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COMMERCE/SBA/EX-1M

BUDGET REVIEW BOARD
1985 REVIEW OF BUSINESS SUPPORT PROGRAMS

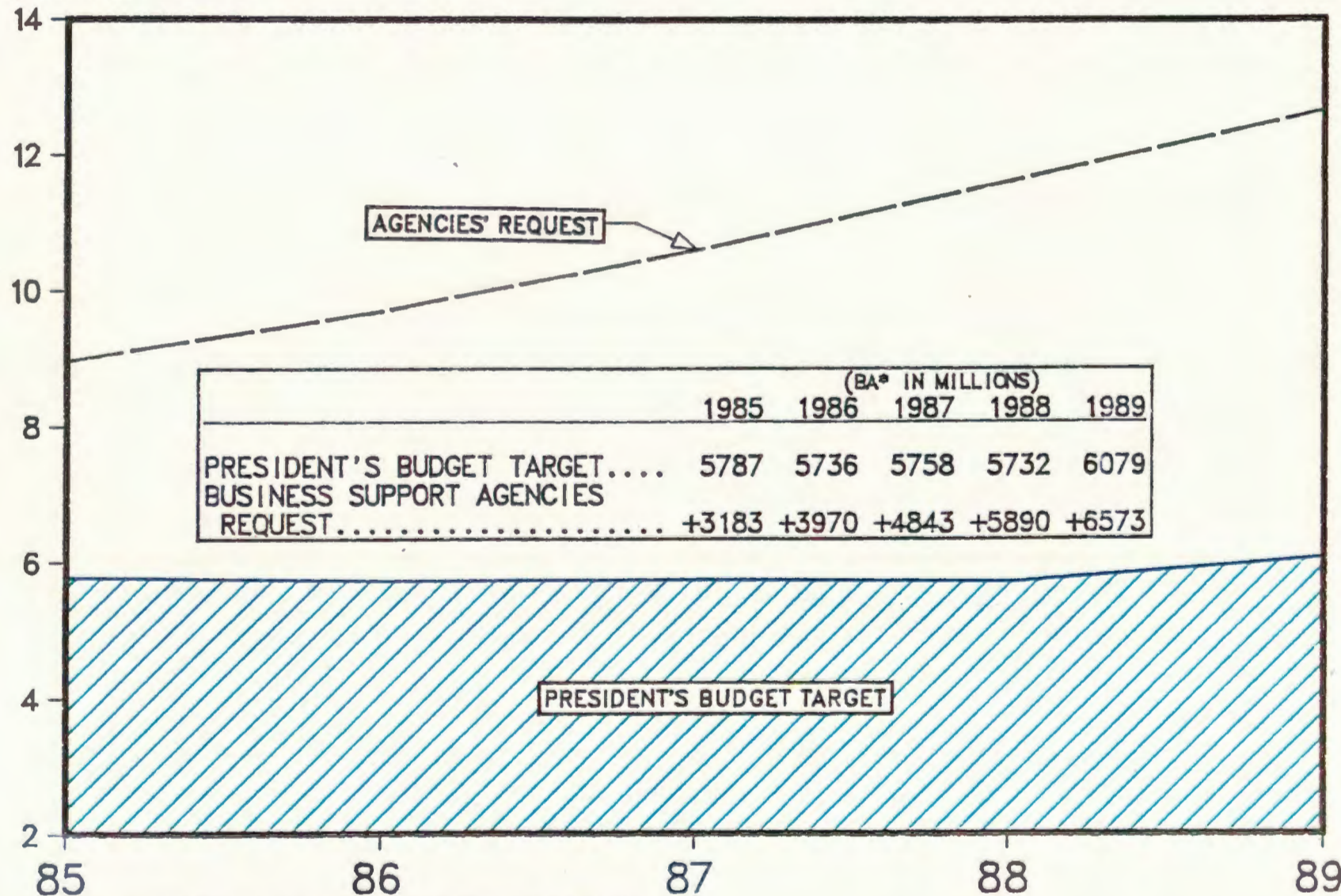
* * *

DEPARTMENT OF COMMERCE
SMALL BUSINESS ADMINISTRATION
EXPORT-IMPORT BANK

December 7, 1983

BUSINESS SUPPORT AGENCIES REQUEST VS. PRESIDENT'S 1985 BUDGET TARGETS

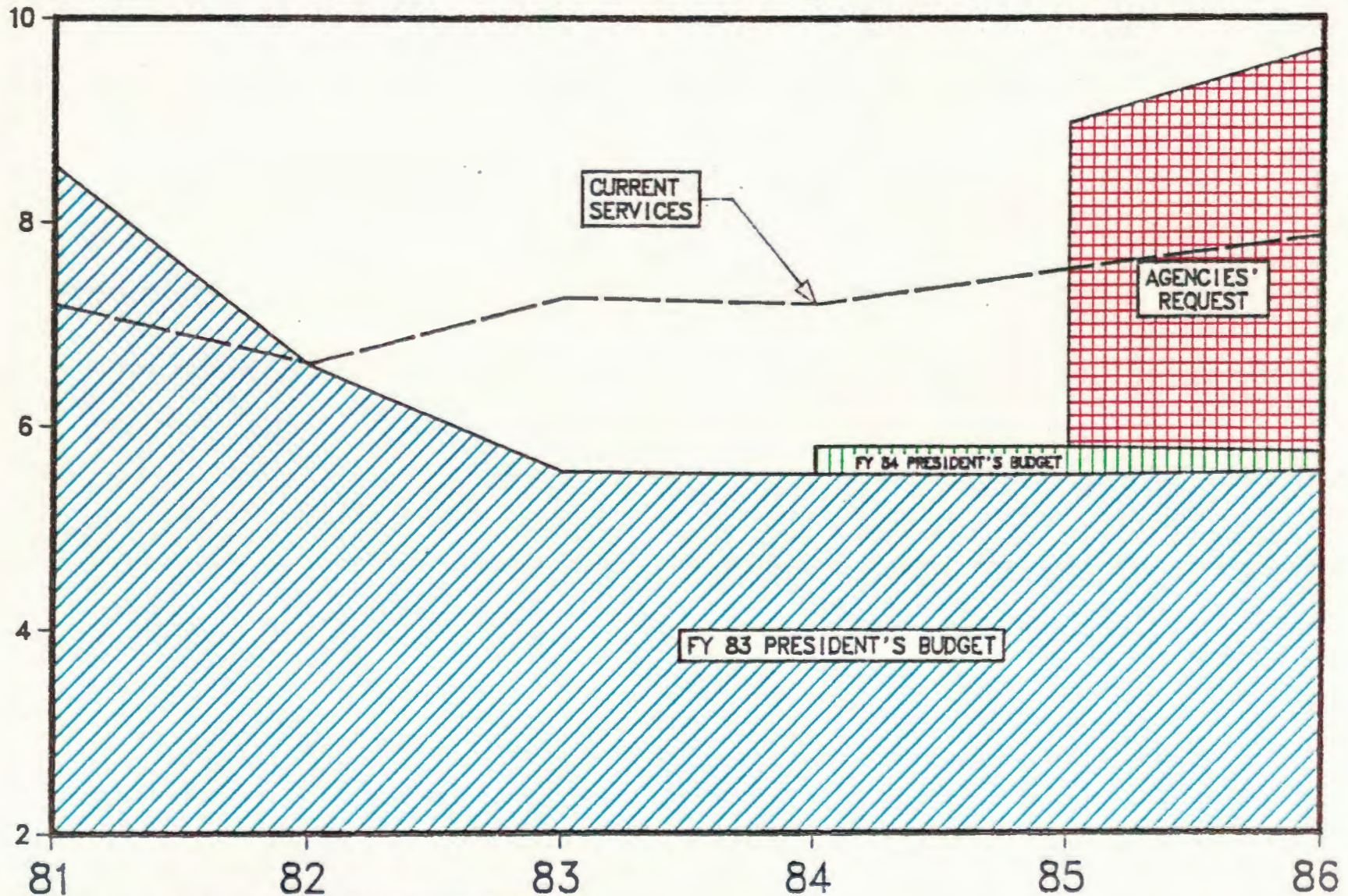
\$ BILLIONS



* DIRECT LOAN LIMITATION FOR EXPORT-IMPORT BANK

**BUSINESS SUPPORT AGENCIES
 AGENCIES' 1985 REQUEST UP 55% OVER BUDGET TARGETS
 AND UP 19% OVER CURRENT SERVICES AND CONGRESSIONAL LEVELS**

BA* IN BILLIONS



* DIRECT LOAN LIMITATION FOR EXPORT-IMPORT BANK

I. DEPARTMENT OF COMMERCE BUDGET ISSUES

Overall Comparison: Request vs. President's Budget Target (In Millions of Dollars)

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Total</u>
(1) President's Budget Target ...	1,475	1,447	1,524	1,565	1,912	7,923
(2) Department Request	<u>1,800</u>	<u>1,891</u>	<u>2,049</u>	<u>2,255</u>	<u>2,377</u>	<u>10,372</u>
(3) Department Add-on	+325	+444	+525	+690	+465	+2,449
(4) OMB Passback Add-on	+70	+98	+72	+185	+24	+449

/1984 Enacted \$1,966/

o Break down of Department Add-on

	<u>1985</u>	<u>1985-1989 Total</u>
(1) NOAA	+145	+1,356
(2) ITA	+21	+142
(3) PTO and Census	+16	+287
(4) Other programs	<u>+143</u>	<u>+664</u>
(5) Total	+325	+2,449

o FTE Differences

	<u>1984</u>	<u>1985</u>
(1) President's 1984 Budget Ceiling	33,121	33,847
(2) Agency Request	<u>33,317</u>	<u>34,824</u>
(3) Add-on	+196	+977
(4) OMB Recommendation*	+318	-1,814

* Includes impact of 1984 Congressional appropriation.

1) Comparison of Programs Zeroed Out in President's Budget Target and Department Request With 1984 Congressional Action and Current Services

o 1984 Comparison

(Budget Authority in Millions)

Program	1984		1985
	President's Budget	Congressional Action	Department Request
(1) EDA Programs	--	250	--
(2) TAA to firms	--	25	--
(3) NTIA facilities grants	--	12	--
(4) NBS (Fire & Building)	--	9	6
