

**DEPARTMENTS OF COMMERCE, JUSTICE, AND
STATE, THE JUDICIARY, AND RELATED
AGENCIES APPROPRIATIONS FOR 1997**

**HEARINGS
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES
ONE HUNDRED FOURTH CONGRESS
SECOND SESSION**

**SUBCOMMITTEE ON THE DEPARTMENTS OF COMMERCE, JUSTICE, AND
STATE, THE JUDICIARY, AND RELATED AGENCIES**

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JIM KULIKOWSKI, THERESE McAULIFFE, JENNIFER MILLER, and KIM WOLTERSTORFF,
Subcommittee Staff

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U.S ARMS CONTROL AND DISARMAMENT AGENCY



FY - 1997 BUDGET

CONGRESSIONAL PRESENTATION

(1)

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Executive Summary

The U.S. Arms Control and Disarmament Agency (ACDA) is engaged in many new post-Cold War arms control, nonproliferation and disarmament tasks and responsibilities. The Agency has refocused its missions and priorities to meet its Congressional and Executive Branch mandates and to address the President's vigorous arms control agenda.

For FY-1997, the Administration is requesting \$48,455,000 for ACDA to carry out its responsibilities. This includes \$4,000,000 for implementation of the Comprehensive Test Ban Treaty anticipated to be signed later this year and \$525,000 for the US share of the Biological Weapons Convention Review Conference, to be held in the winter, and related activities. Excluding these two new activities, the request for on-going ACDA activities is \$43,930,000, a base reduction of \$1,770,000 from the FY-1996 request. Both this funding cut and the staff reduction of 4 FTE are part of the President's strategic and systematic rightsizing initiatives across the federal sector. ACDA is committed to assuming its share toward this end and continues to look for alternatives which can provide more efficient and effective arms control to the US taxpayer.

As noted in the ACDA's Missions and Priorities section (p.8), ACDA has refocused the following missions:

- to conduct and support negotiations;
- to implement arms control agreements;
- to provide arms control advice and advocacy; and,
- to assess compliance with existing arms control and the verifiability of new arms control agreements.

ACDA, with Congress' support, stands prepared to meet the challenges that face arms control, nonproliferation and disarmament in this post-Cold War era.

These "barebones" requirements identified within are requested only after careful scrutiny of the Agency's essential needs in order to fulfill its missions.

**FY 1997
APPROPRIATION LANGUAGE**

General and Special funds:

ARMS CONTROL AND DISARMAMENT ACTIVITIES

For necessary expenses not otherwise provided, for arms control, nonproliferation, and disarmament activities, [pending] \$48,455,000, of which not less than \$4,000,000 is available until expended only for activities related to the implementation of a Comprehensive Test Ban Treaty, and of which not to exceed \$100,000 shall be for official reception and representation expenses as authorized by the Arms Control and Disarmament Act of September 26, 1961, as amended (22 U.S.C. 2551 *et seq.*).

UNITED STATES ARMS CONTROL AND DISARMAMENT AGENCY

FY 1997 Summary of Budget Request		
Arms Control and Disarmament Activities		
	(\$000)	
Revised FY 1996 Appropriation Request	259	45,700*
FY 1997 Appropriation Request	<u>255</u>	<u>48,455</u>
Increase/Decrease	<u>-4</u>	<u>2,755</u>
Explanation of Requirements		
	FY1996	FY1997
Program Operations and Personnel Compensation	44,700	42,930
External Research	1,000	1,000
Comprehensive Test Ban Treaty	0	4,000
Biological Weapons RevCon	<u>0</u>	<u>525</u>
Total	<u>45,700</u>	<u>48,455</u>
		<u>2,755</u>

*Note that this level of funding for FY1996 represents the Administration's request for ACDA. ACDA is currently operating under a Continuing Resolution at a level of \$35,700,000.

UNITED STATES ARMS CONTROL AND DISARMAMENT AGENCY

FY 1997 Analysis of Budget Request (\$000)	
FY 1996 Appropriation Request	45,700*
Adjustments to Base	
Personnel Compensation: Wage & Benefits Adjustment	712
Program Operations: Administrative Reductions	(2,482)
Comprehensive Test Ban Treaty	4,000
Biological Weapons Convention Review Conference	<u>525</u>
Total Adjustment to Base	<u>2,755</u>
FY 1997 Appropriation Request	<u>48,455</u>

*Note that this level of funding for FY1996 represents the Administration's request for ACDA. ACDA is currently operating under a Continuing Resolution at a level of \$35,700,000.

**UNITED STATES ARMS CONTROL AND DISARMAMENT AGENCY
BUDGET REQUEST BY OBJECT CLASS**
(in thousands of dollars)

	FY 1996 Estimate	FY 1997 Estimate	Change +/-
Personnel Compensation:			
Full-time Permanent	13,554	14,107	553
Positions other than full-time Permanent	917	918	1
Other Personnel Compensation	300	288	-12
Reimbursable Details:			
State Department	4,248	4,280	32
Military	2,500	2,500	0
Total Personnel Compensation	21,519	22,093	574
Personnel Benefits	<u>3,618</u>	<u>3,756</u>	<u>138</u>
Total Personnel Compensation & Benefits	25,137	25,849	712
Other Obligations			
Travel and Transportation	3,400	3,220	(180)
Rent, Communications and Utilities	1,700	1,850	150
Printing and Reproduction	40	40	0
Other Services:			
Information Technology	4,654	3,700	(954)
Overseas Administrative Support	2,894	2,865	(29)
Domestic Administrative Support	5,675	4,306	(1,369)
Supplies and Materials	200	200	0
Equipment	1,000	900	(100)
Comprehensive Test Ban Treaty	0	4,000	4,000
Biological Weapons Convention RevCon	0	525	525
External Research	<u>1,000</u>	<u>1,000</u>	<u>0</u>
Total Other Obligations	20,563	22,696	2,133
Total Obligations	45,700*	48,455	2,755

*Note that this level of funding for FY1996 represents the Administration's request for ACDA. ACDA is currently operating under a Continuing Resolution at a level of \$35,700,000.

**UNITED STATES ARMS CONTROL AND DISARMAMENT AGENCY
BUDGET RESOURCES BY BUREAU AND OFFICE
FY 1997**
(in thousands of dollars)

Bureau/ Office	Program Operations	CTBT/ BWC	Personnel Compensation	External Research	Total Funding	Full-time Equivalents (FTE)
Director	450		2,077		2,527	18
MA	675	4,525	5,991		11,191	44
NP	625		3,754		4,379	37
SEA	475		4,251		4,726	35
IVI	4,475		4,919	1,000	10,394	47
A	9,896*		2,468		12,364	44
CA	20		429		449	5
GC	325		1,216 ⁻		1,541	13
PA	140	—	744	—	884	12
TOTAL	17,081	4,525	25,849	1,000	48,455	255

*All of ACDA's undistributed overhead (e.g. domestic and overseas administrative support, rent, utilities, telecommunications, etc.) are included in the Office of Administration total for program operations.

ACDA : TODAY AND TOMORROW

As of the early 1990's, both the Congress and President Clinton had set out new expectations and responsibilities for the U.S. Arms Control and Disarmament Agency, and indeed, ACDA is now engaged in many new arms control tasks and responsibilities of the post-Cold War era.

THE POST-COLD WAR CONTEXT PROMPTED ACDA TO REFOCUS ITS MISSIONS

With the end of the Cold War, arms control did not recede as a national security priority and, in fact, the need for arms control grew. Consequently, ACDA's missions have also grown.

President Clinton's 1994 State of the Union address described the troubled world we faced even though the high-stakes nuclear stalemate with the Soviet Union had ended. He described a world of "rampant arms proliferation, bitter regional conflicts, ethnic and nationalist tensions in many new democracies...and fanatics who seek to cripple the world's cities with terror." In the Arms Control and Nonproliferation Act of 1994 (P.L. 103-236), Congress declared that "a fundamental goal of the United States, particularly in the wake of the highly turbulent and uncertain international situation fostered by the end of the Cold War, the disintegration of the Soviet Union and the resulting emergence of fifteen new independent states, and the revolutionary changes in Eastern Europe, is to prevent the proliferation of nuclear weapons and their means of delivery and of advanced conventional armaments, to eliminate chemical and biological weapons, and to reduce and limit the large numbers of nuclear weapons in the former Soviet Union, as well as to prevent regional conflicts and conventional arms races."

In his 1995 State of the Union address, President Clinton stated further that, "Important challenges remain. The START II treaty with Russia will cut our nuclear stockpiles by another 25 percent. I urge the Senate to ratify it now. We must end the race to create new nuclear weapons by signing a truly comprehensive nuclear test ban treaty this year. As we remember what happened in the Japanese subway, we can outlaw poison gas forever if the Senate ratifies the Chemical Weapons Convention this year." ACDA has been and continues to lead the Administration's efforts in these areas. To this end, ACDA is playing a leading role in preparing to implement START II, which was recently ratified by the Senate; negotiating a CTB in Geneva; and, pursuing ratification and preparing for entry-into-force of the CWC.

Both the Congress and the Administration acted to reinvigorate ACDA because they saw that arms control, nonproliferation, and disarmament provide solutions to some of these post-Cold War security problems.

This mandate from the President and the Congress enabled ACDA to move swiftly, effectively, and efficiently into the post-Cold War world with its missions and priorities. ACDA's accomplishments and successes demonstrate that the purposes of the 1994 legislation were sound and that ACDA can continue to register significant national security gains for the United States.

ACDA'S MISSIONS AND PRIORITIES

Since 1994, ACDA, in concert with the Congress and the Administration, has established these national priorities: eliminating through negotiations and actual disarmament the overarmament of the Cold War; preventing the proliferation of weapons of mass destruction and their means of delivery; pursuing agreements and related policies to serve nonproliferation objectives; applying arms control solutions to regional problems; and establishing norms for the control and transfer of conventional arms.

Functionally, ACDA now has four main missions. The first is to manage U.S. participation in negotiations. The second is to provide arms control advice and advocacy. The third is to help enforce treaty partners implement arms control agreements already negotiated, through for example, treaty implementation force. This is a burgeoning mission that includes but goes well beyond verification. The fourth is assessing compliance with existing arms control treaties and the verifiability of new arms control agreements.

ACDA has responded vigorously to its congressionally mandated "nonproliferation" role. Although ACDA has long been engaged in US nonproliferation efforts, this mandate explicitly added nonproliferation matters as one of its areas of concern. ACDA is committed to strengthening the national security of the United States by formulating, advocating, negotiating, implementing, verifying effectively, and assessing compliance of arms control, nonproliferation, and disarmament policies, strategies, and agreements. ACDA is the only federal agency dedicated solely to this mission. ACDA's role is to ensure that arms control objectives are fully integrated into the development and conduct of US national security policy to meet the demands of the 21st century.

NEGOTIATIONS

ACDA's ability to prepare, manage, lead, coordinate, negotiate, and conclude international negotiations for arms control, nonproliferation, and disarmament agreements is fundamental to fulfilling its mission. ACDA has been the United States Government (USG) lead agency in conducting and supporting a wide range of exceedingly important arms control negotiations subject to the broad policy guidance provided by the Arms Control and Nonproliferation Interagency Working Groups.

NPT: One of the best and most recent examples of ACDA's management of and preparation for negotiations in the nonproliferation area is its performance as the lead agency in the 1995 Nuclear Non-Proliferation Treaty (NPT) Review and Extension Conference. Starting in 1992, ACDA developed the US Government strategy for achieving the indefinite extension of the NPT, a critical US foreign policy and national security objective. ACDA organized and chaired an interagency working group to address all issues -- procedural and substantive -- arising in connection with the extension of the NPT. This group met regularly for nearly three years leading to the NPT Conference. In the several months just prior to the start of the Conference, ACDA's Deputy Director chaired daily interagency meetings to coordinate the end-game strategy. ACDA organized internally to maximize the resources available within the Agency to pursue this goal. ACDA officials led the US delegations to the four Preparatory

Committee meetings and provided the working head of delegation to the Conference. ACDA officials conducted the largest part of the international diplomacy undertaken to promote US NPT extension goals consulting with more than 75 countries in capitals, and in New York, Geneva, Vienna and Washington. Through frequent communications with nearly every US embassy worldwide, ACDA was able to engage the US diplomatic community in regular, ongoing contacts in capitals on NPT extension. ACDA engaged with State Department regional bureaus and country desks to maximize the impact of USG approaches to NPT states and to identify key decisionmakers to be contacted. In order to ensure that US objectives could be attained, ACDA initiated support from all relevant executive branch agencies and departments.

The result of this ACDA-led effort was an unqualified success for the United States. In May 1995, the 175 parties to the NPT extended the Treaty indefinitely, without conditions. In the recent report of the ACDA Inspector General, the US delegation to the NPT Conference in New York, under the direction of ACDA's Deputy Director, won praise for its coordination among US agencies and for performing "superbly." ACDA also won praise from the US Mission in New York for its planning for the delegation. The Inspector General notes that Mission administrative officials "intend to use ACDA as a model for other delegations for the planning and execution of...their work." Secretary of State Christopher, in a State Department memo of May 31, 1995, also referred to the ACDA and State NPT "Team" as a model for future work and commended both by stating that they should "take pride in their important role in bringing about this critical foreign policy objective."

This was one of ACDA's finest achievements. The revised legislation facilitated the President's decision to have ACDA lead this effort. The interagency community was instructed to support that lead with ACDA to coordinate all efforts, including the extensive diplomatic and data base effort, through ACDA and its special representative. The achievement of the indefinite extension of the NPT now provides the United States with the institutional framework and legal basis for all of our efforts in nuclear nonproliferation.

Under the direction of the President and Secretary of State, ACDA has primary responsibility for the preparation, conduct, and management of US participation in all international negotiations in arms control and disarmament, and when directed by the President, as in the case of the NPT, in nonproliferation. These responsibilities include the Comprehensive Test Ban Treaty (CTBT), Chemical Weapons Convention (CWC), Biological Weapons Convention (BWC), follow-up to the successful extension of the NPT, the fissile material cutoff (FMCT) proposal, nuclear weapon free zone initiatives, and future strategic nuclear weapon negotiations.

CTBT: In July 1993 President Clinton announced that the US would extend its moratorium on nuclear testing, and seek a Comprehensive Test Ban Treaty (CTBT). The United States, with the other 37 members of the Geneva Conference on Disarmament (CD), embarked on these multilateral negotiations. Substantial progress was made prior to the NPT Review and Extension Conference in Spring 1995, which welcomed that progress and called for conclusion of the negotiations no later than 1996. Negotiations have been intensified. Meeting this goal is now one of the primary arms control efforts of this administration.

ACDA provides the principal US support for the CTBT negotiations. ACDA is responsible for drafting instructions to the US negotiating team, chairing the backstopping and verification and monitoring groups, providing leadership and support for the interagency-staffed negotiating team and providing administrative and logistical support in Geneva for the negotiators, administration officials and Congressional delegations visiting the negotiations.

Once the CTBT is completed, ACDA will have principal responsibility for facilitating House and Senate consideration and securing Senate advice and consent to ratification. Once ratified, ACDA will have the leading role in overseeing and ensuring effective implementation, which will include establishing the international organization that will be called for under the treaty, establishing or upgrading monitoring facilities required by the treaty, and leading and preparing guidance for US delegations that will participate in the international organization.

FMCT: In September 1993, President Clinton proposed the negotiation of a global convention prohibiting the production of fissile materials for nuclear explosives or outside international safeguards, the Fissile Material Cutoff Treaty (FMCT). This initiative was endorsed by the United Nations General Assembly in the winter of 1993. Such a global convention would cap the amount of fissile material available for nuclear weapons worldwide. It would bring uranium enrichment and plutonium reprocessing facilities in the nuclear weapon states and in the threshold states under safeguards for the first time. As a result, the cutoff is important, both as an arms control measure but also as a nonproliferation measure. Informal discussions have begun pending start-up of the full scale multilateral negotiations at the Conference on Disarmament in Geneva. ACDA is the lead agency in developing verification regimes and in conducting, backstopping, and preparing for the negotiations.

CWC: On May 3, 1995, a Special Advisor to the Chemical Weapons Convention (CWC) was appointed by the President to ACDA for the purpose of enlisting support for timely ratification of the CWC, which has been a top priority of the Administration. The President submitted the CWC to the Senate in November 1993, with a recommendation that the Senate provide its advice and consent early in 1994. In 1994, ten hearings were held on the CWC, including strongly supportive testimony by the Secretary of State, the Chairman of the Joint Chiefs of Staff, the Deputy Secretary of Defense, the Director of Central Intelligence, the Director of ACDA, and outside witnesses.

Before the Convention can enter-into-force, 65 ratifications are necessary. As of March 13, 1996, 49 countries have ratified the Convention. Many other countries are waiting for the US to ratify before completing their own ratification efforts. US ratification is essential to maintain international momentum toward entry-into-force and to intensify pressure on Russia and others to join and adhere to the Treaty's broad prohibitions, including the complete elimination of chemical weapons stocks.

Efforts are underway in The Hague to prepare for effective implementation of the Convention. ACDA continues to provide the US Representative to the CWC Preparatory Commission and has the lead for all interagency policy efforts regarding the Convention. Our bilateral dialogue with Russia has been accelerated with consultations involving senior officials on both sides including the ACDA Director and

the Russian Deputy Foreign Minister. ACDA is recognized as retaining the policy and verification expertise on chemical weapons issues and thus has been called upon at all levels to conduct such negotiations and serve as public liaison on such issues as the Japanese subway attack.

BWC: Over the two decades since entry-into-force of the Biological Weapons Convention (BWC), confidence in the effectiveness of the Convention has been weakened by instances of non-compliance, among State Parties, including the former Soviet Union. To deter violations and reinforce the global norm against proliferation of biological weapons, ACDA supports negotiation of a legally binding protocol of mandatory measures to enhance compliance with the BWC. These measures are expected to include both off-site and on-site measures as a means of providing openness and transparency.

The 1991 BWC Review Conference mandated the convening of an Ad Hoc Group of Governmental Experts which, after four sessions in 1992 and 1993, reported on the scientific and technical merit of potential verification measures. A Special Conference held in Geneva in September 1994 established another Ad Hoc Group, open to all parties, to consider measures to strengthen the BWC and incorporate them into a legally binding document. The Group held productive working sessions in July and November 1995, and will report to the Fourth Review Conference of the BWC in December 1996.

ACDA is the lead US Government agency for BWC negotiations. ACDA responsibilities include leading the US delegations in Geneva to the BWC Ad Hoc Group and the BWC Review Conferences, including providing experts; chairing the interagency backstopping group; developing and preparing guidance on BWC issues for US negotiators; developing and evaluating measures to enhance compliance; briefing Members of Congress and their staffs on BWC issues; and informing US industry and the general public on the negotiations.

US-UK-Russian Trilateral BWC Process: In a Joint Statement in September 1992, senior US, UK, and Russian government officials confirmed their commitment to full compliance with the BWC and declared that biological weapons have no place in their armed forces. The Russian Government agreed to take tangible steps to resolve US and UK concerns about the offensive BW program inherited from the former Soviet Union. High-level negotiations continue in an effort to clarify remaining US and UK concerns. ACDA, as the USG lead for multilateral BWC negotiations, plays a critical role in these negotiations, and has led the overseas on-site implementation of these endeavors.

CFE: ACDA participates actively in interagency policy discussions on European conventional arms control, especially those related to the implementation of the Treaty on Conventional Armed Forces in Europe (CFE). Under the leadership of the Head of the U.S. Delegation to the OSCE, an ACDA official is the chief US delegate at the Joint Consultative Group in Vienna, a body composed of representatives of all CFE parties to discuss implementation and compliance issues. ACDA has been involved in US efforts to resolve issues associated with Russia's deployment in the so-called "flank" zone. The President's Special Representative, an ACDA official will head the US delegation to the CFE Review Conference beginning in May 1996. This conference, mandated by the CFE Treaty, will review its implementation since entry-into-force in 1992.

OSCE: ACDA participates actively in developing US policy for discussions on military security issues in the Organization for Cooperation and Security in Europe (OSCE). Specifically, the OSCE's Forum for Security Cooperation (FSC) is responsible for the Vienna Document 1994 on Confidence and Security Building Measures (CSBMs)—a range of measures designed to increase the transparency of military activities within the European continent. ACDA provides analytical and policy support for the ongoing implementation of CSBMs, especially the weekly plenary and working group meetings.

Bosnia: Implementation of the Dayton Accords, Annex 1B on Regional Stabilization: ACDA is helping to support the negotiation and implementation of the arms control and CSBMs Regional Stabilization agreements to be reached between the Parties to the Dayton Accords. ACDA has appointed a policy analyst to provide support for the Special Negotiator for the Article Four agreement on the limitation of conventional armaments and equipment. This agreement is to be negotiated within six months, as mandated by Dayton, and will require intensive coordination between five highly sensitive parties. ACDA is also providing additional staff support to the negotiation and implementation of the Article Two agreement on CSBMs. These two agreements are being conducted under the auspices of the OSCE. The successful conclusion of these talks will serve as the basis for future agreements on regional stability within the OSCE arena.

Open Skies: ACDA participated actively during the negotiation of the Open Skies Treaty, and continues to actively support efforts toward entry-into-force. The Treaty is designed to provide unprecedented openness and transparency in military activities from "Vancouver to Vladivostock." The Treaty sets forth a regime of unarmed aerial observation flights over the territory of the twenty-seven signatories. An ACDA representative serves as the US Chief Delegate to the Open Skies Consultative Commission (OSCC) in Vienna, Austria. Under the leadership of the Head of the U.S. Delegation to the OSCE, an ACDA policy analyst is the Chairman of one of the Treaty's four working groups, and ACDA also provides an action officer full time to the OSCC to support the plenary and working groups.

