medicaid than their urban and suburban counterparts.
  - Rural hospitals treat a higher percentage of elderly patients.
- o Medicare's PPS pays rural hospitals less than other hospitals for the same services.
  - Rural costs are 60% of urban costs.
  - PPS differential was 25% three years ago, but it is now 12%.
- o Special payment provisions protect "sole community hospitals" and "rural referral centers".
- o Many small rural hospitals are facing significant financial problems.
  - Too many empty beds. Occupancy rates are often in the 30-40% range.
  - The average small rural hospital (less than 50 beds) suffered a loss on Medicaid patients in FY 1986 and 1987.
- o Trend of more closings of rural hospitals (161 since 1980) will increase.
- o Rural hospitals face problems recruiting doctors, nurses and other health professionals.
- o Congress generally seeks ways to protect rural hospitals and may seek to amend payment schedules to eliminate the pay differential.

## SHORTAGE OF NURSES

### BACKGROUND

- o There have been frequent reports of a severe nurse shortage.
- o In December 1987, the Secretary established a Commission on Nursing chaired by the former HCFA Administrator, Carolyne K. Davis. In July 1988, the Commission concluded that the nurse shortage is "real, widespread and of significant magnitude."
- o The shortage is thought to be due to an increase in the demand for nurses, since the number of registered nurses is at an all time high.

### CURRENT STATUS

- o The Commission in its final report (released in December) proposed 16 specific recommendations and 81 strategies to implement them. Their recommendations address the following:
  - Utilization of Nursing Resources
  - Nurse Compensation
  - Health Care Financing
  - Nurse Decision Making
  - Development of Nursing Resources
  - Maintenance of Nursing Resources
- o The Health Omnibus Act of 1988 amends and extends many of the existing authorities that provide support for nursing training, student loan funding and new scholarship authorities.

### NEXT STEPS

- o Develop and carry out the implementation plan for the nursing legislation.
- o Prepare a response to the Secretary's Commission on Nursing's final report.
- o In the FY 90 budget, \$56 million for nursing training was eliminated (supports 5000 trainees). Congress has repeatedly denied to reduce funding for this program. In light of the Commission report, an increase in funding will be called for.

## SOCIAL SECURITY RETIREMENT EARNINGS TEST

**ISSUE:** Should HHS propose elimination of the Social Security retirement earnings test?

**BACKGROUND:** Under the retirement earnings test, the Social Security benefits of a person under age 70 are reduced if his earnings exceed the annual exempt amount (in 1989, \$8,880 for persons age 65 through 69 and \$6,480 for persons under age 65). HHS has proposed legislation to gradually increase the annual exempt amount for persons age 65 through 69 to \$25,000 over a 5-year period and to eliminate the test in 1995 for persons who have reached age 65.

The HHS proposal is based on the following conclusions about the earnings test:

- o It is an undesirable work disincentive that deprives the Nation of skilled and experienced older workers and discourages workers from participating in satisfying, productive labor;
- o It encourages older workers to join the underground economy in order to avoid loss of benefits;
- o It is confusing to the public and therefore makes compliance difficult;
- o It causes the majority of program overpayments; and
- o It is costly to administer.

**CURRENT STATUS:** The proposal is pending approval by the Office of Management and Budget (OMB) for submittal to the Congress as part of the HHS FY 1990 legislative program. In recent years, external activity related to the earnings test has included extensive public correspondence, media coverage, a hearing by the House Ways and Means Social Security Subcommittee, and 26 bills introduced in the 100th Congress to substantially modify or eliminate the test.

**NOTE:** Bush opposes an earnings test for Social Security.

**NEXT STEPS:** Upon OMB approval, include proposal in HHS draft Social Security bill to be submitted to the Congress.

## THE MEDICALLY UNINSURED

### Bush Positions:

- o Increase availability of employer-based health care through incentives to employers.
  - Support multiple-employer trusts and other risk pooling mechanisms as incentives to small employers.
  - Continue the deductibility and clarification of the IRS interpretation on reserves.
- o Encourage states to improve availability of coverage for people with serious pre-existing conditions, by allowing such individuals to buy insurance coverage from state risk pools.

### BACKGROUND:

- o 32 million Americans under the age of 65 have no health insurance;
- o the problem is not exclusive to the poor- approximately 12 million uninsured are in families above twice the poverty level;
- o 9 million uninsured come from families with incomes below the poverty level (3 million adults and 6 million children);
- o 18 million workers are not insured, 3/4 of whom earn less than \$10,000 per year;
- o Reasons vary for the lack of insurance. Some employers (particularly small employers) do not offer group insurance. Medicaid serves primarily welfare and very low income persons, and Medicaid restrictions exclude many persons who feel that they cannot afford health insurance.
- o HHS position- the uninsured have adequate access to health care through existing programs and mechanisms.

### CURRENT STATUS:

- o Congress is expected to introduce proposals to incrementally expand Medicaid and to mandate that employers provide health insurance. States are likely to enact limited insurance proposals, such as risk pools.

NEXT STEP:

- o Prepare to respond to existing support to cover the uninsured. Targeted uninsured groups include pregnant women, children and the working poor.