(5) NOAA Programs:	--	177	90
(Sea Grant)	(--)	(36)	(--)
(Coastal Zone Grants)	(--)	(23)	(--)
(Fisheries promotion/ Development)	(--)	(26)	(11)
(Columbia River Hatcheries)	(--)	(10)	(--)
(Fish Loan Fund)	(--)	(3)	(--)
(Second Polar Orbiter)	(--)	(20)	(47)
(Weather Programs)	(--)	(13)	(4)
(Ocean/Coastal)	(--)	(16)	(10)
(Other)	(--)	(30)	(18)
TOTALS	--	473	96

o Probable Outyear Current Services Cost of Zeroed Out Programs

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Total</u>
All Zeroed Out Programs ...	473	496	522	547	575	2,613

2) NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION (NOAA)

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Total</u>
(1) President's Budget Target	<u>899</u>	<u>884</u>	<u>904</u>	<u>960</u>	<u>997</u>	<u>4,644</u>
(2) Department Add-On	+145	+262	+323	+343	+283	+1,356
(3) OMB Passback	+1	+18	-19	-28	-41	-69

FTE Comparison

	<u>1984</u>	<u>1985</u>
(1) President's Budget Target	<u>13,248</u>	<u>13,210</u>
(2) Department Add-On	+28	+568
(3) OMB Passback	+768*	-769

* Reflects 1984 Congressional appropriation increases.

What President's Target (OMB Passback) Funds

- o Operating costs for existing 300 weather station system.
- o Five-year, \$200M, weather radar modernization plan with mixed deployment of advanced doppler radars (in highest severe storm risk areas only) and less costly conventional radars.
- o Operate and improve two geostationary (GOES) satellites (hurricane and storm front surveillance).
- o Eliminates one of two current polar satellites (general forecasting) and funds the one existing land remote sensing satellite (LANDSAT).
- o Maintains 8 of the 9 major atmospheric and oceanic research laboratories performing long-term basic and NOAA-mission-related acid rain, severe storms, climate, and oceanic processes and pollution research.
- o Continues current policy for conservation of endangered marine mammals species and management support for 35 fisheries management plans.
- o Operating costs for nautical and aeronautical charts.