Additionally, in response to a DOD initiative, ACDA has taken the lead in the flight procedures working group, and coordinated the US Government position on noise abatement that ultimately will save the Department of Defense \$8.4 million on Open Skies aircraft conversions.

Nuclear Weapon Free Zones: ACDA has the Executive Branch lead for US involvement in negotiations and implementation of nuclear weapon free zone treaties. Most recently, ACDA played an instrumental role in coordinating a joint US/UK/France agreement on an announcement of their decision to sign the South Pacific Nuclear Free Zone (SPNFZ) Treaty protocols in the first half of 1996. This effort by ACDA was partially a result of bipartisan Senate leadership and interest in an early decision by the Administration to seek Senate advice and consent to ratification of the protocols to the SPNFZ Treaty which was expressed to President Clinton in an August 10, 1995 letter from Senators Thomas and Pell and Representative Faleomavaega of American Samoa.

Also, for many years, ACDA has led all of the US delegations to meetings of the OPANAL General Conference, the organization established by the Treaty of Tlatelolco (the Latin American Nuclear Weapon Free Zone), which meets every two years to review Treaty related matters. In addition, over the

Weapon Free Zone), which meets every two years to review Treaty related matters. In addition, over the past two years, ACDA led US observer delegations to several negotiating sessions on the African Nuclear Weapon Free Zone Treaty (ANWFZ) -- the Treaty of Pelindaba. Using existing resources, ACDA coordinated the USG commentary on the Pelindaba treaty text as it evolved, ensuring that, to the extent possible, US concerns and interests were accommodated. ACDA officials worked closely with African negotiators to address these concerns. Most recently, the ACDA Special Representative for Nonproliferation, Arms Control and Disarmament intervened directly with states in the ASEAN region to convey US comments on concerns with a treaty under negotiation by regional states to establish a NWFZ in Southeast Asia.

IMPLEMENTATION

The Arms Control and Nonproliferation Act of 1994 underscored the importance for ACDA to focus heavily on the implementation and verification of arms control, nonproliferation, and disarmament agreements. Realizing the full potential of arms control agreements, including their verification obligations, is one of ACDA's central arms control and nonproliferation tasks now and in the future. This focal shift assisted ACDA in strengthening its involvement in this area. Negotiating agreements set the stage for buttressing our national security, but it is in their fulfillment -- the largely unsung work of implementation -- that weapons which could be used against us are actually averted or taken down. More and more, the biggest part of the job is done after Senate ratification and the Rose Garden signing ceremony.

The Arms Control and Nonproliferation Act of 1994 underscores the importance of close consultation with Congress concerning foreign implementation and compliance issues. ACDA has made a concerted effort to respond positively and often to this mandate. For example, under ACDA leadership, the US interagency teams responsible for START and INF implementation have taken the initiative to meet with congressional staff members to brief them on developments in the Joint Compliance and Inspection Commission (JCIC) and the Special Verification Commission (SVC). Committee staffs with which the START and INF teams have endeavored to stay in close contact include those of the Senate Foreign Relations Committee, the Senate Armed Services Committee, the Senate Select Committee on Intelligence, the Senate Arms Control Observers Group, the House International Relations Committee, the House National Security Committee, and the House Permanent Select Committee on Intelligence. These consultations have included detailed classified briefings on the key issues being dealt with in both the JCIC and the SVC, including the recently resolved issue of the accountability under the START Treaty of space launch vehicles that incorporate the first stage of an ICBM or an SLBM.

ACDA is, *inter alia*, responsible for preparing policy advice and recommendations, and for the preparation, conduct, and management of US participation in negotiation and implementation fora in the fields of arms control and disarmament with the nations of the former Soviet Union (FSU), Europe and China. This mission includes: implementation by other treaty partners of existing strategic and theater arms control agreements, including leading the interagency policy development process, as well as leading negotiations related to the ABM, INF, START I, and START II treaties; negotiation and implementation of agreements for the safe and secure dismantlement (SSD) and storage of the nuclear

weapons of the FSU; development of policies related to the elimination of nuclear weapons; planning for the negotiation and implementation of future strategic and theater arms control agreements with the FSU and the other nuclear powers; the development of policies for strategic nuclear arms control with China and U.S.; China strategic arms control dialogue; and assisting with the conversion of the defense industries of the FSU and China to civilian purposes.

In order to strengthen ACDA's responsibilities related to strategic/theater offensive and strategic/theater defensive negotiations, and with areas outside of classic strategic/theater arms control, e.g., nuclear weapons dismantling and transparency, ACDA and its Strategic and Eurasian Affairs (SEA) Bureau have focused their efforts in three principal areas: (1) strategic and theater offense arms control, in particular, the implementation by few States of existing Treaties—the INF and START I (and the START II Treaty, once it enters into force); (2) strategic and theater defense arms control, including implementation of the ABM Treaty; and (3) policy analysis and oversight of, and participation in, the negotiation and implementation on nuclear weapons-related measures with FSU states and with China. An administrative reorganization of the SEA Bureau was a necessary consequence of this revitalization, in order that this Bureau's resources might be better focused on these three primary lines of business. This reorganization decreased the number of divisions from four to three, as well as integrated the Commissions associated with the ABM, INF, START I, and START II (once it enters into force) treaties within the Bureau for purposes of administrative support and operational coordination, while preserving the direct access on policy issues of the US Representatives leading these Commissions to the ACDA Director.

Besides leading the policy aspects of ratification of the START II Treaty, ACDA leads the respective Commissions on the implementation of the ABM, INF, and START I treaties. ACDA also supports related US efforts at ministerials, presidential summits, and other high-level meetings, including the Strategic Stability Working Group and the periodic meetings between Under Secretary of State Davis and Russian Deputy Foreign Minister Mamedov.

ABM: ACDA leads negotiations in the Standing Consultative Commission (SCC), the ABM Treaty's implementing body and chairs the interagency committee responsible for providing instructions to the SCC. ACDA provides a member and advisor, as well as administrative and technical support for the SCC Delegation. ACDA also develops diplomatic communications regarding ABM issues for delivery to the other states participating in the SCC. Two pressing issues have been under discussion in the SCC: an agreement to codify legal succession to the Treaty by New Independent States and an agreement to clarify the demarcation between strategic and theater missile defenses. ACDA also co-chairs the interagency committee charged with verifying compliance with the Treaty. The Office of the SCC Commissioner is in ACDA.

START/INF: ACDA leads the development of US policy regarding implementation by former Soviet States of the INF Treaty through communications in diplomatic channels to the governments of the INF Parties participating in the Special Verification Commission (SVC)—Belarus, Kazakhstan, Russia, and Ukraine—as well as in discussions in the SVC. ACDA provides a member and advisor, as well as administrative and technical support for the SVC Delegation. Most of the effort during 1995 was devoted

to adapting the Treaty to the realities of the post-Soviet world and to ensuring that US interests were protected in the development of inspection procedures for missiles exiting the Votkinsk plant in Russia. In an effort to resolve the latter issue, ACDA led an interagency group of technical experts in discussions with their Russian counterparts. ACDA chairs the interagency working group that develops: US policy for implementation of the INF Treaty, instructions for the SVC, and diplomatic communications regarding INF Treaty implementation, for delivery to the governments of the INF Parties in their respective capitals. Additionally, ACDA co-chairs the interagency working group that develops guidance for US operations that implement inspections under INF and verifies compliance with the Treaty. The Office of the US Representative to the SVC is in ACDA.

ACDA plays a leading role in the development of US policy regarding the implementation by FSU States of the START I Treaty through communications in diplomatic channels to the governments of the other START Parties and in the Joint Compliance and Inspection Commission (JCIC). ACDA provides a member and advisors, as well as administrative and technical support for the JCIC Delegation. The expertise and experience of ACDA's personnel are essential to the complex and often highly technical work of START Treaty implementation. During 1995 alone, the ACDA-led JCIC delegation negotiated and completed eight new JCIC Agreements and three new Joint Statements designed to enhance effective implementation of the START I Treaty. ACDA also leads the interagency process leading to the development of solutions to problems that have arisen during the course of these inspections. In addition to these responsibilities, ACDA co-chairs the interagency working group that develops guidance for US operations that implement inspection and monitoring under START and verifies compliance with the Treaty. The Office of the United States Representative to the JCIC is in ACDA.

ACDA had a key role in developing US policies which led to START I entry-into-force in December 1994 and to the accession to the Nuclear Nonproliferation Treaty by Belarus, Kazakhstan, and Ukraine. These countries have now committed to becoming non-nuclear weapon states underscoring the importance that the Clinton Administration places on having a nonproliferation policy that is practical, effective, and addresses the threats of the post-Cold War era.

Treaty implementation brings home to the United States the practical and real security benefits which were only in written form in the treaty. For example, in order to better prepare Belarus and Kazakhstan to implement the START Treaty, ACDA led an interagency team to provide briefings on how to organize themselves for START Treaty inspections. Also, during 1994, Russia and Ukraine took the position that ICBMs and SLBMs used for space launch purposes are not accountable under the START Treaty; this position was in conflict with, and would have directly undercut, the provisions of the Treaty. During 1995 ACDA support of high-level diplomatic exchanges, as well as ACDA-led efforts in the JCIC resulted in the initiating of a Joint Statement in the Joint Compliance and Inspection Commission, that records the understanding that all space launch vehicles, which use the first stage of an ICBM or SLBM, are accountable as ICBMs and SLBMs of that type under the START I Treaty.

ACDA led a delegation that negotiated an exchange of letters of policy, in which the United States agreed not to exercise its right to conduct continuous monitoring activities at the Pavlograd

Machine Plant in Ukraine after May 31, 1995, instead of December 6, 1995 --one year after the notification of cessation of production of ICBMs for mobile launchers of ICBMs. Any renewed production of such mobile ICBMs, including for space launch vehicles that use newly produced first stages of such missiles, would constitute grounds for the United States to reestablish continuous monitoring activities at Pavlograd. In return, Ukraine permitted the United States to conduct three short notice inspections, outside of the START inspection regime, of the plant's interior between June 1, 1995, and December 6, 1995.

ACDA played a pivotal role in the negotiation of the START II Treaty--the chief negotiator was an ACDA Assistant Director. The Agency also provided substantial support to the high-level exchanges that led to the Treaty's signature. After Treaty signature, and particularly during 1995-1996, ACDA played a key role in the Executive Branch's efforts to secure Senate ratification of START II. Once the Treaty enters into force, ACDA will chair the interagency committee developing policy concerning implementation of the Treaty, as well as provide guidance to the Bilateral Implementation Commission (BIC), which is the implementing body for START II. ACDA will provide a member and advisor, as well as administrative and technical support for the BIC Delegation. The Office of the US Representative to the BIC will reside in ACDA.

With regard to the development of future arms control during 1995, ACDA participated in the interagency process designed to examine US strategic arms control policy beyond START II. ACDA will continue to play a lead role in developing US policy positions in future strategic arms control initiatives.

China: ACDA is working to establish a regular dialogue with China on a range of arms control and nonproliferation issues, including NPT, CWC, and BWC. Increasing US-China mutual understanding of strategic nuclear arms control is increasingly important to our mutual security, especially as China's nuclear forces become more sophisticated and US and Russian nuclear forces are reduced pursuant to the START Treaties. At this early point, ACDA's objective is to explore what can be accomplished by bilateral or multilateral arms control with China and with the states of the former Soviet Union, as well as region-wide arms control. ACDA's goals in this region are greater transparency, maximum security for and control of nuclear weapons and, above all, adherence to the principles of nonproliferation. ACDA is also active in interagency deliberations on China. In particular, ACDA is represented on the US-China Defense Conversion Commission and at the China Interagency Working Group. ACDA also is represented on the interagency Lab-to-Lab Advisory Group and the China Military-to-Military Working Group.

FSU Denuclearization: With regard to DOD's Cooperative Threat Reduction activities, ACDA provides arms control policy input to promote denuclearization in the former Soviet Union (FSU). ACDA personnel participated in the negotiation and conclusion of Safety, Security, and Dismantlement (SSD) agreements with Belarus, Kazakhstan, Russia and Ukraine, which include the overarching "umbrella" agreements and the numerous implementing agreements. ACDA also supported the development of transparency initiatives for the storage of fissile material from dismantled former Soviet nuclear weapons. ACDA participates actively in interagency policy deliberations and decisions relating to the establishment

ACDA's role in the Safeguards, Transparency, and Irreversibility (ST&I) process is substantial. ACDA provides the ST&I Deputy, other members, and technical experts on the US ST&I Delegation, as well as administrative and technical support of the Delegation. In addition, ACDA participates fully in the interagency ST&I policy formulation group that develops guidance for the ST&I Delegation. ACDA also provides senior-level representatives to NSC-chaired working groups where US ST&I policy is developed. In addition, ACDA provides both policy guidance and technical representation in US-Russian ST&I technical experts meetings.

On issues associated with defense conversion within Belarus, Kazakhstan, Russia, and Ukraine, ACDA actively participates in several bilateral organizations. These efforts reflect the Agency's commitment to preventing the spread of weapons-related equipment, technology, and expertise (especially in the area of weapons of mass destruction). By maximizing the civilian opportunities that exist in these countries, ACDA and these other organizations are contributing to the orderly, transparent, and permanent shrinkage of this sector of their economies, as well as ensuring that fewer threats are likely to appear elsewhere.

In addition to its work with these bilateral organizations, ACDA, in cooperation with the US Department of Energy and the Russian Ministry of Atomic Energy, has over the last several years sponsored several "entrepreneurial workshops" to support the conversion of facilities and personnel in the two key Russian nuclear weapons laboratories from weapons work to civilian projects. These workshops have focused on helping Russia identify commercial technologies, creating initial plans to develop them, and introducing developers to leading experts from relevant US industries.

Eurasian Regional Arms Control: ACDA is also exploring Eurasian regional arms control, although this effort is at a very early stage of development. Our arms control contacts in the region have been primarily with Belarus, Kazakhstan, Russia, and Ukraine, which are parties to the START and INF Treaties, as well as SCC discussions on ABM Treaty issues. We are also reaching out to the other states of the former Soviet Union that are Parties to the INF Treaty, but do not regularly participate in the implementation of the Treaty. While arms control is not an area of keen interest to all the states of the FSU, many are beginning to understand that arms control can be a significant and stabilizing foreign policy tool and that proliferation is a threat to security in the region and elsewhere. Examples of this effort are the successful exchange of views on arms control with officials from the governments of Georgia and Azerbaijan and an ACDA Assistant Director, which occurred in November 1994. ACDA also participated in the September, 1995 Central Asian Security Conference hosted by the government of Uzbekistan. The talks were broad-based, but included specific exchanges of importance to Georgia and Azerbaijan, including the ABM Treaty, CSCE, and the CFE talks.

NPT: As mentioned above, ACDA leads the US Government efforts to ensure that the NPT is fully implemented. By the terms of the Treaty, review conferences are held every five years to review the operation of the Treaty. These conferences help to shape the nonproliferation environment. They confirm agreed nonproliferation norms, such as full scope safeguards as a condition of supply, and help to establish the nonproliferation agenda for the succeeding five year period. At the 1995 NPT Review and Extension Conference, for example, not only was the Treaty extended indefinitely, but the conference

agreed, *inter alia*, on principles and objectives and on a number of issues related to the application of International Atomic Energy Agency (IAEA) safeguards, nuclear cooperation, and the desirability of requiring full-scope safeguards as a condition of supply. It also agreed on a strengthened review process, which will commence in 1997. ACDA will continue to play the lead role in planning for US participation in the review process and will continue to play an important role in supporting the IAEA, where ACDA chairs the inter-agency committee on International Safeguards and Monitoring, ensuring that nuclear cooperation takes place under sound nonproliferation principles, and promoting effective multilateral export controls through the Nuclear Suppliers Group and the NPT Exporters Committee. ACDA also plays an important role in reviewing compliance with the NPT.

Iraq/UNSCOM: An ACDA official served for two years as the UN Special Commission for Iraq (UNSCOM) Deputy Executive Chairman in New York. In 1993 and 1994, ACDA provided a biological weapons expert to the UNSCOM staff in New York who developed inspection protocols and participated in BW inspections in Iraq. During 1995, ACDA BW experts worked closely with UNSCOM staff on detection of the BW program. ACDA will continue to provide policy and analytical studies and evaluations, to include how efforts in Iraq may affect ongoing arms control activities, and continue as an active participant in the interagency policy formulation group supporting UNSCOM and the IAEA.

ADVICE AND ADVOCACY FOR ARMS CONTROL

ACDA was created out of the conviction by Presidents Eisenhower and Kennedy that the President needed to hear the case for arms control unfiltered, which meant that it should be presented by an advisor dedicated to arms control as his or her highest priority. The Arms Control and Nonproliferation Act of 1994 underlines the importance of this advice and advocacy by ACDA and its Director.

ACDA has vigorously met the challenge of this intended role. ACDA's Director is the principal advisor to the President, the National Security Council, and the Secretary of State on the full range of arms control, nonproliferation, and disarmament matters.

This means an assurance that important arms control considerations are injected into the decisionmaking process at the highest levels. When arms control and nonproliferation issues are on the agenda, exactly as specified in the revitalization Act, the Director of ACDA joins the National Security Advisor, the Secretaries of State and Defense, the Chairman of the Joint Chiefs of Staff, the UN Ambassador, the Director of the Central Intelligence Agency, and the heads of other affected departments and agencies in meetings of the NSC Principals Committee.

The right to go directly to the President with arms control advice is also built into the ACDA Director's role. Obviously, this is a right to be exercised judiciously. But, it is a valuable recourse on important issues when the interagency process does not take adequate account of arms control considerations.

As a result of the President's decision to strengthen ACDA and the Congressional affirmation of that decision, the access granted to ACDA in the interagency process has been very broad. The amended Act was supportive of ACDA's efforts to work out, with a receptive National Security Advisor and National Security Council staff, a very inclusive list of subject areas, meetings, and interagency working groups in which ACDA would be involved. This is now routine. The list includes not only subjects on which ACDA has lead negotiating responsibility -- such as NPT Review conferences or the CTB negotiations -- but also on subjects, such as proliferation in South Asia, where ACDA works in a supportive role. And, it includes not only matters where arms control is predominant -- like the comprehensive nuclear test ban treaty negotiations -- but also areas, like China and the Middle East, where arms control is part of a broader agenda.

As part of this interagency process, the ACDA Director and the Deputy Director take part in relevant meetings of the Principals and Deputies committees which are made up of members of the President's cabinet and their respective deputies. ACDA's perspective has been represented at Principals committee meetings by either the Director or his deputy routinely since 1994. At these meetings they have presented ACDA's unique institutional view on numerous occasions covering national security issues ranging from China, North Korea, and Russia and the Newly Independent States to CTBT issues and strategic arms control beyond START I and START II.

The Director also uses a variety of other fora to exercise his statutory function as the principal advisor to the President, the NSC and the Secretary of State on arms control and nonproliferation. These activities by the Director are complemented by the routine participation of ACDA representatives in all levels of the interagency policy arena. ACDA is now represented on the full spectrum of policy formulation and implementation venues.

PUBLIC INFORMATION AND OUTREACH

The Arms Control and Nonproliferation Act of 1994 re-emphasized a part of ACDA's original mandate: to be a forceful public advocate and authoritative source of information for arms control. That Act broadened the original mandate so that ACDA is now instructed to be responsible for "the dissemination and coordination of public information concerning arms control, nonproliferation, and disarmament," and added nonproliferation to the original mandate.

Arms control, nonproliferation, and disarmament are often poorly understood national security concepts by the public. That is one of the reasons why ACDA has had a public information component as part of its mission. The Arms Control and Nonproliferation Act of 1994 pointed out the importance of improvement in this area. ACDA's Public Affairs office has taken seriously the targeted mandate for improved performance in this area and it has achieved significant results.

The Office of Public Affairs at ACDA has strengthened the public information role of the Agency. For example, from 1994 to 1995, there was a 166% increase in the number of speeches by senior ACDA officials and a 360% increase in the number of press events.

The Office of Public Affairs produces a range of publications, including press releases, fact sheets, brochures, the ACDA News, and compendiums of treaties and agreements. Thousands of information requests are filled each year by the Office of Public Affairs.

The Office of Public Affairs has also initiated a Homepage on the Internet that provides the public instant access to arms control information (www.acda.gov). An agency mailing list has been updated so that ACDA sends information on arms control, nonproliferation, and disarmament regularly to more than 2,000 members of the requesting public. However, the mailings have been suspended due to funding constraints under the Continuing Resolutions. ACDA still honors individual requests for information, numbering in the hundreds each month. The Office of Congressional Affairs distributes the same information to Members and staff of the US Congress.

A regular series of press events has been established for the Director of ACDA. In 1995 there were 27 press conferences for the Director and he conducted 133 individual press interviews on a range of arms control, nonproliferation, and disarmament issues.

ACDA has initiated an outreach program to communities outside the Washington, D.C. area. In 1995, ACDA officials visited dozens of cities around the country to inform the public on arms control, nonproliferation, and disarmament issues. For example, the Director spoke at some of the service academies in 1995 and he will do so again in 1996. The Director also had a special program of talks at historically black colleges in the South.