## TOP LEGISLATIVE ISSUES - 101st CONGRESS

### HEALTH:

#### Worker Notification

- o Expand Federal regulation and authority regarding occupational diseases in terms of risk notification and prevention programs.
- o Backed by organized labor.

#### Catastrophic Health Insurance

- o Financing mechanism.
- o Will likely address the structure of the drug benefit (including its financing and applicability or to modify applicability of the catastrophic program).
- o Some constituents and interest groups are unhappy about the new costs to pay for the program.

#### Long-Term Care

- o "Liberals" will favor some type of Federal entitlement or federally financed private-public blend.
- o "Conservatives" will seek to offer tax incentives and IRA-type programs.
- o Could be top priority in health policy.

#### Cost Containment

- o Further reduce Medicare and Medicaid expenditures.
- o Could be pressure within Congress for increased taxes.
- o May be pressure for means testing.
- o Could be action to try to control Medicare program expansion.

#### AIDS

- o Increase funds for AIDS research.
- o Confidentiality and non-discrimination issues.
- o Will probably build on 1988 AIDS legislation, moving towards stronger AIDS control policies.

### Nutrition Monitoring

- o Vetoed in 1988, will probably be reintroduced.

### Other possible areas:

- o Health insurance for the uninsured/unemployed.
- o Medical laboratories and device regulation.
- o Expanded entitlements in infant mortality and minority health.
- o Renewed efforts to expand "disease-specific" research activities at NIH.
- o Biomedical ethics and fetal tissue research.

### **HUMAN SERVICES:**

#### Refugee Assistance

- o Nearly approved in the final days of 100th Congress.

#### Child Care and Foster Care

- o Undoubtedly will be considered early in the new Congress.

#### Runaway and Homeless Youth

- o Providing shelter for homeless youth.
- o Fostering drug and alcohol abuse programs.

#### Social Security

- o Social Security trust fund.
- o Proposals to establish SSA as an independent agency.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

CALENDAR OF MAJOR EVENTS

JANUARY

- January Personnel: Determine hiring policies, including whether restrictions in hiring and transfers are necessary to ensure flexibility in meeting staffing needs.
- January Release of Surgeon General's annual Report on Smoking.
- January Release of findings from AIDS Demonstration Projects, conducted by National Institute on Drug Abuse.
- late January 1990 Budget: Review 1990 proposed Reagan budget of January 9 and determine changes to reflect the new Administration's priorities.
- Jan/Feb Release of "Health-U.S.," the annual report on U.S. health statistics
- Jan 4-11 100th Anniversary Celebration of the PHS Commissioned Corps: Several events, Washington, D.C. (the Surgeon General is the chief of the Commissioned Corps).
- Jan 8-10 AIDS Frontline Healthcare Conference: Washington, D.C. (sponsored by HHS DoL, AMA, AHA, Red Cross and AFL-CIO -- Secretary Bowen participating). Concerns issues of protecting health care workers from exposure to AIDS virus as well as issues of care for people with AIDS.
- Jan 12 Celebration of Martin Luther King Day, HHS Humphrey Building (members of the King family often attend the HHS event).
- Jan 15-20 U.S. Conference of Mayors, Washington, D.C., winter meeting.
- Jan 29-31 American Hospital Association annual meeting, Washington Hilton, Washington, D.C. (Secretary of HHS has often addressed the AHA annual meeting).

## FEBRUARY

- early Feb.      1990 Budget: Send revision to OMB and Congress.
- February        Senior Executive Service Pay and Leadership:  
Review proposals to adjust pay of SES members and determine appropriate pay policy.
- February        1990 Legislation: Discuss major Administration legislation and strategy with White House and OMB.
- February        Release of annual findings of the national Survey of Drug Abuse Among High School Seniors
- 1st week of February      National Committee for Quality Health Care,  
Washington, D.C., annual meeting.
- Feb 5-10        American Association of Retired Persons,  
Washington, D.C.: Legislative Council Meeting.
- Feb 23-25       Association of Gerontology and Human Development in Historically Black Colleges and Universities meeting, Baltimore, MD.
- Feb 26-28       National Governors Association, Washington, D.C.:  
Winter meeting.

## MARCH

- early March     1990 Legislation: Send to the Congress major legislative proposals that reflect the new Secretary's priorities.
- early March     FY 1990 HHS Appropriations: Testify before the House and Senate Budget Committees on FY 1990 budget and amendments to it.
- March            HHS Priorities: Determine the major HHS policy and operational priorities for use in setting or modifying Departmental agendas for major initiatives, legislation, budget policy, regulatory policy, research, evaluation.

March Departmental (corporate) management: Determine the basic approach to corporate management in HHS and any changes in current mechanisms, including those for: policy planning and development, management of major initiatives, regulation policy, and policy research and evaluation oversight.

March Major Regulations and Reports to the Congress: Review proposed regulatory program, revise as appropriate, and send to OMB.

March and April Major Regulations and Reports to the Congress: Review and issue required major regulations and reports to the Congress.

March Drug Testing of Employees: Review current program. If in agreement, send out individual 30-day notices.

#### APRIL

April 1 Social Security Trustees Report: Meet with other trustees and report to Congress on status of Trust Funds.