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THE WHITE HOUSE

WASHINGTON

January 22, 1986

MEMORANDUM FOR ADMINISTRATION SPOKESMEN

FROM: TOM GIBSON *TG*
SUBJECT: FY '87 Budget Advocacy Materials -- Themes

Attached, for your information and use, are advocacy materials on key themes of the President's forthcoming FY 1987 budget.

You will receive additional and updated briefing materials as issues concerning the '87 budget develop. If you have any questions regarding these materials please contact my office.

Thanks very much.

1986 -- YEAR OF DECISION

Executive Summary of FY 1987 Budget Themes

- o 1986: The year to decide whether we have the will to at last bring federal spending under control and remove the last remaining obstacle to a future of growth and prosperity.
- o 1986: The year to decide whether our elected officials can make the tough decisions they agreed to last year when they passed and sent to the President the Gramm-Rudman-Hollings legislation.
- o 1986: The year to make clear to the world our commitment to peace through strength will not be compromised.
- o 1986: The year to decide we're not going to raid the family budget in order to protect the federal budget.
- o 1986: The year to tell critics, "we will go no further" with a process that leads to more spending and higher deficits in order to protect programs we don't need and can't afford.

1986 -- YEAR OF DECISION

Excessive spending and a swollen federal deficit are the last major obstacles blocking America's path to lasting prosperity. Reduction of federal spending and elimination of the deficit are the last unmet commitments of the Reagan Revolution. In five years, under Reagan policies:

- Over 9 million more Americans working (since Nov. '82);
- Highest share of U.S. working age population (60%) employed;
- More black Americans employed than ever in U.S. history -- over 10 million;
- Personal tax rates cut across-the-board, and indexed;
- Federal tax bite held in check at around 19% of GNP;
- Inflation brought under control (from 12% to below 4% for more than three years);
- Average of 11,000 new business incorporations every week of Reagan Presidency;
- Stock market almost doubled in value since '82 (Dow hit record high in December '85); and
- Interest rates down -- prime rate at 9.5%, the lowest in 7 years.

Only federal spending remains out of control -- consuming almost one quarter of U.S. Gross National Product each year -- leaving annual deficits of \$200+ billion.

The Reagan budget (FY 1987) meets this crisis head-on, consistent with Gramm-Rudman-Hollings targets agreed upon by Congress and the President.

- 1) Gramm-Rudman-Hollings target of \$144 billion met for FY '87.
- 2) No new taxes proposed, or required.
- 3) Social Security and essential spending for those in need remain inviolate.
- 4) Budget includes the real growth path for national security agreed to by the President and Congress in 1985.

Yet, some in Congress are already proclaiming Reagan budget "Dead before arrival."

Why? Do Members of Congress favor abandoning the Gramm-Rudman-Hollings targets they just enacted? Do they favor higher taxes? Gutting national defense? Hitting Social Security and programs for those in need?

WHY NOT CUT DEFENSE?

- A) President already accepted zero defense growth for FY 1986. (Even Mondale had not proposed that.) President already compromised on defense in accepting 0-3-3.
- B) Defense spending now below Carter projections.
- C) Defense consumes smaller share of GNP (6%) than in any JFK or LBJ peacetime year.
- D) Soviet modernization continues at faster pace than U.S.
- E) If U.S. defense programs crippled or abandoned, then unstable world of late seventies returns and Soviets no longer have incentives to negotiate.

WHY PASS REAGAN'S BUDGET?

- A) Guarantees path to eliminate deficits in FY 1991 -- last major threat to America's prosperity.
- B) Avoids tax increase, preserves reasonable defense.
- C) Removes government from activities it can no longer afford, or in which it has no business -- e.g., regulating trucking and running trains.
- D) Sheds dead weight of past, unloads surplus property. Shapes government up -- for 21st century.
- E) Preserves family budget by cutting federal budget.
- F) Stops off-loading massive debt on younger generation.

WHAT IF CONGRESS REFUSES TO ACCEPT THE PRESIDENT'S BUDGET AND SEQUESTERING TAKES EFFECT?

Would replace Congressional decision making with an iron formula, reflecting Congressional inability to do its Constitutional duty. Would cut good programs same as bad, efficient as well as inefficient.

FATEFUL YEAR -- 1986

- 1) Will determine if we can ever bring spending under control.
- 2) Will determine if Congress has lost ability to manage "power of the purse."

FY 1987 BUDGET THEMES

OVERVIEW

- o In a few weeks, President Reagan will send to Congress his proposed federal budget for fiscal year 1987. This will be the first budget submitted in the Gramm-Rudman-Hollings era.
- o The President's 1987 budget will accomplish four key goals:
 - it will preserve benefits for those truly in need;
 - it will provide for the national defense;
 - it will not raise taxes; and
 - it will meet the \$144 billion deficit target called for by the Gramm-Rudman-Hollings law.
- o The President's budget will not cut Social Security benefits. Essential programs for low-income families will also be protected.
- o The Administration is proposing funding levels for national security consistent with the real growth path agreed to by the President and Congress in 1985. Defense currently consumes a smaller share of GNP (6%) than in any Kennedy-Johnson peacetime year.
- o This budget contains no tax increase. Federal receipts will rise to just over 19% of GNP in the last years of this decade (down from a peak of nearly 21% in 1981 but up from an average of 18.3% from 1964-1979). It is federal spending that has spun out of control.
- o The President will demonstrate leadership by submitting a budget which meets the \$144 billion deficit target called for by Gramm-Rudman-Hollings with spending cuts -- the first annual payment on a deficit-reduction plan that brings the federal budget into balance by FY 1991.