As a result of the 1995 Inspector General Report, ACDA has eliminated the Historian function and consolidated that function with the Department of State. ACDA is also in the process of eliminating the ACDA library and consolidating that function with the library at the Department of State.

EXPORT CONTROLS AND LICENSING

Another aspect of ACDA's refocus is its enhanced role in the Administration's nonproliferation policy-making process. The Act broadened ACDA's authority to participate in decisions on the export of defense articles and services subject to the Arms Export Control Act (AECA). Specifically, it required that all decisions by the Department of State on licenses for the commercial export of defense articles and services, and on government-to-government military sales, be made in coordination with the Director of ACDA and take into account the Director's assessment of the arms control and nonproliferation implications of the proposed transaction. In addition to the longstanding criteria stipulated in the AECA, Section 714(a), the Act added "aid in the development of weapons of mass destruction" as a factor that ACDA would evaluate in conducting its arms control assessments. This complemented ACDA's longstanding role in nuclear exports established by the Nuclear Nonproliferation Act of 1978.

Although it had long been understood that the Director's statutory authorities, as the principal adviser to the President on arms control, allowed him to recommend directly to the President that any particular export license or arms sale be disapproved, Section 714(a) of the Act specifically granted this authority to the Director whenever he determined that any transaction "would be detrimental to the

national security of the United States." There has been no case since passage of the Act in which the Director has recommended directly to the President that a particular transfer be denied. Nevertheless, ACDA welcomes the specificity of this authority and notes its importance in the extraordinary circumstance when it might be necessary to use it. This authority practically guarantees that arms control considerations will be part of decisionmaking at the highest levels of the US Government.

ACDA contributed actively and substantively to the development of the President's conventional arms transfer policy, announced in February 1995. Pursuant to and within the guidelines of that policy, ACDA has played a continuing strong role in developing region-specific policies in South Asia, Southeast Asia, Latin America, and Central Europe. The Agency has officially recommended that a similar regional policy review be conducted regarding the Middle East. ACDA also conceived, developed, and proposed a conventional arms transparency and restraint regime as an integral part of the Ecuador-Peru peace process, which is now under consideration by the parties. The Agency also contributed to US proposals for arms transfer transparency and restraint that were incorporated into the agreed understandings of the 28 members of the new Wassenaar Arrangement (post-COCOM regime) and remain the basis of US goals for further development of this regime.

VERIFICATION, COMPLIANCE, AND CONTROL SYSTEMS FOR ARMS CONTROL AGREEMENTS

Verification and compliance are part of the extensive work that ACDA does fulfilling its mission of implementation of arms control agreements.

A strengthened ACDA is central to assessing the verifiability of arms control agreements before they are signed and to ensuring compliance with them once they have entered into force. ACDA has taken action to expand its Annual Compliance Report to Congress. The 1995 Report features a new format.

In response to the congressional and presidential mandates to revitalize, ACDA has taken direct steps to enhance the preparation, operation, and direction of control systems for arms control agreements. Specifically, ACDA is leading the efforts to establish control regimes with respect to a ban on nuclear testing, the production of fissile material, and the ban on biological and toxin weapons. ACDA has set up and directs interagency groups of technical experts to work out the details of an effective control regime.

ACDA has also taken the lead in technical efforts to resolve difficulties in the operation of existing control regimes. With respect to the INF Treaty, for example, ACDA has directed a technical exchange with the Russian Government aimed at resolving issues related to use of the US x-ray imaging system (Cargoscan) at the Votkinsk missile facility for monitoring production of a new mobile ICBM and two new space-launch vehicles.

Additionally, in an effort to enhance ACDA monitoring of on-site inspection control regimes, the Principal Deputy Director of the On-Site Inspection Agency (OSIA) has been placed under the

supervision of the ACDA Assistant Director for Intelligence, Verification, and Information Management. This reorganization has facilitated representation of ACDA's views within OSIA.

There are several arms control reporting requirements that Congress has enacted into law including the requirement under section 37 of the Arms Control and Disarmament Act, as amended, for the Director of ACDA to report on "any significant degradation or alteration in the capacity of the United States to verify compliance" with arms control agreements. This issue was specifically addressed when the Intelligence Community and the Department of Defense, for fiscal reasons, recommended termination of the Cobra Dane program, which is a large phased array radar located in the Aleutian Islands used to verify the START I Treaty. Without the intervention of ACDA as a strong advocate to retain the Cobra Dane program as a critical verification asset, this program would have been terminated and ACDA would have had to report to Congress that the US verification capability had been significantly degraded.

As more arms control agreements are achieved, the task of implementing, verifying, and developing control systems becomes mammoth. With the NPT, BWC, CWC, CFE, Open Skies, INF, and START Treaties -- as well as a global test ban, fissile material cutoff, and other initiatives -- the requirements increase for effective and efficient verification and implementation. Verification depends on radars, sensors, satellites, on-site inspectors, and other assets which are owned and operated by other agencies, not by ACDA. As more and more of these agencies experience budget cuts, they will have to ensure high standards of cost-effectiveness and balance arms control verification requirements against overall national security priorities. Difficult choices will be required. ACDA will strongly advocate adequate support for these key arms control requirements.

Two additional examples of control systems for arms control agreements relate to ACDA's work on the US-North Korea Agreed Framework and with the IAEA.

One of the key provisions of the US-North Korea Agreed Framework is that North Korea (DPRK) will not reprocess its spent nuclear fuel and the two sides will cooperate in the safe storage and ultimate disposition of fuel. During 1995, ACDA led several interagency teams to North Korea to reach agreement on how the fuel will be stored, including leading the team of the first Americans ever to visit the Nyongbyon nuclear complex. Pursuant to these agreements and with ACDA support, DOE has installed a system to treat the water in the spent fuel pool, and the DPRK will place the fuel in canisters where it will remain under seal until it is shipped out of the DPRK in accordance with the Agreed Framework.

ACDA has been and continues to be integral in securing the successful operation of safeguards agreements between the International Atomic Energy Agency (IAEA) and states pursuant to the Treaty on the Non-Proliferation of Nuclear Weapons. In particular, ACDA supports and works directly with the IAEA's staff to improve and strengthen its safeguards regime as embodied in agreements between the IAEA and its member states. In 1995, ACDA led the US effort for increasing the capability of IAEA safeguards to detect clandestine nuclear activities under the IAEA's initiative, referred to as Programme 93+2, and for a strengthened and more cost effective safeguards system.

ACDA, which chairs the interagency Subcommittee on International Safeguards and Monitoring that establishes and coordinates US policy on IAEA safeguards, led bilateral and multilateral consultations with seven countries, the European Atomic Energy Community, and the Brazilian-Argentine Agency for Accounting and Control of Nuclear Material, regarding IAEA safeguards and their improvement under Programme 93+2. These consultations focused on implementation of agreed measures of the Programme and acceptability of proposed measures. During 1995, ACDA's efforts also included the promotion of advanced safeguards techniques, particularly environmental sampling, for detecting clandestine nuclear activities.

In 1995 ACDA was also a key player in the operation and direction of the US-IAEA Agreement for Application of IAEA Safeguards in the US. As additional material deemed excess to US defense needs was made available to and/or placed under IAEA safeguards, ACDA was involved in all aspects of shaping US policy and providing technical expertise on the actual implementation of safeguards on this material.

COORDINATION OF RESEARCH AND DEVELOPMENT ON ARMS CONTROL

As part of the refocusing process, one of the Director's goals was for ACDA to execute its statutory responsibilities for the coordination of arms control and nonproliferation research and development (R&D) more fully and effectively. In November 1993, the Director tasked ACDA to initiate a review resulting in a proposal for a process that would: exchange information and coordinate arms control and nonproliferation R&D; advise agencies on nonproliferation and arms control R&D priorities; facilitate the conduct of cooperative interagency programs; review arms control and nonproliferation R&D programs and identify overlaps and gaps; frame interagency issues and differences for decisions by adjudicating bodies; advise policy Interagency Working Groups on R&D capabilities and limitations; and report recommendations on coordination of all arms control and nonproliferation R&D programs in the President's budget submission to the National Science and Technology Council's (NSTC's) Committee on National Security (CNS).

The Arms Control and Nonproliferation Act of 1994 lent significant support to this ACDA initiative. ACDA drafted a Presidential Review Directive (PRD) which was developed under NSC direction and issued on May 25, 1994. This PRD began a comprehensive review that assessed past and current practices associated with the coordination of arms control and nonproliferation R&D. As a result of this review, in August 1994, a Presidential Decision Directive established the Nonproliferation and Arms Control Technology Working Group (NPAC TWG) as the Executive Branch's mechanism for the coordination of arms control and nonproliferation-related R&D.

Designation as one of the three interagency NPAC TWG Co-chair and Executive Secretary, has allowed ACDA to execute its mandate to coordinate arms control and nonproliferation R&D. Since its inception, the NPAC TWG has brought together more than twenty-six agencies and organizations on its formal membership role and included more than eighty organizations in the proceedings of the NPAC TWG and its focus groups.

In carrying out its arms control and nonproliferation R&D coordination responsibility, ACDA along with the DOE and DOD co-chairmen of the NPAC TWG has: cleared through the interagency, the National Security Council and the NSTC a charter for the NPAC TWG; established twelve interagency Focus Groups (two of which are chaired by ACDA); drafted and cleared through the interagency the President's report to Congress on *Procedures Established for Effective Coordination of Research and Development on Arms Control, Nonproliferation and Disarmament* (forwarded by the President on January 27, 1995); appeared before the Senate Select Committee on Intelligence, submitting a joint *Statement on Improved Interagency Oversight of Arms Control and Nonproliferation Research and Development*; at the request of the CNS Principals, briefed the CNS Working Group on the operations of the NPAC TWG as a process model to be adopted; briefed Congressional staffers on the arms control and nonproliferation R&D coordination activities of the NPAC TWG; presented briefings to the CNS in March and July, submitting with the July briefing, the *NPAC TWG Initial Report to the Committee on National Security on Coordination of Nonproliferation and Arms Control Research and Development*; conducted more than seventy-five meetings of the NPAC TWG, NPAC TWG Co-chairs/Focus Group Chairs, CNS or CNS Principals, and focus groups; oversaw preparation of two thousand+ pages of analysis and reports by the twelve NPAC TWG focus groups; held a major *Seminar on Nonproliferation and Arms Control Research and Development* attended by more than 500 representatives of the arms control and nonproliferation R&D community; completed the 1995 NPAC TWG *Report to the National Security Council and the Committee on National Security on Coordination of Nonproliferation and Arms Control Research and Development*; and established a mechanism that is actively coordinating more than 500 R&D programs/projects accounting for approximately one-half of the annual nonproliferation and arms control R&D budget.

REORGANIZATION AND STREAMLINING OF ACDA

The Arms Control and Nonproliferation Act of 1994 and the President's National Performance Review (NPR) initiative both stressed the importance of reorganizing and streamlining for efficiency and productivity. ACDA has implemented reorganization and streamlining as part of an interrelated effort to be responsive to the Revitalization Act and the President's NPR initiative, to reinvigorate the Agency, and to carry out the President's arms control and nonproliferation policies. ACDA did a top-to-bottom review of its needs and completed a strategic plan for the next five years. By identifying ACDA's customers and their needs, prioritizing lines of business, and restructuring organization and infrastructure, ACDA can better fulfill its mission to advance arms control and nonproliferation policies and agreements and ensure that arms control and nonproliferation are fully integrated parts of US foreign policy.

The development of a "Strategic Plan" was in conformity with, but well ahead of, the requirements under the Government Performance and Results Act (GPRA) of 1993. The plan, entitled "Arms Control and US National Security: The Role, Perspective and Contribution of the U.S. Arms Control and Disarmament Agency from 1994 to 2003" was published in early 1995. The plan institutionalized the strategic management process at ACDA, set forth goals and objectives for a sound US arms control policy and a robust agency to serve the nation's security needs, and showed how the agency should concentrate its resources in ways that will maximize the worth of its efforts to strengthen US national security.

ACDA's Director directed each ACDA bureau and office to reorganize in order to enhance performance and handling of ACDA's multiple new missions. For example, a reorganization of the Intelligence, Verification, and Information Management Bureau in the spring of 1995 maximized the synergy among the Bureau's three new divisions -- Verification and Compliance; Intelligence, Technology, and Analysis; and Information Management and Computer Operations -- and resulted in a more efficient management structure. This reorganization consolidated all ACDA's intelligence and analytical resources in one division along with assets dedicated to coordinating arms control R & D; established a separate division to enhance computer support during ACDA's transition to agency-wide PC and E-mail usage; and relieved the bureau's core Verification and Compliance Division from responsibilities that were not central to its primary mission. The reorganization has enabled the intelligence program, long of critical value to ACDA's missions, to represent ACDA's requirements even more effectively within the Intelligence Community. In particular, ACDA is now a member of the customer advisory board for the new National Imagery and Mapping Agency, whose products are essential to verification judgments, and has been instrumental in the revamping of intelligence collection requirements for arms control.

The streamlining and reorganizing allowed ACDA a certain flexibility and adaptability to respond to special events and needs such as those resulting from the NPT Extension conference in 1995. Specifically, in anticipation of the 1995 NPT Review and Extension Conference, ACDA organized itself to ensure that adequate resources were available within the Agency to meet the challenge of participating in this unique event --one where 180 states parties voted to determine the future of the Treaty. The preparation for and management of US participation in the Conference, its preparatory Committee meetings, and numerous bilateral and multilateral consultations were spread over more than four years and required that ACDA organize itself appropriately and take advantage of all of its resources. Early in this time frame, ACDA created an NPT Coordinator position in its Nonproliferation Bureau, then a separate Division there, and, pursuant to the Arms Control and Nonproliferation Act of 1994, designated a Special Representative of the President, with the advice and consent of the Senate, who took the lead in NPT diplomacy. ACDA did this by reassigning existing staff and taking advantage of opportunities to bring on board several temporary staff from universities, the military, and the foreign service. After the successful conclusion of the Conference, ACDA reviewed its structure and promptly reorganized itself to meet the challenges of the future. The new organization of the nonproliferation bureau created three divisions, making the bureau organizationally more efficient. ACDA's small size and efficiency and the Arms Control and Nonproliferation Act of 1994 made it possible for ACDA to respond to the challenges of the 1995 NPT Review and Extension Conference successfully.

Here are a few other examples of improvements at ACDA which have resulted from this streamlining and reorganization:

- More timely reports. One very specific item mentioned in the revised Act was a recommendation to improve the timeliness of ACDA's report entitled "World Military Expenditures and Arms Transfers (WMEAT)". ACDA's WMEAT report, over the last two editions, has been restored to an annual publication regime, has increased country coverage from 144 to 171, and its timeliness has been improved by reducing the difference between the last year covered and the

release date to around 14 months. This is the shortest ever and may be too short in view of recent declines in data source quality.

- ACDA has only a small presence overseas with permanent overseas operations in only three cities: Geneva, The Hague, and Vienna. These operations are supported by a single ACDA administrative office in Geneva using modern telecommunications. Through the enhancements made to ACDA's information management system, ACDA is now able to communicate directly with its posts overseas and with other agencies. These enhancements facilitate the sharing of arms control databases, interagency coordination, and backstopping efforts for negotiations. ACDA's overseas support functions are now tailored so as not to overlap with or duplicate those of the Department of State. ACDA has taken steps to reduce overseas costs by consolidating the cashier function with State, by reducing its staff by 65%, and by relocating its Geneva Delegation office space from the Botanic building to the US Mission. This latter effort alone will enable ACDA to save approximately \$750,000 or 2% of ACDA's annual appropriation.
- ACDA continues to streamline its organization and its way of doing business. This effort has involved a range of activities, including the identification of its primary customers and what they expect from ACDA; prioritizing the Agency's major lines of business; simplifying its organization; eliminating duplication, inefficient bureaucracy and procedures by setting up mechanisms for handling crosscutting issues; and increasing the use of computer and communication technologies.
- ACDA has streamlined use of middle and upper management by using managers in multiple roles. For example, the Multilateral Affairs Bureau management personnel also head US Government delegations in negotiations on chemical and biological weapons issues.
- At a time when the requirements for arms control have grown and other national security agencies are reducing staff working on traditional arms control, ACDA's diminishing staff has not kept pace with the demands. The Agency has had to handle new and greater responsibilities with the declining number of people.
- World events make it difficult to separate arms control and nonproliferation into neat and separate categories. This has affected how ACDA does its business. ACDA's bureaus no longer have readily separable portfolios. The distinctions between multilateral and bilateral issues have blurred in the post-Cold War era. Arms control and nonproliferation have more in common. A fissile material cutoff, for example, has a strong bilateral element since US-Russian agreement is essential. Yet, a cutoff treaty will be multilateral and negotiated in the Conference on Disarmament. The treaty, whose purpose is to prevent the proliferation of nuclear weapons and which must be verifiable, affects each bureau in ACDA. Interdisciplinary teams from within the Agency are necessary to deal with these crosscutting issues and to avoid duplication of effort and conflict. ACDA has already set up such a team approach to handle operations on fissile material cutoff and nuclear smuggling. This approach will play an increasing role in crosscutting issues and will be an essential part of ACDA's streamlining.

- All ACDA bureaus have eliminated, reconfigured, or consolidated at least one division.
- As an example of the organizational streamlining at ACDA, one of the first steps in streamlining at ACDA involved assessing the Office of the Director. This Office had numerous units reporting directly to the Director so that he was spending too much time in line management at the expense of executive responsibilities. Thus, the number of units reporting to the Director was reduced. Many were folded into line units that could administer and support their activities better. For example, for the purpose of administration and support, the implementing commissions for various treaties were integrated into the bureaus with responsibility for their issue area. The Ambassadors and Commissioners so affected preserved their access to the Director and their independent ability to present a negotiator's perspective in interagency fora, but are now an integral part of the bureaus. This step has led to a leaner, simpler organization.

OFFICE OF THE DIRECTOR (D)**Office of the Director (D)**

Under the Arms Control and Disarmament Act, the Director is the principal advisor to the President, the National Security Council, the Secretary of State, and other senior government officials on arms control matters, and on their relationship to other aspects of overall national security policy. The Director is responsible for all ACDA operations and activities.

Office of the Deputy Director (DD)

The Deputy Director functions as Acting Director during periods of the Director's absence. The Deputy Director, by law, is specifically responsible for the administrative management of ACDA, for intelligence-related activities, and for ACDA's Special Compartmented Intelligence Facility.

Chief Science Advisor (D/CSA)

The Chief Science Advisor is the Director's special representative for matters of science and technology, and identifies promising technologies for monitoring arms control agreements.

Executive Secretary (D/EX)

The Executive Secretary, on behalf of the Director, initiates and provides Agency liaison to the National Security agencies and coordinates within ACDA and with the interagency to ensure appropriate ACDA representation at interagency deliberations and international summits and timely exchange of information. The Executive Secretary maintains the Director's formal record of communications regarding arms control policy deliberations and decisions, and ensures the accuracy of and accountability for official communications and preserves arms control documents, both ACDA and Interagency originated.

Office of Military Affairs (D/M)

The Special Assistant for Military Affairs is the principal representative of the Director to the Office of the Secretary of Defense and the Joint Chiefs of Staff, and is liaison between ACDA and US military commanders and is the ACDA focal point for military-to-military contacts on Agency initiatives.

Scientific and Policy Advisory Committee (D/SPAC)

The Scientific and Advisory Committee, established by law in 1994, is ACDA's sole advisory body. The Committee, which focuses on devising strategic solutions to numerous arms control challenges, reports to the President, the Secretary of State and the ACDA Director on its findings and recommendations.

MULTILATERAL AFFAIRS BUREAU (MA)

The Multilateral Affairs Bureau develops arms control policy, strategy, and tactics, and provides organization support, delegation staffing, and Washington backstopping for multilateral arms control negotiations and related activities including the United Nations Special Commission for Iraq. The Bureau is composed of three Divisions:

European Security Policy Division (MA/ESP)

The European Security Policy Division prepares ACDA guidance for European security negotiations in Vienna and elsewhere. It participates in the backstopping and facilitation of treaty implementation through the Joint Consultative Group of the Conventional Armed Forces in Europe Treaty and the Open Skies Consultative Commission. This division supports Organization on Security and Cooperation in Europe efforts to increase/maintain stability in Europe, including regional arms control negotiations focusing on Bosnia-Hercegovina and other Balkan States, implementation of Confidence- and Security-Building Measures in the Forum for Security Cooperation, and by organizing and conducting the Annual Implementation Assessment Meetings.

The European Security Negotiations Division provides delegation staffing for these negotiations, and consults and coordinates with allied and other foreign governments on multilateral arms control issues.

Chemical and Biological Policy Division (MA/CBP)

The Chemical and Biological Policy Division makes policy recommendations and provides scientific and technical support for chemical and biological arms control. This division directs interagency backstopping for chemical and biological weapons issues, develops and coordinates guidance, and provides delegation staffing for negotiations and meetings related to these issues, including:

- the Chemical Weapons Convention;
- the Biological Weapons Convention;
- the US-Russian Wyoming Memorandum of Understanding;
- the Bilateral Destruction Agreement negotiations; and,
- the Joint Trilateral Statement on Biological Weapons and other chemical and biological weapons negotiations.

International Security and Nuclear Policy Division (MA/ISNP)

The International Security and Nuclear Policy division is responsible for policy guidance for US delegations to various multinational arms control conferences and meetings. Principal among these are the Conference on Disarmament in Geneva, the U.N. First Committee which deals with arms control and security issues, and the U.N. Disarmament Commission.

