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THE WHITE HOUSE

WASHINGTON

December 13, 1985

MEMORANDUM FOR DAVID L. CHEW

STAFF SECRETARY

FROM:

JOHN G. ROBERTS

ASSOCIATE COUNSEL TO THE PRESIDENT

SUBJECT:

H.R. 3919 -- Temporary Extension

of Agricultural Programs

Counsel's Office has reviewed the above-referenced enrolled bill, and finds no objection to it from a legal perspective. If possible, this bill should be signed today.

THE WHITE HOUSE

WASHINGTON

December 17, 1985

MEMORANDUM FOR BRANDEN BLUM

LEGISLATIVE ATTORNEY

OFFICE OF MANAGEMENT AND BUDGET

FROM:

JOHN G. ROBERTS

ASSOCIATE COUNSEL TO THE PRESIDENT

SUBJECT:

DOJ Draft Report on S. 1815, the Polygraph Protection Act of 1985

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

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WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

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OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

December 16, 1985

LEGISLATIVE REFERRAL MEMORANDUM

TO:

LEGISLATIVE LIAISON OFFICER

SEE ATTACHED DISTRIBUTION LIST

SUBJECT: Department of Justice draft report on S. 1815, the Polygraph Protection Act of 1985.

The Office of Management and Budget requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

Please provide us with your views no later than December 20, 1985.

Direct your questions to Branden Blum (395-3454), the legislative attorney in this office.

James C. Murr for Assistant Director for Legislative Reference

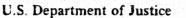
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Central Intelligence Agency
National Security Council
Office of Science & Technology Policy

cc: Fred Fielding
John Cooney
Karen Wilson
Phil Hanna
Arnold Donahue
Lisa Berger





Office of Legislative and Intergovernmental Affairs

Office of the Assistant Attorney General

Washington, D.C. 20530

The Honorable Orrin G. Hatch Chairman, Committee on Labor and Human Resources United States Senate Washington, D.C. 20510

Dear Mr. Chairman:

The purpose of this letter is to submit the views of the Department of Justice regarding S. 1815, the proposed "Polygraph Protection Act of 1985." With the following modifications to Section 8, the Department of Justice would not oppose the enactment of this legislation.

The bill would prohibit the administration of polygraph examinations by private sector employers to employees or prospective employees. Section 8 of the bill exempts individuals employed by federal, state and local governments. In addition, this section permits the Department of Defense to administer polygraph tests, pursuant to the program outlined in the Department of Defense Authorization Act for 1986, to personnel of its contractors who have access to classified information. The Department of Justice shares the Senate's concern regarding the sensitive nature of the activities performed by many Department of Defense contractors and agrees that an exemption for contractor employees engaged in such activities is justified. This type of contracting is not, however, limited to the Department of Defense. Other Executive agencies and departments engage contractors to perform functions that are directly related to intelligence and other national security matters. The justifications for a Department of Defense exemption are equally persuasive when applied to the national security related contracts of these other agencies and departments. The Department of Justice, therefore, recommends a broader exemption that would extend also to employees of contractors for these other agencies and departments, provided that the employee has actually been identified as requiring access to classified information before being subjected to a polygraph examination.

In lieu of Section 8 of S. 1815, the Department of Justice proposes the following:

Exemptions

Sec. 8:

The provisions of this Act shall not apply with respect to any individual who is employed by the United States Government, a state government, city, or any political subdivision of a state or city, nor shall this act prohibit the administration, in connection with the performance of any function requiring access to classified information, of a polygraph examination to personnel of a contractor to the Central Intelligence Agency, the Department of Defense, the Department of Energy, the Department of State, the Federal Bureau of Investigation, the National Security Agency, the Treasury Department, or other federal agencies or departments whose contractors require access to classified information.

This version of Section 8 would address the concerns of executive agencies engaged in sensitive governmental functions and simultaneously protect the privacy interests of employees by ensuring that access to classified information is the prerequisite to administering a polygraph examination.

In addition to the concern cited above, we note that the language of Sections 3(1) and 3(2) of the bill is extremely broad and extends beyond the stated purposes. In its present form, this legislation would not only prohibit employers from requiring, requesting, or suggesting that employees or prospective employees submit to polygraph examinations in connection with their employment, but would also prohibit the employer from permitting an employee to submit to such tests for any purpose. This language could be construed to place an affirmative duty on an employer to prevent employees, or even prospective employees, from submitting to such examinations by any person for any purpose, lest the employer be subject to the enforcement provisions of Section 7. Because the stated purpose of the bill is "to prevent the denial of employment opportunities based on the use of lie detectors, the Justice Department is concerned that the present language may overstep these objectives. The prospect of being in violation of the bill's provisions simply by not preventing an employee from submitting voluntarily to a polygraph examination, especially if unrelated to the employee's position with an employer and administered by an entity other than the employer, would do little to promote the purposes of the bill.