1986 -- Year of Decision

- o Excessive federal spending and a large federal deficit are the last major obstacles blocking America's path to permanent prosperity. Curtailment of spending and elimination of that deficit are the last unmet commitments of the Reagan Revolution.
- o This year will determine if we can ever bring federal spending under control. In 1986, Congress will reveal whether it has lost the ability to manage the "power of the purse."

WHITE HOUSE TALKING POINTSTHE 1987 BUDGET:
MEETS GRAMM-RUDMAN-HOLLINGS TARGETS, INTELLIGENTLY

- o Contrary to widespread misunderstanding, Gramm-Rudman-Hollings does not dictate how or where cuts in federal spending will occur. It is a process, now the law, that will force the federal government to meet specific deficit reduction targets en route to a balanced budget in FY 1991.
- o Gramm-Rudman-Hollings sequestering will be triggered only if Congress continues to abdicate its Constitutional responsibility and fails to pass a budget that meets those targets.

Why Pass the Administration's Budget?

- o The Administration's budget for FY '87 is a reasoned and defensible determination of what federal spending priorities should be.
 - Preserves social spending for the needy;
 - Preserves spending for health, safety, and other services that benefit the general population (air traffic controllers, drug interdiction efforts, AIDS research, etc.);
 - Preserves spending to restore America's defense capability, a function performed only by the federal government; and
 - Removes the government from activities that have outlived their usefulness, or which the government has no business undertaking.
- o The President's FY 1987 budget will meet the \$144 billion deficit target required under Gramm-Rudman-Hollings -- without raising taxes.
- o The President's budget looks forward to America's future. America's government should be lean and efficient -- to match the spirit and drive of the American people. Surplus property, archaic agencies that have outlived their usefulness, and the massive overspending intended to placate the special interests, should be shed.
- o Alternatives to the President's budget that will be unacceptable:
 - 1) Higher taxes. The President will oppose higher taxes because they will choke off the record investment growth, job creation and prosperity that have characterized "Reaganomics" for the past 39 months.
 - 2) Lower defense. An abrupt turnaround in Congressional support for essential defense spending would simply result in false economies -- and jeopardize national security.

THE 1987 BUDGET: NO TAX INCREASES

- o The President will submit a FY 1987 budget that meets the \$144 billion deficit target without new taxes.
- o In 1984, one candidate spoke of the need for sharply higher taxes to close the deficit gap. The other candidate, Ronald Reagan, swept to reelection with a 49-state mandate to curb government spending through fiscal restraint.

Higher Taxes No Cure

- o Reducing the deficit through tax hikes would impose substantial new tax burdens on American households. For example, assuming no spending reductions, a tax increase on the order of \$50 billion would be required to achieve the FY 1987 deficit target.
- o A tax increase of this size would increase the average tax burden by over \$500 for the average American household. If achieved entirely through increases in personal income taxes, the burden on the average household would increase by about 7.5 percent.
- o As experience has proved, higher taxes reduce incentives for Americans to work, save and invest -- thus choking off the creation of new jobs.
- o The Reagan economic agenda has put more than 9 million additional Americans to work since November 1982. That is more jobs created than our European allies, with their high personal and business taxes, have been able to provide their citizens in the past decade.
- o Experience has also shown that higher taxes do not necessarily go to reduce the deficit -- but more often are used to justify increased government spending.
- o For every extra dollar a prosperous America has sent to Washington in the past four years, the federal government took that dollar and spent an additional dollar.

Revenue Holding Steady

- o The Reagan tax cuts did not cause the deficit. Federal tax revenues, which had soared to more than 20 percent of GNP in 1981 (prior to the Reagan tax cuts), have averaged about 19 percent of GNP over the past four years -- at the top end of the 18-19 percent range that prevailed from 1952-1979.
- o Despite President Reagan's efforts to rein it in, federal spending is out of hand. While taxes have remained relatively unchanged as a share of GNP, spending has steadily increased to about 24% of GNP in 1985 -- up substantially from the 20 percent average of 1964 through 1979.

THE 1987 BUDGET: NATIONAL DEFENSE PRESERVED

- o The President's FY 1987 budget will include a modest increase in defense to sustain recent improvements in capability.
- o Even with the proposed increases, defense still constitutes a smaller share of the budget and of GNP than in any Kennedy-Johnson peacetime year.

Status of Restoring America's Security

- o During the 1970s, the United States seriously underfunded defense programs.
 - From 1972 to 1981, U.S. defense spending declined nearly 20 percent in real terms.
 - As a percentage of the GNP, defense spending declined to 5% by 1977, down from 7.5% of GNP in 1971.
 - During the 1970s, the Soviet Union outpaced our defense spending effort by about 50 percent.
- o In the past five years of the Reagan Administration, we have reversed this alarming decline in defense and have made significant progress in strengthening our military capabilities. We have laid the foundation for the most effective American military we have ever had in peacetime.

Why Not Cut Defense?