WHITE HOUSE STAFFING MEMORANDUM

DATE: 12/6/83 ACTION/CONCURRENCE/COMMENT DUE BY: _____

SUBJECT: BUDGET MATERIALS FROM COMMERCE, SBA AND EXPORT-IMPORT BANK

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input type="checkbox"/>	HICKEY	<input type="checkbox"/>	<input type="checkbox"/>
MEESE	<input type="checkbox"/>	<input checked="" type="checkbox"/>	JENKINS	<input type="checkbox"/>	<input type="checkbox"/>
BAKER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	McFARLANE	<input type="checkbox"/>	<input type="checkbox"/>
DEAVER	<input type="checkbox"/>	<input type="checkbox"/>	McMANUS	<input type="checkbox"/>	<input type="checkbox"/>
STOCKMAN	<input type="checkbox"/>	<input type="checkbox"/>	MURPHY	<input type="checkbox"/>	<input type="checkbox"/>
DARMAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	ROGERS	<input type="checkbox"/>	<input type="checkbox"/>
DUBERSTEIN/OGLESBY	<input type="checkbox"/>	<input checked="" type="checkbox"/>	SPEAKES	<input type="checkbox"/>	<input checked="" type="checkbox"/>
FELDSTEIN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	SVAHN	<input type="checkbox"/>	<input checked="" type="checkbox"/>
FIELDING	<input type="checkbox"/>	<input type="checkbox"/>	VERSTANDIG	<input type="checkbox"/>	<input type="checkbox"/>
FULLER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	WHITTLESEY	<input type="checkbox"/>	<input type="checkbox"/>
GERGEN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
HERRINGTON	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS:

The attached is for your information.

RESPONSE:



DEC 5 1983

MEMORANDUM FOR David A. Stockman
Director, Office of Management
and Budget

SUBJECT: FY 1984 and FY 1985 Budget Recommendations

This memorandum responds to the OMB recommendations for FY 1984 and FY 1985 budget levels passed on by your staff. We have concluded that we need an additional \$100 million to carry out the policies and programs of this Administration in FY 1985. Our total budget of \$1.7 billion is still 15 percent below the 1984 appropriation just signed by the President and 30 percent below the last Carter budget. Our goal for FY 1985 was to ask for no more than the levels in the FY 1984 budget. While this appeal exceeds that goal by 7 percent, the Commerce Department, in the first three years of this Administration, had already taken the lead in reducing personnel by 29 percent and administrative overhead by 34 percent, the best record of any Federal department except for HHS.

The President has made it clear that he intends to continue to cut back government spending wherever feasible. I fully support this goal as the depth of our proposed and previous reductions from Carter budget levels demonstrates.

Nevertheless, I have some very basic disagreements with the approach you have taken to our request. Your recommended budget recognizes certain high priorities of this Administration at the expense of other equally well-established priorities. For example, you supported our proposal to improve export enforcement but told us to take the money out of export promotion activities. Once again OMB is trying to use the budget process to change trade policy. With the DITI reorganization, we announced this Administration's intention to support American business in its dealings in today's international marketplace. But the OMB allowance would require us to close 26 U.S. offices and take 50 FCS officers out of posts in developing countries at a time of record U.S. trade deficits. That's flying in the face of reality. American businessmen are finally beginning to look at exporting, and they want more services from us, not less. I cannot accept this policy reversal.

I also object to the guidance to absorb pay raise and other mandatory increases or accept new base reductions. We have worked very hard in this Department to improve management practices. We have introduced modern techniques and technology, streamlined operations and reduced personnel numbers by

29 percent. After three years of reviewing budgets, we have identified the lower priority programs which should be cut, but the Congress rejects most of those cuts. There are no areas left where "careful management" will achieve further savings. Your allowance translates into unacceptable cuts in basic operations.

We have two problems with the management savings included in the OMB recommendations: (1) we do not agree with the basic calculation used to determine these savings; and (2) they are unrealistic and cannot be achieved fully by 1985. We accept two-thirds of the employment savings but only one-third of the dollar savings identified. Three years ago administrative overhead accounted for about 15 percent of our total employment. Today the share is 8.8 percent, the second best record in government. My staff is continuing to review our administrative structure, field delivery, and programs with an eye toward streamlining. Reductions you propose in 1985 would adversely affect our efforts to identify further substantial savings in 1986 through 1988. Because of what we already have done, this Department has been in the forefront of the Reform '88 effort. Many of the Reform '88 projects have been developed and tested here with current resources. OMB has recognized our leadership by using Commerce as the standard to apply to the rest of the Government. I believe the objective of further improved management is threatened by the OMB passback. Arbitrary reductions in the name of Reform '88 will defeat its purpose.

Most of the base cuts don't make sense. USTTA requires \$3.2 million more than the allowance of \$5.4 million just to carry out current law. Cutting Federal assistance to minority businesses by \$2 million sends the wrong signal in an election year. NOAA should retain \$2 million to complete a long-accepted plan to replace the weather forecast computer at Suitland.

The budget we transmitted in September contained \$98 million in program changes. At least \$39.5 million of these deserve positive consideration -- even in the current budget climate.

Our original budget contained a number of science and technology initiatives in NBS designed to support the long-term competitiveness of American industry. Dr. George Keyworth has added his endorsement to our proposals for the cold neutron source research facility and standard setting in quality assurance, high performance electronics and biotechnology. We think the microcomputer standards proposal stands with the others in helping assure U.S. participation in a valuable international market. Dr. Keyworth has also supported our proposal for participation with Navy and NASA in the NROSS satellite which will add to our understanding of ocean currents and winds. I intend to continue to press for funding of all these initiatives.

Dr. Keyworth has proposed \$43 million for a National Marine Research program he has negotiated with NOAA and the university

community to replace Sea Grant. We feel this approach deserves consideration to redirect a program Congress has consistently funded.

We strongly disagree with OMB's decision to postpone development of the Automated Weather Information Processing System (AWIPS), the communication system necessary to transmit the data developed by NEXRAD. Both of these systems are essential for any NWS field restructuring and for improving the timeliness and accuracy of forecasts and warnings.

Any prudent manager reviews the state of his capital equipment. The 1985 budget provided for replacement of Commerce systems that should not be further delayed -- the telephone system and the scientific computer for NBS and NOAA. It will be less expensive to replace the telephone systems for all our federally-owned facilities in the D.C. area at once than to upgrade just the Hoover Building. Taken together these three replacements will save at least \$20 million over their 10-year life cycles.

