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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

*Cross for
Fred
Shapiro
Lee
with H.
Paul*

PREPARED STATEMENT

of

JAMES C. MILLER III

DIRECTOR

OFFICE OF MANAGEMENT AND BUDGET

before the

SELECT COMMITTEE ON NARCOTICS ABUSE AND CONTROL

U.S. HOUSE OF REPRESENTATIVES

WASHINGTON, D.C.

MARCH 25, 1987

Mr. Chairman and Members of the Committee: It's an honor to have this opportunity to discuss with you the President's budget for FY 1988 as it relates to drug law enforcement and drug abuse prevention and treatment programs.

As you know, the President's budget must strike the difficult balance between reducing the deficit while maintaining, and in some cases increasing, Federal support for the core functions of Government. The drug programs contained in the FY 1988 budget clearly fall into this category of essential Government functions.

In recent weeks the Administration has been accused of weakening in its resolve to fight an all-out war against drugs. Nothing could be further from the truth.

From the President on down, every member of this Administration is totally committed to this war, and we're in it to win. As everyone in this room must surely know, the First Lady has devoted enormous amounts of her personal time and energy to persuading our Nation's young people to "say no" to drugs. The Attorney General and other members of the President's Cabinet have placed anti-drug programs among the highest priorities in their departments. Virtually the entire Cabinet meets once every month, in the forum of the National Drug Policy Board, to focus our attention on one single issue: how to improve in our fight against drugs. I believe that the Board is working well. Few other issues receive such continuing attention from so many cabinet officials. As a matter of fact, we expect an Executive Order to be signed very soon that will formally broaden the mandate of the Policy Board to encompass all drug related issues, including prevention and treatment, in addition to the drug law enforcement responsibilities enumerated in the enabling statute. And the President himself, in addition to providing moral inspiration and policy direction, has presided over the largest build-up of anti-drug resources our nation has ever experienced.

If I may say so, calling this Administration soft on drugs is an accusation that simply ignores the facts. Let me explain:

Since FY 1981, the first year of this Administration, resources devoted to drug enforcement, prevention, and treatment programs have grown by 220 percent in nominal dollars. That is, in FY 1987, the Federal Government will spend over three times as much on anti-drug programs as it did just six years ago. This growth has been concentrated in the high priority areas of investigations (up 185

percent), prosecutions (up 77 percent), interdictions (up 247 percent), corrections (up 263 percent), drug abuse prevention (up 277 percent), and drug abuse treatment (up 92 percent). Under the President's budget, it will spend even more in FY 1988!

The FY 1988 Budget requests a net increase of \$72 million for drug law enforcement program outlays over outlays for FY 1987. This will provide for:

- More than 400 new workyears for DEA's programs in investigations, intelligence, foreign operations, computer support, and technical support;
- Nearly 100 additional agent and support positions for the FBI's drug program;
- Approximately 500 new Federal litigators and support staff to prosecute drug traffickers;
- An increase of \$24 million for the U.S. Marshals' drug-related responsibilities of prisoner transportation and court security;
- The addition of approximately 800 new bed spaces to the Federal Prison System for drug violators; and
- Continued support for over 2,300 Treasury and Justice Department enforcement personnel allocated to the Southwest border as part of Operation Alliance. This special Operation, which is a product of the Drug Policy Board, will greatly increase the government's anti-drug presence along the Mexican border.

All of these items represent increases above what Congress provided for in FY 1987. Let me say once again, Administration-proposed spending for anti-drug programs, as measured in outlays, will actually be higher during FY 1988 than during FY 1987 (actually, \$3.5 billion in FY 1988 vs. \$3.0 billion in FY 1987).

There has been much growth from FY 1981 to FY 1987, the year of the much-heralded Anti-drug Bill. But the President's Budget for FY 1988 will continue, and in some cases even increase the high operating levels achieved in FY 1987. Those who do not understand Federal budgeting have concluded that the Administration is backing away from its commitment to the war on drugs. This perception is in error. During FY 1987 we will purchase five aerostats, deploy four E-2C aircraft, construct three command and control centers and one intelligence center, and add several hundred new law enforcement personnel to our drug enforcement effort. Every one of these FY 1987 enhancements

is fully supported in the FY 1988 Budget -- we're even adding 300 more enforcement personnel in FY 1988 on top of the 1987 increases.

And the activities in the President's budget are not limited to drug enforcement. The Budget proposes spending \$385 million in FY 1987 and the same amount in FY 1988 to expand State and local treatment capacity, improve and disseminate prevention models, and extend our knowledge of the causes of drug abuse. This represents a greater than 80 percent increase over FY 1986. By utilizing a two-year spending plan we will continue the momentum developed in FY 1987 by maintaining treatment, research, and prevention program levels at the elevated FY 1987 level.

The President's Budget also proposes an unprecedented Federal commitment to drug prevention in the nation's schools and communities. The Budget funds the new drug abuse education program for the duration of its three-year authorization -- at \$200 million in FY 1987, and \$100 million in each of the next two fiscal years. The \$200 million appropriated for FY 1987 will finance non-recurring costs such as planning and purchases of materials, as well as basic program operations. As in many Education programs that operate on a forward-funded cycle, considerable time will elapse between when funds are appropriated and when they are used at the local level. Local expenditures of Federal funds for drug education will be minimal in FY 1987 and will increase to a steady state level in FY 1988 and FY 1989. Thus, the FY 1988 request of \$100 million should not lead to cutbacks in local programs.

All this support for the drug program in the President's FY 1988 budget, and still the Administration is accused of cutting back on the drug war. Probably the best example of one such "reduction" -- not really a reduction at all -- is the large amount of money contained in the FY 1987 drug budget that will be spent on capital purchases. These purchases simply don't have to be repeated in 1988. The President said it best in his radio address this past Saturday. He said,

"A priority item in this year's budget is the continuation of our battle against the scourge of drug abuse. We have tripled spending on drug programs since 1981. In fact, last year [1987] we budgeted a large amount for the purchase of airplanes and the construction of certain facilities. Yet, this year, our budget was criticized for not asking for a repeat of these expenditures. Well, a lot of this spending on drug programs has been what accountants call capital costs,

and now that we have the equipment and facilities, we don't have to buy them every year. In other words, the car is bought, now all we have to do is buy the gas, change the oil, and make normal repairs. Ask any businessman, he'll tell you that the start-up costs are always the highest. Anyone who's moved into an old home and had to fix it up knows that the initial expenses are the worst."

And what are these capital purchases? Again, let me cite an example. The FY 1987 drug budget contains some \$58 million to buy five aerostats for the Southwest border. These are radar balloons that will be used to detect drug smuggling aircraft entering the United States from Mexico. These five aerostats, together with the one purchased in FY 1986, will provide full radar coverage of the entire U.S./Mexican border, and we simply don't need any more down there. Because the aerostats were budgeted entirely in FY 1987, none of the costs appear in the FY 1988 budget. This is not a "reduction" in our drug effort -- it is simply a function of Federal budgeting which shows the entire cost of a capital purchase in the first year. But because the FY 1988 budget for this item is lower than the FY 1987 budget -- by \$58 million in this instance (the cost of the aerostats) -- the Administration is accused of going soft on drugs.

Let me state it again. We have not reduced funding to any Federal drug program that we consider to be an effective use of tax-payer money. In fact, the only reduction from FY 1987 to FY 1988 that I would acknowledge as a real reduction is our decision not to repeat the State and local drug grant program that Congress created in FY 1987. In this case, we have an honest difference of opinion with some Members of Congress over who ought to pay for local law enforcement operations. It is our view that programs which primarily benefit a local community should, in most cases, be paid for by that community. I would note that many of the grant programs funded in the 1970's by the Law Enforcement Assistance Administration (LEAA) were phased out for this very reason. In our view, there are few differences between the old LEAA grants and the newly-authorized State and local drug grants. It should also be noted that we never asked for these funds in the first place. Rather, it was Congress that added the program to the drug bill despite the Administration's objections. We don't believe it was a good use of Federal dollars then and we do not believe it is a good use of dollars now. Our position on this funding has been clear and consistent. Why anyone should be surprised at this is completely beyond me.

But so much attention has been paid to this "reduction"

that a very important fact has gotten lost in the shuffle. And that fact is that the FY 1988 budget also proposes major increases in a number of drug programs, as I enumerated earlier.