- o Providing for America's security is the unique obligation of the federal government. No other level of government or private institution can fund national defense.
- o In contrast, many domestic programs can be effectively performed by state or local governments -- which are better able to afford them, having in aggregate a multi-billion dollar budget surplus in 1985.
- o The choice presented in the President's budget is clear: preserve defense, or turn back the clock to the late 1970s, when many of our planes couldn't fly and our ships couldn't sail for lack of parts and trained personnel.
- o The President agreed to a pause in rebuilding our defenses last year, as part of a budget compromise with the Congress. But that same compromise called for 3 percent real growth this year, and this is in the President's budget.

National Defense Preserved (continued:)

- o With all of the talk about defense spending growth, the defense budget, as a percent of GNP, is still low by post-war standards. It is now about 6% -- well below the 9.5% of 1960, and smaller than in any year of the Kennedy-Johnson administration.
- o Moreover, Soviet military expansion continues -- the current defense budget of the Soviet Union consumes an estimated 15% of their GNP.
- o An abrupt turnaround in Congressional support for essential defense spending would simply result in false economies -- and jeopardize national security interests:
 - Stop-and-go procurement and stretch-outs are extremely expensive. We end up with less equipment at much higher costs per item;
 - In many cases trained personnel might not be available to run military equipment already approved by Congress;
 - Maintenance would suffer, training would deteriorate, and crew proficiency would be undermined; and
 - The reduced quality of life for service personnel would hurt morale and increase turnover. Higher turnover means higher training costs for less experienced forces.

THE 1987 BUDGET: SOCIAL SECURITY AND ESSENTIAL SPENDING FOR THE NEEDY PRESERVED

- o The President will submit a FY 1987 budget that meets the \$144 billion deficit target without cuts in Social Security or cuts in essential programs for those in need.

Social Security

- o The President has long believed that revenues and expenditures under the Social Security system should be viewed separately from the rest of the federal budget.
- o Gramm-Rudman-Hollings properly exempts Social Security benefits from automatic spending cuts.

Essential Spending for the Needy


- o Within an overall climate of fiscal responsibility, the Reagan Administration will help meet the needs of individuals by insuring against loss of income resulting from retirement, disability, death, or unemployment of a wage earner, and by assisting those who are unable to provide for themselves.
- o The President believes that this commitment to programs for the poor and elderly transcends differences of ideology and partisanship. Overall, spending in these areas (including Social Security and unemployment insurance) is up more than \$50 billion since 1981.
- o For those who choose to measure "fairness" in budget terms, the Reagan budget will propose spending much more on human needs over the next five years than on defense.
- o The President's FY 1987 budget will propose management reforms and efficiencies that will trim administrative costs, improve service delivery, and help ensure that tax dollars are spent on essential programs to aid those in need.

THE WHITE HOUSE

WASHINGTON

January 24, 1986

MEMORANDUM FOR JAMES C. MILLER, III
DIRECTOR, OFFICE OF MANAGEMENT
AND BUDGET

FROM: JOHN G. ROBERTS 
ASSOCIATE COUNSEL TO THE PRESIDENT

SUBJECT: President's Budget Message to Congress

Counsel's Office has reviewed the above-referenced message, and finds no objection to it from a legal perspective.

cc: David L. Chew

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

O - OUTGOING

H - INTERNAL

I - INCOMING

Date Correspondence Received (YY/MM/DD) : 1 / 1

Name of Correspondent: Naive Chew

MI Mail Report

User Codes: (A) _____ (B) _____ (C) _____

Subject: President's Budget Message to Congress

ROUTE TO:

ACTION

DISPOSITION

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
<u>CUTTOLL</u>	ORIGINATOR	<u>86,01,23</u>			<u>1 / 1</u>
	Referral Note:				
<u>uat 18</u>	<u>B</u>	<u>86,01,23</u>		<u>S</u>	<u>86,01,24</u>
	Referral Note:				<u>10:30 am</u>
		<u>1 / 1</u>			<u>1 / 1</u>
	Referral Note:				
		<u>1 / 1</u>			<u>1 / 1</u>
	Referral Note:				
		<u>1 / 1</u>			<u>1 / 1</u>
	Referral Note:				

ACTION CODES:

- A - Appropriate Action
- C - Comment/Recommendation
- D - Draft Response
- F - Furnish Fact Sheet to be used as Enclosure
- I - Info Copy Only/No Action Necessary
- R - Direct Reply w/Copy
- S - For Signature
- X - Interim Reply

DISPOSITION CODES:

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- C - Completed
- S - Suspended

FOR OUTGOING CORRESPONDENCE:

- Type of Response = Initials of Signer
- Code = "A"
- Completion Date = Date of Outgoing

Comments: _____

Keep this worksheet attached to the original incoming letter.

Send all routing updates to Central Reference (Room 75, OEOB).

Always return completed correspondence record to Central Files.


Refer questions about the correspondence tracking system to Central Reference, ext. 2590.

THE WHITE HOUSE

WASHINGTON

January 27, 1986

MEMORANDUM FOR DAVID L. CHEW
STAFF SECRETARY

FROM: JOHN G. ROBERTS 
ASSOCIATE COUNSEL TO THE PRESIDENT

SUBJECT: President's FY 1987 Budget Message to Congress

Counsel's Office has reviewed the above-referenced Presidential message, and finds no objection to it from a legal perspective.