This division provides policy guidance by chairing the Washington interagency backstopping groups and staff for US delegations negotiating on issues including:

- negotiation of a comprehensive nuclear test ban;
- outer space arms control;
- transparency in armaments and the conventional arms transfer registry;
- negative security assurances; and,
- efforts to begin negotiations for a fissile material cutoff convention.

ISNP is responsible for interagency backstopping for the multilateral negotiations leading to a comprehensive nuclear test ban treaty. It also covers any related bilateral activities, international conferences or consultations which relate to nuclear testing and existing constraints on tests, including:

- the 1963 Limited Test Ban Treaty;
- the 1974 Threshold Test Ban Treaty; and,
- the 1976 Peaceful Nuclear Explosions Treaty.

The division provides delegation members and support for efforts related to these issues.

NONPROLIFERATION AND REGIONAL ARMS CONTROL BUREAU (NP)

The Bureau of Nonproliferation and Regional Arms Control was reorganized in 1995 following the successful outcome of the 1995 Non-Proliferation Treaty (NPT) Review and Extension Conference. The NPT Extension Division (NP/NPT) was abolished and its areas of responsibility were merged with the existing International Nuclear Affairs Division (NP/INA). INA, together with the Nuclear Safeguards and Technology Division (NP/NST) and the Weapons and Technology Control Division (NP/WTC), assume ACDA's responsibility for nonproliferation and regional arms control. Specifically, the NP Bureau develops and implements policies in support of:

- nonproliferation of nuclear, chemical, and biological weapons and missile delivery systems;
- controls on international transfers of conventional arms and dual-use technology;
- efficient and effective export controls for US products;
- commercial space policy issues; and
- regional arms control initiatives designed to reduce tension, promote or maintain peace, and remove incentives for arms races or development of weapons of mass destruction and the means to deliver them.

International Nuclear Affairs Division (NP/INA)

This division provides advice, assessments, and policy recommendations on the international relations aspects of nuclear nonproliferation, including:

- the Treaty of Tlatelolco, the South Pacific Nuclear Free Zone (the Treaty of Rarotonga), the African Nuclear Weapon Free Zone, and other nuclear weapon free zones;
- the Treaty on the Non-Proliferation of Nuclear Weapons;
- technical cooperation in the peaceful uses of nuclear energy in compliance with Article IV of the NPT;
- US agreements for civil nuclear cooperation;
- developing comprehensive country-specific approaches that utilize incentives, disincentives, confidence-building measures, and other tools to reduce nuclear proliferation risks;
- developing regional arms control strategies that encourage countries to adopt measures designed to reduce proliferation risks;

- monitoring regional and country specific developments relating to nuclear matters;
- preparing the unclassified Nuclear Proliferation Assessment Statement that is required by law for each proposed agreement for peaceful nuclear cooperation;
- providing ACDA views on US nuclear export control issues and supporting US efforts to prevent exports of proliferation concern.

Nuclear Safeguards and Technology Division (NP/NST)

This division:

- provides technical advice and policy recommendations on nuclear proliferation issues including the IAEA safeguards system, nuclear fuel cycle, and the technological aspects of nuclear nonproliferation, including the safe disposition of fissile material;
- monitors and seeks to strengthen the IAEA safeguards system and holds bilateral consultations on these matters with experts abroad;
- develops safeguards and other technical concepts related to the Administration's nuclear nonproliferation initiatives, including a global cutoff treaty;
- participates in guiding the US Program of Technical Assistance for IAEA Safeguards;
- assesses the safeguards and nonproliferation implications of emerging technologies;
- assists in the negotiation and implementation of nonproliferation initiatives and agreements, including the US-DPRK Agreed Framework;
- participates in US efforts to promote the implementation of effective standards of material control and accountancy and physical protection worldwide;
- participates in US efforts to promote cooperation among nuclear supplier countries on export controls, including in the Nuclear Suppliers Group and the Zangger Committee; and,
- provides ACDA views on US nuclear export control issues.

Weapons and Technology Control Division (NP/WTC)

The Weapons and Technology Control Division (WTC), carries out ACDA's statutory responsibilities under the Arms Export Control Act and the Foreign Assistance Act to review and evaluate government-to-government and commercial arms sales and security assistance proposals. WTC also represents the Agency in development and implementation of US policy and international negotiations on conventional arms transfers, missile and chemical/biological weapons nonproliferation, dual-use export controls, certain commercial space issues, and regional arms control arrangements in developing countries. This Division:

- prepares ACDA advice to the President, the Secretary of State, and the National Security Council on the arms control implications of proposed US transfers of conventional arms and associated military technology, as required by Sections 38 and 42 of the Arms Export Control Act and Section 511 of the Foreign Assistance Act of 1961, as amended;
- develops and implements regional arms control policies designed to reduce tension, promote or maintain peace, and remove incentives for arms races or development of weapons of mass destruction and the means to deliver them;
- develops and contributes to development of US and multilateral policies on transfers of conventional arms and technology with special emphasis on advanced military systems and capabilities in particular regional settings;
- prepares arms control evaluations of proposed arms sales for the Congress when so requested under Section 36(b)(1) of the Arms Export Control Act;
- develops policy guidelines and criteria for assessing the impact of US technology transfers on arms control and national security policies;
- participates in the development and implementation of US and multilateral dual-use export controls, to ensure conformity with arms control, nonproliferation, and national security interests;
- coordinates arms control and nonproliferation bilaterals with other countries, and represents ACDA in political-military bilaterals;
- participates in the development and implementation of US policy governing CBW nonproliferation and the transfer of CBW-related export controls by participating in interagency preparations for and attending the 29-nation Australia Group's annual meeting, and serving on the Interagency Interdiction Group Shield.
- participates in the development and implementation of US policies on the transfer of missile-related technology, and in support of the Missile Technology Control Regime (MTCR);

- represents ACDA on the interagency National Disclosure Policy Committee, the Missile Technology Export Committee, the Missile Trade Analysis Group, the CBW Export Control Working Group, the CBW Interdiction Group (Shield), various sub-IWG's, the Operating Committee (for dual-use export cases), and the Supercomputer Working Group;
- provides staff support to ACDA policy-level principals in the IWG on Nonproliferation and Export Controls, the Advisory Committee on Export Policy, the Export Administration Review Board, and the Deputies Committee; and
- develops and participates in development of commercial space and strategic arms control policy issues that intersect with nonproliferation and weapons control issues.

STRATEGIC AND EURASIAN AFFAIRS BUREAU (SEA)

The Bureau of Strategic and Eurasian Affairs is ACDA's center for nuclear arms control and disarmament with China and the nations of the former Soviet Union. This includes:

- identification of innovative arms control approaches to strategic and theater security challenges;
- implementation of existing strategic and theater nuclear arms control agreements (START, START II, and INF Treaties);
- development of policy related to negotiation and implementation of future nuclear arms control agreements;
- implementation of the ABM Treaty;
- negotiations concerning theater and strategic ballistic missile defense;
- assessment of arms control aspects of the development of US and NATO nuclear postures and policies;
- ensuring that nuclear weapons are being dismantled in an irreversible and transparent manner, and that the resulting fissile materials are safely and securely stored;
- exploration of arms control possibilities in the Eurasian region, including potential discussions with China on strategic stability;
- negotiation and implementation of agreements on the safety, security, and dismantlement (SSD) of the nuclear weapons of the FSU;
- assistance with conversion of former Soviet defense industry to civilian purpose; and,
- coordinating the US Government's approach to issues that overlap the SSD and START regimes.

In addition, the US Representatives for the Special Verification Commission (INF implementation), the Joint Compliance and Inspection Commission (START implementation) and, the Bilateral Implementation Commission (START II implementation), as well as the US Commissioner for the Standing Consultative Commission (ABM Treaty implementation), are assigned to SEA for administrative purposes.

SEA is made up of the following three divisions:

Strategic Negotiations and Implementation Division (SEA/SN)

The Strategic Negotiations and Implementation Division is the ACDA center for arms control of long-range and intermediate-range weapons delivery systems with the states of the former Soviet Union. This division supports and chairs the following US Government Interagency Committees:

- the Backstopping Committee for the Joint Compliance and Inspection Commission (START I Treaty implementation);
- the Special Verification Commission Support Group (INF Treaty implementation); and,
- the Backstopping Committee for the Bilateral Implementation Commission (START II Treaty implementation).

ACDA's leadership of these committees is important, since these committees have principal responsibility within the US Government for developing instructions for the JCIC, SVC, and BIC delegations, and for diplomatic communications for delivery to the governments of the START I, START II, and INF Treaty Parties.

This division also leads ACDA participation in interagency ratification efforts for the START II Treaty through representation on the Treaty Working Group. ACDA leadership of the negotiation and implementation of future US-FSU strategic nuclear arms reduction agreements would also reside in this Division. Additionally, the Strategic Negotiations and Implementation Division assesses potential impacts on strategic arms control of new developments in Technology.

Strategic Transition Division (SEA/ST)

The Strategic Transition Division (ST), as its name implies, is in the forefront of ACDA's effort to identify new issues and formulate new US arms control policies and initiatives for the post-Cold War political environment. ST's portfolio therefore is unusually diverse. Within ACDA, this division leads on issues related to:

- Nuclear warhead elimination regimes, to include US-Russian efforts under the Safeguards, Transparency and Irreversibility (ST&I) initiative to make nuclear warhead dismantlement transparent and irreversible;
- Denuclearization of non-Russian states of the former Soviet Union;
- The development of a US-China dialogue on strategic security issues;
- NATO nuclear weapons policy;

- Defense industry restructuring and conversion, especially in the FSU and China; and,
- Non-strategic nuclear weapons issues and Eurasian security matters.

In addition, ST plays a leading role in the interagency community in the development and negotiations of transparency measures for long-term storage of fissile material from dismantled Russian nuclear weapons.

Theater and Strategic Defenses Division (SEA/D)

The Theater and Strategic Defenses Division develops, for Presidential approval, options for arms control policy, strategy, tactics, and language for the ongoing negotiations in the Standing Consultative Commission (SCC). The SCC is the implementing body of the 1972 Anti-Ballistic Missile Treaty. SEA/D also chairs the interagency SCC Backstopping Committee in support of the negotiations.

This division provides a senior member and at least one advisor to the SCC negotiations and to the five-year review conferences of the ABM Treaty. In addition, this division participates in discussions with other countries related to ballistic missile defense issues.

SEA/D provides analysis and support to the ACDA Director on all issues concerning ballistic missile defenses and the ABM Treaty. In addition, SEA/D provides analysis and support for all issues concerning strategic space arms control matters.

INTELLIGENCE, VERIFICATION AND INFORMATION MANAGEMENT BUREAU (IVI)

This Bureau provides the Agency policy, technical and analytical expertise with respect to the full panoply of arms control intelligence, verification and compliance issues. It is responsible for preparing all computer and telecommunications assets. It oversees ACDA's external research budget, and coordinates all arms control and coordinates all arms control research funded by other US Government agencies. The Bureau is organized into three Divisions as follows:

Verification and Compliance Division (IVI/VC)

The Verification and Compliance Division provides policy, technical and analytical expertise in four principal areas:

- developing measures and techniques for verification of arms control agreements under negotiation;
- implementation of verification measures incorporated in arms control agreements now in force;
- assessment of the compliance of other countries with arms control agreements; and,
- presentation of verification-related issues to other US Government agencies, Congress and the public.

The Verification and Compliance Division's participation in the development and assessment of verification methods includes preparing technical assessments and other papers for the interagency community to address US verification capabilities and requirements. The division provides experts to direct and participate in trial inspection exercises and actual inspections, offers "lessons learned" from US experience in implementing previous agreements, and coordinates with the On-Site Inspection Agency on logistics. The division drafts, with interagency coordination, the Report on Adherence to and Compliance with Arms Control Agreements, included in the *ACDA Annual Report*, as well as the formal reports, required by Section 37 of the ACDA Act, evaluating US ability to verify the provisions of specific agreements.

Intelligence, Technology and Analysis Division (IVI/ITA)

The Intelligence, Technology and Analysis Division is responsible for planning, directing, and conducting intelligence analysis, quantitative operations analysis studies, and assessments of US and international research and development technology programs relevant to nonproliferation and arms control policy issues. The ITA Division:

- supports the Director, the Deputy Director, and senior Agency officials on all matters of current arms control, nonproliferation and disarmament interest and ensures that all essential intelligence material is available to the ACDA staff;
- coordinates government-wide nonproliferation and arms control research and development as co-chair of and executive secretary for the Nonproliferation and Arms Control Technology Working Group (NPAC TWG);
- provides contextual evaluations for the *Annual Report to Congress on Studies Completed (in the Previous Calendar Year)*;
- prepares the *Annual Report to Congress on World Military Expenditures and Arms Transfers (WMEAT)*; and,
- produces quantitative analytical studies in support of ACDA bureaus and offices and coordinates the employment of ACDA External Research Funds.

Information Management and Computer Operations Division (IVI/IC)

The Information Management and Computer operations Division is responsible for planning, developing, acquiring, and management of information systems, analytic software, and computer-based communications systems for the Arms Control Community. Specific responsibility includes:

- maintaining the US repository of all arms control negotiation records, data exchanges, notifications, and inspection reports;
- preparing the data declarations for the Chemical Weapons Convention and associated preparatory activities;
- development of software to determine compliance with arms control treaties;
- providing computer and information systems to multi-agency delegations in Geneva, Vienna, The Hague, and New York;
- providing state-of-the-art computer systems to ACDA employees;
- providing office automation systems that will streamline the ACDA administrative workload and increase employee efficiency; and,
- providing improved communication tools and resources for the interagency arms control community.

OFFICE OF ADMINISTRATION (A)

The Office of Administration provides full administrative support to ACDA and all of its components, including the negotiating staffs in Geneva, Switzerland; Vienna, Austria; and The Hague, The Netherlands.

Contracts Division (A/CON)

This division is responsible for all matters concerning acquisition planning and solicitation of offers. It handles negotiation, award, administration, closeout or termination, and settlement of all Agency contracts, reimbursable agreements, grants, purchase orders and delivery orders. The division is the administrative point-of-contact for receipt of unsolicited proposals and invoices/vouchers.

Financial Management Division (A/FM)

This division is responsible for the overall financial management of the Agency and serves as the Agency's liaison with congressional committees, the Office of Management and Budget and with other agencies concerned with financial management. This includes the preparation, formulation, presentation and execution of ACDA's budget, accounting and travel management, and all fiscal support and payroll responsibilities.

Personnel and General Services Division (A/PGS)

This division is responsible for human resource management and provides support services to the Agency. It also serves as the Agency's liaison with the Office of Personnel Management, the General Services Administration, the Department of Labor, and other agencies. Human resource management includes the full range of personnel functions such as recruiting, staffing, position classification, as well as providing administrative support to the Equal Employment Opportunity (EEO) office. The support services provided include the receipt and distribution of mail and other communications, requisitioning of administrative supplies and services, space and property management, and physical safety and emergency planning.

Security Division (A/SY)

The Security Division is responsible for ACDA's security programs, both domestic and overseas. These programs cover the full range of security services and include physical, procedural, personnel, technical, and computer security, investigative and intelligence functions, as well as liaison with other Federal investigative agencies and office of security. In addition, the division manages the security and accountability of all special compartmented information materials designated for use by ACDA.

OFFICE OF THE GENERAL COUNSEL (GC)

The Office of the General Counsel is responsible for all matters of domestic and international law relevant to the work of the Agency. GC is particularly involved in the drafting and negotiating of arms control treaties and agreements, and their ratification, implementation, interpretation, review and revision. An attorney from GC serves as the Legal Adviser to each US delegation on arms control led by ACDA or led by any other US Government agency. ACDA attorneys have most recently played a significant role in negotiations including those on:

- Comprehensive Test Ban;
- Safety, Security and Disarmament;
- Chemical Weapons; and,
- Peaceful Nuclear Cooperation with EURATOM.

ACDA attorneys also serve as Legal Adviser to US delegations to conferences reviewing existing arms control agreements, including the Special Conference to the Biological Weapons Convention, the 1993 Experts Group Meetings to prepare for the review conference of the convention on conventional weapons, and to US delegations at sessions of several implementing commissions, including the Joint Compliance and Inspection Commission (START implementation), the Joint Consultative Group (CFE implementation), the Standing Consultative Commission (ABM implementation), the Special Verification Commission (INF implementation), the Bilateral Consultative Commission (CTBT implementation), the Open Skies Consultative Commission (Open Skies Implementation), and the Preparatory Commission for the Organization for the Prohibition of Chemical Weapons (preparation for CWC implementation). GC is also responsible for all legal aspects of the nonproliferation responsibilities of the Agency. During the past year, attorneys from GC played a central role in preparations for the 1995 Conference of the Non-Proliferation Treaty, the ratification of the Open Skies Treaty and the submission of the Chemical Weapons Convention to the Senate for its advice and consent to ratification.

In addition, GC handles all legal matters relating to arms control policy formulation and ACDA legislative programs, including the drafting, application and interpretation of such legislation. GC carries out liaison as required with the Legislative Reference Division of the Office of Management and Budget. As counsel to the Director, GC handles all legal aspects of Agency policies and operations in the areas of the Freedom of Information Act (FOIA), contracts, procurement, and fiscal and other administrative matters.

OFFICE OF CONGRESSIONAL AFFAIRS (CA)

The Office of Congressional Affairs (CA) is responsible for the legislative and policy implications of all arms control, nonproliferation and disarmament proposals and activities. This includes responsibility for: Congressional liaison, coordination and representation; preparation for and attendance at Congressional briefings, consultations and hearings, including the Agency's biannual authorization request and annual appropriation request; preparation for visits by Members of Congress to our negotiating forum; all Congressional inquiries; the status of proposed and existing arms control agreements, and the inter-and intra-agency coordination of arms control, nonproliferation, and disarmament Congressional matters; communication between the Agency and Congressional Committees, Members and their staffs to keep Congress informed of our arms control, nonproliferation and disarmament efforts.

CA keeps Congress apprised of the status of various arms control activities of the US government including presidential initiatives such as the Comprehensive Test Ban negotiations and the proposal to ban the production of fissile material for weapons purposes. CA also has the responsibility as the liaison between the Executive Branch and the House and Senate Arms Control Observer Groups. CA manages this effort which includes regular briefings with Members of the Observer Groups on the status of US arms control negotiations and policies and coordination of written summaries of the arms control negotiations which are transmitted to the House and Senate Arms Control Observer Groups.

OFFICE OF PUBLIC AFFAIRS (PA)

The Office of Public Affairs fulfills ACDA's legislated mandate for the "dissemination and coordination of public information concerning arms control, nonproliferation, and disarmament."

Public and media liaison

PA manages and implements a comprehensive Speakers' Program, coordinating the Director's, Deputy Director's and other senior Agency officials' engagements with civic, academic, business, non-governmental, congressional and media audiences on arms control non-proliferation and disarmament issues.

PA produces a range of materials, including brochures, fact sheets, press releases, compendiums of treaties and agreements, and annual reports.

PA fills thousands of information requests each year. Responding to steadily increasing demand, we have established a toll-free number (1-800-581-ACDA) for publications requests. ACDA's homepage on the internet may be reached at <http://www.acda.gov>.

**UNITED STATES
COMMISSION ON CIVIL RIGHTS**

**REQUEST
FOR APPROPRIATION**

FISCAL YEAR 1997



(47)



OFFICE OF STAFF DIRECTOR

UNITED STATES COMMISSION ON CIVIL RIGHTS
WASHINGTON, D.C. 20460

May 3, 1996

The Honorable Harold Rogers
Chairman, Subcommittee on Commerce, Justice,
State, the Judiciary and Related Agencies
United States House of Representatives
The Capitol Building, Room H-309
Washington, D.C. 20515

Dear Mr. Chairman:

I am pleased to submit the FY 1997 appropriation request for the United States Commission on Civil Rights. The Commission requests \$11,400,000 and 125 full time equivalent (FTE) work years. As you know, funds for the current year have been provided through a series of continuing resolutions. For purposes of this submission, we have referenced FY 1996 funding in the amount of \$8,750,000 and 105 FTEs. The FY 1997 request represents an increase of \$2,650,000 over this FY 1996 figure.

Since 1957 the Commission on Civil Rights has been charged with identifying the underlying causes of discrimination in our country, recommendation solutions, and reporting the results to the President and the Congress. Our FY 1997 budget request represents the minimal level of funding necessary to accomplish the planned investigations, analyses, and reports on various civil rights issues. The funds requested, with your approval, will permit the Commission to obtain the resources necessary to ensure that the investigation, analyses, and reporting of discriminatory practices are comprehensive and timely. The requested amount will also enable us to continue with our recently established educational mandate to issue public service announcements.

For FY 1997, the Commission has an aggressive agenda of projects covering important civil rights issues. We will pursue projects that focus on the rising crisis of young African American males in the inner cities, expanding the economic opportunities of African American, Asian, and Latino Youth, naturalization issues, environmental justice, and we will undertake a project on schools and religion. The Commission will conduct a hearing on Affirmative Action, and will complete the multi-year project on Racial and Ethnic Tensions. We will also examine voting rights as addressed

by the Voting Rights Act and subsequent amendments. In addition, the Commission will continue to pursue an active monitoring and evaluation program of Federal civil rights enforcement efforts. During FY 1997 we will complete an annual statutory report on the Americans With Disabilities Act, and we will begin an evaluation of Federal Employee EEO and Affirmative Employment Programs.

Our FY 1997 plans also call for each of the Commission's 51 State Advisory Committees to conduct three meetings with emphasis on factfinding. Project reports will be issued on a broad range of State and local civil rights issues.

