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### THE WHITE HOUSE

WASHINGTON

## February 3, 1986

MEMORANDUM FOR TOM GIBSON

SPECIAL ASSISTANT TO THE PRESIDENT

DIRECTOR, PUBLIC AFFAIRS

FROM:

JOHN G. ROBERTS TO THE PRESIDENT

SUBJECT:

Draft Talking Points on the FY '87

Budget -- Components

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

cc: David L. Chew

## WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

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Document No.	

# WHITE HOUSE STAFFING MEMORANDUM

DATE:1	/31/86	AC	TON/CONC	URREI	NCE/COM	MENT	DUE BY:	10:	00 a.m.	2/3/86	
SUBJECT:	DRAFT	TALKING	POINTS	110	THE FY	*87	BUDGET		COMPONE	NTS	
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**SPEAKES** 

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**REMARKS:** 

MILLER

**CHAVEZ** 

**DANIELS** 

**FIELDING** 

HENKEL

**CHEW** 

BUCHANAN

Please give your comments/edits directly to Tom Gibson, with an info copy to my office by 10:00 a.m. Monday, February 3rd. Thanks.

**RESPONSE:** 

#### THE WHITE HOUSE

WASHINGTON

--- JAN 31 -- 1 0 27

January 31, 1986

MEMORANDUM FOR DAVID CHEW

FROM:

TOM GIBSON

SUBJECT:

Draft Talking Points on the FY 87 Budget -- Components

Attached, for appropriate staffing, are draft talking points on the FY 1987 Budget. This is the second round of points intended for circulation prior to the submission of the budget.

I would like to put these out on Monday, February 3, 1986.

Thanks very much.

## COMPONENTS OF THE FY '87 BUDGET

The President's Criteria for Spending are clearly identified by priorities of the FY '87 budget.

- o <u>Priority programs</u> -- those which continue to benefit the general health and welfare of all Americans, with particular attention paid to individuals in greatest need.
- Programs targeted for cuts or refinement -- those which favor only a narrow segment of the population, where inefficiency and waste have not yet been addressed, where services can be improved and costs reduced by programs being returned to the private sector or performed at state and local governments.
- o These criteria are met in four components of the FY '87 budget:
  - -- Cost savings through greater Efficiency;
  - -- Cost savings and improved service delivery through the Privatization of several federal programs;
  - -- Cost savings by broadening Federalism initiatives;
  - -- Enhanced revenues by the increased application of User Fees.

#### 1986 -- Year of Decision

- o For the sixth time, the President's budget calls for reduced spending and the restoration of the federal government to its proper and less costly role in the lives of Americans.
- The President's budget for FY 1987 has responded to the first test of fiscal accountability in the Gramm-Rudman-Hollings era. The President met the G-R-H deficit reduction targets agreed to by Congress and did so without raising taxes, cutting Social Security or assistance for the truly needy, or gutting defense.
- o It is now Congress' turn.
- If Congress had accepted the President's spending priorities in his first year of office, last year's deficit would have been at least \$50 billion less, and this year's budget exercise would be easier. The tough decisions that Congress put off in 1981, 1982, 1983, 1984 and 1985 will have to be made in 1986. The Law, code named Gramm-Rudman-Hollings, will see to that.

## The Politics of the Budget Process

- The Politics of the Budget has heretofore been additive -"I'll vote for yours if you vote for mine." The budget
  process has been the domain of the special interests and
  subcommittees.
- o The FY 1987 Budget and the reality of Gramm-Rudman-Hollings calls for a politics of responsibility -- a final call for the establishment of priorities -- where the federal government can and cannot afford to spend.

## Why the President's Budget?

o <u>Jobs</u> -- For working Americans, the real issue in 1986 isn't Gramm-Rudman-Hollings or sequestering or even deficit spending. The real issue is jobs.

Cutting spending to reduce the deficit will require less federal borrowing -- private businesses will find borrowing for expansion easier and consumers will find lower interest rates for big ticket items and housing. Net result: More jobs for all Americans.

o <u>Fiscal Fitness</u> -- A nation that looks to the future must make an accounting of the impediments to getting there. Having to drag along the extra baggage of archaic, inefficient programs will make the going that much tougher.