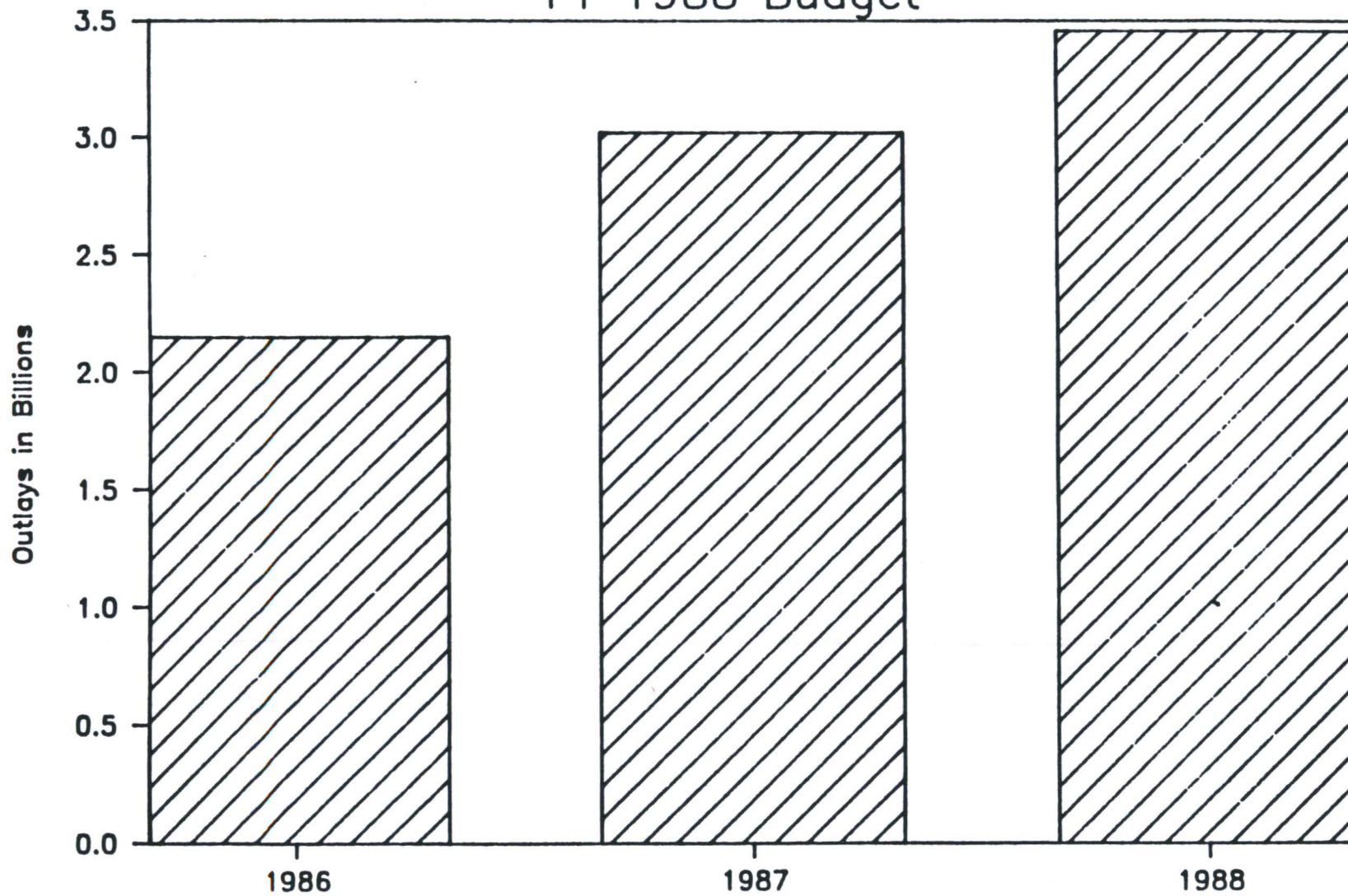
In conclusion, Mr. Chairman, I hope that you and your colleagues on the committee will recognize that winning the war against drugs is not necessarily directly correlated with spending ever increasing Federal dollars on anti-drug programs. The anti-drug fight should be a partnership -- the Federal Government, yes, but also State and local governments, schools, churches, unions, charitable organizations and, of course, families. That is, primarily, the message of the President's drug initiative of last year. Success on the drug battlefield depends on enlisting more institutions in our great struggle -- not seeking out and monopolizing every plausible anti-drug activity.

To reiterate, this Administration is committed to fighting the war on drugs -- and winning it. We have not lost our zeal, we have not cut and run. We believe that every dollar that can be used effectively in the drug effort has been requested in the FY 1988 budget.

Mr. Chairman, that concludes my statement. I shall be happy now to address any questions you or other members of the committee might have.