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

- O - OUTGOING
- H - INTERNAL
- I - INCOMING
Date Correspondence Received (YY/MM/DD) 1 1

Name of Correspondent: Naam Chew

- MI Mail Report User Codes: (A) _____ (B) _____ (C) _____

Subject: President's FY 1987 Budget message to Congress

ROUTE TO:	ACTION	DISPOSITION		
Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response Code	Completion Date YY/MM/DD
<u>CUTROLL</u>	ORIGINATOR	<u>86/01/27</u>		<u>1 1</u>
<u>Unit 18</u>	Referral Note:	<u>B</u>	<u>S</u>	<u>86/01/27</u> <u>12N</u>
	Referral Note:	<u>1 1</u>		<u>1 1</u>
	Referral Note:	<u>1 1</u>		<u>1 1</u>
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Comments: _____

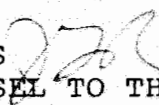
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THE WHITE HOUSE

WASHINGTON

January 28, 1986

MEMORANDUM FOR JAMES C. MILLER, III
DIRECTOR, OFFICE OF MANAGEMENT
AND BUDGET

FROM: JOHN G. ROBERTS 
ASSOCIATE COUNSEL TO THE PRESIDENT

SUBJECT: Budget for FY '87 -- Chapter III

Counsel's Office has reviewed the above-referenced chapter of the budget, and finds no objection to it from a legal perspective.

cc: David L. Chew

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

O - OUTGOING

H - INTERNAL

I - INCOMING

Date Correspondence Received (YY/MM/DD) 1 1

Name of Correspondent: Naomi Chew

MI Mail Report

User Codes: (A) _____ (B) _____ (C) _____

Subject: Budget for FY '87 - Chapter III

ROUTE TO:

ACTION

DISPOSITION

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
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	Referral Note:				

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THE WHITE HOUSE

WASHINGTON

February 3, 1986

MEMORANDUM FOR DAVID L. CHEW
STAFF SECRETARY

FROM: JOHN G. ROBERTS *JGR*
ASSOCIATE COUNSEL TO THE PRESIDENT

SUBJECT: Presidential Order:
FY 1986 Sequestration

This will confirm my oral advice of January 31 to your office, concerning the above-referenced draft order and accompanying message. As I advised, in the first line of the penultimate paragraph, "suspended," should be added between "amount" and "sequestered," and a comma should be added after "sequestered." In the third line of the same paragraph, "suspended or" should be added between "amounts" and "sequestered."

In the message to Congress, "suspend" in line four should be "sequestered."

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

O - OUTGOING

H - INTERNAL

I - INCOMING

Date Correspondence Received (YY/MM/DD) 1 1

Name of Correspondent: Diane Chew

MI Mail Report

User Codes: (A) _____ (B) _____ (C) _____

Subject: Presidential order: FY 1986 sequestration

ROUTE TO:

ACTION

DISPOSITION

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
<u>CUHOLL</u>	ORIGINATOR	<u>86101131</u>			<u>1 1</u>
	Referral Note:				
<u>cuat 18</u>	<u>B</u>	<u>86101131</u>		<u>5</u>	<u>8610131</u>
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	Referral Note:				
		<u>1 1</u>			<u>1 1</u>
	Referral Note:				

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WHITE HOUSE STAFFING MEMORANDUM

DATE: 1/31/86 ACTION/CONCURRENCE/COMMENT DUE BY: 5:00 p.m. TODAY

SUBJECT: PRESIDENTIAL ORDER: FISCAL YEAR 1986 SEQUESTRATION

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	OGLESBY	<input checked="" type="checkbox"/>	<input type="checkbox"/>
REGAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	POINDEXTER	<input checked="" type="checkbox"/>	<input type="checkbox"/>
MILLER	<input type="checkbox"/>	<input checked="" type="checkbox"/>	RYAN	<input type="checkbox"/>	<input type="checkbox"/>
BUCHANAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SPEAKES	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CHAVEZ	<input type="checkbox"/>	<input type="checkbox"/>	SPRINKEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CHEW	<input type="checkbox"/>	<input checked="" type="checkbox"/>	STEELMAN	<input type="checkbox"/>	<input type="checkbox"/>
DANIELS	<input type="checkbox"/>	<input type="checkbox"/>	SVAHN	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FIELDING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	THOMAS	<input checked="" type="checkbox"/>	<input type="checkbox"/>
HENKEL	<input type="checkbox"/>	<input type="checkbox"/>	TUTTLE	<input type="checkbox"/>	<input type="checkbox"/>
HICKS	<input type="checkbox"/>	<input type="checkbox"/>	<u>CLERK</u>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
KINGON	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
LACY	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS: Please submit any comments/recommendations on the attached order directly to my office by 5:00 p.m. this afternoon. Thanks.

RESPONSE:



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

JAN 31 1986

100 JUN 31 PM 3 25

MEMORANDUM FOR THE PRESIDENT

FROM: James G. Miller III
Director

SUBJECT: Presidential Order and Congressional Message
Under the Balanced Budget and Emergency Deficit
Control Act of 1985

Attached for your signature is an order to all Legislative, Judicial, and Executive Branch agencies and a message to the Congress as required by the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings). The Act requires a February 1, 1986 Presidential order and an accompanying message reporting on the order to eliminate the \$11.7 billion of deficit excess in Fiscal Year 1986.

The order formally directs all affected agencies to take the indicated sequestration or reduction actions effective March 1, 1986, unless there is additional enacted legislation to amend the order. The order is based on the January 21, 1986 Comptroller General's sequestration or reduction determinations. The determinations modify or confirm the January 15, 1986 Office of Management and Budget and Congressional Budget Office Sequestration Report required by the Act. OMB has also issued separately more detailed instructions to agencies on needed actions. The message advises the Congress that the Presidential order suspends certain automatic spending increases (chiefly cost of living allowances for entitlement programs) and reduces or suspends the availability of budgetary resources by account and below the account level.