Section 3(2), in its current form, would prohibit reference to, or the use of, any polygraph examination results for any purpose, without regard to whether the test was administered by an employer who seeks to rely on the information for employment purposes. As written, the bill could prohibit reliance on results obtained from a polygraph test legally administered by an agency with the authority to do so, such as a local law enforcement organization. As with Section 3(1), it is not clear that the stated purpose of the Act calls for this degree of restriction on the ability of employers to protect their interests.

We believe that Section 8 should be amended as suggested above and that consideration should be given to narrowing the breadth of Section 3. Otherwise, the Department of Justice interposes no objection to enactment of this legislation.

The Office of Management and Budget has advised this Department that there is no objection to the submission of this report from the standpoint of the Administration's program.

Sincerely,

Phillip D. Brady Acting Assistant Attorney General Office of Legislative and Intergovernmental Affairs

THE WHITE HOUSE

WASHINGTON

December 17, 1985

MEMORANDUM FOR DAVID L. CHEW

STAFF SECRETARY

FROM:

JOHN G. ROBERTS

ASSOCIATE COUNSEL TO THE PRESIDENT

SUBJECT:

Gold Bullion Coin Act of 1985

Signing Statement

Counsel's Office has reviewed the proposed signing statement for S. 1639, the "Gold Bullion Coin Act of 1985." As you are aware, the provision in the bill requiring the gold coins to be minted from domestic gold only will likely be held to violate the GATT. If a decision is made to sign the bill nonetheless, we have no objection to the proposed signing statement, providing the following changes are made:

- ° Line 5, "Executive Order No. 12352" should be "Executive Order No. 12532."
- o Line 8, "..." should be inserted between "of" and
 "expeditiously."

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WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

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WHITE HOUSE STAFFING MEMORANDUM

DATE: 12	ACTION/CONCURRENCE/COMMENT DUE BY: 11:00 a	I.M. TODAY
SUBJECT:	GOLD BULLION COIN ACT OF 1985 SIGNING STATEMENT	
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REMARKS:

Please give your recommendations to my office by 11:00 a.m. today. Thanks.

RESPONSE:

STATEMENT BY THE PRESIDENT

I have given my approval today to S.1639, the "Gold Bullion Coin Act of 1985."

I have previously indicated support for legislation to permit the Secretary of the Treasury to mint and sell gold bullion coins. Indeed, when I issued Executive Order No. 12352, concerning economic sanctions against South Africa, on September 9, 1985, I specifically requested that the Treasury conduct a study "regarding the feasibility of expeditiously seeking legislative authority to accomplish the goal of issuing such coins." Legislation prepared pursuant to this directive was under review within the Administation at the time S.1639 was passed by the Congress.

I would have preferred that the Congress defer action on S.1639 until the Administration's proposal could have been submitted and duly considered.

Although I support the principal objectives of this legislation, certain provisions are undesirable. Specifically, enactment of this legislation may raise questions about the willingness of the United States to honor its international obligations. In this regard, my Administration will strongly support the prompt enactment of appropriate legislative clarifications, should any prove to be necessary.

In addition, I am also concerned about a provision of this legislation that would effectively prohibit the Secretary of the Treasury from using gold held in the United States' reserves in producing gold coins. In my view, this restriction needlessly denies the United States a potentially major source of revenue. At a time when we have committed ourselves to eliminating the budget deficit over the next several years, a limitation of this nature is especially unfortunate. As a consequence, I am instructing the Department of the Treasury to work closely with the Congress to provide the Secretary of the Treasury with authority in minting gold coins to use gold from any source, including the Nation's reserves, that the Secretary deems necessary or appropriate.