This requested increase includes an inflation adjustment for both personnel and non-personnel costs. The FY 1997 appropriation request continues to demonstrate the strong commitment of the U.S. Commission on Civil Rights to carrying out its statutory mandate.

Sincerely,



MARY K. MATHEWS
Staff Director

UNITED STATES COMMISSION ON CIVIL RIGHTS

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GENERAL STATEMENT

Established in 1957, the Commission has a broadranging mandate to monitor and report on the status of civil rights' protections in the United States. As an independent, bipartisan, factfinding agency of the Federal Government, the Commission reports to the President, the Congress and the public on civil rights protections and issues.

The authorizing legislation mandates that the Commission investigate allegations that certain citizens are being deprived of their right to vote by reason of their color, race, religion, sex, age, disability, or national origin, or by reason of fraud.

Second, the Commission is required to study and collect information relating to discrimination or denials of equal protection of the laws because of race, color, religion, sex, age, disability, or national origin or in the administration of justice. Third, the Commission is charged with appraising, evaluating and reporting on the effectiveness of the statutes and policies of the Federal Government with respect to discrimination or denials of equal protection of the laws under the Constitution.

The Commission is required to serve as a national clearinghouse of information on civil rights, especially on discrimination and denials of equal protection of the laws, including, but not limited to the fields of voting, education, housing, employment, the use of public facilities, and transportation, or in the administration of justice. Finally, the Commission is mandated to issue reports to the President and the Congress on civil rights issues under its jurisdiction.

The Commission is also required to issue public service announcements to discourage discrimination or denials of equal protection of the laws.

Eight Commissioners, four appointed by the President and four appointed by the Congress, determine the policy direction for the agency. A full-time Staff Director, appointed by the President with the concurrence of a majority of the Commission, is responsible for the day-to-day management and administration of the Commission's operations.

The work of the Commission is supported and enhanced by the 51 State Advisory Committees (SACs) which serve as the "eyes and ears" of the national Commission at the State and local levels. SAC reports and briefing memoranda are included in the itemization of the Commission's research and information gathering activities. Additionally the SACs monitor potential and actual threats to civil rights at the State and local levels, and disseminate information contained in Commission and State Advisory Committee reports.

LEGISLATIVE AUTHORIZATION OF THE COMMISSION ON CIVIL RIGHTS

The United States Commission on Civil Rights is an independent, bipartisan agency, originally established by the Civil Rights Act of 1957 (P.L. 85-315). Public Law 95-444 extended the life of the Commission through Fiscal Year 1983 and extended the Commission's jurisdiction to include discrimination because of age and handicap. The Commission was reestablished for a six-year term by the United States Commission on Civil Rights Act of 1983 (P.L. 98-186). The Commission was reauthorized and extended for 22 months through FY 1991 (P.L. 101-180). The U.S. Commission on Civil Rights Reauthorization Act of 1991 (P.L. 102-167) reauthorized and extended the Commission through the end of FY 1994. On October 25, 1994, the Civil Rights Commission Amendments Act of 1994 (P.L. 103-419) extended the Commission until September 30, 1996.

The duties of the Commission, as enumerated in Sections 3 (a) and 3 (c) of P.L. 103-419, are as follows:

Section 3 (a) The Commission --

- (1) shall investigate allegations in writing under oath or affirmation relating to deprivations--
 - (A) because of color, race, religion, sex, age, disability, or national origin; or
 - (B) as a result of any pattern or practice of fraud; of the right of citizens of the United States to vote and have votes counted; and
- (2) shall--
 - (A) study and collect information relating to;
 - (B) make appraisals of the laws and policies of the Federal Government with respect to;
 - (C) serve as a national clearinghouse for information relating to; and
 - (D) prepare public service announcements and advertising campaigns to discourage;

discrimination or denials of equal protection of the laws under the Constitution of the United States because of color, race, religion, sex, age, disability, or national origin, or in the administration of justice.

Section 3 (c) Reports --

- (1) Annual report. -The Commission shall submit to the President and Congress at least one report annually that monitors Federal civil rights enforcement efforts in the United States.
- (2) Other reports generally. -The Commission shall submit such other reports to the President and the Congress as the Commission, the Congress, or the President shall deem appropriate.

UNITED STATES COMMISSION ON CIVIL RIGHTS

SALARIES AND EXPENSES
(Note 1)

Congressional Appropriation for FY 1996	\$ 8,750,000
Appropriation Requested for FY 1997	\$ 11,400,000
Program Increase	\$ 2,650,000

APPROPRIATION LANGUAGEFEDERAL FUNDS

General and Special Funds:

Salaries and Expenses

For expenses necessary for the U.S. Commission on Civil Rights, including hire of passenger motor vehicles. [\$8,750,000] \$11,400,000. (The Departments of Commerce, Justice, State, the Judiciary and Related Agencies Appropriations Act).

Note 1: For FY 1996 the Commission has been funded through a series of Continuing Resolutions interrupted by 2 periods in which almost all staff was furloughed.

UNITED STATES COMMISSION ON CIVIL RIGHTS

SUMMARY OF CHANGES

	Full-time Equivalent <u>Employment</u>	<u>Amount</u> (NOTE 1)
SUMMARY OF CHANGES:		
Appropriation FY 1996.....	96	\$8,750,000
AJUSTMENTS TO BASE AND BUILT IN CHANGES:		
Nonrecurring Costs:		...
Adjustments for inflation for personnel and nonpersonnel costs.....		<u>\$1,295,934</u>
Total Adjustments to Base.....		\$1,295,934
FY 1997 Base.....	96	\$10,045,934
PROGRAM INCREASES:		
Personnel compensation and benefits.....	18	\$456,854
Program increase for nonpersonnel object classifications related to personnel changes.....		\$897,212
Total Program Increase	18	\$1,354,066
Total FY 1997 Appropriation Requested	114	\$11,400,000

Note 1: For FY 1996 the Commission has been funded through a series of Continuing Resolutions, interrupted by 2 periods in which almost all staff was furloughed.

UNITED STATES COMMISSION ON CIVIL RIGHTS
SALARIES AND EXPENSES

PROGRAM AND FINANCING
(in thousands of dollars)

Identification Code 95-1900-0-1-751	1995 ACTUAL	1996 ESTIMATE (Note 1)	1997 ESTIMATE
Program by activities:			
00.01 Direct program	8,904	8,750	11,400
01.01 Reimbursable program
10.00 Total obligations	8,904	8,750	11,400
Financing:			
25.00 Unobligated balance lapsing	72
39.00 Budget authority	8,976	8,750	11,400
Budget authority:			
40.00 Appropriation	8,976	8,750	11,400
Relation of obligations to outlays:			
71.00 Obligations incurred net	8,904	8,750	11,400
72.40 Obligated balance, start of year		1,323	1,286
74.40 Obligated balance, end of year	(1,323)	(1,286)	(1,676)
77.00 Adjustments in expired accounts
89.00 Outlays	7,581	8,787	11,010

Note 1: For Py 1996 the Commission has been funded through a series of Continuing Resolutions interrupted by 2 periods in which almost all staff were furloughed.

**UNITED STATES COMMISSION ON CIVIL RIGHTS
SALARIES AND EXPENSES**

OBJECT CLASSIFICATION

(In thousands of dollars)

Identification Code 95-1900-0-1-751	1985 ACTUAL	1986 ESTIMATE (Note 1)	1987 ESTIMATE
Personnel Compensation			
11.1 Full-time permanent	3,650	4,700	6,363
11.3 Other than full-time permanent	1,070	503	418
11.5 Other personnel compensation	103	74	70
11.9 Total personnel compensation	4,823	5,277	6,851
12.1 Personnel benefits: Civilian	928	1,125	1,231
13.0 Benefits for former personnel
21.0 Travel & transportation of persons	465	298	489
22.0 Transportation of things	20	15	20
23.1 Rental payments to GSA	1,009	1,056	1,168
23.2 Rental payments to others	50	10	67
23.3 Communications, utilities, and miscellaneous charges	207	227	245
24.0 Printing and reproduction	132	143	228
25.0 Other services	788	420	857
26.0 Supplies and materials	199	124	185
31.0 Equipment	283	55	59
99.0 Subtotal, direct obligations	8,904	8,750	11,400
99.9 Total obligations	8,904	8,750	11,400

Note 1: For Py 1986 the Commission has been funded through a series of Continuing Resolutions interrupted by 2 periods in which almost all staff was furloughed.

UNITED STATES COMMISSION ON CIVIL RIGHTS
SALARIES AND EXPENSES
PERSONNEL SUMMARY

Identification Code 95-1900-0-1-751	1995 ACTUAL	1996 ESTIMATE	1997 ESTIMATE
Total number of full-time permanent positions	96	105	125
Total compensable workyears:			
Full-time equivalent employment	90.00	95.86	114.20
Full-time equivalent of overtime and holiday hours
Average ES salary	100,885	71,169	99,779
Average GS grade	11.24	11.27	10.89
Average GS salary	35,993	45,979	48,440

UNITED STATES COMMISSION ON CIVIL RIGHTS
SALARIES AND EXPENSES

DETAIL OF PERMANENT POSITIONS

	1995 ACTUAL	1996 ESTIMATE	1997 ESTIMATE
ES - 6.....	1	1	1
ES - 5.....	...	1	1
ES - 4.....	1
ES - 1.....	2	3	3
ES subtotal	3	5	6
GS - 15.....	12	13	14
GS - 14.....	7	7	7
GS - 13.....	21	24	24
GS - 12.....	11	11	11
GS - 11.....	10	12	27
GS - 10.....
GS - 9.....	8	6	9
GS - 8.....	2	3	3
GS - 7.....	10	11	13
GS - 6.....	2	2	2
GS - 5.....	4	4	4
GS - 4.....	2	2	4
GS - 3.....	1
GS subtotal	89	95	119
Ungraded.....
Total permanent positions	92	100	125
Unfilled positions end of year.....	4	5	...
Total permanent employment, end of year.....	96	105	125

INTRODUCTION ACCOMPLISHMENTS FOR FISCAL YEAR 1995

In FY 1995 the Commission continued the series of factfinding hearings on the rising crisis in Racial and Ethnic Tensions in American Communities: Poverty, Inequality, and Discrimination. The goal of these hearings is to identify the underlying causes of and offer solutions for overcoming discrimination in such areas as economic opportunity, education, housing, social services, and the administration of justice. Hearings were held in Washington, D.C. and in Chicago in FY 1992, in Los Angeles in FY 1993 and in New York City in FY 1994. In FY 1995, the Commission conducted a follow-up hearing in New York to obtain documents, and a two-day hearing in Miami focusing primarily on immigration issues. Reports were completed on the National Perspectives hearing and the Chicago hearing. A comprehensive briefing paper was produced analyzing the executive, legislative, and judicial development of Affirmative Action. Preparations began for a hearing to be held in FY 1996 in the Mississippi Delta region to provide a rural focus to the Racial and Ethnic Tensions project.

The Commission continued to pursue an active monitoring and evaluation program of Federal civil rights enforcement efforts. During FY 1995, the Commission staff completed the study on enforcement of Title VI of the 1964 Civil Rights Act. The Commission also completed the report entitled Funding Federal Civil Rights Enforcement, a study of the resources provided for civil rights enforcement in the six major civil rights programs. Of the two new studies begun in FY 1995, one study evaluates the Federal Government's effort to eliminate employment discrimination through an examination of the policies and procedures of the Equal Employment Opportunity Commission and the Department of Justice. The second study evaluates the efforts of the Department of Education and its Office for Civil Rights to enforce a variety of laws mandating equal education opportunity.

State Advisory Committee activities continued with the goal of each Advisory Committee to conduct a minimum of two meetings annually for factfinding and other purposes. Project reports were issued on a broad range of State and local civil rights issues.

The Commission conducted research into the technical, financial and legal aspects of our new mandate to prepare public service announcements and advertising campaigns to discourage discrimination or denials of equal protection of the laws.

PLANS FOR FISCAL YEAR 1996

In FY 1996, the Commission will complete the series of hearings for the multi-year project on Racial and Ethnic Tensions in American Communities by conducting a mini-hearing in Los Angeles to update the Commission's Fiscal Year 1993 hearing record in the area of Police and Community Relations, and by conducting a hearing in the Mississippi Delta region. Reports on this project will be completed summarizing the previously held hearings in New York City, Miami, and Los Angeles. During FY 1996 the Commission will complete an annual statutory report on the Evaluation of Equal Education Opportunity Law Enforcement.

The Commission will undertake several new studies during FY 1996. We will begin a two-part effort to examine enforcement of the Americans with Disabilities Act. Completing our research plan will be a literary review and paper in preparation for a project on The Crisis of Young African American Males in The Inner Cities.

Regional programs and State Advisory Committee activities will continue with the goal for each Advisory Committee to conduct as many meetings as possible this year, with an emphasis on factfinding.

The Commission plans to implement an advertising campaign including Public Service Announcements to discourage discrimination and denials of equal protection of the laws.

PLANS FOR FISCAL YEAR 1997

In FY 1997, the Commission will begin new projects covering many important issues. We will explore the rising crisis of young African American males in our inner cities. Other projects will focus on expanding the economic opportunities of African American, Asian, and Latino Youth; schools and religious issues; environmental justice; and naturalization issues. The Commission will conduct a hearing on Affirmative Action, and will complete the multi-year project on Racial and Ethnic Tensions by completing the report on the Mississippi Delta hearing and another report summarizing this multi-year study.

The Commission will continue to pursue an active monitoring and evaluation program of Federal civil rights enforcement efforts. During FY 1997, we will complete an annual statutory report on the enforcement of the Americans With Disabilities Act, and we will begin an evaluation of Federal Employee EEO and Affirmative Employment Programs. We will examine minority voting rights as addressed by the Voting Rights Act of 1965, subsequent amendments, and recent court decisions, and under naturalization issues we will assess the efforts made by Federal Agencies to encourage citizenship.

State Advisory Committee activities will continue with the goal for each Advisory Committee to conduct a minimum of three meetings annually, with an emphasis on factfinding.

The Commission plans to expand the outreach and advertising campaign to include additional Public Service Announcements to discourage discrimination and denials of equal protection of the laws.

INVESTIGATIONS, HEARINGS, LEGAL ANALYSIS, AND LEGAL SERVICE

The goal of the Commission's investigations, hearings, and other related efforts is to provide information and recommendations to the President, the Congress, and the public regarding denials of civil rights and equal protection of the law because of race, color, religion, national origin, age, disability, or sex, or in the administration of justice. This is done primarily by the Office of General Counsel through reports and statements based on legal studies and factfinding investigations, which include hearings. Legal services include providing advice to the Commissioners and Commission staff on legal issues and other matters pertaining to the ongoing operations of the Commission and ensuring that these operations remain within the scope of the Commission's statutory jurisdiction and applicable Federal law. All Commission and State Advisory Committee reports are reviewed for legal sufficiency prior to publication.

ACCOMPLISHMENTS FOR FISCAL YEAR 1995

Racial and Ethnic Tensions in American Communities: Poverty, Inequality, and Discrimination – Volume 2. The Chicago Report

The report was completed and published this year.

Racial and Ethnic Tensions in American Communities: Poverty, Inequality, and Discrimination – Volume 3. The Los Angeles Report

The Commission will conduct a follow-up hearing on police community relations in FY 1996. Work progressed on this report with completion expected in FY 1996.

National Perspectives on Racial and Ethnic Tensions

The hearing transcript and executive summary were published this year.

Racial and Ethnic Tensions in American Communities: Poverty, Inequality, and Discrimination – Hearing in Miami

The Commission conducted a public factfinding hearing on racial and ethnic tensions in Miami. This was a two-day hearing with a primary focus on immigration and refugee issues.

Legislative, Regulatory, and Judicial Developments

The Commission monitored legislative, regulatory, and judicial developments in the area of civil rights. A briefing paper was prepared analyzing the executive, legislative, and judicial

development of affirmative action. This document was distributed to the President and the Congress.

Commission Briefings

Other important civil rights issues and topics do not fit easily into the agency's current investigative and monitoring priorities. To address these issues, a series of briefings by outside experts was scheduled for the Commissioners during FY 1994 and continued in FY 1995. Briefings were held in conjunction with regular Commission meetings on the following topics:

- Immigration Issues: Proposition 187, Immigration Reform, and Civil Rights
- Access to Mortgage Lending
- Public Service Announcements

PLANS FOR FISCAL YEAR 1996

Racial and Ethnic Tensions in American Communities: Poverty, Inequality, and Discrimination – Volume 3. The Los Angeles Report

The Commission will conduct a mini-hearing in Los Angeles to update the FY 1993 hearing record on the topic of Police Community Relations. The report will be completed this fiscal year.

Racial and Ethnic Tensions in American Communities: Poverty, Inequality, and Discrimination – Volume 4. The New York Report

The Commission will complete a report based on the hearings that were held in New York City during FY 1994 and FY 1995.

Racial and Ethnic Tensions in American Communities: Poverty, Inequality, and Discrimination – Volume 5. The Miami Report

The report will be completed this fiscal year.

Racial and Ethnic Tensions in American Communities: Poverty, Inequality, and Discrimination – Volume 6. The Mississippi Delta Hearing

The Commission will examine racial and ethnic tensions in a different setting by moving from urban to rural. A three-day hearing will be held in the Mississippi Delta region with a planned focus on voting rights, public education and the remaining vestiges of segregation in higher education.

Legislative, Regulatory, and Judicial Developments

The Commission will monitor legislative, regulatory, and judicial developments in the area of civil rights. Systematic monitoring will allow the Commission to make indepth analyses in select areas.

Commission Briefings

The series of briefings will be continued during FY 1996.

PLANS FOR FISCAL YEAR 1997Expanding the Economic Opportunities of African American, Asian, and Latino Youth

This project will document the economic opportunities of people who live in the predominately minority, poor, urban communities. A second goal of the project is to identify and evaluate private and public initiatives that have sought to or had the effect of expanding economic opportunities.

The primary focus of the study will be on the economic opportunities available to and selected by minority youths (ages 12-24) living in poor urban areas. The study will examine how employers and governments influence local labor markets and the incentives for business formation in poor areas, e.g., the effect of tax policies and business regulation on business location decisions, and the efforts by businesses to recruit and train young minority workers. The study will also examine the availability and geographical distribution of jobs and other economic opportunities for inner-city minority youth compared to youth living in the suburbs. Factors such as individual motivation and familial situations will be included in the analysis. The study will also explore strategies for expanding economic opportunities for these youths, including opportunities for savings, investment, and entrepreneurship, so that these youths would have the alternative of being business owners as well as workers.

Following a literature review and other research, the Commission will convene roundtable conferences in three cities to examine local barriers to economic opportunities and to explore ideas, plans, and initiatives to expand these opportunities. Each conference will provide a full range of perspectives and experiences, including, for example, individuals representing students, parents, businesses, youth service organizations, employment services, and other public and private organizations. This study will produce a clearinghouse report.

Affirmative Action

The Commission will conduct a public factfinding hearing on Affirmative Action. The hearing will examine Federal affirmative programs and policies in employment, contracting and licensing, and education. The hearing will be designed to collect factual information in these

three topical areas related to affirmative action to facilitate the Commission's evaluation of federal program operations. In addition, policy analysts, commentators, and scholars will present their views or assessments of the facts underlying claims of discrimination and those giving rise to the affirmative action remedy as a means to redress it. This hearing will result in a report with findings and recommendations.

Schools and Religion

The emphasis of this project is on schools and religious freedom, including difficulties with accommodation faced by religious groups. This project will include five brief hearings in Washington, D.C., and other sites. It will examine (1) current constitutional scholarship on first amendment religious rights; (2) the operation of the Equal Access Act and similar laws; and (3) the adherence by the State i.e., the school system, to these laws and the Constitution in regard to religious freedom. It will also examine the religious freedom enforcement activities of Departments of Justice and Education.

Hearings on this issue will be designed to see if the education system still meets the Jeffersonian ideal of religious freedom both in terms of establishment and free exercise. The hearing will examine such issues as whether school districts are complying with the Equal Access Act and the Court decisions allowing religious groups equal access to school facilities; whether schools are constitutionally maintaining a proper nonsectarian, neutral position and avoiding illegal entanglements in regard to teaching religious doctrine or practice; and whether all religious groups are protected under existing law and practices.

The project will include a legal review of Federal and State law; an analysis of Federal agency enforcement documents; and testimony by State and Federal government officials, private advocacy groups, litigators, and religious leaders. This project will result in a report with findings and recommendations.

Voting Rights

The issue of minority voting rights has been addressed by the Voting Rights Act of 1965 and subsequent amendments. Recent court decisions have raised new questions about empowerment of minority-group citizens. Among those issues are: how a minority group's share of the population should be measured for districting, what factors should be used in creating minority voting districts, and what is the meaning of "close judicial scrutiny" as used in *Shaw v. Reno*. This project would attempt to answer such questions. It would begin with background research of the literature, legal record, and interviews of experts. It would continue with an analysis of census data compared with materials from the Voting Rights Section of the Justice Department.

The project would produce a statutory report with findings from the data analysis and recommendations, if appropriate, for amendments to the Voting Rights Act. Recommended model guidelines for redistricting would also be included.

Environmental Justice

In February 1994, President Clinton promulgated Executive Order 12898, *Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations*. This order directs each Federal agency "to make achieving environmental justice part of its mission by identifying and addressing disproportionately high and adverse human health or environmental effects of its program, policies, and activities on minority populations and low-income populations....".