Recommendation

I recommend that this order be signed and the accompanying message be transmitted to the Congress.

Attachments

TO THE CONGRESS OF THE UNITED STATES:

In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, I herewith report the issuance of the order to affected agencies to ~~suspend~~ ^{request} automatic spending increases and ~~suspend~~ or reduce budgetary resources consistent with the Comptroller General's January 21 sequestration or reduction determinations required by the Act, to eliminate the \$11.7 billion deficit excess for Fiscal Year 1986. This order is effective March 1, 1986, unless modified by enacted alternative deficit reduction legislation.

Heads of Executive, Legislative, and Judicial branch agencies have further calculated and are sending to the Congress detailed reports of the base and reduction or sequestration amount by programs, projects, and activities. These calculations are in compliance with the Comptroller General's report.

THE WHITE HOUSE,

ORDER

Emergency Deficit Control Measures
for Fiscal Year 1986

By the authority vested in me as President by the statutes of the United States of America, including section 252 of the Balanced Budget and Emergency Deficit Control Act of 1985 (hereafter referred to as "the Act"), I hereby order that the following actions be taken immediately to implement the required sequestration or reduction determined by the Comptroller General in his report dated January 21, 1986 under section 251 of the Act:

- (1) Each automatic spending increase which, but for the passage of the Act, would be first paid on or after the enactment of the Act during fiscal year 1986 is suspended as provided in 252(a)(6) and subject to provisions set forth in sections 255, 256, and 257 of the Act. The programs with such 1986 automatic spending increases subject to reduction in this manner, specified by account title, are: Central Intelligence Agency retirement and disability system fund; Civil service retirement and disability fund; Comptrollers general retirement system; Foreign service retirement and disability fund; Military retirement fund; National Oceanic and Atmospheric Administration retirement; Railroad Retirement Tier II; Retired pay, Coast Guard; Retirement pay and medical benefits for commissioned Public Health Service officers; Special benefits, Federal Employees' Compensation Act; National Wool Act; Special milk program; and Vocational rehabilitation. *and*
?
- (2) New budget authority and unobligated balances amounts for major National Defense functional category (050) are sequestered according to the procedures set forth in section 252(a)(2) of the Act.
- (3) For non-defense accounts in the Federal budget, the following are sequestered: new budget authority, new loan guarantee commitments, new direct loan obligations, and spending authority as defined in section 401(c)(2) of the Congressional Budget Act of 1974, as amended, and the reduction of obligation limitations, for each account and for each program, project, and activity, as defined pursuant to section 252(a)(1)(B)(i) of the Act, or each budget account activity as defined pursuant to section 252(a)(1)(B)(ii) of the Act.

- (4) For accounts making payments otherwise required by substantive law, the head of each Department or agency is directed to modify the calculation of each such payment to the extent necessary to reduce the estimate of total required payments for the remainder of the fiscal year (a) where payments are not made from spending authority as defined in section 401(c)(2) of the Congressional Budget Act of 1974, as amended, to the level of remaining budgetary resources or (b) where payments are made from spending authority as defined in section 401(c)(2) of the Congressional Budget Act of 1974, as amended, to the estimated level of payments included in the Comptroller General determination on January 21, 1986 of required sequestration or reduction action.
- (5) For accounts making commitments for guaranteed loans and obligations for direct loans subject to limitation otherwise required by substantive law, the head of each Department or agency is directed to modify the calculation of such commitments or obligations to the extent necessary to conform to the limitations established by the Act and specified in the Comptroller General determination of January 21, 1986.
- (6) Each Department or agency head may, to the extent not otherwise prohibited by law, use existing authority to deobligate balances of budgetary resources as necessary to apply the required reduction or sequestration in as uniform a manner as possible for any person or other recipient entitled to payments under any formula-driven calculations specified in the substantive law. Deobligations may include budgetary resources obligations for which checks have not been issued or funds not otherwise disbursed (funds obligated but unexpended).

Also, the head of each Department or agency shall report the programs, projects, and activities information required by section 252(a)(5)(A) and (B) to the President of the Senate, the Speaker of the House, the Director of the Office of Management and Budget, and the Comptroller General, as instructed by the Director of the Office of Management and Budget in Bulletin No. 86-7. For those programs in the National Defense function that have already been reported by program, project, and activity, no additional report is necessary. The reports of the departments and agencies are hereby incorporated in this Order.

I further direct the Director of Central Intelligence to report the programs, projects, and activities information required by section 252(a)(5)(A) and (B) on a classified basis to the appropriate committees of the Congress for the National Foreign Intelligence Program consistent with paragraphs 1 through 3 of this Order and to so advise the President of the Senate, the Speaker of the House, the Director of the Office of Management and Budget, and the Comptroller General, as instructed by the Director of the Office of Management and Budget.

In accordance with section 252(a)(6)(A), amounts ^{suspended,} sequestered, or reduced under this Order shall be withheld from obligation and amounts sequestered shall be permanently cancelled as of March 1, 1986 unless alternative legislation is enacted prior to that date.

^{or} This Order shall be reported to the Congress and shall be published in the Federal Register.