THE WHITE HOUSE

WASHINGTON

December 18, 1985

MEMORANDUM FOR DAVID L. CHEW

STAFF SECRETARY

FROM:

JOHN G. ROBERTS

ASSOCIATE COUNSEL TO THE PRESIDENT

SUBJECT:

H.R. 1789 -- National Wildlife

System, Authorization

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

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET □ 0 · OUTGOING ☐ H - INTERNAL ☐ I - INCOMING Date Correspondence Received (YY/MM/DD) Name of Correspondent MI Mail Report **User Codes: ROUTE TO:** ACTION DISPOSITION Tracking Type Completion Action Date of Date Office/Agency (Staff Name) Code YYIMMIDD) Response YYIMMIDD Code **ORIGINATOR** Referral Note: Referral Note: Referral Note: Referral Note:

ACTION CODES

Comments:

- A Appropriate Action
- C Comment/Recommendation
- D Draft Response
- F Furnish Fact Sheet to be used as Enclosure
- 1 Info Copy Only/No Action Necessary
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- S For Signature
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WHITE HOUSE STAFFING MEMORANDUM

DATE: 12/17/85	ACTION/CONCURRENCE/COMMENT DUE BY:	5:00 P.M. 12/18/85

SUBJECT: H.R. 1789 -- NATIONAL WILDLIFE REFUGE SYSTEM AUTHORIZATION

	ACTION FYI		ACTION FYI
VICE PRESIDENT	- V/	McFARLANE	
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REMARKS:

Please provide any comments/recommendations by 5:00 p.m. on Wednesday, December 18th. Thank you.

RESPONSE:



OFFICE OF MANAGEMENT AND BUDGET WASHINGTON, D.C. 20503

DEC 17 1985

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Enrolled Bill H.R. 1789 - Authorizing appropriations

for certain components of the National Wildlife

Refuge System

Sponsors - Reps. Breaux (D), Louisiana, Young (R)

Alaska, and Hughes (D) New Jersey

Last Day for Action

December 23, 1985 - Monday

Purpose

Extends and in some cases increases appropriation authorizations for (1) land acquisition at four units of the National Wildlife Refuge System and (2) development at one unit of the System.

Agency Recommendations

Office of Management and Budget Approval

Department of the Interior Approval
Department of the Army No objection(Informally)

Discussion

H.R. 1789 extends and/or increases the existing appropriation authority for (1) land acquisition at four units of the National Wildlife Refuge (NWR) System and (2) certain development at one unit of the NWR System as follows:

1. Bon Secour NWR - This refuge consists of approximately 12,000 acres on the Alabama Gulf Coast, of which 3,950 have been acquired. Of the \$23.5 million originally authorized, \$18.2 million has been appropriated, leaving a balance of \$5.3 million. H.R. 1789 extends the \$5.3 million authorization and increases it by \$10 million for a total of \$15.3 million, beginning October 1, 1985, to remain available until expended.

- 2. Tensas River NWR This refuge, containing some 52,500 acres in Louisiana, was originally authorized at \$50 million -- \$10 million for the Department of the Interior, all of which has been appropriated, and \$40 million for the Corps of Engineers, of which \$39.9 million has been appropriated through fiscal year 1984. Approximately 52,500 acres have been acquired. H.R. 1789 would extend the Corps' \$40 million authorization until expended and authorize an additional \$10 million for Interior beginning October 1, 1985, to remain available until expended.
- 3. Bogue Chitto NWR This refuge encompasses 40,000 acres in Louisiana and Mississippi, of which 24,000 acres have been acquired by the Fish and Wildlife Service and the State of Mississippi. The entire \$13 million originally authorized has been appropriated. H.R. 1789 authorizes an additional \$10 million beginning October 1, 1985, to remain available until expended to acquire an additional 16,000 acres within the refuge boundaries. The bill also extends until expended a \$1 million authorization (which expired last September 30th) none of which has been appropriated, for construction of facilities in the refuge.
- 4. Tinicum National Environmental Center This 1,325 acre refuge in Philadelphia, Pennsylvania, is authorized at \$19.5 million of which \$9.6 million has been appropriated to acquire 898 acres and \$485,000 has been appropriated for development of the refuge. H.R. 1789 extends the existing authorization, to remain available until expended.

Agency and Administration Views

In various communications with the Congress, the Administration opposed H.R. 1789 as unnecessary because the President's fiscal year 1986 Budget included a three-year moratorium on land acquisition. A Statement of Administration policy issued on July 26, 1985, expressed opposition to H.R. 1789: "The President's 1986 Budget does not contemplate land acquisition for expansion of these units and advocates postponement of major land acquisition in the interest of deficit reduction."

Taking a contrary view, the House Interior Committee in its report on H.R. 1789 stressed that these authorization extensions and increases were necessary to assure that the original plans for land acquisition and development could be carried out. The Committee argued that further rounding out of refuge boundaries was necessary to protect these important wildlife habitats.