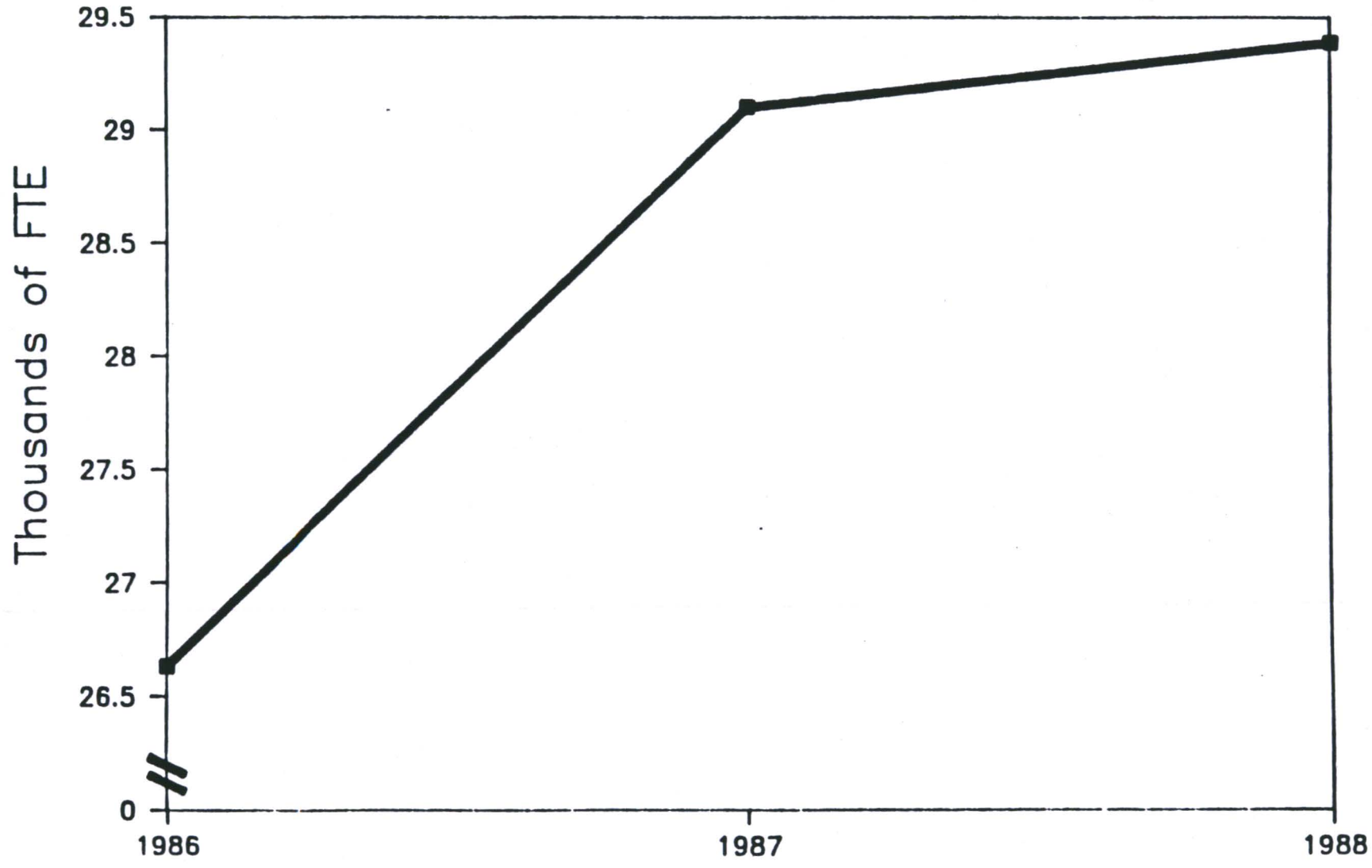
Drug Enforcement & Abuse Summary

FY 1988 Budget



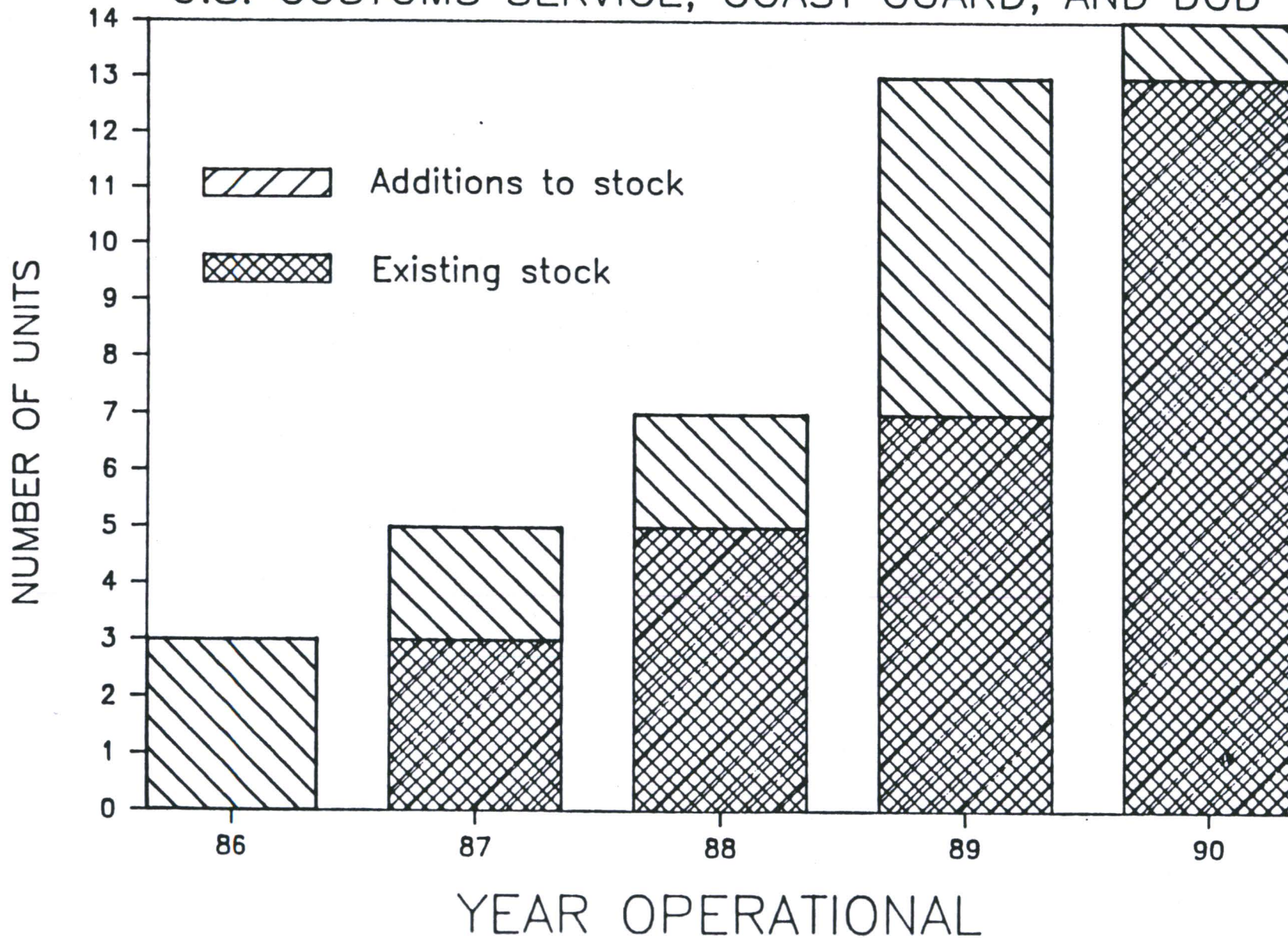
Drug Enforcement Personnel

DOJ, Customs, Coast Guard



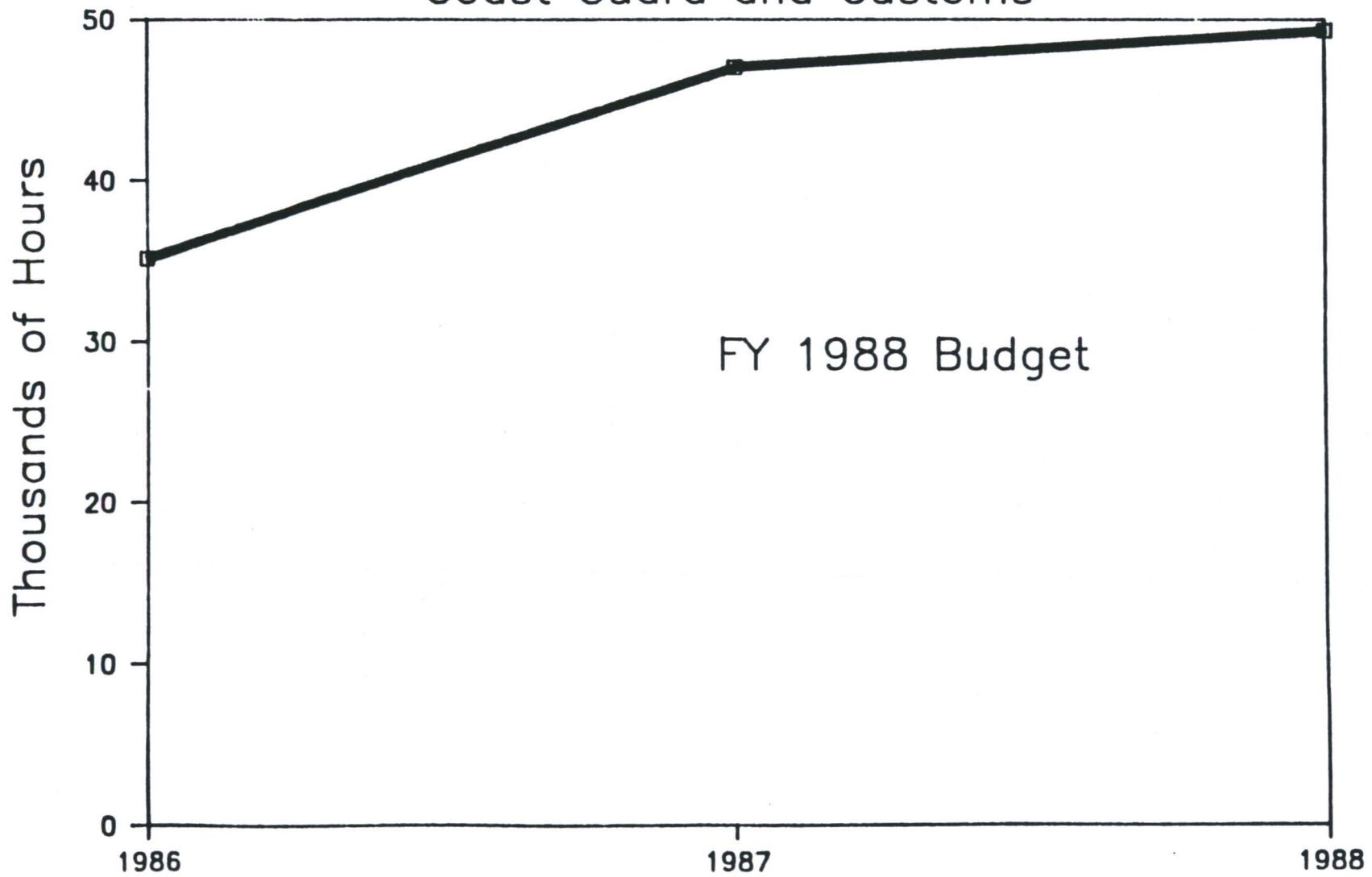
AEROSTATS

U.S. CUSTOMS SERVICE, COAST GUARD, AND DOD



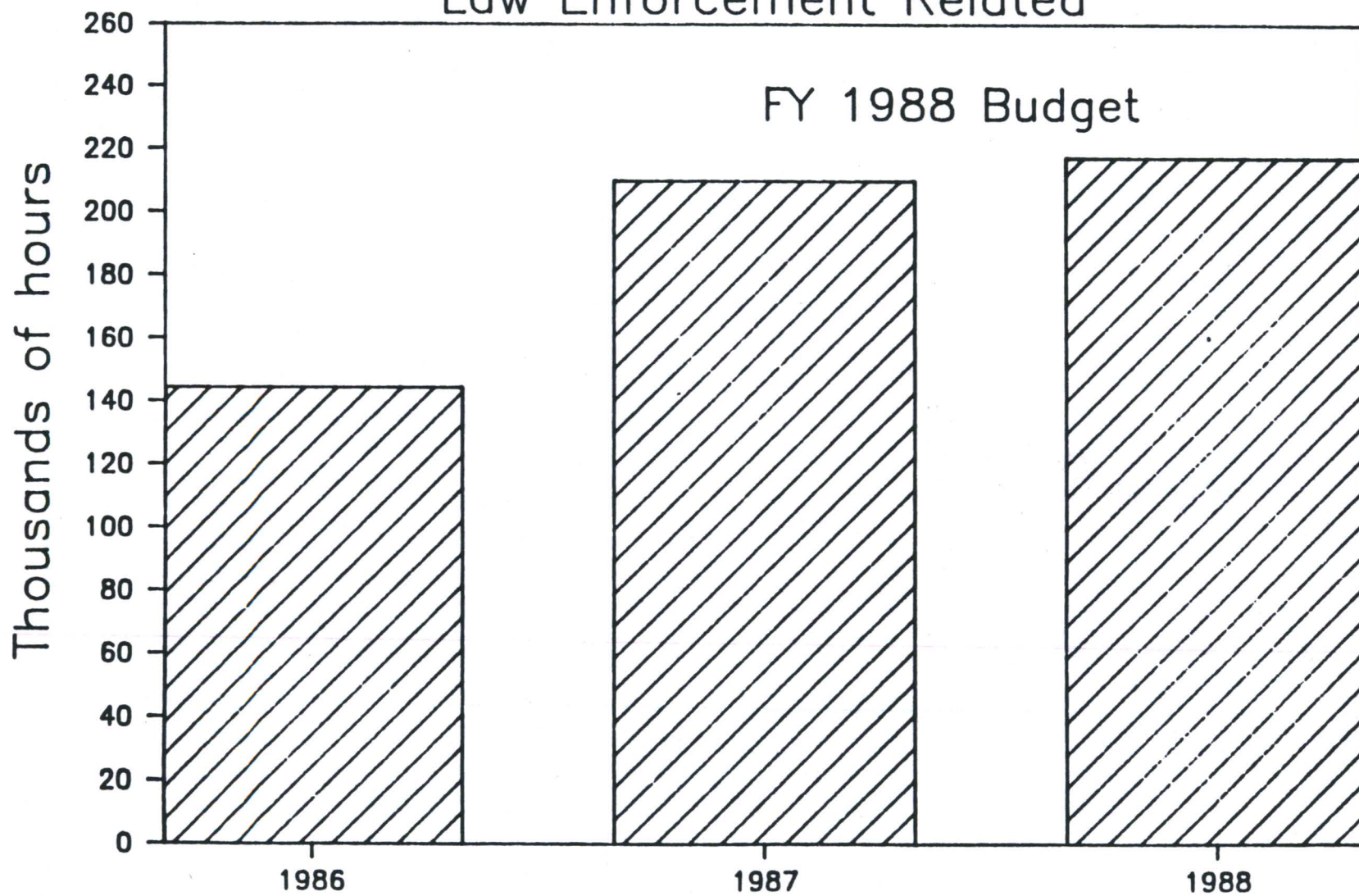
Flight Hours

Coast Guard and Customs





U.S.C.G. Cutter Hours Law Enforcement Related



AIR ASSETS

U.S. CUSTOMS SERVICE, COAST GUARD AND DEFENSE
(Budget Authority in Millions)

	1986 Enacted		1987 Enacted		1988 Request	
	Units	BA	Units	BA	Units	BA
DETECTION ASSETS						
- P-3 Aircraft (CS)	4	15	4	13	4	13
- C-130 Aircraft (CG)	8	37	9	31	9	27
- E-2C Aircraft (CS & CG) (purchase DD)	---	---	4	15 138	4	19
- P-3 Modification w/360 radar (CS)	---	---	1	19	---	---
- CG C-130 Modification w/360 radar (DD)	---	---	2	45	---	---
- Aerostats (CS) (purchase DD)	3	13 12	10	13 71	10	24
- Aerostats (CG)	2	23	4	35	4	8
- Aircraft (DD)	45	NA	45	NA	45	NA
INTERCEPTION & TRACKING ASSETS						
- High Endurance Aircraft (CHETS) (CS)	8	2	8	5	8	6
- C-12 Marine Aircraft (CS)	1	5	6	17	6	4
- Cessna Citations (CS)	6	4	10	17	10	10
- Jet Aircraft (CG)	9	28	9	28	9	28
- Helicopters (CG)	34	59	42	61	42	22
APPREHENSION ASSETS						
- Black Hawk Helicopters (CS)	11	5	12	6	12	6
- US/Bahamas Task Force: -- High Speed Helicopters (CS)	---	---	3	9	3	9
- Helicopters (DD)	12	NA	12	NA	12	NA
OTHER RELATED ASSETS						
- C3I Centers (CS)	2	5	4	43	3	13
- General Operations (CS) (funds the following items):		15		13		17
-- Twin Engine Aircraft	31	---	31	---	23	---
-- Single Engine Aircraft	9	---	9	---	8	---
-- Support Helicopters	13	---	13	---	9	---
-- King Air/Mohawk Aircraft	5	---	5	---	5	---

* Capital costs included in year appropriated, O&M costs included in all years assets are operated.



MARINE ASSETS

U.S. CUSTOMS SERVICE and U.S. COAST GUARD
(Budget Authority in millions)*

CS = Customs Service
CG = Coast Guard

	1986 Enacted		1987 Enacted		1988 Request	
	Units	BA	Units	BA	Units	BA
DETECTION ASSETS						
- Cutters (CG)	32	163	34	204	36	208
- Patrol Boats (CG)	52	32	52	19	52	19
- Small Boats (CG)	221	6	221	6	221	6
- Marine Radar Vessels (CS)	34	2	35	2	35	2
INTERCEPTION ASSETS						
- Marine Interception Vsl (CS)	70	4	80	5	80	6
- Blue Lightning Vessels (CS)	40	1	40	3	40	3
OTHER ASSETS						
- Marine Utility Boats (CS)	46	1	63	1	63	1

* Capital costs included in year appropriated; O&M costs included in all years assets are operated.

OFFICE OF PRESIDENTIAL CORRESPONDENCE
REQUEST FOR CLEARANCE - COMMENTS

TO: Sharyn Lumpkins /DAPO

DATE DUE:
ASAP

TYPE OF RESPONSE: Multiple Mailing Form Reply One-Time Reply

SUBJECT:
Concern regarding FY88 Budget for drug abuse

REQUESTED BY/ADDRESSED TO:
General Public

BACKGROUND:
Draft responds to individuals who express concern over the Administration's decision to reduce Federal spending for anti-drug efforts.

SIGNATURE:

DATE:
3-2-87

Robert Luebke

Presidential Messages
Old Executive Office Building
Room 94
(202) 456-7610

Your Recommendation/Comments:

Please see suggested rewrite.

SIGNATURE:

DATE:
3-16-87

Suggested rewrite:

On behalf of President Reagan, thank you for your message. The President appreciates the concern that prompted you to write. He remains committed to the national crusade for a drug-free America and recognizes the broad public support that exists for strong action to stop the use of illegal drugs anywhere in our society.