I do not accept OMB's reasons for rejecting the consolidated scientific computer. We have demonstrated the need for that capacity: NOAA and NBS will easily saturate the computer by 1991. We know of no other civilian computer acquisition that is better justified and further along in the procurement process or would better provide the level of service we require. We strongly reiterate the original request.

Our request for \$750,000 for the Census international data base is sufficient for its needs for international economic and demographic information. If other agencies require additional data they should pay for it, and Census will make prudent use of their resources. If OMB decides to increase the Census budget to pay for this data, it should not be done at the expense of other DOC funding.

There is one FY 1984 issue that I would like to bring to your attention. The Cabinet Council on Commerce and Trade has sent a memorandum to the President containing a recommendation to initiate procurement of long-lead parts for LANDSAT D". In order to assure data continuity while the private sector transfer proceeds, we need a \$15 million supplemental in FY 1984. This issue must be resolved during the current budget discussions.

We question the decision to shift funding for the Census of Agriculture to the Department of Agriculture. OMB does not appear to have adequately addressed the issues of confidentiality of individual data, cost efficiency and legislative authority. Since this decision to transfer responsibility does not affect the budget totals, I hope that there will be an opportunity for a

thorough discussion of the issues among all three parties before a final decision is made.

Additional justification for these appeals has been supplied to your staff.



Secretary of Commerce

Attachments

Summary of Appeal Positions
 1984 OMB Allowance
 Budget Authority
 (millions of dollars)

	<u>Approp.</u>	<u>OMB Allowance</u>	<u>DOC Appeal</u>	<u>Major Appeals</u>
General Administration....	\$33.6	\$33.6		
Economic Affairs:				
Census.....	155.7	155.7		
ESA.....	38.3	38.3		
EDA.....	267.5	267.5		
ITA.....	167.4	167.4		
MBDA.....	53.3	53.3		
USTTA.....	12.0	12.0		
NOAA.....	1,054.1	1,054.1	+\$15.0	LANDSAT D" long lead parts
PTO.....	80.4	80.4		
NBS.....	115.7	115.7		
NTIA.....	<u>24.6</u>	<u>24.6</u>		
Subtotal.....	2,002.7	2,002.7	+15.0	
Trust Funds.....	35.8	35.8	...	
Offsetting Receipts.....	<u>-73.2</u>	<u>-73.2</u>	...	
Total.....	1,965.4	1,965.4	+15.0	
Pay Raise.....	18.8	3.0	+3.6	

Summary of Appeal Positions
 1985 OMB Allowance
 Budget Authority
 (millions of dollars)

	<u>DOC</u> <u>Request</u>	<u>OMB</u> <u>Allowance</u>	<u>DOC</u> <u>Appeal</u>	<u>Major Appeals</u>
General Administration....	\$50.9	\$40.1	+\$6.6	Telephone Systems, Inspector General
Economic Affairs:				
Census.....	174.7	165.8	+1.3	Adjustments to base; International Data Base
ESA.....	42.1	46.4	...	
EDA.....	25.3	22.3	...	
ITA.....	165.7	144.3	+18.9	Trade promotion, adjustments to base
MBDA.....	51.3	48.0	+2.6	Administration; BDCs; TCCs
USTTA.....	10.1	5.4	+3.2	Partial restoration
NOAA.....	1,016.8	900.0	+14.8	Ocean satellite, weather technology
PTO.....	98.6	97.2	...	
NBS.....	163.7	101.8	+33.8	Technology initiatives, computer standards, scientific computer
NTIA.....	14.7	13.7	+0.7	ISDN; Industry Outreach
Subtotal.....	<u>1,813.8</u>	<u>1,585.2</u>	<u>+81.9</u>	
Management savings.....		+14.4	+14.4	
Trust Funds.....	26.1	7.9	...	
Offsetting Receipts.....	<u>-86.3</u>	<u>-47.8</u>	<u>...</u>	
Total.....	1,754.6	1,545.3	+96.3	
Pay Raise.....	31.2	26.0	+3.2	ITA, NBS

Summary of Appeal Positions
1985 OMB Allowance
Total FTE

	1984			1985		
	<u>DOC Request</u>	<u>Allowance</u>	<u>DOC Appeal</u>	<u>DOC Request</u>	<u>Allowance</u>	<u>DOC Appeal</u>
GA.....	1,336	1,336	...	1,336	1,270	...
Economic Affairs:						
Census.....	7,683	6,982	...	8,181	7,478	+23
ESA.....	1,216	1,216	...	1,262	1,234	...
EDA.....	455	420	+35	288	240	...
ITA.....	2,565	2,565	+28	2,766	2,461	+291
MBDA.....	260	260	...	250	250	...
USTTA.....	68	68	+13	78	68	...
NOAA.....	13,276	14,016	...	13,778	12,441	+43
PTO.....	3,150	3,150	...	3,298	3,286	...
NBS.....	3,029	3,147	...	3,302	3,026	+135
NTIA.....	279	279	...	285	279	+4
Management Sav....						+298
Total.....	<u>33,317</u>	<u>33,439</u>	<u>+76</u>	<u>34,824</u>	<u>32,033</u>	<u>+790</u>



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

DEC 1 - 1983

Honorable David A. Stockman
Director
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Stockman:

We have reviewed the initial allowance provided by the Office of Management and Budget for the Small Business Administration's FY 1985 Budget Request. We certainly concur in the President's efforts to improve the overall management of the Federal Government and to reduce the extremely high budget deficit projected for FY 1985 through the restraint of Federal credit and the reduction in overall Federal spending. This is evidenced by our proposed elimination of direct lending, our efforts to reduce fraud, waste, and abuse through improved management in key areas such as debt collection and loan approvals, and our past overhead reductions.

However, there are a few items included in the allowance which I must appeal. The "passback" fails to balance management improvements and efficiencies with the legitimate Federal role in assisting small business. Within the constraints outlined in the recent passback, we cannot continue to adequately perform the mission that I consider vital. We cannot expect to eliminate direct lending without at least demonstrating to Congress and the small business community that we have a viable alternative in our Guaranty Loan Program. And we cannot expect our private sector partners to embrace new concepts without assurance of guaranty funding.