This project will examine the existence of environmental health hazards in minority communities and determine how successful minority communities have been in dealing with these issues. The project, national in focus, will consider the legitimacy of some allegations of environmental risk disparities by racial and ethnic minority communities. It will concentrate on alleged disparities in exposure to hazardous waste and lead (poisoning).

The project will address problems minority communities encounter in attempting to redress apparent environmental inequities. For example, it would examine: (1) legal difficulties involved in attempting to establish an environmental discrimination case under the equal protection doctrine or Title VI; (2) the problem of inadequate data establishing a correlation between the location of environmental risks and the location of minority communities; (3) the problem of inadequate scientific data establishing a causal connection between environmental hazards and health problems suffered by minority communities; and (4) allegations of political or economic vulnerability of minority communities, in that some do not possess the resources or otherwise have access to the environmental policy decision-making process.

This project will also examine the risk assessment and risk management procedures of State and local governments and the private sector and how these procedures could be improved to better take into account equity considerations. Additionally, it will examine the Federal Government's role in this field.

Following a literature review, field research and statistical research will be conducted. Three separate 1-day hearings will be held in locations representative of affected communities across the country. This project will produce a report with findings and recommendations.

The Crisis of Young African American Males in the Inner Cities

Young African American males are disproportionately unemployed, underemployed, incarcerated, and drug addicted. This project would examine the sources of this crisis situation that has led some to describe young African American males as an "endangered species" and others to write off an entire generation.

Five cities would serve as hearing sites for analysis of the problem: the District of Columbia, New York City, Shreveport (Louisiana), Cleveland (Ohio), and Fresno (California). Each city has high teen birthrates, juvenile crime arrest rates, and child poverty rates. The study would include examination of 1990 census data, State agency population data, local social service data, local prosecutor and district attorney data, and the U.S. attorney's offices serving those cities.

This project will result in a clearinghouse report. The report would cover a period of about 5 years and take a year after the last hearing to complete.

Summary Report on Racial and Ethnic Tensions in American Communities

The Commission will prepare a summary report recapitulating the findings and recommendations contained in the geographic-specific reports on racial and ethnic tensions between the majority and minority populations, as well as between various minority populations in large urban centers. This summary report will examine common causes and resolutions to racial tensions in the various communities examined.

FEDERAL PROGRAM EVALUATION AND OTHER MONITORING ACTIVITIES

The goal of the Commission's enforcement studies and related efforts is to provide information and make recommendations to the President and the Congress on the efforts of the Federal Government to ensure against the denials of civil rights because of race, color, religion, sex, age, disability, or national origin, or in the administration of justice. To accomplish this, the Commission monitors and analyzes the civil rights activities of Federal agencies.

The Office of Civil Rights Evaluation (OCRE) is responsible for monitoring and evaluating the 14 Executive Departments and 27 other Federal agencies as their operations relate to civil rights. These activities are intended to enable the Commission to participate proactively in formulating Federal civil rights policies, to promote effective coordination of interagency and intergovernmental enforcement activities, and to ensure that civil rights laws are aggressively and efficiently enforced. In addition to these responsibilities, OCRE receives and refers thousands of complaints of civil rights violations to appropriate enforcement agencies each year.

ACCOMPLISHMENTS FOR FISCAL YEAR 1995

Title VI of the Civil Rights Act of 1964

This study examined the civil rights enforcement efforts and activities of several Federal agencies with responsibilities for ensuring nondiscrimination in their federally assisted programs under Title VI of the Civil Rights Act of 1964. Title VI prohibits recipients of Federal assistance from discriminating on the basis of race, color, or national origin in any program or activity. Staff work for the statutory report with recommendations for enhancing the enforcement of Title VI was completed this year.

Funding Federal Civil Rights Enforcement

The Commission analyzed the Federal civil rights enforcement budgets of the Equal Employment Opportunity Commission, the Civil Rights Division of the Department of Justice, the Office of Federal Contract Compliance Programs of the Department of Labor, the Office of Fair Housing and Equal Opportunity at the Department of Housing and Urban Development, and the Offices for Civil Rights of the Departments of Health and Human Services and Education. The study covered resource requests and resource allocations for these six programs during the last 15 years up through the FY 1996 proposed budgets. A report was completed this fiscal year.

Evaluation of Equal Education Opportunity Law Enforcement

This project evaluates the efforts of the Department of Education and its Office for Civil Rights to enforce a variety of laws mandating educational opportunity, with particular attention to the education offered language-minority children, children with disabilities, and girls, and to ability tracking of minority children. The project examines the policies and enforcement efforts of the Department of Education (DOEd) pertaining to five major statutes: Title VI of the 1964 Civil Rights Act, Title IX of the Education Amendments Act of 1972, section 504 of the Rehabilitation Act of 1973, the Individuals with Disabilities Education Act, and the Equal Educational Opportunity Ac. of 1974. One goal is to determine whether DOEd has sufficient staff and resources to carry out its enforcement responsibilities; whether its procedures and organization are effective; whether its policies and regulations comport with existing law; and whether its policies, regulations, or the law require revision or elaboration. The second goal is to determine whether the education and enforcement measures taken by DOEd adequately ensure compliance with the laws, specifically whether DOEd's mandated technical assistance and monitoring standards are adequate. The third is to evaluate DOEd's criteria for selecting jurisdictions for onsite compliance reviews and its performance in conducting onsite compliance reviews and individual complaint investigations. The fourth goal is to evaluate DOEd's compliance standards.

The study focuses on five areas that influence the quality and distribution of educational opportunities: (1) the structure of educational programs designed to serve a diverse student population (including mainstreaming and remediation programs); (2) diagnostic and screening procedures for allocating students across alternative educational programs; (3) the allocation of teachers, facilities, and other resources among educational programs; (4) institutional efforts to create a nurturing learning environment for disadvantaged students; and (5) institutional programs to facilitate or encourage the involvement of parents in their children's education.

A statutory report will be completed during FY 1996.

Evaluation of Fair Employment Law Enforcement

This project evaluates the Federal effort to eliminate employment discrimination through an examination of the policies and enforcement mechanisms of the Equal Employment Opportunity Commission (EEOC) and the Department of Justice (DOJ).

The study examines the operations of Title VII of the 1964 Civil Rights Act, Title I of the Americans With Disabilities Act (ADA), the Age Discrimination in Employment Act (ADEA), the Equal Pay Act, and includes all protected classes in the Commission's jurisdiction. One goal is to determine whether each of the enforcement agencies has sufficient staff, resources, and training to carry out its responsibilities; whether its procedures and organization are effective; whether its policies and regulations comport with congressional intent and existing case law; and whether its policies, regulations, or the law require revision or elaboration in order to decrease

the incidence and impact of job discrimination. The second goal is to determine whether agencies adequately address systemic and individual complaints of discrimination. The third goal is to determine whether education and enforcement measures taken by the agencies ensure compliance with the laws, specifically whether standards and practices for monitoring consent decrees, settlements, and conciliation agreements are adequate. The fourth goal is to determine whether charge processing by State and local fair employment agencies is of high quality and conforms to EEOC standards.

Complaints Referral

In FY 1995, the Commission received approximately 5,000 written and telephone complaints from individuals alleging civil rights violations. In FY 1995, the Commission tracked and evaluated the actions of Federal agencies throughout the processing of referred complaints, from intake to final disposition. Besides giving the complaints better service individually, this tracking system provided valuable information about Federal civil rights enforcement policies and operations.

PLANS FOR FISCAL YEAR 1996

Evaluation of Equal Education Opportunity Law Enforcement

The report on this project will be issued this year.

Enforcement of the Americans with Disabilities Act

This project will evaluate the implementation and enforcement of Title I and Title II of the Americans with Disabilities Act (ADA). While all four ADA titles are significant, only Titles I and II will be reviewed at this time. Title I of the ADA bars discrimination in employment against persons with disabilities. Title II prohibits State and local governments from discriminating against qualified persons with disabilities and requires that all government facilities, services, and communications be accessible. Title I of the ADA (discrimination in employment) will be updated by the Commission in the course of an overall review of enforcement of laws barring employment discrimination.

This is planned as a two-part project. During the first part, staff will conduct a detailed review of the activities of DOJ's Public Access and Coordination and Review Sections within the Civil Rights Division through interviews of officials, reviews of written documents, and analysis of complaint data. During the second part, staff will focus on responsible State and local officials and the community of persons with disabilities and their organizations. The Commission will hold a 2-day hearing to assess implementation and enforcement of Title I and Title II.

The project will result in (1) a staff report, and (2) a statutory report evaluating the effectiveness of DOJ's Title I and Title II enforcement activities and will make recommendations for improvement.

Evaluation of Fair Employment Law Enforcement

This project will continue in FY 1996.

Complaints Referral

In FY 1996, the Commission expects to receive approximately 5,000 written and telephone complaints from individuals alleging civil rights violations. Further enhancements will be made to our tracking system to provide additional information on the processing of these complaints by the various Federal agencies. Besides giving the complaints better service individually, this tracking system will provide valuable information about Federal civil rights enforcement policies and operations.

PLANS FOR FISCAL YEAR 1997

Naturalization Issues

This project will examine what efforts are currently made by the Federal Government to encourage citizenship, what efforts might reasonably be expected, and whether any structural or bureaucratic impediments to naturalization exist that can be ameliorated.

The study will describe obstacles observed by those involved in the naturalization process, including the Immigration and Naturalization Service, potential and recently naturalized citizens, and advocacy and other groups involved in citizenship issues. It will examine the effect and efficacy of recently enacted (1990-1991) reforms as well as various proposals to improve accessibility to citizenship (without changing standards), including proactive measures government might take and governmental reorganization of functions. It will also discuss whether implementation of naturalization procedures is different for different national groups, e.g., Haitians, Cambodians, Germans, Russians and West Indians. Field visits would be made to regions working with these groups and/or locations offering competing models for naturalization processing.

Staff will (1) conduct a literature review; (2) ascertain and analyze the processes used by INS through review and analysis of government regulations and documents and interviews with INS officials; (3) interview domestic proponents of various policy alternatives and analyze policy alternatives; and for comparative purposes, (4) ascertain and analyze policy alternatives

employed by countries similarly situated, that is, countries historically reliant on immigration for development (for example, Canada); and (5) visit selected cities to interview INS field staff and grassroots community groups engaged in naturalization activities.

This project will result in a short statutory report with findings and recommendations.

Enforcement of the American with Disabilities Act

A statutory report evaluating the effectiveness of DOJ's Title I and Title II enforcement activities and recommendations for improvement will be issued in FY 1997.

Evaluation of Fair Employment Law Enforcement

Work on this project will continue through FY 1997 and will result in the issuance of a statutory report in FY 1998.

Complaints Referral

In FY 1997, the Commission expects to receive approximately 5,000 written and telephone complaints from individuals alleging civil rights violations. Resources will be used to further enhance the tracking of complaints referred by the Commission to other Federal agencies.

STATE ADVISORY COMMITTEES

The purpose of the State Advisory Committees (SACs) is to provide information and recommendations to the Commission and the public on emerging civil rights issues at the State and local levels. The 51 SACs conduct studies and reviews of a wide variety of civil rights issues, report to the Commission on the results of their studies, and assist in following up on recommendations contained in Commission and Advisory Committee reports. Members of the Advisory Committees are volunteers appointed by the Commission. The SACs meet for the purposes of program planning, receiving information from scheduled speakers, and reviewing and approving their reports. The SACs also monitor Federal, State and local agencies and the civil rights implication of their activities and receive complaints from individuals and groups in their areas.

ACCOMPLISHMENTS FOR FISCAL YEAR 1995**State Advisory Committee Activities**

The Advisory Committees completed projects underway and developed new ones. State Advisory Committee reports have been issued on police protection of African Americans in Milwaukee; race relations in Nebraska; minority student retention in public colleges in Colorado; hate crime in Ohio; enforcement of civil rights laws in Alaska, perceptions of racial tensions in South Carolina; and civil rights issues facing Asian Americans in metropolitan Chicago, Illinois. In addition, the Nevada SAC convened an informational conference on fair housing law for developers, contractors, realtors, landlords and apartment managers in the Las Vegas and Southern Nevada area.

PLANS FOR FISCAL YEAR 1996**State Advisory Committee Activities**

State Advisory Committee meetings will be held as frequently as possible this fiscal year. Projects will continue from the previous year and new projects will be developed as current projects are completed. Members serve two-year terms and select their own area of emphasis; thus, the precise projects are not yet known. The Committees will continue to focus on factfinding projects, producing reports with findings and recommendations, within staff resources.

PLANS FOR FISCAL YEAR 1997**State Advisory Committee Activities**

The goal will be to continue the frequency of Advisory Committee meetings at three for each state during the year. Projects will continue from the previous year and new projects will be developed as current projects are completed. Members serve two-year terms and select their own area of emphasis; thus, the precise projects are not yet known. The Committees will continue to focus on factfinding projects, producing reports with findings and recommendations.

NATIONAL CLEARINGHOUSE, INFORMATION DISSEMINATION, AND RELATED LIAISON ACTIVITIES

The goals of these activities are: (1) to provide the public with a national clearinghouse repository for information concerning denials of civil rights because of race, color, religion, national origin, age, disability, or sex, or in the administration of justice; (2) to keep the public informed about civil rights developments through the distribution of the Commission's reports and publications; and (3) to provide information about civil rights issues and the activities of the Commission to the President, the Congress, organizations interested in civil rights, the media, and the public.

ACCOMPLISHMENTS FOR FISCAL YEAR 1995**National Clearinghouse Library and Publications Distribution**

The Commission's Robert S. Rankin Civil Rights Memorial Library serves as a clearinghouse of civil rights information and is used extensively by public and private sector organizations and individuals, as well as Commission employees who are conducting research. This library is the largest civil rights library in the Nation. Library staff provide civil rights information to the public, maintain the library collections, make loans to the public, and handle publication inquiries and distribution.

In FY 1995, the Commission estimates that approximately 900 persons visited the library in search of both general and specific civil rights information and that 2,000 telephone inquiries were received. Additionally, the library staff handled several thousand inquiries and requests for a wide variety of publications issued by the Commission on various civil rights topics.

Civil Rights Update

Publication and distribution of the Commission's newsletter, *Civil Rights Update*, was continued during FY 1995.

Commission Journal

Limited funding has prevented, since 1989, the publication of the Commission's civil rights journal. Given the continued nationwide increase in racial, ethnic, and religious bigotry and conflict, a Commission journal that can address these and other pressing civil rights issues is needed more than ever. During FY 1995, the Commission published one issue of the journal that presents views on important civil rights issues in the United States.

Public Service Announcements (PSAs)

P.L. 103-419 authorized the agency to "prepare public service announcements and advertising campaigns to discourage discrimination or denials of equal protection of the laws under the Constitution of the United States because of color, race, religion, sex, age, disability, or national origin, or in the administration of justice." During this fiscal year, the Commission conducted research into the legal, financial, and technical aspects of this mandate. Expert advice was obtained from outside the agency and a plan was developed for an advertising campaign for FY 1996.

PLANS FOR FISCAL YEAR 1996

National Clearinghouse Library and Publications Distribution

In FY 1996 greater outreach to the public will be undertaken by the library. The focus will be on increased automation of information available to the public.

Civil Rights Update

Publication and distribution of the Commission's newsletter, *Civil Rights Update*, was continued during FY 1996.

Commission Journal

Preparations will continue for the next issue of the Civil Rights Journal.

Public Service Announcements (PSAs)

The Commission will develop and implement an advertising campaign, utilizing PSAs to discourage discrimination and denials of equal protection of the laws.

PLANS FOR FISCAL YEAR 1997

National Clearinghouse Library and Publications Distribution

Library services are expected to continue at an increased level in FY 1997. We will emphasize greater automation of library information.

Civil Rights Update

Publication and distribution of the Commission's newsletter will continue during FY 1997.

Commission Journal

Two issues of the new Commission journal containing articles on a range of important civil rights issues will be published in FY 1997.

**COMMISSION ON IMMIGRATION REFORM
(DETAILED JUSTIFICATION FOR FY '97)**

Introduction

The Commission on Immigration Reform was established under Section 141 of the Immigration Act of 1990. The mandate of the Commission is to review and evaluate the impact of U.S. immigration policy and to transmit to the Congress a report of its findings and recommendations for additional changes that should be made with respect to immigration into the United States.

The Commission is composed of nine members. Eight are congressional appointees and the Chair is appointed by the President. The Commission is a fully bipartisan body.

The Commission submitted its first report to Congress on September 30, 1994. The report, *U.S. Immigration Policy: Restoring Credibility*, focused on deterrence of illegal immigration. We recommended a comprehensive strategy to deter illegal immigration, including more effective border management, worksite enforcement, and removal of illegal aliens; more consistency between immigration policy and benefits eligibility; an enhanced capacity to respond to immigration emergencies; effective strategies to reduce the pressures for immigration in sending countries;

and more reliable data for making and implementing immigration policy.

The Commission's 1995 report to Congress, *Legal Immigration: Setting Priorities*, made recommendations regarding admission of legal permanent residents. The Commission called for legal admissions policies that set and then deliver on priorities. The Commission recommended that the priorities for permanent residents be admission of nuclear family members and highly skilled professionals needed by U.S. businesses to compete globally. We urged adoption of new procedures to screen the need for skilled workers, citing the two year delays and high costs to the taxpayer of the current labor certification process. The Commission also made recommendations for reduction in the long waiting period faced by immigrants who apply for naturalization.

In 1996, the Commission expects to issue reports on nonimmigrant admissions and refugee admissions. The Commission's final report is due on September 30, 1997.

Commission's Agenda

The Commission has a three-part agenda for FY 1996 and FY 1997. First, the Commission works to ensure that the Congress and Administration are fully apprised of the recommendations in our 1994 and 1995 reports and to monitor implementation and effects of these recommendations as they become policy. The Commission seeks to give Congress an independent assessment of the effectiveness of new activities undertaken

to enhance border management, such as Operation Gatekeeper, to improve enforcement of employer sanctions, such as the pilots for work authorization, and to remove criminal aliens, such as the Institutional Hearing Program. This systematic assessment of the effects of the new enforcement initiatives will permit the Commission to make any needed recommendations to enhance further the U.S. capacity to deter illegal migration.

Second, we continue to examine and make recommendations regarding admissions policy. This year, the Commission gives particular focus to the admission of temporary workers and foreign students.

Nonimmigrants now constitute a larger group of new arrivals into the United States than permanent residents and illegal aliens combined. Yet, they have received significantly less policy attention. The Commission is undertaking a comprehensive review of nonimmigrant categories and their utilization and will make recommendations to Congress regarding these visas. We also continue our examination of policies related to refugee admissions, asylum, and handling of migration emergencies. In our FY 1995 report to Congress, the Commission strongly affirmed the U.S. interest in resettling refugees. We emphasized the need for a thorough assessment of the criteria used to admit refugees and the procedures for their admission, particularly in the context of post-Cold War developments.

Third, the Commission focuses on two longer-term issues: the absorption and integration of newcomers into the U.S. society and economy; and the organizational roles and relationships of federal agencies responsible for implementation of immigration policy.

Regarding absorption and integration, the Commission argued strongly in its FY 1996 report for the Americanization of new immigrants, that is the cultivation of a shared commitment to the American values of liberty, democracy, and equal opportunity. The Commission is examining policies and programs that may foster or retard such Americanization. Among the questions under consideration are: As we continue to be a country of substantial legal immigration, what policies should we adopt that most effectively facilitate the adaptation of newcomers to American life? How do we best help new immigrants and refugees become economically productive while preventing negative effects on our most vulnerable American populations? Do bilingual education and affirmative action as applied to immigrants and their children promote or diminish civic unity? These issues are highly sensitive but they are also at the core of our identity as a nation of immigrants.

Regarding the second area, the Commission is examining systematically the roles and relationships of the federal agencies responsible for the management and implementation of immigration policy. Responsibilities are now dispersed across four principal Cabinet agencies: Departments of Justice, State, Labor and Health and Human Services. Within each of these departments, responsibility is further dispersed. Even within a single agency, such as the Immigration and Naturalization Service, competing and sometimes conflicting responsibilities (such as service and enforcement) must be balanced and coordinated. The Commission will report to Congress on the strengths and weaknesses of the current system as well as make recommendations to improve management of immigration-related activities.

Commission Activities in FY 1997

The Commission undertakes a number of activities in order to fulfill its mandate to Congress. These include: public hearings and roundtable discussions; research and analysis of immigration issues; taskforces and workgroups to develop specific options for the Commissioners' consideration; and fact-finding missions.

Hearings, Consultations and Fact-Finding Missions. The Commission held its first meeting on December 3, 1992. Since then, the Commission has held public hearings or roundtable consultations with experts on a wide range of issues. The Commission has conducted fact-finding missions to many of the communities in which large numbers of immigrants settle as well as selected countries of origin, such as Mexico, Cuba and the Dominican Republic. Further, the Commission visits land borders, airports, INS offices, immigration courts, and detention centers in order to assess the implementation of immigration policy. Attachment 1 provides a list of Commission hearings and consultations as well as fact-finding sites.

The site visits, public hearings and roundtables provide an opportunity for Commissioners to hear testimony from elected officials and other community leaders and residents about the impact of immigration on their community's economy, services, education, community relations and other issues. These sessions also provide an opportunity for intensive discussion between Commissioners and experts on a variety of issues.