Your comments about the President's Fiscal Year 1988 budget proposal for drug abuse efforts have been noted. I assure you that the President followed sound national policy in his budget request for 1988, balancing fiscal constraints with the need for a ~~sound~~^{Strong} anti-drug abuse program. The 1987 budget is greater than the 1988 budget primarily because of large equipment expenditures, one-time demonstration grants and two-year funding which was reported only in the 1987 budget. These investments do not need to be repeated in 1988, but their effects will continue to strengthen the anti-drug effort in the years ahead. The 1988 drug abuse budget will provide for strong action in the national crusade against drug abuse. In fact, the drug abuse budget for 1988 will be 145 percent greater than it was in 1981.

As the President has said, victory over drug abuse will not be achieved by the Federal government alone -- individual action is essential. When every American has made an active, personal commitment to no longer tolerate the use of illegal drugs, then our nation will triumph over this deeply disruptive evil. President Reagan hopes you will continue in your strong support for a drug-free America.

AJH/ST/001 *SL*

Clem E DPD
DAFO

(scribble)
DRUG.870302 (Concern Re FY88 Budget For Drug Crusade)

On behalf of President Reagan, thank you for your message.

The President appreciates the concern that prompted you to

write. He remains committed to the ~~battle against drug~~ *national crusade for a drug-free*

America and recognizes
~~abuse. Your message is one more sign of the broad public~~

support that exists for strong action to stop the use of

illegal drugs anywhere in our society.

Your comments about the President's Fiscal Year 1988 budget
proposal for anti-drug efforts have been noted. *while the total budget for*

~~The Admin-~~
istration's budget ~~plan provides for somewhat less~~ *in* Federal

spending in these areas than in Fiscal Year 1987, ~~Even with~~

~~this reduction, the amount of money spent by the Federal~~ *budget has*

government on drug law enforcement and drug abuse prevention

has actually increased by 145 percent since 1981. The *lower budget*

in Fiscal Year 1988 ~~reductions~~ primarily reflect large equip-

ment expenditures and seed money grants in 1987 that need

not be repeated. The Administration has ~~actually~~ proposed

higher expenditures in 1988 for prison construction, and the

hiring of U.S. Attorneys and drug investigators.

As the President has said, the ~~war~~ *war* on drugs cannot be fought

by the Federal government alone -- individual action is

essential. When every American has made a personal commit-

ment to do everything possible, then our nation will win the

~~war~~ *war* against illegal drugs. President Reagan hopes you will

continue in your strong support for this vital cause.

With the President's best wishes,

CAD

LAFAYETTE SCHOOL PTA
950 MORAGA ROAD
LAFAYETTE, CA. 94549

January 21, 1987

The President
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear Mr. President:

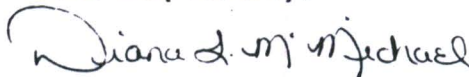
I was very disappointed that your new budget proposed reducing funds for drug education. As PTA President of the Lafayette Elementary School in Lafayette, California, I can assure you that drug education is a very vital concern in our school community.