THE WHITE HOUSE,

FACT SHEET
ORDER AND MESSAGE UNDER THE
BALANCED BUDGET AND EMERGENCY
DEFICIT CONTROL ACT OF 1985

Summary

Today, the President signed an order to sequester or reduce 1986 outlays by \$11.7 billion. The order is based on the Comptroller General determination on January 21, 1986 of required sequestration or reduction action under the Balanced Budget and Emergency Deficit Control Act of 1985. Unless there is additional enacted legislation to modify the order, the 1986 reductions and sequestrations will become effective March 1, 1986. The President also signed and transmitted to Congress the message required under the Act that reports on the sequestration or reduction action.

Details

The Balanced Budget and Emergency Deficit Control Act of 1985 requires the President to sequester or reduce funds as finally determined by the Comptroller General's January 21, 1986 report. The Comptroller General's report confirms or modifies information reported to him by the Office of Management and Budget and the Congressional Budget Office.

The order takes effect on March 1, 1986 unless Congress acts, and the President signs, an alternative deficit reduction plan for 1986. The Administration does not intend to submit an alternative 1986 plan. The President's 1987 Budget, if adopted by the Congress, will not exceed the maximum excess deficit target for 1987.

The message advises the Congress that all affected agencies have been ordered to take the sequestration or reduction action effective March 1, 1986 consistent with the Comptroller General's January 21, 1986 report. The order suspends certain automatic spending increases, and suspends or reduces budgetary resources to meet the 1986 excess deficit reduction of \$11.7 billion. Agencies have provided to the Congress detailed information by account and program, project, and activity level.

THE WHITE HOUSE

WASHINGTON

February 19, 1986

MEMORANDUM FOR THOMAS F. GIBSON III
SPECIAL ASSISTANT TO THE PRESIDENT AND
DIRECTOR OF PUBLIC AFFAIRS

FROM: JOHN G. ROBERTS *JGR*
ASSOCIATE COUNSEL TO THE PRESIDENT

SUBJECT: Talking Points on the Budget

Counsel's Office has reviewed the "FY 87 Budget Update" talking points. The Gramm-Rudman points should be slightly revised in the interest of accuracy. In line 2 of the first Gramm-Rudman items, delete "upheld" and substitute "recently ruled on." Substitute the following for the second item: "The Court rejected broad challenges to the entire Act, but upheld the Administration's position that the Comptroller General cannot determine the spending cuts necessary to implement the Act because that is an executive branch function." The third Gramm-Rudman item is unobjectionable.

cc: David L. Chew

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

- O - OUTGOING
- H - INTERNAL
- I - INCOMING
Date Correspondence Received (YY/MM/DD) 1 / 1

Name of Correspondent: Anna Chew

MI Mail Report User Codes: (A) _____ (B) _____ (C) _____

Subject: Talking points on the Budget

ROUTE TO:		ACTION	DISPOSITION			
Office/Agency	(Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
<u>CWHOLL</u>		ORIGINATOR	<u>8610218</u>			<u>1 / 1</u>
		Referral Note:				
<u>CWH18</u>		<u>R</u>	<u>8610218</u>		<u>S</u>	<u>8610219</u> <u>10 am</u>
		Referral Note:				
			<u>1 / 1</u>			<u>1 / 1</u>
		Referral Note:				
			<u>1 / 1</u>			<u>1 / 1</u>
		Referral Note:				
			<u>1 / 1</u>			<u>1 / 1</u>
		Referral Note:				

ACTION CODES:
 A - Appropriate Action
 C - Comment/Recommendation
 D - Draft Response
 F - Furnish Fact Sheet
 to be used as Enclosure

I - Info Copy Only/No Action Necessary
 R - Direct Reply w/Copy
 S - For Signature
 X - Interim Reply

DISPOSITION CODES:
 A - Answered C - Completed
 B - Non-Special Referral S - Suspended

FOR OUTGOING CORRESPONDENCE:
 Type of Response = Initials of Signer
 Code = "A"
 Completion Date = Date of Outgoing

Comments: _____

Keep this worksheet attached to the original incoming letter.
 Send all routing updates to Central Reference (Room 75, OEOB).
 Always return completed correspondence record to Central Files.
 Refer questions about the correspondence tracking system to Central Reference, ext. 2590.

WHITE HOUSE STAFFING MEMORANDUM

DATE: 2/18/86 ACTION/CONCURRENCE/COMMENT DUE BY: 10:00 a.m. 2/19/86

SUBJECT: TALKING POINTS ON THE BUDGET

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	OGLESBY	<input checked="" type="checkbox"/>	<input type="checkbox"/>
REGAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	POINDEXTER	<input type="checkbox"/>	<input type="checkbox"/>
MILLER	<input checked="" type="checkbox"/>	<input type="checkbox"/>	RYAN	<input type="checkbox"/>	<input type="checkbox"/>
BUCHANAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	SPEAKES	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CHAVEZ	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SPRINKEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CHEW	<input type="checkbox"/>	<input checked="" type="checkbox"/>	STEELMAN	<input type="checkbox"/>	<input type="checkbox"/>
DANIELS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SVAHN	<input checked="" type="checkbox"/>	<input type="checkbox"/>
FIELDING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	THOMAS	<input checked="" type="checkbox"/>	<input type="checkbox"/>
HENKEL	<input type="checkbox"/>	<input type="checkbox"/>	TUTTLE	<input type="checkbox"/>	<input type="checkbox"/>
HICKS	<input type="checkbox"/>	<input type="checkbox"/>	GIBSON	<input type="checkbox"/>	<input checked="" type="checkbox"/>
KINGON	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
LACY	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS: Please give your recommendations directly to Tom Gibson, with an info copy to my office by 10:00 a.m. tomorrow morning. Thanks.