The President has again proposed a <u>deficit diet</u> -- the simple discipline to avoid the temptations of what one would like to do (with someone else's money), that leads to a bloated budget and a sluggish economy.

This can be done without starving the household budget, without cutting loose the safety net, or compromising our national security.

O Defense of the Family Budget -- No Tax Increases. The President is determined not to allow another raid on the family budget, while fat remains in the federal budget.

Higher taxes, like the effects of continued borrowing, will choke off the record investment and job creation that have put 9 million more Americans to work in the last 38 months. It would take a tax hike of about \$50 billion to meet the 1987 deficit target. If that were raised through personal income taxes, an average household would pay an additional \$500 in taxes.

How many families have an extra \$500 they'd care to send to Washington, knowing that the federal government is still resting on a cushion of inefficiency and overspending?

#### PRIVATIZATION

- o If the American economy is ever to realize its greatest potential in creating jobs and raising standards of living, the government will have to cease trying to run businesses and stick to the business of governing.
- o There was a time when government looked for things to do. Now it must look for things to undo. That means turning over a new leaf, and turning some functions over to the private sector where they rightfully belong.

## The Business of Government

- o Government is in the oil business because it seemed like a good idea in 1912. And we're still selling oil and gas a barrel at a time. It's time to sell that business and give taxpayers a \$3.6 billion break.
- Government went into the banking business back in 1934 to make loans to exporters. But demand for these loans dropped, and the bank lost \$1.1 billion between 1982 and 1985. Subsidizing interest rates, instead of making direct loans, would save \$4.6 billion in budget authority and \$1.9 billion in outlays by 1991.
- o Government is in the <u>railroad business</u>: Since 1971, Amtrak has been riding the backs of taxpayers who have spent more than \$12 billion on subsidies. It will cost another \$7 billion to run Amtrak in the next decade -- enough to buy and give away one million cars.
  - -- Even in its busy Northeast corridor, Amtrak serves just 2 percent of total intercity passengers. Three-fourths of its stations board fewer than 50 people a day.
  - -- Half of Amtrak's passengers earn \$30,000 or more. But the tickets they buy pay for less than half of what it costs to ride the train. The U.S. taxpayer pays \$33 for every Amtrak passenger. On many routes, it would be cheaper for the taxpayers to buy passengers bus or plane tickets and hand them out.
  - -- As a government-owned railroad, Conrail was losing money hand over fist until Congress allowed it to operate like a private business (Lost \$244 million in 1980 and a total of over \$1 billion during the late 1970s).
  - -- Conrail is making money now. It's time to let it be a business. The government needs to sell it -- while its stock is up.

(continued:)

## Privatization in Britain

- Northern Freight Corporation: Britain's largest trucking company, showed huge losses under the ownership of the British government. Northern was sold to employees in 1981. Original stock value has increased ten-fold; worker morale has been revived.
- o British Telecom: Largest stock offering in history anywhere -- 96% of the employees bought stock. Result: a system suffering from malaise under government ownership is now enjoying dramatic influx of new capital and technology under private ownership.
- O Public Housing: Over the past six years, about 8,000 public housing units have been sold to British tenants in this popular program. In January 1986, the U.S. started its pilot program modeled after the British example.

### USER FEES

- o Simple fairness dictates that governments should charge for special services when those services benefit special interests. User fees:
  - -- raise revenues without raising taxes;
  - -- force the government to be more businesslike; and
  - -- take the edge off government's competitive advantage over businesses engaged in similar services in the private sector.
- o When government recovers the cost of certain services, it takes the burden off the taxpayer and puts that burden where it belongs -- on the user.

## Paying Their Fair Share -- Examples:

- o Millionaire yachtsmen and weekend sailors alike benefit from Coast Guard licensing, inspection and navigation services.
  - -- The Coast Guard spends \$400 million a year on search and rescue operations. But 80% of its calls are not to assist in emergencies -- but to provide "conveniences."
  - -- A simple charge for routine services would save the U.S. taxpayer \$714 million in two years.
- o The U.S. Army Corps of Engineers spends \$3 million every day to operate, maintain and improve our Nation's waterways.
  - -- Yet commercial cargo carriers that use these waterways pay only 10% of the system's cost in taxes.
  - -- Add in the cost of harbors, and businesses that benefit from the system pay only 5 cents of every dollar it takes to keep the waterways open. The taxpayers supply the rest.