The proposed reduction in personnel is primarily directed at the outreach programs of the Agency. Such programs as Management Assistance, Procurement Assistance, Advocacy, Women, and Veterans are all highly leveraged programs utilizing the private sector, other agencies, and volunteers. These programs assist large numbers of small businesses with minimum use of personnel resources. The proposed reductions in these programs will have a significant adverse impact on our ability to maintain effective working relationships with the private sector while at the same time only saving \$12 million below our requested Full Time Equivalent. While we have already reduced the overall personnel complement of SBA by 13 percent from 1980, we are continuing to look for new creative ways for further reduction by delegating more authority to the private sector, possible sale of segments of our loan portfolio, contracting out various service functions and consolidating offices and functions.

Currently, our management priorities and strategies are to improve the overall management of the SBA which will enhance the image of this Agency. The SBA is the only agency carrying out programs which demonstrate the President's commitment to small business, especially those owned and operated by women, veterans, and those who are socially and economically disadvantaged (minorities). In addition, we are engaged in an ongoing quality loan program and delegation of our lending activities to the private sector. This, combined with the overall improvements planned for our financial management and information systems consistent with Reform '88, is all part of our effort which addresses the needs of the small business community in the most effective and efficient manner possible.

While we agree with the curtailment of certain direct credit programs, we feel that other non-lending services should be maintained. These important non-lending functions can be accomplished within the Agency's original budget request, by emphasizing utilization of private sector delivery mechanisms such as Small Business Development Centers, 7(j), Service Corps of Retired Executives (SCORE), etc.

Since the President took office, he has emphasized the importance of debt collections. I am pleased to say that even with the economic problems experienced in FY 1983, loan collections increased over FY 1982 results. I would also point out that this increase resulted even though the overall size of the portfolio declined during this period. Since 1981, our overall collections have increased 25 percent. These positive results have been achieved by additional personnel in the management of the liquidation portfolio. If the Agency has to take the planned reduction of 75 liquidation positions in FY 1985, there may be slippage in this area and debt collection targets may not be met.

We feel that there are several areas contained in the initial allowance that are inconsistent with the realities of the political awareness and needs of the small business community. We are, therefore, appealing the reductions in Guaranteed Lending, Personnel, Small Business Development Center Program, and those Reform '88 recommendations that we believe are not cost effective and will not achieve any savings for the taxpayer.

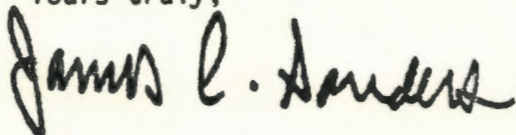
As an example, these reductions in Guaranteed Lending authority and reductions in the outreach programs of Women in Business, Vietnam veterans, and export (all are Management Assistance personnel) send a conflicting signal to the private sector. While we have emphasized

the President's push for private sector involvement, the banking community and investment banking community (secondary market) have questioned our good faith in promoting the preferred lending program when at the same time they can see that OMB has scheduled a steady reduction of guarantee levels to almost extinction by 1987. The same can be said for our commitment to volunteerism when members of SCORE see the plan to reduce Management Assistance in the Agency. This Administration cannot afford to have the private sector lose faith in its sincerity by having our actions betray our words.

In addition, we have enclosed a request for you to reconsider your decision to require the Agency to absorb 100 percent of the pay cost. As you are aware, we have been directed by the President to conduct a special Women's Program during FY 1984. This, as well as other initiatives, such as the improvement of our automated debt collection system, were unbudgeted and will have to be absorbed within our current availability. To require this Agency to also absorb the pay cost will create an undue hardship.

All of the above cited items are summarized in the following enclosures in order of Agency priority. My staff and I would be pleased to meet with you to discuss these positions further.

Yours truly,

A handwritten signature in cursive script that reads "James C. Sanders".

James C. Sanders
Administrator

Enclosures

**SMALL BUSINESS ADMINISTRATION
Personnel Summary Data
(Full-Time Equivalent)**

	FY 1983	FY 1984		FY 1985		
	<u>Actual</u>	<u>Appeal</u>	<u>Allowance</u>	<u>Request</u>	<u>Allowance</u>	<u>Appeal</u>
Procurement & Technical Assistance	189.6	199.4	199.4	222.3	199	200
Management Assistance	368.8	325.0	300.0	353.4	225	300
Finance & Investment	1,514.3	1,756.0	1,756.0	2,099.7	1,668	1,819
Innov., Research & Technology	7.1	7.5	7.5	7.8	8	8
Minority Small Business	332.2	332.6	332.6	336.7	315	315
Field Review	17.5	18.0	16.2	35.2	16	18
Resource Management	428.1	400.0	389.9	427.3	382	400
Special Programs	38.8	38.4	38.4	45.3	35	39
Advocacy	72.6	58.5	58.5	60.5	50	58
Public Communications	23.8	24.2	24.2	26.2	20	24
Hearings & Appeals	19.4	20.5	20.5	20.5	14	20
Inspector General	133.0	133.0	126.1	182.1	132	130
General Counsel	343.6	337.0	317.0	336.8	320	370
Congressional & Legislative Affairs	12.8	13.7	13.7	18.8	10	14
Executive Direction & Field Admin.	<u>729.1</u>	<u>636.2</u>	<u>600.0</u>	<u>686.6</u>	<u>506</u>	<u>635</u>
TOTAL FTE	<u>4,230.7</u>	<u>4,300.0</u>	<u>4,200.0</u>	<u>4,859.2</u>	<u>3,900</u>	<u>4,300</u>

EXPORT-IMPORT BANK OF THE UNITED STATES

December 5, 1983

MEMORANDUM TO THE BUDGET REVIEW BOARD

Re: Appeal of Eximbank's FY 1985 OMB Budget Mark

The Export-Import Bank respectfully appeals the OMB's initial mark on Exim's FY 1985 budget request. The Bank requested \$6.4 billion for loan obligations and an employment level of 359 for FY 1985. The Bank had also requested an increase in its administrative expense limitation of \$700 thousand to permit an expanded program of assistance to small business exporters; such program was mandated by the Congress in recent legislation signed into law by the President. OMB reduced the Bank's direct loan limit to \$3,830 million and continued the Bank's personnel at the current level of 342. No provision was made by OMB for the increased level of administrative expense necessary for the Bank's small business program to be effectively implemented.

The Bank's request for \$6.4 billion of direct credits anticipates:

- a continuation of an extremely competitive international marketplace requiring aggressive support for U.S. suppliers from Eximbank.
- a U.S. interest rate structure which requires Exim credit for competitive export financing.
- a continued world economic recovery which will result in increased sales opportunities for U.S. exporters.