Our community, and particularly its public schools, actively participated in your wife's Red Ribbon Week last fall. A six-foot fabric banner proclaiming "Say No to Drugs" was signed by most of Lafayette Elementary's students and hangs as a constant reminder in our school auditorium.

A Parent Educator Program in our school involves a dedicated group of our parent volunteers in teaching self esteem classes to our children. We hope they will never be tempted or pressured into experiencing dangerous drugs.

The parents in Lafayette, California, are trying to do their part to lessen the terrible drug problem we have in our country today, and I feel that you are very wrong in reducing your financial support.

Most respectfully,



Diana L. McMichael
President
Lafayette School PTA

JODIE LUNDGREN
3522 NORTH MURRAY AVENUE
SHOREWOOD, WI 53211

C.A.D. January 16, 1987

The President of the United States
The White House
Washington, D.C. 20500

Dear Mr. President:

Drug trafficking seems to be worse than ever within our nation. I am deeply concerned with drug abuse in my community and in my country. Although many people have been trying to help drug abusers and stop their dealers, the problem still seems immense. There have been outrageous numbers of criminal offenses committed just to obtain the drugs, and once these people have the drugs many of them overdose and die.

Like you and Mrs. Reagan, I am concerned with the war against drugs. I would like to help. I would like to teach young people to always say "no" to drugs. I would also like to help abusers get themselves straightened out. I would like to help everyone to JUST SAY NO!

I understand that you have cut from the budget money for education about drugs. I think that the money should be restored to what it was in 1986, or even be raised. Would you please send me some information on what is being done to end drug sales and drug use and abuse. Also, I would like to know how I can be of any help in our war against drugs.

Sincerely yours,

Jodie E. Lundgren

Jodie E. Lundgren

Philip N. Schuyler

97 South Compo Road
Westport, Conn. 06880

203 - 227-3274

January 15, 1987

President Ronald Reagan
The White House
Washington, D.C.

CAD

Honored Sir:

I protest strongly that
you have cut down funds for
anti-drug enforcement and education.

Drug abuse not only
kills jobless and illegal users, but
also innocent non-users, who can
be killed by drugged drivers of
automobiles.

Restore these cuts of yours.

Sincerely

Philip N. Schuyler

17

12927 Corte Juana
Poway, California 92064
January 24, 1987

CAD

President Ronald Reagan
The White House
1600 Pennsylvania Avenue
Washington, D.C. 20500

Dear President Reagan:

I am writing to you to make my voice heard in asking you not to cut money from the drug enforcement program

The men who risk their lives daily need all the help that they get. It sounds as if you are admitting defeat in withholding the necessary funds to combat this menace.

There must be a reason for cutting back on the Customs Service's budget. Perhaps you will put it else where in the fight. Please explain to a very worried public. We know how important this fight is to you and Mrs. Reagan.

Thank you for all your work. Sincerely yours,
Joyce A. Peterson

S.L.

Ms. Elizabeth Parker
D. T.

366-5403

8 3/25/87
2:35

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Lumpkins
Tuesday March 31
5:00 pm

disk in A:

RADIO.RR

THE WHITE HOUSE

WASHINGTON

March 25, 1987

MEMORANDUM FOR THE PRESIDENT

FROM:

DONALD IAN MACDONALD *Di Macdonald*

SUBJECT:

Radio Address -- Drug Abuse Budget

Mr. President, in your Saturday radio address on March 21, 1987, you correctly noted that the \$900 million reduction in next year's drug abuse budget had been misrepresented.

I believe that your explanation clearly explained a complex issue. There are some, however, who continue to debate the arithmetic of the \$900 million. The following information may be helpful if any further questions arise:

- As you stated, the \$900 million figure includes the purchase of helicopters, airplanes and certain facilities -- purchases which need not be repeated next year. A total of \$355 million is budgeted for these purchases in 1987.
- In addition, \$252 million of the alleged \$900 million decrease was two-year funding which was reported only in FY 1987. In other words, this was no decrease at all.
- The remaining \$342 million is the result of a one-time infusion of 1987 funds for seed grants and start-up costs, including a \$225 million drug enforcement grant program, an additional \$100 million to start a Department of Education grant program, and an additional \$17 million for the Indian Health Service.

These one-time grants and start-up costs, like the purchase of equipment, need not be repeated in 1988 but will continue to strengthen our efforts.

Dick

Ralph Bledsoe

6640

3914	Adelle	Fitz
3914 ?		Fayano

OMB

1/16/87

Federal Drug Law Enforcement
Prevention and Treatment

Talking Points

Funding Table

(Budget Authority in millions)

	<u>1981</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
Drug Law Enforcement	859	1,878	2,971	2,468
Drug Abuse Prevention	134	165	505	321
Drug Abuse Treatment	237	227	455	244
Total	<u>1,230</u>	<u>2,270</u>	<u>3,931</u>	<u>3,033</u>
Outlays, Total.....		2,152	3,020	3,456

Overview

- o 1988 funding is 147 percent higher than it was in 1981.
- o In just two years, from 1986 to 1988, funding has increased by 34 percent.
- o In terms of actual government spending (i.e., outlays), the President's Budget proposes increases in every year, even from 1987 to 1988.
- o The 1988 Budget requests an increase of \$72 million for drug law enforcement over 1987, providing for:
 - over 400 more workyears for DEA's programs in investigations, intelligence, foreign operations, ADP, and technical support;
 - nearly 100 agent and support positions for the FBI's drug program;
 - approximately 500 new Federal litigators to prosecute drug traffickers;
 - an increase of \$24 million for the U.S. Marshals' drug-related responsibilities of prisoner transportation and court security; and
 - the addition of approximately 800 new bed spaces to the Federal Prison System for drug violators.
- o Although total 1988 spending is \$898 million lower than it was in 1987, we have provided increases in the critical areas of prison construction, U.S. Attorneys, and drug investigators.

apparent only!

- o In fact, the majority of the 1987-88 "decline" in total spending is really no decline at all, but rather a matter of not understanding the details behind the numbers. These details are explained in the following manner:

Reasons for the apparent \$0.9 billion 1987-88 decline:

Law Enforcement: down by \$503 million because:

- o A \$225 million 1987 drug enforcement grant program to State and local governments will not be repeated in 1988;
 - a one-time infusion of 1987 funds will be of significant assistance but need not become an on-going supply line.
- o Major capital purchases in 1987 need not be repeated in 1988 (about \$350 million);
 - e.g., radar balloons, construction of intelligence centers, purchase of aircraft, etc.

*grants \$225 le
100 ed
17 HHS*

342

non-recurring expenditures!

*\$355
equip & fuel*

Drug Abuse Prevention: down by \$184 million because:

- o \$75 million of the 1987 HHS funding will be spent over two years (1987 and 1988); *over 2 yr. period.*
 - but it is appropriated entirely in the 1987 column, and thus, the 1987-88 decline is overstated. ✓
- o The Department of Education grant program will be reduced from \$200 million in 1987 to \$100 million in 1988;
 - the higher (\$200M) level needed for start-up activities in the first year (e.g., planning, materials, purchases) is not needed in the ensuing years.

*1-75 H
17
232*

*225
100
17*

342

Drug Abuse Treatment: down by \$211 million because:

- o \$177 million of the 1987 HHS funding will be spent over two years (1987 and 1988);
 - but it is appropriated entirely in the 1987 column, thereby overstating the 1987-88 decline.
- o Funding for HHS' Indian Health Service is reduced by \$22 million (from \$48 million in 1987 to \$26 million in 1988);
 - \$5 million of the 1987 funds will be used to renovate facilities and are not needed again in 1988. HHS recognizes the need to treat drug abuse, but believes that the funding requested in 1988 will be adequate.

*\$22
- 5
17m*

THE WHITE HOUSE
Office of the Press Secretary

RADIO ADDRESS
BY THE PRESIDENT
TO THE NATION

March 21, 1987

Camp David, Maryland

12:06 P.M. EST

My fellow Americans: this weekend marks the beginning of spring. Already, here at Camp David, the crocuses are pushing up out of the ground. From now on, the days will be longer than the nights, the air will be getting warmer, the grass greener, and soon the countryside will be in full bloom.

There are all sorts of positive signs in our economy, too. Job creation hasn't slowed a bit. Last month alone we created 337,000 jobs. Employment has reached record highs. Poverty is declining. Tax rates are falling and family income is rising. Yes, indeed, spring is here. But there's one abiding problem that could plunge us right back into economic winter. That problem isn't in our economy. I'm afraid to say that problem is in the United States Congress, and it's called the budget process.

The budget process is, indeed, a sorry spectacle: deadlines delayed or missed completely -- huge continuing resolutions that camouflage the worst kind of special interest spending. Budget process? It's more like a magic show. It's wink and blink; and smoke and mirrors; and pulling rabbits out of hats, but almost all that ever comes up are designs to hide increases for the special interests.