In FY 1996-97, the Commission will continue its schedule of public hearings and expert consultations. Among the sites for future

Commission visits are Denver, Atlanta, Houston, northern New Jersey, and metropolitan Washington, D.C. The Commission also intends to return to Los Angeles and Miami to examine in greater detail issues related to management of immigration policy. Topics of future expert consultations include: Refugee Resettlement Policy and Programs; Detention of Illegal Aliens; Asylum Policy and Procedures; Immigrants and English Language Acquisition; and Enforcement and Services: Can They Exist Side by Side.

Research. To supplement Commission fact-finding, the Commission funds research projects by outside experts. To ensure the most productive use of these resources, the contract research funds support projects that build on existing research or expertise. Also, the Commission funds outside research that requires substantial data collection in localities with significant immigration impacts. Appendix 2 provides a list of research studies commissioned and published by the Commission.

In FY 1997, the Commission will complete two major contract research programs, both begun in FY 1995, to gain needed information on the impact of immigration. First, the Commission is supporting the deliberations of an expert panel at the National Academy of Sciences that will report on the fiscal, labor market, and demographic effects of immigration. The panel includes demographers, economists, historians, sociologists, and other researchers who are reviewing the existing literature on the impacts of immigration, producing new research where needed, and reporting to the Commission on their consensus view of the effects of immigration on the federal, state, and local governments, U.S. labor market, the broader U.S. economy, and population size and

composition. Some members of the panel are experts on immigration, representing a variety of points of view in order to ensure that we do not receive biased findings. Other members are experts on the public policies affected by immigration—for example, public finance researchers who are experts regarding health care or education.

A second Commission research effort focuses on migration between Mexico and the United States. The study is assessing the scale of migration (legal and illegal, permanent and temporary) between Mexico and the U.S., the characteristics of migrants in each category, the factors that influence the decision and capacity to migrate, and the impacts in both countries. The study involves both U.S. and Mexican researchers and is proceeding in cooperation with the Mexican government. Many of the questions that need to be answered to formulate more effective enforcement policies require an improved capacity to collect data within Mexico, which this study will provide. For example, the statistics on temporary movements between Mexico and the United States are woefully inadequate. INS is able to estimate longer-term illegal residents, but the agency does not have good techniques to determine the number and characteristics of temporary workers who enter illegally. This information is essential to determining the overall effect of migrants on the U.S. economy, including their fiscal impact, and to devising effective measures to stem illegal entry of temporary workers. The joint U.S.-Mexico study should provide improved data on this issue as well as others.

The Commission also requests FY 1997 funding to undertake assessments of new initiatives undertaken to curb illegal immigration. Congress has

provided substantial additional funds to the Immigration and Naturalization Service to mount new border enforcement initiatives, such as Operation Gatekeeper, new removal efforts, and new worksite enforcement efforts. Pending legislation supports and extends a number of these initiatives. The Commission's contract research will provide outside assessment of the effectiveness of these initiatives.

Taskforces and Workgroups. The Commission has established taskforces and workgroups to help develop options and recommendations on specific issues. These workgroups include representatives from the various federal agencies responsible for implementing the applicable policy, Congressional staff, representatives of public interest and other groups concerned with the specifics of immigration policy, researchers, and other knowledgeable individuals.

FY 1997 Appropriation Request

For FY 1997, the Commission is requesting \$2,498,112 to undertake the continuing tasks necessary to report to Congress on the implementation and impact of U.S. immigration policy.

The appropriations request includes the following categories:

Staff. For FY 1997, we request \$692,142 for salaries for full time employees of the Commission. This amount will support 14 FTEs.

Other budgeted personnel expenses for FY 1997 include \$141,894 for other salaries including the nine Commissioners who serve on an intermittent basis and \$207,311 for employee benefits.

Travel. \$259,690 is requested for travel in FY 1997. Commissioners and professional staff members are required to travel to meetings and hearings of the Commission. Commissioners and staff also will conduct fact-finding missions to assess the implementation of the Immigration Act of 1990 and its impact on domestic and foreign policy. Some staff travel will also be required in connection with the administration of the research program. Commission funds will be used to obtain the advice and recommendations of researchers and other experts at consultations.

Rental Payment. We request \$100,000 for office rental payments to the General Services Administration for FY 1997.

Telephones and Postage. \$50,601 is requested for telephone and postage costs for FY 1997. These funds will pay for communications between staff and members of the Commission, contacts with the various agencies and diverse interest groups concerned with immigration issues throughout the country, monitoring of the research contractors and similar uses. The Commission will also require postage to pay for the mailings to the wide variety of individuals and organizations concerned with immigration that keep them informed of the work of the Commission.

Printing and Reproduction. The Commission requests \$50,000 for printing and reproduction costs for FY 1997. These costs include reproduction of the Commission's reports to Congress, briefing materials

for the members of the Commission, Federal Registry notification and other informational materials as requested, research papers, as well as the periodic, brief reports that the Commission plans to produce on its work in progress.

Other Services. The Commission requests \$916,474 for other services during FY 1997. These include various administrative support services provided by GSA, the professional services of substantive experts, reporting, typesetting and editorial services, and a variety of other contractual services necessary to support Commission meetings, hearings, and research activities. The largest part of these resources will be used to support contract research, including the National Academy of Sciences expert panel on the demographic, labor market, and fiscal impacts of immigration; the study of migration between Mexico and the United States; and independent evaluations of the new initiatives to improve enforcement of U.S. immigration policy.

Supplies. We request \$30,000 for the purchase of supplies and equipment during FY 1997. This amount will cover materials for mailing and copying and for ordinary office supplies such as paper, pens, and pencils.

Equipment. \$50,000 is requested for the purchase of office equipment required to support Commission program and administrative operations during FY 1997. For example, these funds will be used to upgrade computer equipment needed for integration and analysis of data on the effects of immigration.

CIR HEARINGS, CONSULTATIONS AND SITE VISITS

- | | |
|----------------|---|
| January 1993 | Public Hearing on Immigration Priorities
Washington, D.C. |
| February 1993 | Expert Consultation on Immigration and
Family and Child Care
Washington, D.C. |
| April 1993 | Public Hearing on the Economic Impact of
Immigration
Washington, D.C. |
| September 1993 | Roundtable Discussion of Enforcement of
Immigration Policy and Labor Standards at the
Worksite
Washington, D.C. |
| October 1993 | Public Hearing on Immigration and
Community Relations
Washington, D.C. |
| December 1993 | Public Hearing on the Impact of Immigration
Los Angeles, CA.

Roundtable Discussion on Local Impacts
San Diego, CA.

Roundtable Discussion on Local Impacts
Los Angeles, CA. |
| February 1994 | Public Hearing on Local Impacts
Miami, Florida

Roundtable Discussion on Immigration
Emergencies
Miami, Florida |

Appendix I

March 1994	Roundtable on Alien Eligibility for and Utilization of Federally-Funded Services Public Hearing on Local Impacts El Paso, Texas
	Roundtable Discussion on Border Issues El Paso, Texas
May 1994	Consultations on Patterns of Migration Mexico City, Mexico Public Hearing on Local Impacts Chicago, Illinois
August 1994	Public Hearing on Local Impacts Lowell, Massachusetts
November 1994	Roundtables on Local Impacts New York, New York
December 1994	Roundtable on Migration Emergencies Washington, D.C. Roundtable on Removal of Illegal Aliens Washington, D.C.
January 1995	Roundtable on Regional Impacts Austin, Texas
February 1995	Discussions on Pressures for Migration Santo Domingo, Dominican Republic Roundtable on Impact of Immigration San Juan, Puerto Rico Roundtable/Site Visit on Stemming Illegal Immigration into Puerto Rico San Juan, Puerto Rico

Appendix I

March 1995	Roundtable on Migration, Population and Natural Resources Phoenix, Arizona
	Roundtable on Local Impacts Phoenix, Arizona
	Roundtable on Border Issues Nogales, Arizona
August 1995	Fact-Finding Mission to Cuba and Miami
	Fact-Finding Mission to U.S.-Mexico Border at San Diego
September 1995	Roundtable on Immigration and the Pacific Rim Seattle, Washington
	Roundtable on Refugee Resettlement Seattle, Washington
	Roundtable on Canadian Approaches to Immigration Policy Vancouver, British Columbia
	Roundtable on Immigration and the Northern Border Blaine, Washington
November 1995	Roundtable on Local Impacts San Francisco, California
	Roundtables on Nonimmigrants San Francisco, California

Appendix II**CIR RESEARCH PUBLICATIONS**

United States/Mexico Border: The Effect of Operation Hold the Line on El Paso/Juarez. Frank D. Bean, Roland Chanoine, Robert G. Cushing, Rodolfo de la Garza, Gary P. Freeman, Charles W. Haynes, David Spener. Population Research Center, University of Texas at Austin. 1994. 132 pages.

Western European Strategies to Deter Unwanted Migration: Neither New Barbarian Invasions Nor Fortress Europa. Mark J. Miller. University of Delaware. 1994. 38 pages.

Immigration Emergencies: Learning from the Past, Planning for the Future. Gretchen Bolton. Refugee Policy Group. 1994. 42 pages.

Averting Immigration Emergencies. Kathryn C. Lawler. Refugee Policy Group. 1994. 24 pages.

The Challenge of Mass Asylum. Charles B. Keely. Georgetown University. 1994. 20 pages.

U.S. Immigration and the Environment: Scientific Research and Analytic Issues. Ellen Percy Kraly. Colgate University. 1995. 82 pages.

Desertification and Migration: Mexico and the United States. Michelle Leighton Schwartz and Jessica Nctini. Natural Heritage Institute. 1994. 51 pages.

Potential Sponsorship by IRCA-Legalized Immigrants. Karen A. Woodrow-Lafield. Center for Social and Demographic Analysis, University at Albany, State University of New York. 1995. 40 pages.

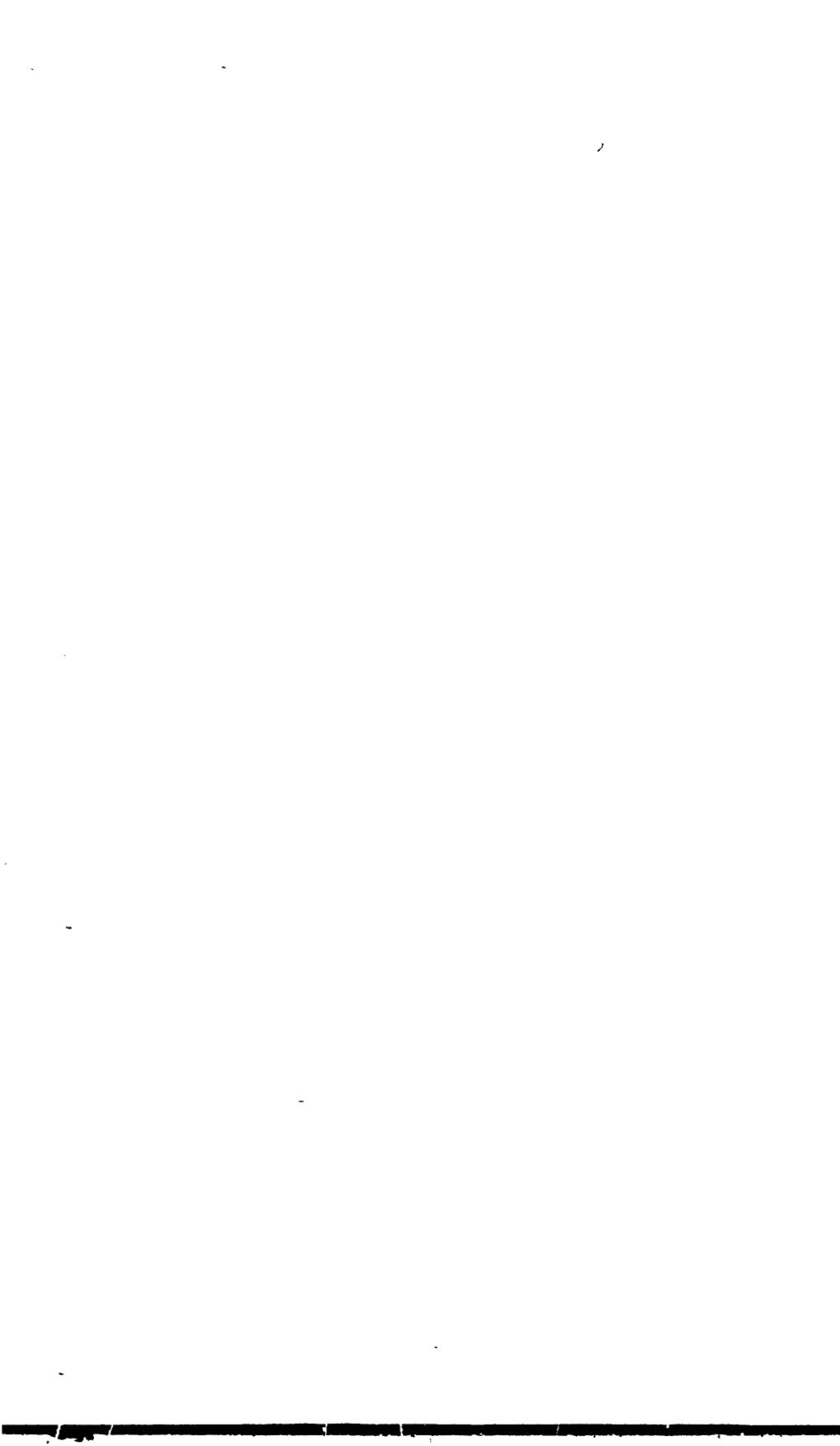
Immigrant Quality and Assimilation: A Literature Review. T. Paul Schultz. Yale University. 1995. 16 pages.

Employer Sanctions in France: From the Campaign Against Illegal Employment to the Campaign Against Illegal Work. Mark J. Miller. University of Delaware. 1995 Forthcoming. 48 pages.

Issues in Nonimmigrant Admissions. Jagdish Bhagwati, Columbia University; Barry Chiswick, University of Illinois-Chicago; Gregory DeFreitas, Russell Sage Foundation; Charles B. Keely, Georgetown University; Philip L. Martin, University of California at Davis; David North; Demetrios G. Papdemetriou, Carnegie Endowment for International Peace; Milind Rao, Colgate

Appendix II

University; Michael Smith, University of California-Davis; Stephen Yale-Loehr, Carnegie Endowment for International Peace. 1996 Forthcoming.



BUDGET REQUEST

BUDGET JUSTIFICATION

COMMISSION ON SECURITY AND

COOPERATION IN EUROPE

FISCAL YEAR 1997

(98)

**COMMISSION ON SECURITY AND
COOPERATION IN EUROPE**

MEMBERSHIP

CHRISTOPHER H. SMITH (R-NJ)

Chairman

ALFONSE D'AMATO (R-NY)

Co-Chairman

House of Representatives

John Edward Porter (R-IL)

Frank R. Wolf (R-VA)

David Funderburk (R-NC)

Matt Salmon (R-AZ)

Steny H. Hoyer (D-MD)

Edward J. Markey (D-MA)

Bill Richardson (D-NM)

Benjamin L. Cardin (D-MD)

Senate

Ben Nighthorse Campbell, (R-CO)

Dirk Kempthorne (R-ID)

Rick Santorum (R-PA)

Spencer Abraham (R-MI)

Frank R. Lautenberg (D-NJ)

Harry Reid (D-NV)

Bob Graham (D-FL)

Russell D. Feingold (D-WI)

Executive Branch

Department of State -- John H.F. Shattuck

Department of Defense -- Ashton B. Carter

Department of Commerce -- Charles F. Meissner

The Helsinki Commission Who We Are and What We Do

The Commission on Security and Cooperation in Europe, better known as the Helsinki Commission, is a unique independent agency of the United States Government. Established by law in 1976, the Commission's mission is to monitor compliance, with emphasis on human rights and humanitarian issues, by the participating States of the Organization for Security and Cooperation in Europe. Each of the now 54 countries have signed the Helsinki Final Act and its subsequent agreements. Chaired in alternate Congresses by a Member of the House or a Senator, the Commission is composed of nine Senators, nine Representatives, and three executive branch officials, one each from the Departments of State, Defense, and Commerce.

The Commission continues to have the responsibility, the international credibility, and the expertise to make a significant difference on issues that threaten the peace, security, and stability of Europe, and to promote U.S. national interests in this critical region. The Commission's unique composition allows it to affect both U.S. foreign policy and congressional support for specific policies, while its expert practice of public diplomacy vigorously advances American values, ideals, and principles in an international context.

Created during the depths of the Cold War, the Commission conducted aggressive public diplomacy, supporting those behind the Iron Curtain who were fighting for human rights and against totalitarian oppression. According to leading dissidents, many of whom became — and remain — prime ministers, presidents or other elected officials after the fall of the Berlin Wall, the United States' relentless emphasis on respect for human rights through the Helsinki process, spearheaded by the work of the Commission, made substantial and material contributions to the moral collapse of communism, and thus the truly unprecedented peaceful democratic and capitalist revolution that swept through the former Soviet Union and its Warsaw Pact allies.

Unfortunately, twenty years after the signing of the Helsinki Accords and more than six years after the disintegration of the Soviet bloc and initiation of economic and political reforms throughout the region, the problems the Helsinki process was created to address and the Commission was created to monitor have not been solved. Critical issues requiring continued attention and action by the Helsinki Commission include: the post-Dayton Agreement role of the OSCE in Bosnia-Herzegovina and monitoring the progress of the War Crimes Tribunal for the Former Yugoslavia; the ongoing crisis in Chechnya between Russia's military and Chechen fighters; the tenuous cease fire in Nagorno-Karabakh; the suppression of the political opposition in Tajikistan, Turkmenistan and Uzbekistan; and deep uncertainty about continued democratic and free market reforms in Russia, especially in light of the upcoming Russian Presidential elections. In these and many less critical situations, participating States or internal factions violated Helsinki principles, demanding a U.S. response. Through the leadership of the Commission, the U.S. often responds proactively to such violations, helping those States or factions return to compliance with their Helsinki commitments.

The Commission's tools of trade include public hearings and briefings, in-depth analysis and reports, in-country meetings and information gathering participation in OSCE implementation review meetings as members of the U.S. official delegations, detailing of Commission staff to OSCE monitoring missions, and persistent contact with all interested institutions and parties within the U.S. Government, in the international community, and in the private voluntary and non-governmental organization community. The Commission's impact, and indeed, its success in accomplishing its mission, can be roughly gauged by its success in drawing public attention to, and focusing U.S. policy on, finding peaceful solutions to these problems within the context of the Helsinki process.

COMMISSION ON SECURITY AND COOPERATION IN EUROPE FISCAL YEAR 1997 BUDGET REQUEST

In accordance with section 3 of Public Law 99-7 (March 27, 1985), codified as title 22, United States Code, § 3007(a), there are authorized to be appropriated to the Commission for each fiscal year such sums as may be necessary to enable it to carry out its duties and functions. Appropriations to the Commission are authorized to remain available until expended.¹

For fiscal year 1997, the Commission requests an appropriation of \$1,090,000², level with the FY95 and anticipated FY96 appropriation amounts.

The Commission was created on June 3, 1976, pursuant to Public Law 94-304, codified as 22 USC § 3001, et. seq. This statute authorizes and directs the Commission "... to monitor the acts of the signatories which reflect compliance with or violation of the articles of the Final Act of the Conference on Security and Cooperation in Europe, with particular regard to the provisions relating to human rights and Cooperation in Humanitarian Fields."³ The participating States include the United States, Canada, all European states, and all successor states to the Union of Soviet Socialist Republics, including the Russian Federation, totaling 54.⁴

The Commission is composed of twenty-one Commissioners, nine each from the U.S. House of Representatives and the U.S. Senate, appointed respectively by the Speaker of the House and the President of the Senate. In addition, there are three Commissioners from the executive branch, one each from the Departments of State, Defense, and Commerce, appointed by the President of the United States.⁵ At the beginning of each even-numbered Congress, the Speaker designates a House Member as Chairman and the President of the Senate designates a Senate Member as Co-Chairman. At the beginning of each odd-numbered Congress, the President of the Senate designates a Senate Member as Chairman and the Speaker designates a House Member as Co-Chairman.⁶

The Commission's staff currently consists of fourteen employees and one consultant. All

¹ All text between phrase beginning "there are authorized ..." and this note is quoted directly from 22 USC § 3007(a).

² This is the same amount included in the President's Budget for FY97, Appendix, p. 39.

³ 22 USC § 3002

⁴ This includes Macedonia which was admitted in 1995, but not the truncated Yugoslavia, comprised of Serbia and Montenegro, whose membership is currently under suspension.

⁵ 22 USC §3003(a).

⁶ 22 USC §3003(c) and (d)

occupy permanent, full-time positions. In addition, the Department of State continues to detail a Foreign Service Officer to the Commission on a full-time basis, and the Government Printing Office has detailed a printer to the Commission on a full-time basis. The Commission's consultant, Ambassador Samuel Wise, serves as Director of International Policy. Commission professional staff have both geographic and functional area responsibilities. The table below lists the number of staff assigned to each of the Commission's areas of responsibility (some staffers have more than one area of responsibility):

Commonwealth of Independent States and Baltic States	3
East/Central Europe	3
Western Europe	1
Southern Tier	2
International Trade/Basket II	1
Domestic Compliance	1
International Policy/Coordination	1
Environment	1
International Security	1
Management	2
Press & Publications	2
Administrative	1
Receptionist/Clerical	1 ⁷

Appropriations to the Commission are disbursed on vouchers approved jointly by the Chairman and Co-Chairman or their designees.⁸ The U.S. General Accounting Office (GAO) provides administrative and financial support services to the Commission, including maintaining and processing the Commission's payroll, and accounting for and disbursing Commission appropriated funds upon receipt of properly authorized vouchers. The GAO is also responsible for issuing financial reports required of the Commission and for providing other budget support services as specified in an interagency reimbursement agreement between the Commission and the GAO dated January 24, 1994.⁹

The Commission's organic act deems the Commission to be a "committee of the Congress" for certain limited purposes. The Commission is deemed a committee of the Congress for purposes of obtaining printing and binding from the Government Printing Office, 22 U.S.C. § 3009, and for using excess foreign currencies for overseas travel, 22 U.S.C. § 3007(b). Commission staff are also

⁷ Staff for this position is in transition

⁸ 22 USC § 5007(a)(2)(A).