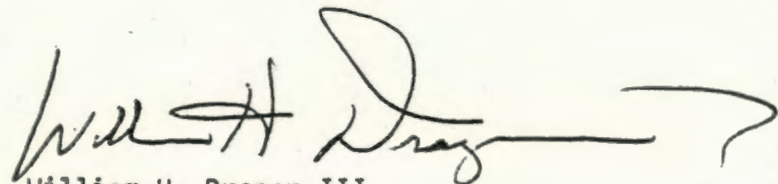
We believe that these conditions will exist in 1985; therefore, the requested level of direct credits will be needed and should be approved. However, we are well aware of the necessity to keep budgeted outlays to the absolute minimum. Therefore, an alternative approach could be a level of \$3.8 billion for direct credits, as desired by the OMB, with a commitment by the President to seek a supplemental of up to \$2.6 billion if the competitive situation requires it. This would be consistent with the approach taken in the FY 1984 budget. Additionally, as part of the legislation recently enacted to extend the Bank's Charter, the President is directed to inform the Congress each year by April 15 whether the authority available to the Bank for such fiscal year will be sufficient to meet the Bank's needs. Since the report must be made in any event, a commitment to seek additional authority in FY 1985, if needed, as has already been done for FY 1984, would seem to be an appropriate approach.

Exim has made a large reduction in staff over the past 3 years. In 1980, the Bank had a total FTE of 392. For FY 1983, the limitation was 344 or a decrease of 48 positions.

Because of the Mexican crisis, which resulted in an unprecedented number of claims under guarantee and insurance policies, the Bank requested an increase to 355 in FY 1984, which would be funded within the Bank's existing FY 1984 administrative expense limitation, and an additional 4 positions in FY 1985.

Although the OMB recognized the need for increased staff and provided for an increase of \$416 thousand to enable the Bank to contract out for this work, this is not a satisfactory approach. Our current experience with contracting out this type of work has not been very satisfactory. It is detailed technical work which is unlike claim payment and recovery work in the private sector. Additionally, permanent Exim staff are needed because this is not a one year requirement. After the claims have been processed and paid, recovery efforts can take many years. With over \$500 million in actual and potential claims currently paid or in-house, the small increase in personnel requested to handle these multi-year tasks undoubtedly will more than pay for itself in increased claim recoveries due to more prompt follow-up on the delinquent accounts. Therefore, we believe that the full compliment of 355 FTE in FY 1984 and 359 FTE in FY 1985 should be provided.

As a result of the recent legislation extending the Bank's Charter, Exim has a greatly strengthened mandate to assist small business exports and in FY 1985 eight percent of the Bank's authority has been set aside by law for this purpose. The \$700 thousand is critically necessary for the Bank to effectively implement a program directed at fullfilling this mandate and increasing small business exports. With the Bank's small size and heavy workload, it is impossible to satisfactorily carry out this function without this increase in resources. We request that these funds be reinstated.



William H. Draper III
President and Chairman

- o Reduces 706 FTE's and \$14M for management improvements and consolidations by reducing overhead for NOAA administrative functions. Assumes 50% of NOAA programs under A-76 analysis will be contracted out.
- o Continues 3-year policy of zeroing out or reducing unneeded State/industry grants and fishery subsidies as follows:

	<u>1984 Enacted</u>	<u>President's 1985 Target</u>
o Sea Grant	36	0
o Coastal Zone Management Grants	23	0
o Columbia River Hatcheries	10	0
o Fish Industry Promotion/Development	26	0
o Fish Loan Fund	<u>3</u>	<u>0</u>
o Total	98	0

What the Department's Add-Ons Would Buy

- o Five-year, \$350M increase for weather radar modernization composed of nationwide doppler radar deployment and development of a new communications and forecasting system.
- o Maintains two polar orbiting satellites plus temperature sensor enhancements.
- o Initiates a new ocean satellite (N-ROSS) with DOD and NASA to study ocean winds and waves and to provide improved information to the fishing and shipping industry.
- o Maintains all major ocean and atmospheric research programs -- 9 major laboratories.
- o Reverses policy for fisheries development and state/industry grants (+\$13M) and increases fisheries management activities (+\$13M).
- o No future A-76 savings or further management savings in FTE.

3) INTERNATIONAL TRADE ADMINISTRATION (ITA)

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Total</u>
(1) President's Budget Target* ...	<u>152</u>	<u>152</u>	<u>152</u>	<u>152</u>	<u>152</u>	<u>760</u>
(2) Department Add-on	<u>+21</u>	<u>+25</u>	<u>+29</u>	<u>+32</u>	<u>+35</u>	<u>+142</u>

FTE Comparison

	<u>1984</u>	<u>1985</u>
(1) President's Budget Target	<u>2531</u>	<u>2531</u>
(2) Department Add-on	<u>+34**</u>	<u>+235</u>
(3) OMB Passback	<u>+34**</u>	<u>-70</u>

What the President's Target (OMB Passback) Funds

- o Staff level of 2,461 FTE (same as 1983 FTE actual) including 700 for Foreign Commercial Service, 300 for U.S. Commercial Service, 450 for export promotion support, 200 for trade policy support, 650 for export/import controls and 150 for administration.
- o Funds \$22M of \$23M requested for export control -- a \$9M increase over 1984 level of \$13M.
- o \$2M increase for expanded industry sector analysis -- an increase of 34 analysts over current 99 FTE.
- o Export control increase, sectoral analysis expansions, and some inflation adjustments are accommodated by offsetting reduction of \$13M from \$90M export promotion program.
- o Continues 3-year policy of zeroing out trade adjustment assistance (TAA) as proposed by the Department.

* OMB passback is at ceiling level.

** Transfer from Office of the Secretary.

What the Department's Add-Ons Would Buy

- o Increase of 305 FTE (12.4%) above actual 1983 level to be spread across ITA.
- o \$23M for export control (77% increase over 1984).
- o Continues export promotion programs at current level. (No offset for export control add-on.)
- o "Adjustments to base" of \$10M in 1985 to compensate for full inflation. Assumes 50% rent increase to GSA, 8-14% overseas cost increases, and new Foreign Commercial Service office space.