Before I get into the need for budget reform, I want to speak to an issue that's frequently misunderstood. Now, we met our deadline and submitted to Congress a Fiscal Year 1988 budget that meets the Gramm-Rudman-Hollings deficit reduction goal without raising taxes. It's a sound budget -- the result of hard work by our Cabinet and agency heads and they're the people who run the programs.

A priority item in this year's budget is the continuation of our battle against drug abuse. We have tripled spending on drug programs since 1981. Well, last year we added \$900 million for the purchase of helicopters, airplanes and certain facilities. Now we're charged with cutting next year's budget by \$900 million -- proving that we aren't sincere about our crusade against drug abuse. Well, this was a one-time expenditure we don't have to repeat every year. As a matter of fact, we will still be spending some of that \$900 million in the coming years, but it won't show in the '88 budget. In other words, the car is bought. Now all we have to do is buy the gas and change the oil.

The fact that the drug issue has been so misrepresented demonstrates how politically charged the whole budget issue is. And that all makes reform difficult, but not impossible. There's a movement afoot in Congress, led by Senator Pete Domenici and other responsible legislators, to introduce some badly-needed order into the budget process. One idea that deserves consideration is a two-year budget cycle. A two-year

MORE

cycle for the defense budget has been initiated and we'll be looking into the use for the total budget.

Another real improvement would be individual appropriations bills that Congress delivers on time. Last year, Congress missed all -- yes, all -- its deadlines and greeted me with what they call a "continuing resolution" at the end of the year. Now, that document was over 1,200 pages long and weighed 18-1/4 pounds. Now, that's what you call heavy reading. It contained the appropriations for practically our entire government and I either had to veto it and close down the government or approve the whole thing, pork and all.

The third reform would give me greater power to veto waste, through so-called "enhanced rescission authority." Now, this is much like the line-item veto, except that my recommendations for spending cuts could be overturned by a simple majority vote in either house of Congress. In other words, no sneak-by, back-door spending. If Congress wants certain spending, they can have it -- but they have to stand up, be counted, and vote for it.

Yet another step in the right direction is credit reform. Last week, we sent up to the Congress our Federal Credit Reform Act of 1987. This bill would enable the public, the Congress, and the administration to evaluate accurately the costs and benefits of direct loans and loan guarantees -- costs that are now the subject of guess, speculation, and surmise.

We intend to work with those in Congress who are striving to put us back on the road to budget sanity. And just as we've done with credit reform, the administration will propose additional elements in what will be a comprehensive budget-process reform package. These reforms are important to you because they're a key to continued economic growth and job creation. It's time to put politics aside and do what the Congress knows has to be done sooner or later anyway -- give the American people a budget process that controls spending, a budget process we can be proud of.

Until next week, thanks for listening and God bless you.

END

12:11 P.M. EST

CLOSE HOLD

Document No. _____

WHITE HOUSE STAFFING MEMORANDUM

DATE: 03/19/87 ACTION/CONCURRENCE/COMMENT DUE BY: 9:00 a.m. Friday 03/20

SUBJECT: PRESIDENTIAL RADIO TALK: BUDGET
(03/19 6:00 p.m.)

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input type="checkbox"/>	KING	<input type="checkbox"/>	<input type="checkbox"/>
BAKER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	RISQUE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
MILLER - OMB	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MASENG	<input type="checkbox"/>	<input type="checkbox"/>
BALL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MILLER - ADMIN.	<input type="checkbox"/>	<input type="checkbox"/>
BAUER	<input checked="" type="checkbox"/>	<input type="checkbox"/>	RYAN	<input type="checkbox"/>	<input type="checkbox"/>
CULVAHOUSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SPRINKEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARLUCCI	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
CHEW	<input type="checkbox"/>	<input checked="" type="checkbox"/>	TUTTLE	<input type="checkbox"/>	<input type="checkbox"/>
DONATELLI	<input checked="" type="checkbox"/>	<input type="checkbox"/>	McDONALD	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FITZWATER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	CANNON	<input type="checkbox"/>	<input type="checkbox"/>
HENKEL	<input type="checkbox"/>	<input type="checkbox"/>	TRISCOM	<input type="checkbox"/>	<input type="checkbox"/>
HOBBS	<input type="checkbox"/>	<input type="checkbox"/>	CRIBB	<input type="checkbox"/>	<input type="checkbox"/>
			DOLAN	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

Please provide any comments/recommendations to Tony Dolan by 9:00 a.m., Friday, March 20th, with an info copy to my office. Thank you.

RESPONSE:

Concur
Dick Williams 3/20/87 0830
CLOSE HOLD

(Gilder/ARD)
March 19, 1987
6:00 p.m.

PRESIDENTIAL RADIO TALK: BUDGET
SATURDAY, MARCH 21, 1987 11
07 MAR 19 10:41

My fellow Americans: this weekend marks the beginning of spring. Already, here at Camp David, the crocuses are pushing up out of the ground. From now on, the days will be longer than the nights, the air will be getting warmer, the grass greener. Soon, the countryside will be in full bloom.

There are all sorts of positive signs in our economy, too. Job creation hasn't slowed a bit. Last month alone we created 337,000 new jobs; employment has reached record highs. Poverty is declining; tax rates are falling; and family income is rising. Yes, indeed, spring is here. But there is one abiding problem that could plunge us right back into economic winter. That problem isn't in our economy. I'm afraid to say that problem is in the United States Congress, and it's called the budget process.

The budget process is, indeed, a sorry spectacle: deadlines delayed or missed completely, huge continuing resolutions that camouflage the worst kind of special interest spending. Budget process? It's more like a magic show. It's wink and blink; and smoke and mirrors; and pulling rabbits out of hats -- but almost all that ever comes up are designs to hide increases for the special interests.

Before I get into the need for budget reform, I want to speak to an issue that is frequently misunderstood. Now, we met our deadline and submitted to Congress a FY 1988 budget that

(Gilder/ARD)
March 17, 1987
7:00 p.m.

KALDER NAME
448-9382

PRESIDENTIAL RADIO TALK: BUDGET
SATURDAY, MARCH 21, 1987

My fellow Americans: this weekend marks the beginning of spring. Already, here at Camp David, the crocuses are pushing up out of the ground. From now on, the days will be longer than the nights, the air will be getting warmer, the grass greener. Soon, the countryside will be in full bloom.

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3914
8:31 am
Fri 3/21
Confirms
OK
on
dir
prop

meets the Gramm-Rudman-Hollings spending limit. It's a sound budget, the result of hard work by our Cabinet and agency heads. They're the people who run the programs, and they say our budget gives them all they need to do it.

A priority item in this year's budget is the continuation of our battle against the scourge of drug abuse. We have tripled spending on drug programs since 1981. In fact, last year we budgeted a large amount for the purchase of airplanes and the construction of certain facilities. Yet, this year, our budget was criticized for not asking for a repeat of these expenditures. Well, a lot of this spending on drug programs has been what accountants call capital costs, and now that we have the equipment and facilities, we don't have to buy them every year. In other words, the car is bought, now all we have to do is buy the gas, change the oil, and make normal repairs. Ask any businessman, he'll tell you that the start-up costs are always the highest. Anyone who's moved into a old home and had to fix it up knows that the initial expenses are the worst.

Per Frank
accountants & airplanes
NOT IN ACCURATE
both +
prices
are high
also
budgets of
include
facilities

The fact that the drug issue has been so misrepresented demonstrates how politically charged the whole budget issue is. That all makes reform difficult, but not impossible. There is a movement afoot in Congress, led by Senator Pete Domenici and other responsible legislators, to reintroduce some badly-needed order into the budget process. He suggests several specific steps. One idea that deserves consideration is a 2-year budget cycle. A 2-year cycle for the defense budget is already in place and we will be looking into its use for the total budget.

Another suggested reform is individual appropriations bills that Congress delivers on time. Last year, Congress missed almost all its deadlines and greeted me with what they call a "continuing resolution" at the end of the year. That document was over 1,200 pages long and weighed 18-1/4 pounds. That's what you call heavy reading. It contained the appropriations for practically our entire Government and I had to either veto it, and close down the Government, or, approve the whole thing, pork and all.

The third reform would give me greater power to veto waste, through the enhanced rescission authority which is much like the line-item veto, except that it could be overturned by a simple majority vote in Congress. In other words, no sneaking-by spending. If Congress wants certain spending, they can have it -- but they have to stand up, be counted, and vote for it.

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We intend to work with Pete Domenici and other in Congress who are working to put us back on the road to budget sanity. And just as we've done with credit reform, my Administration will propose additional elements in what will be a comprehensive budget-process reform package. These reforms are important to

you because they're a key to continued economic growth and job creation. It's time to put politics aside and do what the Congress knows has to be done sooner or later anyway -- give the American people a budget process that controls spending, a budget process we can be proud of.

Until next week, thanks for listening and God bless you.

THE WHITE HOUSE
WASHINGTON

March 18, 87

Tony,

David Chew asked me to
suggest a rewrite for the
day example.

Dick Williams

result of hard work by our Cabinet and agency heads. They're the people who run the programs, and they say our budget gives them all they need to do it.