## **EFFICIENCY**

- o Today, government employees handle 200 different kinds of jobs that the private sector has proven it can do at a lower cost to the taxpayers.
- The President's FY 1987 budget proposes to contract out certain services -- such as preparing food, fixing government cars, running prisons and collecting unpaid bills.

## Improving Federal Productivity

- o President Reagan has called for a 20% percent increase in federal productivity by 1992.
- o By contracting-out certain services, we can meet this target and save \$4.5 billion for every 5% increase in federal productivity.

## Redefining Government

- The best way to put a dent in the deficit is to end those programs that have outlived their usefulness. That means an end to many pork-barrel programs whose principal clients are special interest groups and Congressional subcommittee chairmen.
- o Why prop up programs we don't need and can't afford? Keeping them alive means continued limited benefits -- at an unjustifiable expense. Two examples:
  - -- Urban Development Action Grants, which have paid out \$\ in subsidies since . Over \$\ was provided to 262 hotel projects in the past years.

    Enterprise Zones will do a better job of stimulating private investment in profitable, long-term ventures -- creating jobs without squeezing taxpayers.
  - -- The Interstate Commerce Commission, established in 1887 to regulate the interstate surface transportation industry. Congress has approved extensive deregulation of trucks, railroads and buses, leaving little for the 900 employees of the ICC to do.

#### FEDERALISM

- o Federalism means bringing government closer to the people.
  Result: improved responsiveness, more accountability, better delivery of services and greater efficiency.
- O The President believes that turning certain federal programs over to the states and localities will help prevent runaway government growth and enable the federal government to focus federal resources on programs that really are national concerns.
- o The President's FY 1987 budget proposes to combine several transportation programs and water and air pollution control activities into two separate block grants.
- o Existing block grants will be expanded and combined. In many cases, the effects of reduced funding will be offset by regulatory reforms and increased flexibility for states in addressing needs. Net result: levels of services remain constant, at a lower cost for taxpayers.
- o The important balance between services performed by federal, state, and local governments will be restored by redirecting federal programs that duplicate what state and local governments are already doing.

### THE WHITE HOUSE

WASHINGTON

February 4, 1986

MEMORANDUM FOR DAVID L. CHEW

STAFF SECRETARY

FROM:

JOHN G. ROBERTS

ASSOCIATE COUNSEL TO THE PRESIDENT

SUBJECT:

Reaction to State of the Union Address

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

# WHITE HOUSE CORRESPONDENCE TRACKING WORKSHEET

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# WHITE HOUSE STAFFING MEMORANDUM

DATE: 2	/3/86	ACTION/CONCURRENCE/COMMENT DUE BY:	9:30 am, Med., 2/4
SUBJECT:	REACTION	TO STATE OF THE UNION ADDRESS (Feb. 3 - 5:30 pm draft)	

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### **REMARKS:**

Attached are suggested responses for various spokesmen to the State of the Union Address. Would you please comment on the attached directly to me by .9:30 a.m. tomorrow. Thank you.

RESPONSE:

We saw in the state of the Union that the Reagan Revolution is charging full speed ahead. The President has the ship of State fully under his command, and he's confidently steering us on a course of strength and prosperity. If I were a betting man, I'd wager that the President gets his tax reform, and that it gives genuine tax relief to the middle class. I bet he gets the budget down to size, without undermining our national security, and that he implements the monetary reforms he wants to ensure inflation never comes back to haunt us. And I bet he gets the aid he's requesting for freedom fighters battling Communist tyrannies. Ronald Reagan knows where he's taking this country—he's marching toward a future of freedom and hope and opportunity, and I'm proud to be a part of his team.

The President's state of the Union address struck me as a masterpiece of leadership. On defense, the President stood strong. On the budget, he made clear his intention to retain aid for those in genuine need, but to eliminate programs that are needless and inefficient. On tax reform, the President pointed the way to new jobs and economic growth and made clear his opposition to any tax hike whatsoever. Perhaps most important, the President gave voice to the American spirit. [The wheatfields of the Mid West, the skyscrapers of New York -- each is a reminder of how much we can do when we let our imaginations soar.] The President reminded us of our greatness and set before us the vision of a glorious future -- one of bold space exploration, prosperity at home, and peace throughout the world. As a man of foresight and as our President, Ronald Reagan deserves our support as he leads us into the future.