4) CENSUS BUREAU, PATENT OFFICE (PTO), AND ECONOMIC AND STATISTICAL ANALYSIS (ESA)

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Total</u>
(1) President's Budget Target	300	302	374	371	681	2,028
(2) Department Add-on	+16	+46	+51	+173	+1	+287
(3) OMB Passback	+9	+28	+24	+125	-25	+161

FTE Comparison

	<u>1984</u>	<u>1985</u>
(1) President's Budget Target	12,049	12,927
(2) Department Add-on	---	-186
(3) OMB Passback	-701	-929

What the President's Target (OMB Passback) Funds

- o Overall, maintains status quo with some improvements for patent and statistical programs partially offset by base savings.
- o Fully funds planning for 1990 decennial census including expanded field pretest (from one to two field centers), increased field automation, and early programming of data tabulations. Moves field pretest from 1989 to 1988 to allow ample time for corrections to field operations prior to 1990.
- o Provides for new Census and ESA data on domestic and international services transactions and international investments.

- o Funds 1987 census of agriculture in USDA rather than in Commerce.
- o Reduces Census FTE by 700 in 1984 and 500 in 1985 from ceiling due to reductions in reimbursable program and revised estimates for cyclical decrease in periodic programs.
- o Provides for expanded sectoral analysis capabilities in ESA as requested by Department.
- o Improves PTO operations, but constrains outyear automation funding pending analysis of initial implementation of patent automation.

What the Department's Add-Ons Would Buy

- o Funding for 1987 census of agriculture in Department of Commerce's Census Bureau.
- o Additional outyear funding for patent automation -- assumes "paperless" PTO by the early 1990's.
- o Improvements for 1987 economic census, continuation of social indicators program, development of a comprehensive computerized data base of social, demographic, and economic data for all the countries of the world, and additional funds for adjustments to base.

5) OTHER COMMERCE: NBS/EDA/TRAVEL (USTTA)/MINORITY BUSINESS/DEPARTMENT ADMIN/USER FEES

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Total</u>
(1) President's Budget Target	<u>124</u>	<u>109</u>	<u>94</u>	<u>82</u>	<u>82</u>	<u>491</u>
(2) Department Add-on	+143	+111	+122	+142	+146	+664
(3) OMB Passback	+60	+52	+67	+88	+90	+357

FTE Comparison

	<u>1984</u>	<u>1985</u>
(1) President's Budget Target	<u>5293</u>	<u>5179</u>
(2) Department Add-on	+134	+360
(3) OMB Passback*	+217	-46

* Reflects impact of 1984 congressional appropriation.

What the President's Target (OMB Passback) Funds

- o Maintains President's 1983/1984 policy for NBS of not funding low priority research (fire and building) and encouraging greater private sector investment in standards development; permits NBS to strengthen high technology measurement programs (e.g., process and quality control and electronics) through internal reprogrammings.
- o Continues 3-year policy of zeroing out EDA (1984 Congressional appropriation is \$268M).
- o Holds tourism (USTTA) support to minimal level (\$5M) consistent with 1983-1984 President's budget policies.
- o Maintains Minority Business Development Agency (MBDA) support for management and technical assistance provided through 95 minority business development centers.
- o Funds immediate Office of Secretary at requested level and a pilot telecommunications system at the Hoover Building.
- o Reduces estimates of NOAA receipts for fee recovery for maps and charts.
- o Maintains 1983/1984 budget policies for NTIA with computer upgrade.
- o Includes administrative overhead and A-76 FTE savings.

What the Department's Add-Ons Would Buy

- o 1985 increase of 60% for NBS over President's target provides for:
 - Restoration of fire and building research and computer science policy support to Federal Government (\$11M).
 - Establishment of a materials (polymers and ceramics) characterization research facility (\$19M-1985; \$44M-1985-1989); and operation of a facility to measure radiation better (\$1M).

- Expansion of high technology measurement programs in manufacturing processes and quality control, biotechnology, ultrahigh performance electronics and two-way graphics/desk-top computers (\$14M).
 - Acquisition of a scientific supercomputer and maintenance of facilities, including a telephone system (\$12M).
 - Full funding of various adjustments to base.
- o Additional \$5M for tourism promotion.
 - o Funding for a Department-wide telecommunications system and no administrative/A-76 savings projections.

II. SMALL BUSINESS ADMINISTRATION BUDGET ISSUES

Overall Comparison: Request vs. President's Budget Target (\$ in Millions)

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Total</u>
(1) President's Budget Target	482	459	404	337	337	2,019
(2) Agency Request	770	775	813	855	903	4,116
(3) Agency Add-on	+288	+316	+409	+518	+566	+2,097
(4) OMB Passback Add-on	+30	+47	+20	+2	+2	+101

o 1984 Enacted 597

o <u>FTE/Difference</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
(1) President's 1984 Budget Ceiling*...	4133	3900	3900
(2) Agency Request	4410	4859	4859
(3) Agency Add-on	+277	+959	+959

1) Small Business: Direct Business Loans

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Total</u>
(1) President's Budget Target*	41	41	41	41	41	205
(2) Agency Add-on	+40	+4	+9	+14	+20	+87

What The President's Target Funds:

o Eliminates SBA direct loans with the exception of \$41M for Minority Enterprise Small Business Investment Companies (MESBIC's) for 1,000 loans in 1985 and for 5,000 loans in 1985-1989. Maintains direct loan component of Presidential policy to create 60,000 new minority businesses in the 1980's.

* OMB Passback at ceiling level.

What The Agency Request Buys

- o Reverses in 1985 Administration policy to eliminate all direct loans, except for minorities.
- o Provides for \$81M for direct loans to veterans and handicapped borrowers, as well as minorities in 1985.
- o Inflates (10%) direct loans annually from 1986-1989 for minorities.

2) Small Business: Guaranteed Business Loans (\$ in Millions)

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Total</u>
<u>Loan Levels</u>						
(1) President's Budget Target ..	2,100	1,200	900	900	900	6,000
(2) Agency Add-on	+1,340	+1,410	+2,810	+2,850	+2,920	+11,330
<u>Outlay Impact</u>						
(1) President's Budget Target ..	<u>182</u>	<u>163</u>	<u>120</u>	<u>69</u>	<u>69</u>	<u>603</u>
(2) Agency Add-on with underpricing of defaults ..	+192	+202	+257	+327	+340	+1,318
(3) Agency Add-on with realistic pricing of defaults	+192	+241	+337	+434	+486	+1,612

Loan Guarantee Program Allocation (\$ in Millions)

	<u>1985</u>		<u>1987</u>	
	<u>President's Target</u>	<u>Agency Request</u>	<u>President's Target</u>	<u>Agency Request</u>
(1) General Business	1,480	2,800	285	2,790
(2) Development and Investment Company*	540	540	540	840
(3) Special lending (minority, handicapped, energy)	80	80	75	80

* Results in dollar for dollar off-budget outlays because loans financed at the Federal Financing Bank.