Conclusion

The 1987 Budget will assume a continuation of the moratorium policy regarding land acquisition. In this regard, we note that Congress appropriated some \$70 million for land acquisition in 1985. While we would have preferred the expiration of these discretionay authorizations, we do not believe the enrolled bill warrants veto. As the Department of the Interior notes in its enrolled bill letter, which recommends approval:

"we believe that the extended authorizations would provide flexibility for further acquisition and development of the refuges in the future. Moreover, extending the authorizations would enable the U.S. Fish and Wildlife Service to obligate funds already appropriated or that may be appropriated in fiscal year 1986 for acquisition at several of these refuges. Any future requests for actual appropriations would be subject to each year's budget priorities."

H.R. 1789 passed both Houses of Congress by voice vote.

Fre. m

James C. Miller III

Director

Enclosures

THE WHITE HOUSE

WASHINGTON

December 17, 1985

MEMORANDUM FOR DAVID L. CHEW

STAFF SECRETARY

FROM:

JOHN G. ROBERTS

ASSOCIATE COUNSED TO THE PRESIDENT

SUBJECT:

H.J. Res. 424 -- Designates 1986

as "Year of the Flag"

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

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WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

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REMARKS:

Please submit your comments on the attached directly to my office by 3:00 p.m. Wednesday, December 18. Thank you.

RESPONSE:



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

EEC 10 10 5:00

Received 50

DEC 16 1985

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Enrolled Resolution H.J. Res. 424 - Designates the

Year 1986 as the "Year of the Flag"

Sponsors - Cobey (R) North Carolina and 220 others

Last Day for Action

December 23, 1985 - Monday

Purpose

Designates the year 1986 as the "Year of the Flag."

Agency Recommendation

Office of Management and Budget

Approval

Discussion

H.J. Res. 424 designates 1986 as the "Year of the Flag," in commemoration of the two-hundredth anniversary of the first call for a Federal constitutional convention. This year also marks the rededication of the Statue of Liberty. The purpose of this designation is to heighten citizen interest in and appreciation of the flag and its relationship to the heritage and values of America.

The enrolled resolution, which passed both Houses by voice vote, also requests and authorizes the President to issue a proclamation calling upon the American people to observe the year with appropriate ceremonies and activities. A proclamation is being forwarded separately for your consideration.

James C. Miller III

Director

Fre. W

Enclosures

THE WHITE HOUSE

WASHINGTON

December 23, 1985

MEMORANDUM FOR DAVID L. CHEW

STAFF SECRETARY

FROM:

JOHN G. ROBERTS

ASSOCIATE COUNSEL TO THE PRESIDENT

SUBJECT:

S. 1884 -- Farm Credit System

Restructuring and Regulatory Reform Act

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

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WHITE HOUSE STAFFING MEMORANDUM

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DATE: 12/21/85	ACTIONICO	NC IPPENC	E/COMMENT	OHE RY.	12/2	2/02 at.	9.00	a . Ili.

SUBJECT: S. 1884 -- FARM CREDIT SYSTEM RESTRUCTURING AND REGULATORY REFORM ACT

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REMARKS:

Please provide any comments/recommendations by 9:00 a.m.

MONDAY MORNING. Thank you.

RESPONSE:



OFFICE OF MANAGEMENT AND BUDGET WASHINGTON, D.C. 20503

DEC 2 0 1985

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 1884 - Farm Credit System Restructuring

and Regulatory Reform Act of 1985

Sponsors - Senators Helms (R) North Carolina, Zorinsky

(D) Nebraska, and Hawkins (R) Florida

Last Day for Action

Purpose

(1) Reorganizes the Farm Credit Administration into an independent supervisor of the Farm Credit System; (2) creates the Farm Credit System Capital Corporation; and (3) authorizes the Secretary of the Treasury to provide financial assistance to the Farm Credit System.

Agency Recommendations

Office of Management and Budget

Department of Agriculture
Department of the Treasury
Farm Credit Administration

Department of Justice

Council of Economic Advisers

Office of Personnel Management

Approval

Approval
Approval (Informally)

No objection
(Informally)
No comment
(Informally)
Defers to other
agencies
(Informally)

Discussion

The Farm Credit System (FCS) consists of 12 farm credit districts of borrower-owned cooperatives which make loans to farmers and their supply and marketing cooperatives. Each district contains:

-- a Federal land bank which makes long term real estate loans through a network of local land bank associations;

- -- a Federal intermediate credit bank which makes operating loans to producers through local production credit associations; and
- -- a bank for cooperatives which makes loans to rural utility, aquatic, and agricultural cooperatives.