RESPONSE:

FY 87 BUDGET UPDATE

President Reagan's FY 87 budget sets the deficit on a downward curve to a balanced budget by 1991. It does so

1. without raising taxes;
2. without sacrificing our defense preparedness; and
3. without cutting benefits for the poor and the elderly.

The President's budget meets the \$144 billion G-R-H target by cutting \$38 billion from the projected deficit for FY 87. The President's budget also holds outlays below the \$1 trillion mark:

Current services outlays for FY 87 = \$1025.9 billion
The President's proposed FY 87 budget outlays = \$994 billion

Of the \$38 billion deficit reduction:

- o \$12 billion is from new revenues, including more than \$3 billion from selling unproductive or unneeded federal assets, and more than \$2 billion in additional user fees.
- o \$4 billion is from defense and savings on interest payments because of lower inflation and lower deficits.
- o The rest, \$22 billion, comes from cutting other programs.
 - Before G-R-H, we planned to spend \$418 billion for these programs. The \$22 billion cut is only about 5% of planned spending on these programs, and less than 2.5% of total federal spending.
 - Since revenues are rising faster than outlays, biting the bullet now puts us on target for a balanced budget without further significant cuts later.
- o Lower income assistance programs are preserved. The budget contains FY 1987 savings of \$77 million out of a \$40 billion base -- a reduction of less than 2%.

Gramm-Rudman-Hollings update

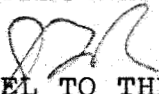
- o A special three-judge panel of the U.S. District Court upheld the validity of G-R-H. The decision does not take effect until after the Supreme Court rules on an appeal this spring.
- o The Court upheld the Administration's position that the Comptroller General should not be allowed to sequester funds because that is an executive branch function.
- o President Reagan will continue to submit budgets that meet the goals of deficit reduction and balanced budgets agreed to in the the G-R-H law.

THE WHITE HOUSE

WASHINGTON

March 20, 1986

MEMORANDUM FOR BEN ELLIOTT
DEPUTY ASSISTANT TO THE PRESIDENT AND
DIRECTOR OF SPEECHWRITING

FROM: JOHN G. ROBERTS 
ASSOCIATE COUNSEL TO THE PRESIDENT

SUBJECT: Presidential Radio Talk: Budget

Counsel's Office has reviewed the above-referenced radio talk and finds no objection to it from a legal perspective.

cc: David L. Chew

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

O - OUTGOING

H - INTERNAL

I - INCOMING

Date Correspondence Received (YY/MM/DD) 1 1

Name of Correspondent: Dave Chew

MI Mail Report User Codes: (A) _____ (B) _____ (C) _____

Subject: Radio address: Budget

ROUTE TO:

ACTION

DISPOSITION

Office/Agency (Staff Name)	Action Code	Tracking Date YY/MM/DD	Type of Response	Code	Completion Date YY/MM/DD
<u>CUAOLL</u>	<u>ORIGINATOR</u>	<u>86,03,20</u>			<u>1 1</u>
	Referral Note:				
<u>Mat 18</u>	<u>R</u>	<u>86,03,20</u>		<u>5</u>	<u>86,03,20</u> <u>3pm</u>
	Referral Note:				
		<u>1 1</u>			<u>1 1</u>
	Referral Note:				
		<u>1 1</u>			<u>1 1</u>
	Referral Note:				
		<u>1 1</u>			<u>1 1</u>
	Referral Note:				

ACTION CODES:

- A - Appropriate Action
- C - Comment/Recommendation
- D - Draft Response
- F - Furnish Fact Sheet to be used as Enclosure
- I - Info Copy Only/No Action Necessary
- R - Direct Reply w/Copy
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- Type of Response = Initials of Signer
- Code = "A"
- Completion Date = Date of Outgoing

Comments: _____

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 Send all routing updates to Central Reference (Room 75, OEOB).
 Always return completed correspondence record to Central Files.
 Refer questions about the correspondence tracking system to Central Reference, ext. 2590.

WHITE HOUSE STAFFING MEMORANDUM

DATE: 3/20/86 ACTION/CONCURRENCE/COMMENT DUE BY: 3:00 P.M. TODAY

SUBJECT: RADIO TALK: BUDGET

	ACTION FYI			ACTION FYI	
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	LACY	<input type="checkbox"/>	<input type="checkbox"/>
REGAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	POINDEXTER	<input checked="" type="checkbox"/>	<input type="checkbox"/>
MILLER	<input checked="" type="checkbox"/>	<input type="checkbox"/>	RYAN	<input type="checkbox"/>	<input type="checkbox"/>
BALL	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SPEAKES	<input type="checkbox"/>	<input checked="" type="checkbox"/>
BUCHANAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	SPRINKEL	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CHAVEZ	<input type="checkbox"/>	<input type="checkbox"/>	SVAHN	<input checked="" type="checkbox"/>	<input type="checkbox"/>
CHEW	<input type="checkbox"/>	<input checked="" type="checkbox"/>	THOMAS	<input checked="" type="checkbox"/>	<input type="checkbox"/>
DANIELS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	TUTTLE	<input type="checkbox"/>	<input type="checkbox"/>
FIELDING	<input checked="" type="checkbox"/>	<input type="checkbox"/>	ELLIOTT	<input type="checkbox"/>	<input checked="" type="checkbox"/>
HENKEL	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
HICKS	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
KINGON	<input checked="" type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS: Please provide any comments directly to Ben Elliott by 3:00 this afternoon, with an info copy to my office. Thank you.