What The President's Target Funds

- o Continues existing Presidential policy of phasing down loan guarantees to \$.9B by 1987 and targetting to minority and handicapped borrowers and SBA's development and investment company programs. Provides for 14,300 loans in 1985, declining to 6,100 loans by 1989.
- o Pricing assumes that repurchases of defaulted SBA guaranteed loans will continue at close to the pre 1981-1982 recession levels through 1989--a 44% decrease from the historically high default rate experienced in 1982 and 1983, yet 10% higher than pre-1980 default levels.
- o Maintains the Administration's \$110M debt collection target.

What the Agency Request Buys

- o Reverses existing Presidential policy of phasing down SBA intervention in the Nation's credit market and increases SBA's loan guarantee program to a historically high level of \$3.8B by 1989.
- o Reflects unrealistic pricing of likely costs resulting from defaults on guaranteed loans and underestimates the outlay impact of the increased guaranty level.
 - The default rates for 1982 and 1983 were 8.1% and 7.5% of total outstanding loans. SBA is assuming that the default rate will decrease to approximately 3.4% by 1989. SBA believes that its quality lending initiative and an increased role of private banks in guarantee loan making will improve the default rate.

3) Salaries and Expenses and Program Support (\$ in Millions)

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Total</u>
(1) President's Budget Target* ..	232	234	236	237	237	1,176
(2) Agency Add-on	+70	+68	+66	+65	+65	+334

* OMB passback maintains planning ceiling.

<u>SBA S&E and FTE Allocation</u>	<u>1985 FTE's</u>		<u>1985 Budget Authority</u> (\$ in Millions)	
	<u>President's Target*</u>	<u>Agency Request</u>	<u>President's Target*</u>	<u>Agency Request</u>
(1) Executive Direction and Field Administration	506	686	\$20	\$30
(2) Procurement and Tech. Asst.	199	222	9	12
(3) Management Asst.	225	353	27	46
(4) Portfolio Management	1,668	2,100	70	91
(5) Support Services	987	1,161	65	97
(6) Minority Small Business ...	315	337	41	27
Total	<u>3,900</u>	<u>4,859</u>	<u>\$232</u>	<u>\$303</u>

What The President's Target Funds:

- o Maintains current resources for portfolio management.
- o Requires SBA to use management and technical assistance personnel for leveraging private sector resources.
- o Reduces Administrative overhead consistent with Reform '88 initiatives.

What the Agency Request Buys

- o Expanded SBA personnel (959 FTE's).
- o Increases in funding for University based Small Business Development Centers.
- o Increases in SBA personnel compensation, travel, contract support, direct management and technical assistance.

* OMB passback maintains planning ceiling.

III. EXPORT-IMPORT BANK BUDGET ISSUES

1) Direct Loan Limitations: Request vs. President's Budget Target

	1985	1986	1987	1988	1989	Total
	(\$ in millions)					
(1) President's Budget Target *	3,830	3,830	3,830	3,830	3,830	19,150
(2) Agency Request.....	6,400	7,040	7,740	8,510	9,370	39,060
(3) Agency Add-on.....	+2,570	+3,210	+3,910	+4,680	+5,540	+19,910

/ 1984 Enacted..... 3,865 /

	1984	1985
o <u>FTE Comparison</u>		
(1) President's 1984 budget.....	342	342
(2) Requested add-on.....	+13	+17
(3) OMB Passback.....	--	--

What the President's Budget Target Funds

- o Sufficient to fund the majority of demand for export credit in 1985, commensurate with a gradual economic recovery by developing countries. (Actual obligations in FY 1983 were \$845 million.)
- o Would require some tightening of lending policies and increased use of private financing in blended financial packages in the outyears.
- o Consistent with a policy of providing subsidized credits only when principal competition is from high inflation and high interest countries, such as France and Italy, and use of guaranteed loans to match commercial cost based competition from Germany, Japan and Switzerland.
- o Rather than providing additional permanent FTE, OMB passback included funding to hire outside contractors to assist the Bank in meeting the temporary problem of large numbers of claims requests for which the additional 13 FTE were sought.

* OMB passback at ceiling level.

What the Agency's Request would Buy

- o Direct loan resources 66% above FY 1984 enacted level would finance the higher end of the range of potential demand for export credits in FY 1985.
- o Permits continuation of a policy of providing direct loans, with limited private sector participation, to meet most foreign competition.
- o Would provide sufficient government credits to fund an additional \$3-4 billion in U.S. exports (1% of total U.S. exports).

2) Guaranteed Loan Limitation: Request vs. Presidential Budget Target

	<u>1985</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>	<u>1989</u>	<u>Total</u>
			(\$ in millions)			
(1) President's Budget Target *	10,000	10,000	10,000	10,000	10,000	50,000
(2) Agency Request.....	10,000	11,050	12,230	13,530	14,970	61,780
(3) Agency Add-on.....	-0-	+1,050	+2,230	+3,530	+4,970	+11,780

What the President's Budget Target Funds

- o Provides an increase in guaranteed lending by \$3.5 billion (53%) above FY 1983 actual levels when the \$2 billion in special financing facilities for Brazil and Mexico are excluded.
- o Would permit substantial expansion of guaranties for private sector participation in export financing packages with the Bank's direct loans.
- o Maintenance of Target in outyears will require the Bank to assist the private sector insurance companies to develop programs competitive with those of the Bank so that it can phase down its own activities in better markets.

What the Agency's Request would buy

- o Annual growth of 10% in the loan guarantee ceiling (5-6% in real terms) in outyears would enable the Agency to maintain generous coverage and develop new policies as the demand arose.

* OMB passback at ceiling level.

- o Raises risk of guarantee default and out-year outlay exposure.

Estimated Outlays due to Defaults and Reschedulings of Loans

	<u>1983</u>	<u>1984</u>	<u>1985</u>
	(\$ in millions)		
Agency Estimate:			
Rescheduled direct loans	70	550	250
Payments on guaranteed loans	<u>125</u>	<u>800</u>	<u>350</u>
TOTAL	<u>195</u>	<u>1,350</u>	<u>600</u>