The System also includes a central bank for cooperatives, which makes agricultural loans that exceed district lending limits. The Farm Credit Administration (FCA) serves as the System's regulatory body.

Although originally capitalized by the Federal Government, FCS banks and associations have been owned by their borrower stockholders since 1968 when the last of their Federal loans were repaid. On September 30, 1985, some \$68 billion of FCS notes and bonds were outstanding, representing about one-third of total agricultural indebtedness.

In recent months the financial condition of the FCS has been seriously deteriorating. The extent of FCS loan losses is uncertain, but Treasury estimates systemwide losses at up to \$2.5 billion in 1985 and \$1.5 billion in each of 1986 and 1987 before FCS returns to a marginal profit in 1988.

Two basic reasons lie behind these problems. First, FCS is directly linked to the agricultural economy which is under great economic stress. Second, and equally important, the FCA has had neither the tools to intervene properly nor the distance from the FCS to develop and enforce an independent supervisory judgment.

The scope of FCS's problem came under continuous and intensive study early this fall both within the Administration and in the Congress. Following your approval, the Departments of Agriculture and the Treasury have successfully worked with the FCA and the House and Senate Agriculture Committees to produce a reform bill that we hope will enable the FCA to manage and resolve the FCS problem.

Under the enrolled bill, resolution of the FCS problem is based on three significant modifications to the Farm Credit Act of 1971, briefly described below. A more detailed summary of S.1884, prepared by Treasury, is attached.

- 1. Self-help changes that will enable the FCS to tap its own resources. The enrolled bill establishes a new Farm Credit System Capital Corporation supervised by the FCA. The corporation will have the authority to mobilize all FCS members' earned surplus, purchase bad FCS loans at market value, restructure such loans, and assess FCS institutions to cover the corporation's debt service costs and any losses.
- 2. Reform of the FCA into an independent supervisor. The long-term health of the FCS requires that FCA have strong and effective regulatory authorities similar to those held by Federal regulators of depository institutions. A new three-member FCA board, appointed by the President and confirmed by the Senate, will be created. The FCA will be empowered to promulgate capital requirements and fiduciary regulations and to enforce supervisory directives.
- 3. Federal Financial Assistance. The Secretary of the Treasury will have discretionary authority to purchase obligations of the corporation, subject to appropriations, if the FCA certifies that FCS:
 - -- needs assistance to address financial stress;
 - -- has committed its available surplus and reserves;
 - -- officers have frozen their compensation; and,
 - -- will incur further losses likely to preclude its obtaining credit on reasonable terms.

Conclusion

We believe the enrolled bill represents a major success for the Administration. S. 1884 will enable the FCS to marshall and redistribute its substantial financial resources to deal with the problems faced by the System's weaker members and thus assure the financial viability of the FCS. Moreover, the bill's major restructuring and strengthening of FCA's regulatory powers should prevent a recurrence of these problems. Finally, the requirement that any financial assistance from the Federal Government must go through the appropriation process gives us the assurance that aid could be extended only after agreement by the Congress and the Administration that it is truly warranted. We do not foresee a need for Federal financial assistance.

The enrolled bill passed both Houses of the Congress by voice vote. Agriculture has prepared, in consultation with the White House, a signing statement for your consideration, and is forwarding it.

James Director III

Enclosures

FARM CREDIT ACT AMENDMENTS OF 1985

Title I: Provisions to Strengthen the Operation of Farm Credit System (FCS) Lending Institutions

- O Merges and preserves two revolving funds (\$260 million), which the Farm Credit Administration (FCA) may use to purchase the stock of the new Capital Corporation.
- O Authorizes FCA to establish and enforce capital requirements for FCS institutions.
- O Authorizes FCA to appoint a conservator or receiver for an FCS institution that is failing or willfully violating FCA rules or orders (subject to judicial review).
- o Requires FCA to charter a new Capital Corporation, owned by the FCS institutions, to: purchase nonperforming FCS assets at fair market value; restructure or liquidate those assets; borrow through Systemwide debt issues (without affecting the debt's exemption from state, municipal, and local taxation); and provide financial and other assistance to FCS institutions. The new Capital Corporation in effect absorbs the much more limited Capital Corporation that FCS had already created.
- Requires other FCS institutions to make funds available to the Capital Corporation, with a preference for transactions that require repayment. The Capital Corporation may assess other FCS institutions to cover operating expenses, not to include interest costs, and may require them to buy its stock and debt. Farmer-borrower stock cannot be tapped by the Capital Corporation. Furthermore, FCA regulations shall establish standards to ensure that (1) the payments to the Capital Corporation do not threaten an FCS institution's overall financial viability; and (2) the payments from the Capital Corporation should only be made to FCS institutions whose continued operation is in jeopardy.
- O Establishes a five-member board of directors for the Capital Corporation. The Chairman of the new FCA Board shall appoint two members, who must not be associated with FCS. The FCS banks that own the Capital Corporation's voting stock shall elect the other three members. One of the three must be from a net contributing institution and district and one must be from a net recipient institution and district. (Each bank holding stock has one vote.)