RESPONSE:

(Robinson/BE)
March 20, 1986
11:30 a.m.

PRESIDENTIAL RADIO TALK: BUDGET
SATURDAY, MARCH 22, 1986

My fellow Americans, I'd like to speak this afternoon about our Nation's budget and your own. By April 15th -- the same date by which you must file your Federal income tax returns -- the Congress is required by law to pass a budget resolution. This resolution will tell in outline form how much the Congress intends to spend in 1987 -- and how it intends to raise this money from you, the American people. As the Congress puts this budget outline together, there is good news and bad news.

The good news is that, in large part as a result of our policies of low taxes and limited Government, our economy is breaking records. Last month, wholesale prices registered their sharpest fall since the Government started keeping track of them. Inflation overall is at the lowest level in nearly a decade-and-a-half. Interest rates have toppled. Indeed, just 2 weeks ago, the prime rate of interest -- which was running at more than 20 percent when we took office 5 years ago -- fell to just 9 percent, the lowest point in 8 years. And as interest rates continue to fall, mortgage rates are coming down, making it much easier to buy homes.

One piece of good news deserves special mention -- the dramatic drop in oil prices. When our Administration took office, we at once decontrolled the price of oil. Our critics on the left and in the media predicted this would send gas prices at the pump through the roof. They were wrong. The production of

oil and other fuels increased, putting pressure on the OPEC oil cartel. Today the OPEC cartel is all but powerless -- and oil prices have collapsed from more than \$25 per barrel to less than \$15. Overall this collapse represents a tremendous boon to our economy. Already, you're beginning to pay less for petroleum products of all kinds, including heating oil and gasoline. Isn't it good to be able to put a gallon of gas in the car for less than a dollar again?

The good news in the largest sense is that our Nation now has the chance to continue building sustained and vigorous economic growth, the likes of which we haven't seen since the 1950's and early 1960's -- a lasting era of good times and prosperity. We need only bring tax rates down lower and get Government spending under control.

Now for the bad news: it looks as though the Congress intends to do neither. The leadership of the House of Representatives is resisting all attempts to control spending and seems to be talking non-stop about tax hikes. And in the Senate last Wednesday, the Budget Committee voted in favor of a resolution that would raise your taxes by more than \$50 billion over just 3 years.

Part of the problem in Congress is misguided thinking. Many Representatives and Senators believe the Federal deficit is the problem, when the real trouble is Government spending.

You see, the more the Government spends, the more resources it takes from the private sector, the greater the upward pressure on interest rates, and the lower the rate of economic growth.

Whether the Government obtains its funds through taxation or borrowing, the root problem remains the same -- Government use of spending to take over more and more of the economic life of our Nation. This smothers the private-sector incentives that keep our economy vibrant.

A tax hike now would only encourage the Congress to spend more. All that we've worked so hard to achieve -- all the good economic news -- would be wrecked. That's why I want to say to you again today -- my veto pen is inked up and ready to go. If Congress sends me a tax increase, I will use that pen the instant the bill reaches my desk. Sometimes a President just has to spell relief, V-E-T-O.

The Congress need only return to the proposals our Administration has already put before it. The budget we submitted to the Congress last February meets the deficit-shrinking requirements set by the Gramm-Rudman-Hollings Act -- and does so while avoiding any tax hike. At the same time, our budget keeps America's defenses strong -- a duty the Senate Budget Committee's resolution fails to perform. The Congress should also pass our Balanced Budget Amendment to the Constitution -- a measure that would make certain once and for all that Government spends no more than Government takes in. This week the Senate will take up the Balanced Budget Amendment, and I urge you to let your Senators know that you expect them to vote 'yes.'

My friends, that's all it would take -- just the Balanced Budget Amendment, a strong defense, a no-tax-hike budget, and a

commitment to lower tax rates further -- to turn all the good economic news of recent into the beginnings of a new and lasting prosperity. Isn't it time the Congress got Government out of the way -- and let the good times roll?

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

THE WHITE HOUSE

WASHINGTON

April 3, 1986

MEMORANDUM FOR PETER J. WALLISON

FROM:

JOHN G. ROBERTS 

SUBJECT:

FBI's Fiscal Year 1987 Budget Request for
the Foreign Counterintelligence Program

Jack Perkins, Deputy Assistant Attorney General for Legislative and Intergovernmental Affairs, has circulated proposed testimony on the FBI budget request for the FY 1987 foreign counter-intelligence program. He has asked for comments from OMB and within Justice, and copied you on the request. While it is not unusual for Justice to provide us with copies of proposed testimony, this is the first instance I can recall of classified testimony being provided. In the typical instance Justice does not expect and does not receive comments from us, unless we have serious reservations about the proposed testimony.

The instant testimony reviews the Bureau's involvement in the various highly-publicized "spy" cases in the past year, outlines the expanding need for counterintelligence and counterterrorist activities, and justifies the budget request. The draft testimony also takes note of the effects of Gramm-Rudman-Hollings on resource levels, but there is no discussion of the constitutional or other legal issues pending before the Supreme Court.

I have reviewed the draft testimony and see no need for any action by our office.