The State of the Union message was quintessential Ronald Reagan. This President has captured the imagination of the American people. He offered the vision of a better future and told us how to get there. President Reagan has a way of making you feel proud about being an American. The country can solve the problem we're facing. I hope that Members of Congress get on board before the freedom train pulls out without them.

What we've seen and heard tonight is leadership of the highest order. The President has shown us the way to a bright future. His approach is both practical and inspiring. It is time for the Members of Congress to free their feet from the mud in which they've been stuck and get moving. The President is leading the country to a better future. Congress must act or be left behind.

I think it was a strong declaration of some very clear intentions — and I think the President made it clear the Reagan Revolution has only just begun. The President has a way of pointing to the stars and reminding us we can reach any heights — and I think his plans to free up over-regulation and keep tax rates down and let the free market bloom is the kind of program that will help us hit those heights. He was strong toward the Soviets, he made it clear the budget must and will be cut, he made it clear Gramm—Rudman isn't a cannon that's going to be used against defense — all in all, a terrific announcement of good solid policy. The old lion still roars.

#### THE WHITE HOUSE

WASHINGTON

## February 11, 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 Remarks: Press

Conference Opening Statement

Counsel's Office has reviewed the draft opening statement for this evening's news conference. In our view, the first sentence of the second paragraph does not convey an accurate impression of the Gramm-Rudman litigation, for three reasons:

- The decision was not rendered by a typical "Federal District Court" but by a special three-judge panel consisting of an appellate judge and two district judges. This is an important fact since it increases the significance of the unanimous ruling and provides direct appeal to the Supreme Court.
- o It is too simplistic to assert that the ruling was "against" Gramm-Rudman. The decision in fact upheld most of the law in the face of a challenge that the entire statute should be struck down as an improper delegation of legislative authority.
- or It bears mentioning that the court decision agreed with the President's statement when he signed Gramm-Rudman, and with the Administration's arguments in litigation.

In light of the foregoing, I would change the first sentence of the second paragraph to the following, or something similar: "Now last Friday, a three-judge panel of the Federal District Court, agreeing with the concern I expressed when I signed Gramm-Rudman-Hollings, found one aspect of that law unconstitutional."

cc: David L. Chew

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# WHITE HOUSE STAFFING MEMORANDUM

ACTION/CONCURRENCE/COMMENT DUE BY: 11:00 a.m. TODAY

SUBJECT: REMARKS: PR	ESS CONFERENCE OF	ENING STATEMENT	
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REMARKS: Please give your comments/edits directly to Ben Elliott, with an info copy to my office by 11:00 a.m. today. Thanks.

RESPONSE:

DATE: 2/11/86\_\_\_\_

(Elliott)
February 11, 1986
9:00 a.m.

PRESIDENTIAL REMARKS: PRESS CONFERENCE OPENING STATEMENT TUESDAY, FEBRUARY 11, 1986

Good evening, I have a statement. We have, as you know, sent our budget to the Congress. It is a fair and responsible budget; it clearly does the job of putting America on course to a balanced budget through steadily declining deficits, as mandated by the new Gramm-Rudman-Hollings law.

Now last Friday, a Federal District Court issued a ruling against Gramm-Rudman-Hollings. We await a final Supreme Court decision, but nothing the court says should -- or will -- remove our obligation to bring overspending under control.

For our part, we have met the targets for lower deficits, but not by cutting Social Security or essential support services, and not by gutting defense or raising taxes on the American people. We mean to cut the waste out of the Federal budget and we mean to leave family budgets alone.

All told, our budget meets the deficit targets by cutting 6 percent from social programs. Six cents on the dollar -- that's what we're asking Congress to cut. If Congress can't do that much, they should at least give me a line-item veto -- because I will make the cuts and I will get the job done.

Let's be frank. Those who say our budget is DOA -- Dead On Arrival -- are really saying, brace yourself for a tax increase. I think taxpayers want Congress to get its own house in order. I do, too, so rest assured that any tax increase Congress sends me will be VOA -- Vetoed On Arrival.