In the event the Secretary of the Treasury purchases Capital Corporation obligations, the board is expanded by two members for so long as the obligations are outstanding. The Secretary of Agriculture selects one of the additional members and then the board (including the Secretary's appointee) selects the other additional member, who must be independent of FCS and the Government.

- O The Capital Corporation board selects the CEO of the Corporation, subject to the approval of FCA.
- o Limits the Capital Corporation's powers so as not to supplant the other FCS institutions.
- o Terminates the Capital Corporation's powers to supply financial assistance as of December 31, 1990; the Corporation will retain powers necessary for the management and liquidation of commitments made and obligations incurred.
- O Authorizes FCA, effective January 1, 1991, to establish a central reserve by ordering payments from FCS debt proceeds.
- O Authorizes the Secretary of the Treasury to purchase Capital Corporation obligations (including capital notes and securities) upon FCA's certification that: FCS needs assistance to address financial stress; FCS has committed its available surplus and reserves; senior executive officers of FCS banks have frozen their compensation; and further FCS losses likely will preclude FCS institutions from supplying credit on reasonable terms. The Secretary must respond to Congress and FCA within 45 days. Congress must appropriate any expenditures.

Title II: Regulation of the FCS

- o Establishes a new independent regulatory board, the Farm Credit Administration Board (FCAB), which shall be composed of three members selected by the President for six-year terms, subject to Senate confirmation. The President designates the Chairman, who serves as the chief executive of the board and of FCA. The FCAB manages, administers, and establishes policies for the FCA.
- O Authorizes FCA to represent itself in litigation in connection with conservatorships and receiverships, and in other civil proceedings if authorized by the Attorney General.
- o Authorizes the Chairman of the FCAB to establish advisory committees and to appoint the current members of the Federal Farm Credit Board (the part-time regulatory body that is supplanted by the bill).

- o Restates and revises FCA's powers, including:
 - -- To approve voluntary mergers and to compel them in limited circumstances.
 - -- To regulate FCS debt issuances and the preparation of information for investors.
 - -- To grant approvals under the Act through regulations that set standards.
 - -- To establish standards for loan security requirements and to conduct loan and collateral security reviews.
 - -- To regulate the borrowing, repayment, and transfer of funds and equities between System institutions.
 - -- To approve salary scales of FCS employees (except for association employees) and approve the compensation of CEOs of FCS institutions.
 - -- To conduct examinations.
- o Removes various FCA powers that would impede its performance as an arms-length regulator; in particular, after a 12-month transition, FCA will no longer be able to delegate regulatory duties to FCS institutions.
- o Requires independent annual audits of the financial statements of FCS institutions; the statements shall be prepared in accordance with generally accepted accounting principles. FCA may require additional information.
- o Grants FCA enforcement powers that parallel those of bank regulators. These include the power: to issue cease and desist orders (including temporary orders); to suspend or remove officers and directors; to assess civil money penalties; and to issue subpoenas. The bill includes provisions for administrative and judicial review.
- O Deletes statutory financial leverage limits on FCS institutions.

Title III: Protection for Farmers and Other Farm Credit System Borrowers

o Requires FCS lenders to disclose specific information to borrowers (including rates and the lender's forbearance policy) and to provide copies of loan documents.

- o Requires an opportunity for reconsideration (and written explanation) of a rejected loan application by credit review committees, which must include both a majority of people not involved in the adverse decision and "farmer board representation".
- O Requires certain actions to minimize the adverse effects on borrowers of the liquidation of an FCS institution.
- o Precludes FCS sale of surface rights to real property obtained through foreclosure unless the sale includes the property's mineral rights.
- o Precludes FCS sale of foreclosed real property in a tract larger than a "normal family size farm in the vicinity" for less than the institution can receive from the Capital Corporation.
- o Requires each FCS lender (1) to review each loan placed in non-accrual status to determine whether each loan may be restructured because of changed circumstances as a result of this Act; and (2) to notify in writing the borrowers of each non-accrual loan of this provision.