The fact is, many of our budget savings came out of administrative costs and, as we cut down on overhead, we were able to provide more funding for the intended recipients of the programs themselves. (Example) Another example is the budget this year for fighting drugs. ^{MUST} We have increased ^{ACTUAL} spending on drug programs 200 percent a year since 1981. ^{EVERY SINGLE} ~~IN OTHER WORDS, SPENDING~~ ^(CONFIRM THIS) ~~AMOUNT OF BUDGET IN 1987 FOR PURCHASE OF AIRPLANES AND CONSTRUCTION OF FACILITIES~~ ~~quadrupled once a year, every year.~~ ~~That was necessary to get~~ ~~THIS MONEY WILL BE SPENT OVER SEVERAL YEARS, YET MY BUDGET WAS~~ ~~the effort rolling.~~ ~~Ask any businessman, he'll tell you that the~~ ~~CRITICIZED FOR NOT ASKING FOR~~ ~~A REPEAT IN 1988 OF THESE PURCHASES,~~ ~~start-up costs are always the highest.~~ ~~Anyone who's moved into a~~ ~~old home and had to fix it up knows that the initial expenses are~~ ~~the worst.~~ Well, a lot of this spending on drug programs has been what accountants call capital costs, and ^{WHEN} ~~now that~~ the ^{EQUIPMENT AND} ~~programs~~ ^{BOUGHT,} ~~are in place~~ ^{WE DON'T HAVE TO BUY THEM AGAIN EVERY YEAR,} they don't cost as much to run. In other words, the car is bought, now all we have to do is buy the gas.

The fact that this issue has been so misrepresented demonstrates how politically charged the whole issue of the budget is. That all makes reform difficult, but not impossible. There is a movement afoot in Congress, led by Senator Pete Domenici, to reintroduce some badly needed order into the budget process. He suggests four basic steps. The first is a 2-year budget cycle. This is to correct an abuse that has happened too often in our dealings with Congress: we agree on a compromise which includes spending cuts in the coming year only to find

THESE EXAMPLES
 (DARK) IS SO
 HARD TO EXPLAIN
 CON
 THAT I RECOMMEND
 IT BE DELETED

OR... Tripled
 spending on the
 program since
 1981

Key point of drug example - The President has given anti-drug efforts a high priority and continues to do so.

those cuts vanish when the Congress draws up the next year's budget.

The second reform: individual appropriations bills, delivered on time. Last year, Congress missed almost all its deadlines and greeted me with what they call "continuing resolution" at the end of the year. That document was 1,200 pages long and weighed 18-1/2 pounds. That's what you call heavy reading. It contained the appropriations for practically our entire Government and I had to either veto it, and close down the Government, or, pass the whole thing, pork and all.

The third reform would give me greater power to veto waste, much like the line-item veto, except that it could be overturned by a simple majority vote in Congress. In other words, no sneaking-by spending. If Congress wants certain spending, they can have it -- but they have to stand up, be counted, and vote for it. The fourth reform is called enhanced credit reform, designed to put a stop to the kind of gimmick some are trying to get away with right now -- a refinancing scheme of some Government held bonds that would bring in \$7 billion dollars the first year, but end up costing you, the taxpayer, \$24 billion over the next 30 years.

I'm hopeful that Congress will get behind Pete Domenici and his budget reform package. These reforms would put us back on the road to budget sanity, helping to build a solid foundation for continued economic growth and job creation. It's time to put politics aside and do what they know has to be done sooner or

later anyway -- give the American people a budget process that
CONTROLS
contains spending, a budget process we can be proud of.

Until next week, thanks for listening and God bless you.

in 1981.

of hard work by our Cabinet and agency heads. They're the people who run the programs, and they say our budget gives them all they need to do it. [Some of them have clearly strayed off the reservation -- e.g., NASA, Energy.]

OMB
Ant

The fact is, many of our budget savings came out of administrative costs and, as we cut down on overhead, we were able to provide more funding for the intended recipients of the programs themselves. (Example) Another example is the budget

this year for fighting drugs. We have ~~increased~~ ^{tripled} spending on drug programs ~~200 percent a year~~ since 1981. ~~In other words, spending~~ ^{Last year Congress} ~~doubled spending authority~~ ^{quadrupled once a year, every year.} That was necessary to get

the effort rolling. ~~Ask any businessman, he'll tell you that the~~ ^{But little long-term, we need only a 50% increase} start-up costs are always the highest. Anyone who's moved into a old home and had to fix it up knows that the initial expenses are the worst. Well, a lot of this spending on drug programs has been what accountants call capital costs, and now that the programs are in place they don't cost as much to run. In other words, the car is bought, now all we have to do is buy the gas.

The fact that this issue has been so misrepresented demonstrates how politically charged the whole issue of the budget is. That all makes reform difficult, but not impossible.

~~There is a movement afoot in Congress, led by Senator Pete~~

^{We need} Domenici, ~~to reintroduce some badly needed order into the budget process. He suggests four basic steps. The first is a 2-year~~ ^{We have often agreed on compromises} ~~budget cycle. This is to correct an abuse that has happened too~~

^{For example,} ~~often in our dealings with Congress:~~ we agree on a compromise which includes spending cuts in the coming year only to find

[The Peter Wallison Working Group on Budget Reform opposed biennial budgeting. Has someone now decided to support it?]

Some have been trying to hide their own failings by blaming the total director to the OMB or Dept. of Justice. Nothing has appeared yet.

My understanding is we have not yet accepted 2 year appropriations for domestic agencies. I think 2 year cycle was intended to protect level

WHITE HOUSE STAFFING MEMORANDUM

DATE: 03/17/87 ACTION/CONCURRENCE/COMMENT DUE BY: c.o.b. 03/18/87

SUBJECT: PRESIDENTIAL RADIO TALK: BUDGET
(03/17 7:00 p.m. draft)

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	KING	<input type="checkbox"/>	<input type="checkbox"/>
BAKER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	RISQUE	<input checked="" type="checkbox"/>	<input type="checkbox"/>
MILLER - OMB	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MASENG	<input checked="" type="checkbox"/>	<input type="checkbox"/>
BALL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	MILLER - ADMIN.	<input type="checkbox"/>	<input type="checkbox"/>
BAUER	<input checked="" type="checkbox"/>	<input type="checkbox"/>	RYAN	<input type="checkbox"/>	<input type="checkbox"/>
CULVAHOUSE	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SPRINKEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CARLUCCI	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
CHEW	<input type="checkbox"/>	<input checked="" type="checkbox"/>	TUTTLE	<input type="checkbox"/>	<input type="checkbox"/>
DONATELLI	<input checked="" type="checkbox"/>	<input type="checkbox"/>	McDONALD	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FITZWATER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	CANNON	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HENKEL	<input type="checkbox"/>	<input type="checkbox"/>	GRISCOM	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HOBBS	<input type="checkbox"/>	<input type="checkbox"/>	CRIBB	<input type="checkbox"/>	<input checked="" type="checkbox"/>
			DOLAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>

REMARKS:
 Please provide any comments/recommendations directly to Tony Dolan by close of business on Wednesday, March 18th, with an info copy to my office. Thanks.

RESPONSE:
Strongly recommend delete the drug example -- very controversial and difficult to explain. Does not support the basic logic of the budget reform message.



David L. ...
 Staff Secretary
 Ext 2112

(Gilder/ARD)
March 17, 1987
7:00 p.m.

**PRESIDENTIAL RADIO TALK: BUDGET
SATURDAY, MARCH 21, 1987**

My fellow Americans: this weekend marks the beginning of spring. Already, here at Camp David, the crocuses are pushing up out of the ground. From now on, the days will be longer than the nights, the air will be getting warmer, the grass greener. Soon, the countryside will be in full bloom.

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result of hard work by our Cabinet and agency heads. They're the people who run the programs, and they say our budget gives them all they need to do it.

The fact is, many of our budget savings came out of administrative costs and, as we cut down on overhead, we were able to provide more funding for the intended recipients of the programs themselves. (Example) Another example is the budget this year for fighting drugs. We have increased spending on drug programs 200 percent a year since 1981. In other words, spending quadrupled once a year, every year. That was necessary to get the effort rolling. Ask any businessman, he'll tell you that the start-up costs are always the highest. Anyone who's moved into a old home and had to fix it up knows that the initial expenses are the worst. Well, a lot of this spending on drug programs has been what accountants call capital costs, and now that the programs are in place they don't cost as much to run. In other words, the car is bought, now all we have to do is buy the gas.

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later anyway -- give the American people a budget process that
controls
~~contains~~ spending, a budget process we can be proud of. *

Until next week, thanks for listening and God bless you.

