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Box Number OA 8991 (LFOA 30)

Description of Material:

① [Economic Program Working Group Meeting 02/12/1981  
(Michael Deaver Set)] ~~(1)~~ (2) (D-C3)

② [Economic Program Working Group Meeting 02/13/1981  
(Michael Deaver Set)] (1)-(3)

These are duplicates of Fuller material & clearly  
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COLLECTIONS

*Cray  
7/22/61*

Mr. Michael K. Deaver  
1st Floor, WW

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Subject: Export-Import Bank - Direct Lending

Expected Savings:	(in millions of dollars)					1986
	1981	1982	1983	1984	1985	
Current Base:						
Loan Authorizations	5,900	6,410	6,880	7,310	7,710	8,100
Budget Authority	7,010	5,930	5,700	6,050	6,390	6,690
Outlays	2,340	2,780	3,040	2,770	2,960	3,190
Policy Reduction						
Loan Authorizations	752	2,010	2,090	2,350	2,500	2,650
Budget Authority	750	1,980	2,110	2,250	2,410	2,560
Outlays	60	410	990	1,380	1,600	1,710
Reagan Budget						
Loan Authorizations	5,148	4,400	4,690	4,960	5,210	5,450
Budget Authority	6,260	3,950	3,590	3,800	3,980	4,130
Outlays	2,280	2,370	2,050	1,390	1,360	1,480

Change proposed: The Bank's loan authorizations will be reduced by 31 percent from the 1982 current base, but by only 12 percent from the Carter Budget. The Bank's discount loan program, the component of direct lending which underwrites medium-term commercial export credits and is less heavily subsidized than the Bank's longer-term lending, will be maintained at \$400 million per annum rather than eliminated as proposed by President Carter. The Bank's lending operations grew by over 400 percent from 1977 to 1980, primarily due to the Carter Administration policy of using Eximbank as a vehicle for head-to-head competition with foreign export subsidy programs. The proposed change would reduce the Bank's subsidy to foreign borrowers, which results in a low rate of return to the U.S. economy and a drain on capital that is not justified by the gains from trade. Costly aggressive export subsidy programs are not warranted by our current circumstances, and they are weak instruments for achieving export growth in any event.

SUBJECT: Synthetic Fuels

Expected Savings:	(in millions of dollars)					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Current Base						
Budget Authority	415	858	1064	362	140	25
Outlays	275	864	859	776	824	756
Policy Reduction						
Budget Authority	-5725	-858	-1064	-362	-140	-25
Outlays	-275	-864	-859	-776	-824	-756
Reagan Budget						
Budget Authority	-5310	0	0	0	0	0
Outlays	0	0	0	0	0	0

Change proposed: The President plans to curtail DOE and TVA funding for design and construction of demonstration and commercial scale synthetic fuels plants, and allow projects to compete for funding from the Synthetic Fuels Corporation. This will reduce the total amount of Federal subsidies for synthetic fuels plants, but allow financial assistance from the Synthetic Fuels Corporation for those technologies in which industry has the most confidence and is willing to commit its own resources. Shifting the DOE synthetic fuel commercialization and demonstration activities to the SFC will provide a more focused program to demonstrate the feasibility of synthetic fuel production. It will also increase the private sector's contribution to demonstration projects and avoid the high costs associated with subsidizing commercial synthetic fuels capacity. Deregulation of oil and gas prices makes continued Federal spending for these projects less necessary and will allow reliance on private markets forces to pace the commercial introduction of these technologies in the longer run.

SUBJECT: Department of Energy (Departmental Administration)

(\$ in Millions)

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	1981	1982	1983	1984	1985	1
<b>Expected Savings:</b>						
Current Base						
Budget Authority	303	402	387	397	409	
Outlays	294	370	355	392	404	
Policy reduction						
Budget Authority	-42	-125	-118	-127	-139	-
Outlays	-33	-93	-86	-122	-134	-
Reagan Budget						
Budget Authority	261	277	269	270	270	
Outlays	261	277	269	270	270	

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Change proposed:

Overhead activities such as accounting and personnel are cut back largely to complement reductions proposed for other areas of the Department of Energy. Other decreases occur in Department-wide functions such as policy, international, public information and other programs where there is now less need for these activities that once helped the Nation come to grips with the new energy era.



SUBJECT: Energy Information Administration

(\$ in Millions)

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	1981	1982	1983	1984	1985	19
<b>Expected Savings:</b>						
Current Base						
Budget Authority	104	127	135	144	153	1
Outlays	104	127	135	144	153	1
Policy reduction						
Budget Authority	-14	-47	-61	-67	-73	-
Outlays	-14	-47	-61	-67	-73	-
Reagan Budget						
Budget Authority	90	80	74	77	80	
Outlays	90	80	74	77	80	

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Change proposed:

This change calls for a significant reorientation in the data and analytical services of the Energy Information Administration in the Department of Energy. Under the Carter budget, provision was made for overly detailed energy statistics. Under the revised budget, detailed, burdensome, discretionary activities of questionable value will be eliminated. The quality of remaining statistical and analytical efforts will be improved.