Title IV: Implementation Procedures

- O Permits the Governor of FCA to serve as the FCA Board Chairman, at the President's pleasure, until the President appoints and the Senate confirms the new Chairman.
- o Sense of Congress is that the President should appoint the new FCA Board members within 30 days of enactment.

Title V: National Commission on Agricultural Finance

- o 15 members: President appoints 7; Senate appoints 4; and House appoints 4 -- to include representatives from the financial community, the agricultural sector, and government. The Commission shall be composed of volunteers and shall not expend any Federal funds.
- The study should examine agricultural credit needs and the roles of various institutions in meeting those needs; the report is due within a year.

Title VI: Miscellaneous Amendments

- o Removes statutory formulae dictating contributions to certain FCS reserve accounts and substitutes FCA authority to set standards for these accounts.
- o Subjects FCS dividend and patronage payments to FCA's "general direction".
- o Retains the formula for building Production Credit
 Associations' allowances for losses to 3.5 percent of
 outstanding loans, or greater if necessary under generally
 accepted accounting principles.
- o Authorizes FCS district borrowers to elect the seventh director of their district boards in an at-large election. (Currently, the Governor of FCA appoints the seventh director in each of the twelve farm credit districts.)

THE WHITE HOUSE

WASHINGTON

December 23, 1985

MEMORANDUM FOR DAVID L. CHEW

STAFF SECRETARY

FROM:

JOHN G. ROBERTS

ASSOCIATE COUNSEL TO THE PRESIDENT

SUBJECT:

H.R. 4006 -- Temporary Extension

of Cigarette Excise Tax, etc.

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

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

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WHITE HOUSE STAFFING MEMORANDUM

DATE:	12/21/85	ACTION/CONCURRENCE/CO	MMENT DUE BY: 10:00	A.M. MONDAY 12/23/85

SUBJECT: H.R. 4006 -- TEMPORARY EXTENSION OF CIGARETTE EXCISE TAX, ETC.

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REMARKS:

Please provide any comments/recommendations by 10:00 A.M.

Monday, December 23rd. Thank you.

RESPONSE:



EXECUTIVE OFFICE OF THE PRESIDENT OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

December 20, 1985

MEMORANDUM FOR THE PRESIDENT

SUBJECT:

Enrolled Bill H.R. 4006 - Temporary Extension of

Various Statutory Authorities

Sponsor - Rep. Rostenkowski (D) Illinois

Last Day for Action

Each of the statutory authorities covered by this enrolled bill expired at midnight on December 19, 1985.

Purpose

To extend various expired statutory authorities, including the cigarette excise tax.

Agency Recommendations

Office of Management and Budget

Approval

Department of Health and Human

Approval(17)

Services

Approval

Department of the Treasury

Discussion

-- Extension of the Cigarette Excise Tax

The enrolled bill would reinstate on a retroactive basis the previous excise tax on cigarettes, which expired at midnight on December 19, 1985, through March 14, 1986.

Until December 20, 1985, the rate of tax imposed on small cigarettes was \$8.00 per thousand, or \$.16 per 20-cigarette pack. The rate of tax on large cigarettes was \$16.80 per thousand, or \$.336 per pack. These rates were established by the Tax Equity and Fiscal Responsibility Act of 1982, which temporarily doubled the previous rates. They were scheduled to revert to \$.08 per pack for small cigarettes and \$.168 per pack for large cigarettes on October 1, 1985. P.L. 99-107, approved on September 30, 1985, extended the higher rates through November 14, 1985. P.L. 99-155, approved on November 14, 1985, extended those rates through December 14, 1985, and P.L. 99-181, approved on December 13, 1985, extended the rates once again, through December 18, They were subsequently extended for one additional day, through December 19, 1985. The excise tax reverted to the lower

rates at midnight on December 19, 1985.

-- Medicare Hospital and Physician Payments

The Deficit Reduction Act of 1984 enacted a Medicare Part B physician fee freeze that expired on September 30, 1985, and was subsequently extended through December 19, 1985. It expired at midnight on December 19, 1985. The enrolled bill reinstates the freeze on a retroactive basis, through March 14, 1986; i.e., Medicare physician reimbursements would remain at the same level as on September 30, 1985. This has the same effect as the fee freeze proposed in the 1986 Budget. Absent enactment of this bill, the Medicare physician reimbursement rates would increase by approximately three percent.