WHITE HOUSE STAFFING MEMORANDUM

DATE: 3/20/87 ACTION/CONCURRENCE/COMMENT DUE BY: ----

SUBJECT: RADIO TALK: BUDGET

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	KING	<input type="checkbox"/>	<input type="checkbox"/>
BAKER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	RISQUE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
MILLER - OMB	<input type="checkbox"/>	<input checked="" type="checkbox"/>	MASENG	<input type="checkbox"/>	<input type="checkbox"/>
BALL	<input type="checkbox"/>	<input checked="" type="checkbox"/>	MILLER - ADMIN.	<input type="checkbox"/>	<input type="checkbox"/>
BAUER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	RYAN	<input type="checkbox"/>	<input type="checkbox"/>
CULVAHOUSE	<input type="checkbox"/>	<input checked="" type="checkbox"/>	SPRINKEL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CARLUCCI	<input type="checkbox"/>	<input type="checkbox"/>	McDONALD	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CHEW	<input type="checkbox"/>	<input checked="" type="checkbox"/>	TUTTLE	<input type="checkbox"/>	<input type="checkbox"/>
DONATELLI	<input type="checkbox"/>	<input checked="" type="checkbox"/>	DOLAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>
FITZWATER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<u>CANNON</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HENKEL	<input type="checkbox"/>	<input type="checkbox"/>	<u>GRISCOM</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HOBBS	<input type="checkbox"/>	<input type="checkbox"/>	<u>CRIBB</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

REMARKS:

FYI -- The attached has been forwarded to the President.

RESPONSE:

(Gilder/ARD)
March 20, 1987
1:00 p.m.

07 MAR 20

PRESIDENTIAL RADIO TALK: BUDGET
SATURDAY, MARCH 21, 1987

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Before I get into the need for budget reform, I want to speak to an issue that is frequently misunderstood. Now, we met our deadline and submitted to Congress a FY 1988 budget that

meets the Gramm-Rudman-Hollings deficit reduction goal, without raising taxes. It's a sound budget, the result of hard work by our Cabinet and agency heads -- and they're the people who run the programs.

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Page 4

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Until next week, thanks for listening and God bless you.

WHITE HOUSE STAFFING MEMORANDUM

DATE: 3/20/87 ACTION/CONCURRENCE/COMMENT DUE BY: ----

SUBJECT: RADIO TALK: BUDGET

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	KING	<input type="checkbox"/>	<input type="checkbox"/>
BAKER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	RISQUE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
MILLER - OMB	<input type="checkbox"/>	<input checked="" type="checkbox"/>	MASENG	<input type="checkbox"/>	<input type="checkbox"/>
BALL	<input type="checkbox"/>	<input checked="" type="checkbox"/>	MILLER - ADMIN.	<input type="checkbox"/>	<input type="checkbox"/>
BAUER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	RYAN	<input type="checkbox"/>	<input type="checkbox"/>
CULVAHOUSE	<input type="checkbox"/>	<input checked="" type="checkbox"/>	SPRINKEL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CARLUCCI	<input type="checkbox"/>	<input type="checkbox"/>	McDONALD	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CHEW	<input type="checkbox"/>	<input checked="" type="checkbox"/>	TUTTLE	<input type="checkbox"/>	<input type="checkbox"/>
DONATELLI	<input type="checkbox"/>	<input checked="" type="checkbox"/>	DOLAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>
FITZWATER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	CANNON	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HENKEL	<input type="checkbox"/>	<input type="checkbox"/>	GRISCOM	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HOBBS	<input type="checkbox"/>	<input type="checkbox"/>	CRIBB	<input type="checkbox"/>	<input checked="" type="checkbox"/>



REMARKS: FYI -- The attached has been forwarded to the President.

RESPONSE:

(Gilder/ARD)
March 20, 1987
1:00 p.m.

97 MAR 20 P 1:00

PRESIDENTIAL RADIO TALK: BUDGET
SATURDAY, MARCH 21, 1987

My fellow Americans: this weekend marks the beginning of spring. Already, here at Camp David, the crocuses are pushing up out of the ground. From now on, the days will be longer than the nights, the air will be getting warmer, the grass greener. Soon, the countryside will be in full bloom.

There are all sorts of positive signs in our economy, too. Job creation hasn't slowed a bit. Last month alone we created 337,000 jobs; employment has reached record highs. Poverty is declining; tax rates are falling; and family income is rising. Yes, indeed, spring is here. But there is one abiding problem that could plunge us right back into economic winter. That problem isn't in our economy. I'm afraid to say that problem is in the United States Congress, and it's called the budget process.

The budget process is, indeed, a sorry spectacle: deadlines delayed or missed completely, huge continuing resolutions that camouflage the worst kind of special interest spending. Budget process? It's more like a magic show. It's wink and blink; and smoke and mirrors; and pulling rabbits out of hats -- but almost all that ever comes up are designs to hide increases for the special interests.

Before I get into the need for budget reform, I want to speak to an issue that is frequently misunderstood. Now, we met our deadline and submitted to Congress a FY 1988 budget that

meets the Gramm-Rudman-Hollings deficit reduction goal, without raising taxes. It's a sound budget, the result of hard work by our Cabinet and agency heads -- and they're the people who run the programs.

A priority item in this year's budget is the continuation of our battle against the scourge of drug abuse. We have tripled spending on drug programs since 1981. In fact, last year we budgeted a large amount for the purchase of airplanes and the construction of certain facilities. Yet, this year, our budget was criticized for not asking for a repeat of these expenditures. Well, a lot of this spending on drug programs has been what accountants call capital costs, and now that we have the equipment and facilities, we don't have to buy them every year. In other words, the car is bought, now all we have to do is buy the gas, change the oil, and make normal repairs. Ask any businessman, he'll tell you that the start-up costs are always the highest. Anyone who's moved into an old home and had to fix it up knows that the initial expenses are the worst.

The fact that the drug issue has been so misrepresented demonstrates how politically charged the whole budget issue is. That all makes reform difficult, but not impossible. There is a movement afoot in Congress, led by Senator Pete Domenici and other responsible legislators, to introduce some badly-needed order into the budget process. One idea that deserves consideration is a 2-year budget cycle. A 2-year cycle for the defense budget has been initiated and we will be looking into its use for the total budget.

Another real improvement would be individual appropriations bills that Congress delivers on time. Last year, Congress missed all -- yes, all -- its deadlines and greeted me with what they call a "continuing resolution" at the end of the year. That document was over 1,200 pages long and weighed 18-1/4 pounds. That's what you call heavy reading. It contained the appropriations for practically our entire Government and I either had to veto it and close down the Government or approve the whole thing, pork and all.

The third reform would give me greater power to veto waste, through so-called "enhanced rescission authority." This is much like the line-item veto, except that my recommendations for spending cuts could be overturned by a simple majority vote in either house of Congress. In other words, no sneak-by, back-door spending. If Congress wants certain spending, they can have it -- but they have to stand up, be counted, and vote for it.

Yet another step in the right direction is credit reform. Last week, we sent up to the Congress our Federal Credit Reform Act of 1987. This bill would enable the public, the Congress, and the Administration to evaluate accurately the costs and benefits of direct loans and loan guarantees -- costs that are now the subject of guess, speculation, and surmise.

We intend to work with those in Congress who are striving to put us back on the road to budget sanity. And just as we've done with credit reform, the Administration will propose additional elements in what will be a comprehensive budget-process reform package. These reforms are important to you because they're a

Page 4

key to continued economic growth and job creation. It's time to put politics aside and do what the Congress knows has to be done sooner or later anyway -- give the American people a budget process that controls spending, a budget process we can be proud of.

Until next week, thanks for listening and God bless you.

WHITE HOUSE STAFFING MEMORANDUM

DATE: 3/20/87 ACTION/CONCURRENCE/COMMENT DUE BY: ----

SUBJECT: RADIO TALK: BUDGET

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	KING	<input type="checkbox"/>	<input type="checkbox"/>
BAKER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	RISQUE	<input type="checkbox"/>	<input checked="" type="checkbox"/>
MILLER - OMB	<input type="checkbox"/>	<input checked="" type="checkbox"/>	MASENG	<input type="checkbox"/>	<input type="checkbox"/>
BALL	<input type="checkbox"/>	<input checked="" type="checkbox"/>	MILLER - ADMIN.	<input type="checkbox"/>	<input type="checkbox"/>
BAUER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	RYAN	<input type="checkbox"/>	<input type="checkbox"/>
CULVAHOUSE	<input type="checkbox"/>	<input checked="" type="checkbox"/>	SPRINKEL	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CARLUCCI	<input type="checkbox"/>	<input type="checkbox"/>	McDONALD	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
CHEW	<input type="checkbox"/>	<input checked="" type="checkbox"/>	TUTTLE	<input type="checkbox"/>	<input type="checkbox"/>
DONATELLI	<input type="checkbox"/>	<input checked="" type="checkbox"/>	DOLAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>
FITZWATER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	CANNON	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HENKEL	<input type="checkbox"/>	<input type="checkbox"/>	GRISCOM	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HOBBS	<input type="checkbox"/>	<input type="checkbox"/>	CRIBB	<input type="checkbox"/>	<input checked="" type="checkbox"/>

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