SUBJECT: Energy Regulation

(\$ in Millions)

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	1981	1982	1983	1984	1985	1986
<u>Expected Savings:</u>						
Current Base						
Budget Authority	260	261	243	233	232	229
Outlays	262	249	244	234	228	224
Policy reduction						
Budget Authority	-33	-150	-138	-131	-127	-118
Outlays	-33	-127	-140	-132	-123	-111
Reagan Budget						
Budget Authority	227	111	105	102	105	101
Outlays	229	122	104	102	105	101

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Change proposed:

With the removal of price controls from oil, utilities and others will have adequate incentive to reduce their usage of oil. Hence, existing coal conversion, gasoline rationing, and some utility programs would be unnecessary. Other budget reductions result from a faster phase-out of petroleum activities following decontrol, and curtailment of hydropower programs in the Federal Energy Regulatory Commission.

SUBJECT: Energy Conservation

(\$ in Millions)

	1981	1982	1983	1984	1985	1986
<u>Expected Savings:</u>						
Current Base						
Budget Authority	800	872	779	601	545	54
Outlays	729	799	925	776	604	54
Policy reduction						
Budget Authority	-280	-677	-597	-427	-374	-41
Outlays	-66	-206	-725	-589	-433	-39
Reagan Budget						
Budget Authority	520	195	182	174	171	12
Outlays	663	593	200	187	171	14

Change proposed:

Department of Energy conservation program funding would be curtailed significantly in the areas of technology development; energy efficiency regulations, technical assistance and public information; and financial assistance for State and local conservation activities. Supported by rising energy prices and existing tax credits, individuals and businesses are already making substantial conservation efforts, which will be accelerated by oil decontrol. In addition, some of the conservation programs proposed for reduction or elimination may even impede private conservation efforts by imposing too great a regulatory burden on the public.

SUBJECT: Solar Energy Program

Expected Savings:	(in millions of dollars)					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Current Base						
Budget Authority	577	583	583	583	583	583
Outlays	589	589	589	589	589	589
Policy reduction						
Budget Authority	-132	-363	-343	-358	-313	-298
Outlays	-79	-365	-349	-334	-319	-304
Reagan Budget						
Budget Authority	445	220	240	255	270	285
Outlays	510	224	240	255	270	285

Change proposed: Budget cuts in solar can be justified and sustained by adopting a policy that Federal support should be restricted to long term R&D with the potential for high payoff. In general, the Federal Government would support solar technology development through proof of principle, but the private sector would be left to commercialize these technologies as they become economical. To bring the DOE solar RD&D program in line with the proposed strategy, FY 1982 reductions totaling \$284 million are proposed.

For market development and commercialization activities, the proposal recommends a \$39 million reduction in FY 1982 to focus efforts on higher priority items. Until the mission of the Solar Energy Research Institute (SERI) is better defined and an appropriate staffing level agreed upon, it is proposed that construction of a permanent facility be deferred. This proposal also recommends discontinuing the Saudi Arabian and Italian international agreements as they are low priority in comparison to other DOE solar activities.

SUBJECT: Other Energy Supply

Expected Savings: .

(in millions of dollars)

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Current Base						
Budget Authority	663	548	559	583	596	624
Outlays	596	601	559	572	585	610
Policy reduction						
Budget Authority	-229	-182	-205	-200	-182	-177
Outlays	-114	-175	-211	-196	-180	-180
Reagan Budget						
Budget Authority	434	366	354	383	414	447
Outlays	482	420	348	376	405	430

Change proposed: The other energy supply programs consist for the most part of research, development and demonstration activities in geothermal small hydropower, energy storage systems and electric energy systems. In addition, they include geothermal loan guarantees, grants to states for energy impact assistance, environmental studies and field assessments of uranium resources. The proposed changes will eliminate demonstration projects which are more appropriate for the private sector to undertake; terminate geothermal loan guarantees which are not needed for geothermal development; eliminate all energy impact assistance, since it is primarily a State and local responsibility, and because other Federal programs can be utilized if needed; eliminate duplicative and unnecessary environmental studies; and phase out uranium resource assessments because the program is no longer necessary to meet nuclear nonproliferation objectives.

SUBJECT: Fossil

Expected Savings:

	(in millions of dollars)					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Current Base						
Budget Authority	727	793	874	938	995	942
Outlays	747	799	838	895	974	943
Policy Reduction						
Budget Authority	-169	-388	-735	-838	-758	-835
Outlays	-163	-377	-707	-755	-781	-794
Reagan Budget						
Budget Authority	558	405	139	100	237	107
Outlays	584	422	131	140	193	149

Change proposed: The Administration is recommending that DOE's fossil R&D programs be refocused to concentrate on longer-term, high-risk research and that all R&D programs benefiting individual companies and all demonstration and "commercialization" activities be phased out. This will save over \$380 million in FY 1982. This action can be taken because the near-term R&D and commercialization activities can now be left to private business. The deregulation of oil and gas prices has made Federal subsidies for these areas unnecessary.

SUBJECT: Alcohol Fuels

Expected Savings:

	(in millions of dollars)					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Current Base						
Budget Authority	0	0	0	0	0	0
Outlays	114	29	13	15	15	15
Policy Reduction						
Budget Authority	-745	0	0	0	0	0
Outlays	-114	-29	-13	-15	-15	-15
Reagan Budget						
Budget Authority	-745	0	0	0	0	0
Outlays	0	0	0	0	0	0

Change proposed: Currently, the Federal Government provides tax credits for alcohol fuels and also subsidizes plants through feasibility studies, cooperative agreements and loan guarantees. Other forms of biomass energy including urban waste are also eligible for grants and loan guarantees. The proposed change eliminates the spending programs but retains the tax credits. (With tax credits alone, alcohol fuels will still receive a subsidy of over \$18 per barrel.) The removal of price controls from domestic crude oil will make alcohol fuels more competitive and eliminate the need for additional Government spending programs.