The enrolled bill would also reinstate on a retroactive basis the freeze on Medicare hospital payments at the fiscal year 1985 level, through March 14, 1986, by extending the current Prospective Payment System rates for hospital reimbursement (PPS — based on Diagnostic-Related Groups or DRGs). In addition, the enrolled bill would continue to delay Medicare's transition to paying a uniform national price for each type of hospital admission, contrary to the Administration's policy to support the current law transition schedule. Both of these provisions were also extended until midnight on December 19, 1985, at which time they expired.

The enrolled bill passed both Houses by voice vote.

James Miler III

Minety-ninth Congress of the United States of America

AT THE FIRST SESSION

Begun and held at the City of Washington on Thursday, the third day of January, one thousand nine hundred and eighty-five

An Act

To extend until March 15, 1986, the application of certain tobacco excise taxes and certain medicare reimbursement provisions.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. EXTENSION OF INCREASE IN TAX ON CIGARETTES.

Subsection (c) of section 283 of the Tax Equity and Fiscal Responsibility Act of 1982 (relating to increase in tax on cigarettes) is amended by striking out "December 20, 1985" and inserting in lieu thereof "March 15, 1986".

SEC. 2. EXTENSION OF MEDICARE HOSPITAL AND PHYSICIAN PAYMENT PROVISIONS.

Section 5(c) of the Emergency Extension Act of 1985 (Public Law 99-107) is amended by striking out "December 19, 1985" and inserting in lieu thereof "March 14, 1986".

SEC. 3. EFFECTIVE DATE.

The amendments made by this Act shall take effect on December 19, 1985. As an exercise of authority under the commerce, taxation, and other powers under the Constitution, the amendment made by section 1 shall be treated for purposes of all Federal and State laws as enacted on December 19, 1985.

Speaker of the House of Representatives,

Vice President of the United States and

President of the Senate

Tempore

THE WHITE HOUSE

WASHINGTON

December 23, 1985

MEMORANDUM FOR DAVID L. CHEW

STAFF SECRETARY

FROM:

JOHN G. ROBERTS

ASSOCIATE COUNSEL TO THE PRESIDENT

SUBJECT:

H.R. 2694 -- John W. Byrnes Post

Office and Federal Building

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

WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

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WHITE HOUSE STAFFING MEMORANDUM

ACTION/CONCURRENCE/COMMENT DUE BY: 10:00 a.m. 12/23/85

12/20/85

SUBJECT: H.R. 2694 - John W. Byrnes Post Office and Federal Building					
	ACTION FYI			ACTION FYI	
VICE PRESIDENT		V	McFARLANE		
REGAN		V	OGLESBY	V	
MILLER	0		RYAN	0	
BUCHANAN	~		SPEAKES		Ø
CHAVEZ	V		SPRINKEL	0	
CHEW	□₽	OSS	SVAHN	Ø	
DANIELS	Ø		THOMAS	∀	
FIELDING	-3		TUTTLE	П	
HENKEL					
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KINGON	☑				

REMARKS: Please give your recommendations to my office by 10:00 a.m. Monday, December 23rd. Thanks.

RESPONSE:

LACY



OFFICE OF THE PRESIDENT OFFICE OF MANAGEMENT AND BUDGET

D. MANUTOLINE AND DOD

WASHINGTON, D.C. 20503

DEC 2 0 1985

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Enrolled Bill H.R. 2694 - John W. Byrnes Post

Office and Federal Building

Sponsors - Rep. Roth (R) Wisconsin and 7 others

Last Day for Action

December 28, 1985 - Saturday

Purpose

To designate the Post Office Building in Green Bay, Wisconsin, the "John W. Byrnes Post Office and Federal Building."

Agency Recommendations

Office of Management and Budget

Approval

United States Postal Service General Services Administration No objection No objection

Discussion

H.R. 2694, naming a United States Post Office Building in Green Bay, Wisconsin, the "John W. Byrnes Post Office and Federal Building," honors John W. Byrnes, a former Congressman.

Byrnes, a Republican, served in Congress from 1945 to 1972. Until his retirement, he served as ranking minority member of the House Ways and Means Committee where he was influential in important trade and health care legislation. The purpose of H.R. 2694 is to honor Byrnes by naming the Post Office Building in his hometown after him. Brynes died on January 12, 1985.

H.R. 2694 passed both Houses by voice vote.

James C. Miller III

Director

Enclosures