⁹ 22 USC § 3006 requires "[f]or each fiscal year for which an appropriation is made the Commission shall submit to Congress a report on its expenditures under such appropriation."

considered to be congressional employees. 22 U.S.C. §3008(d). Accordingly, the Commission's office space, most utilities, furniture, office machines, and general infrastructure support are provided by the House of Representatives through the CAO's office on a non-reimbursable basis, continuing an approved practice which began with the Commission's establishment.¹⁰

SUMMARY OF RESOURCES

1996 Estimate

Budget Authority	\$1,090,000.00
Unobligated Balance	117,709.00
TOTAL FY 96	1,207,709.00
 FY96 Expenditures	 (1,138,260.00)
Estimated Carryover to FY97	69,449.00

1997 Estimate

Budget Authority	\$1,090,000.00
Estimated Unspent Funds FY96	69,449.00
TOTAL FY97	1,159,449.00
 FY97 Expenditures	 (1,138,260.00)
Estimated Carryover to FY98	21,189.00

¹⁰ Letter dated January 3, 1996, from Gary L. Kepplinger, Associate General Counsel, GAO, to Mr. Thomas Anfinson, Associate Administrator, Office of Finance, House of Representatives.

PERSONNEL COMPENSATION

The Commission currently has thirteen full-time, permanent employees on its staff. \$737,600.00 is allocated to this category to maintain current staff levels. This is level funded from FY96. Positions other than full-time employees include six summer interns, hired for a period of eight weeks.

PERSONNEL BENEFITS

An allocation of \$258,160.00 for personnel benefits will be needed to cover the Commission's employer contributions to health and life insurance, the Civil Service Retirement System, Medicare, FICA, and the Federal Employees' Retirement System (FERS) for all full-time permanent employees. Most of the Commission's employees have opted for the FERS retirement fund and employees contribute portions of their salaries to the Thrift Savings Program (TSP). This category is level funded for FY96.

TRAVEL AND TRANSPORTATION

This category covers costs incurred for domestic travel and local transportation for Commissioners and Commission staff, as necessary. Some hearing witnesses and others who are requested to appear before the Commission are reimbursed for their travel expenses under this category when necessary. This category is level funded from FY96 at \$8,000.00.

Overseas travel by Commissioners and Commission staff is authorized by 22 USC § 3007(d) and is paid for under the authority of section 502(b) of the Mutual Security Act of 1954, codified as 22 USC § 1754(b).

COMMUNICATIONS AND UTILITIES

The estimate of \$20,500.00 covers costs of services and supplies within the office related to costs for word processing software and computer equipment, and telephone audit service. This category also covers expenses incurred for long distance and local telephone service, telegrams, costs associated with electronic information distribution, courier service, overseas postage, and other related expenses.

Word Processing and Computer Equipment	\$8,500.00
Telephone Service	\$10,000.00
Postage, Telegrams, Courier Services	\$2,000.00
TOTAL	\$20,500.00

PRINTING AND PHOTOGRAPHY

The amount necessary in this category is \$2,000.00, to cover outside printing costs for the Commission's press release letterhead, brochures, and other miscellaneous printing costs for services the Government Printing Office (GPO) is not authorized to provide. This also includes expenses for official photography services. This category is level funded from FY96.

OTHER SERVICES

The Commission will require \$33,000.00 in this category. This amount is level funded from FY96. These funds will be needed to cover the following expenses:

GAO Contract for Administrative and Financial Services	\$9,600.00
Hearing Transcript Costs	\$9,000.00
Professional Contract Expenses	\$8,400.00
Representation Funds	\$6,000.00
TOTAL	\$33,000.00

CONSULTANT

This category will require \$60,000.00, for FY97. This category is level funded from FY96.

SUPPLIES AND MATERIALS

The Commission requires \$17,000.00 in this category. This amount is level funded from FY96. The requested funds will be spent for operating supplies, including copier and general office supplies. In addition, this category of expenses includes the cost of subscriptions to newspapers, periodicals, magazines, books, research materials, and other pertinent publications.

EQUIPMENT

It is estimated that \$2,000.00 will be needed for this category to cover the cost of any additional equipment. This category is level funded from FY95.

**UNITED STATES COMMISSION
FOR THE PRESERVATION
OF AMERICA'S HERITAGE ABROAD
FY 1997 BUDGET
CONGRESSIONAL PRESENTATION**

(101)

APPROPRIATIONS LANGUAGE

COMMISSION FOR THE PRESERVATION OF AMERICA'S HERITAGE ABROAD

Federal Funds

General and special funds:

SALARIES AND EXPENSES

For expenses for the Commission for the Preservation of America's Heritage Abroad, \$206,000 as authorized by Public Law 99-83, section 1303.

JUSTIFICATION**I. SUMMARY OF COMMISSION'S ACTIVITIES**

The Commission for the Preservation of America's Heritage Abroad was authorized in 1985 (P.L. 99-63 Section 1303), and received its first funding in FY 1990. Because the fabric of a society is strengthened by visible reminders of the historical roots of the society, it is in the national interest of the United States to encourage the preservation and protection of the monuments, historic buildings and cemeteries associated with the foreign heritage of United States citizens from Eastern and Central Europe.

The Commission consists of 21 members appointed by the President. Seven members are appointed after consultation with the Speaker of the House of Representatives and seven are appointed after consultation with the President Pro Tempore of the Senate. Neither the Chair nor members of the Commission receive salary for their service on the Commission.

In FY 1997 the Commission will continue to implement the agreements with the Czech Republic, the Slovak Republic, Romania and Ukraine; and start cooperation with Poland and the Slovne Republic which entered into agreements in 1996. The Commission will continue to negotiate, in coordination with the Department of State, additional agreements with Eastern and Central European countries for the protection and preservation of monuments, historic buildings, and cemeteries associated with the foreign heritage of United States citizens.

Also, as called for by the legislation, the Commission will continue its legislative mandate to inventory the monuments, historic buildings, and cemeteries in Eastern and Central Europe. In 1996 the survey of Poland was completed. Also in 1996 the survey of the Czech Republic was completed. Reports on both surveys were published and disseminated as called for by the Commission's legislation. A survey of Ukraine is in the field, and pending receipt of additional private grants, will be completed in 1997. Additional countries will be added as necessary financial support is obtained by way of augmented appropriations and private gifts. This is particularly important for Romania and the Slovne Republic with whom the Commission has entered formal agreements to assist them in this work.

The purpose of this project is to develop an inventory of monuments, historic buildings and cemeteries associated with the

past and current communities in Eastern and Central Europe of particular interest to United States citizens. The survey is designed to provide for the systematic collection and organization of this heretofore unavailable data and related information about the location of these sites, their current condition, ownership and other significant indicators of need for protection and preservation.

Information on the surveys is now available to the public at several centers throughout the world including the U.S. Holocaust Memorial Museum in Washington. The overhead expenses for this distribution is donated by the organizations housing the data.

The Commission will continue to respond to the growing expressions of concern by an increasing number of United States citizens who are distressed to learn of the conditions of the sites of their family heritage in Eastern and Central Europe, and who in some instances, are precluded access to visit these sites. Many of these requests now come to us directly as the work of the Commission becomes better known, although some are referred by Members of Congress and others familiar with the activities and work of the Commission.

At the same time, the Commission will continue to make appropriate representations to all foreign governments, regardless of whether formal agreements are in place, and elicit their active cooperation and encourage them to take appropriate steps to protect cultural sites of importance to United States citizens.

The Commission will work vigorously to raise funds from the private sector which will be used to identify and preserve and protect the monuments, historic buildings and cemeteries associated with the foreign heritage of United States citizens.

II. Summary of 1997 Budget Request

The Commission was appropriated \$200,000 in FY 93 and FY 1994; and \$206,000 in FY 1995. Its request for \$212,000 for FY 1996 is pending before the House and Senate. The Commission was instructed by OMB to limit its request for FY 1997 to \$206,000. The Commission is authorized by its statute "to accept, use and dispose of gifts or donations of money or property." The proposed budget request, which is attached, is only for partial support of the Commission. Private donations are sought to augment and support the activities and programs of the Commission. The Commission is not receiving donated or in-kind services from any other federal agency.

COMMISSION FOR THE PRESERVATION OF AMERICA'S HERITAGE ABROAD

	Object Classification (in thousands of dollars)		
	Identification code 95-3700-0-1-153	1995 actual	1996 est.
		1997 est.	
21.0 Travel and transportation of persons	20	20	20
23.1 Rent	33	34	36
23.3 Communications, utilities	11	13	12
24.0 Printing and reproduction	23	19	19
25.1 Advisory and Assistance services	1		
25.2 Other services	101	103	98
Audit	4	4	4
Surveys of cultural sites	16	23	20
Personnel services	67	68	68
Press & wire services	3	1	1
Translate, legal & misc. services	11	7	5
25.3 Purchases from Government accounts	9	12	12
26.0 Supplies	4	5	4
31.0 Equipment	3	6	5
99.9 Total Obligations	205	212	206

COMMISSION FOR THE PRESERVATION OF AMERICA'S HERITAGE ABROAD

SALARIES AND EXPENSES

For necessary expenses for the Commission for
the Preservation of America's Heritage Abroad,
as authorized by Public Law 99-83, \$206,000.

Program and Financing (in thousands of dollars)

<u>Identification code 95-3700-0-1-153</u>	<u>1995 actual</u>	<u>1996 est.</u>	<u>1997 est.</u>
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Program by activities

10.00 Total obligations.....	205	212	206
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Financing

40.00 Budget authority (appropriation)...	206	212	206
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Relation of obligations to outlays:

71.00 Total obligations.....	205	212	206
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72.40 Obligated balance, start of year...	9	21	9
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74.40 Obligated balance, end of year....	-21	-21	-21
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77.00 Adjustments in expired accounts			
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90.00 Outlays	194	212	206
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The purpose of the Commission is to encourage the preservation of monuments, historic buildings, and cemeteries associated with the foreign heritage of the United States.

U.S. Equal Employment Opportunity Commission

1965 - 1995

"A Proud Legacy - A Challenging Future"



FY1997 BUDGET REQUEST

SUBMITTED TO
THE CONGRESS OF THE UNITED STATES
MARCH 1996

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Equal Employment Opportunity Commission

FOREWORD

Gilbert F. Casellas was sworn in as Chairman of the Equal Employment Opportunity Commission on October 3, 1994 – the first business day of fiscal year 1995. At that time, the Agency was faced with a number of long-standing financial and operational challenges which the Chairman moved quickly to address in the ensuing 18 months.

AGENCY FINANCES

The Chairman's first undertaking was to close a \$5 million gap between projected Agency spending and available resources. This was no easy task since about 90% of the Agency's \$230 million annual budget is allocated to fixed costs such as salaries, benefits, and rent. Thus, spending reductions had to be made in the 10% of the Agency's budget devoted to program maintenance functions. Included in this \$20 million category, which is pivotal to the Agency's mission, are litigation support, employee training and travel, and the purchase of computers and other equipment.

Chairman Casellas instituted a spending reduction plan within weeks of his arrival. The Chairman limited administrative travel to that essential to Agency operations. He delayed equipment purchases, and he required that new hires be fully justified and that they receive his approval. The Chairman also successfully petitioned the Office of Personnel Management for an early out retirement program.

The Chairman's austerity initiatives kept the Agency within its authorized budget, but not without a toll. Many plans to improve the Agency's effectiveness had to be slowed or stopped altogether. Among the casualties were an integrated information system to track and manage the agency's growing caseload, and the start of mediation-based alternative dispute resolution to promote settlement of suitable charges.

The Agency began fiscal year 1995 with an on-board strength of 2,851 Full Time Equivalents (FTE's). The success of the Chairman's hiring controls reduced the agency's FTE level to 2,785 by July's end-- a decrease of 66. To fully appreciate this reduction in FTEs, agency staffing must be considered within the context of the increased enforcement responsibilities of the agency under both the Americans with Disabilities Act of 1990 and the Civil Rights Act of 1991. Further, current staffing should be compared to the Agency's 3,390 FTE complement in FY 1980. While the decline in FTEs has been good for the balance sheet, it has had a direct, negative effect on basic operations, particularly on caseload reduction. By the end of fiscal year 1995, the pending inventory of charges reached 98,269 with an average active

Equal Employment Opportunity Commission

caseload of 122.7 cases per investigator. In 1990, by contrast, each investigator averaged 51 cases.

AGENCY OPERATIONS

Labor/Management Relationship

Inadequate financial resources alone were not putting the agency's mission at risk. When Chairman Casellas arrived, labor/management relations, which were historically poor, were at their worst. In 1994, the Agency's employee performance appraisal system was nullified by a labor arbitrator, leaving the agency no way to identify and reward good performance or to assess poor work. There were 98 internal employee grievances pending around the country, ongoing litigation concerning performance appraisals and overtime compensation, and a long-expired collective bargaining agreement. Compounding these personnel problems, no Agency-wide employee training had occurred since 1992, the year the Americans with Disabilities Act went into effect.

Against the advice of many, the Chairman immediately intervened in the long-standing labor/management impasse and, within weeks of his arrival, 96 of the 98 pending grievances and all of the litigation were resolved. The goodwill, teamwork, and trust that developed from the Chairman's intercession resulted in the negotiation of a new collective bargaining agreement in record time, and in the execution of an historic partnership agreement between labor and management for which the Commission received a Hammer Award on March 14, 1996.

Programs and Process

Chairman Casellas found the program needs no less daunting than the Agency's financial and personnel demands. Just prior to the institution of new charge handling procedures, the Chairman was faced with a pending inventory of nearly 100,000 private sector charges. In FY 1995, 87,529 new charges were received, an increase of 41% over 1990. Continuing financial constraints have not allowed for any measurable increase in the number of investigators, while the addition of two new laws resulted in a dramatic rise in the relative average caseload per investigator from 51 cases to 122. Consequently, the average charge resolution interval increased from 284 days in 1990 to 328 days in 1994.

Chairman Casellas embarked early on an unprecedented bi-partisan approach to improving the Agency's efficiency and effectiveness. The Chairman formed three

Equal Employment Opportunity Commission

Commissioner-led task forces to perform clean sheet reviews and make recommendations in the areas he felt could best strengthen and streamline the Agency's private sector operations--charge processing, the relationship with fair employment practices agencies, and the use of alternative dispute resolution (ADR).

The Agency is now implementing the wide-ranging recommendations of the three task forces that were ultimately adopted by the Commission. Early classification of charges at intake has replaced the 1980s "one size fits all" procedures that resulted in each charge proceeding to "full investigation," "full remedies," and, in cases where cause was found, litigation if conciliation failed. There is now early dismissal of nonjurisdictional, self-defeating or unsupported charges. Furthermore, settlements are now encouraged at all stages of the process. Many of the routine litigation decisions previously made by the bi-partisan Commissioners have been delegated to the General Counsel.

Another integral component of the Agency's law enforcement network is the state and local Fair Employment Practices Agencies (FEPAAs). The EEOC has contracts with FEPAAs to process more than 48,000 discrimination charges annually. Under the Chairman's guidance the Agency has formed a new partnership with the FEPAAs. Unnecessary and costly duplication has been eliminated, and unduly burdensome reporting requirements have been abolished. The streamlined EEOC/FEPA alliance promises more efficient and effective processing of discrimination complaints.

When the law and resources permit, the Chairman plans to include mediation-based alternative dispute resolution as an available option within the overall charge processing procedures. The Agency's ADR program will be guided by the principles of informed and voluntary participation at all stages, confidential deliberations by all parties, and neutral mediators during all steps of the process.

The two major elements of the Chairman's strategic plan for processing private sector charges in a more timely and effective manner are now in place. In June, 1995 the Commission issued *Priority Charge Handling Procedures*. This new process provides Agency field offices with more flexibility in deciding the level of investigation appropriate to both incoming and pending charges. In early February, 1996 the Commission approved the Agency's *National Enforcement Plan (NEP)*. The *NEP* is the Agency's overarching enforcement policy statement. Among other matters, it defines categories for case prioritization and approaches for resolving older charges. EEOC's field offices are required to develop Local Enforcement Plans which tailor the mandates of the *NEP* to the particular needs and issues of the communities served. Training the Agency's legal and enforcement staff to effectively implement the

Equal Employment Opportunity Commission

national and local plans is an essential part of the Agency's retooled charge handling process.

The implementation of the Chairman's vision for change in the EEOC's processing of private sector charges dramatically shifts authority and responsibility for enforcement and litigation decisions from headquarters to the field. With the majority of the enforcement decisions now being made on the front-lines, service should be provided to the Agency's many stakeholders in a more efficient, timely, and responsive manner.

ENFORCEMENT POLICY

The Commission's policy initiatives have kept pace with its operational improvements. To facilitate compliance with the ADA, the Agency published long-sought instructions for determining a "disability;" issued a guidance clarifying the differences between disability-related and service-related retirement plans; and offered enforcement guidance allowing more flexibility with pre-employment disability-related questions and medical examinations. In what is a first for both EEOC and in civil rights law enforcement, the Agency is using negotiated rule-making to determine the validity of waivers under the Age Discrimination in Employment Act.

CONCLUSION

The Agency's FY 1995 year-end numbers offer dramatic proof that the policy and operations changes initiated by Chairman Casellas are working. Pending inventory has dropped to 98,000 charges. When non-jurisdictional, unsupported, and other charges known as Category "C", are dismissed, the Agency's inventory is expected to drop even further.

While sustaining the Agency's impressive progress has been compromised by the nearly 30 days lost to government-wide furloughs and on-going budget constraints, Chairman Casellas continues to creatively deploy existing staff and resources to increase the effectiveness of the EEOC.

Building on the momentum from their task force work, the Chairman is working with Commissioners on a new initiative to increase the Agency's outreach through a series of hearings in cities with EEOC field offices. These hearings, to be chaired by individual Commissioners, will provide an opportunity for Commissioners to gather information and to get a better understanding of the Agency's stakeholders. In turn this will help the Commission shape responsive policy and facilitate a heightened public awareness of the EEOC and its mission.

Equal Employment Opportunity Commission

Revising priorities, procedures and policies is an important step in bringing the Agency's burgeoning workload under control. And, Chairman Casellas continues to actively review headquarters and field operations to determine where staffing can be reduced and positions reallocated to the front lines where they are most desperately needed. However, none of these measures can overcome the fundamental problem--too few resources for an increasing number of complaints.

The EEOC has a legislative mandate to enforce the nation's job-related civil rights laws. While the Commission has made remarkable progress in regenerating the Agency, and in resolving many of the long-standing problems, neither task can be completed without the support of the President and the Congress. The attached fiscal year 1997 budget request reflects the level of funding needed by the Commission to fulfill its mandate--ensuring equal employment opportunity for every American, regardless of race, color, religion, national origin, gender, age, or disability.

Equal Employment Opportunity Commission

GENERAL STATEMENT

The Equal Employment Opportunity Commission was established by Title VII of the Civil Rights Act of 1964 (78 Stat. 253, 42 U.S.C. 2000e et seq.) as amended, and became operational on July 2, 1965. The Commission has five members, no more than three of whom shall be of the same political party. The members are appointed by the President, by and with the consent of the Senate, for rotating 5-year terms. The President designates one member to serve as Chairman and one member to serve as Vice Chairman. The General Counsel is also appointed by the President, by and with the advice and consent of the Senate, for a term of 4 years.

The Commission has been charged with eradicating illegal discrimination in the workplace by ensuring compliance with the statutes the Agency enforces through implementation of a vigorous law enforcement program. The Commission conducts an outreach program, providing information, guidance and technical assistance to help prevent discrimination from occurring. The Commission's enforcement policy stresses consistent enforcement and appropriate corrective, remedial, and preventive relief in all cases where it is determined that unlawful employment discrimination has occurred.

Title VII prohibits employment discrimination on the basis of race, color, religion, sex, or national origin by public and private employers of 15 or more employees, public and private employment agencies, labor organizations with 15 or more members, agencies which refer persons for employment or which represent employees or employers covered by the Act, and joint labor-management apprenticeship programs for covered employers and labor organizations.

Pursuant to Section 709(c) of Title VII, the Equal Employment Opportunity Commission requires the filing of periodic reports by public and private employers, unions and labor organizations providing data on the makeup of their workforces or membership by gender and racial/ethnic categories. The data are also used by other Federal, State and Local agencies charged with enforcement of equal employment opportunity laws, and in aggregate form, by non-government organizations and researchers concerned with equal employment opportunity.

The Equal Employment Opportunity Act of 1972 (Public Law 92-261) amended Title VII to authorize the Commission to file suit in Federal District Court in order to achieve compliance with Title VII if it is unable to achieve a remedy through conciliation. If the case involves a State or Local government, the Commission will refer it to the Attorney General, who may file suit in Federal Court. The Equal Employment

Equal Employment Opportunity Commission

Opportunity Act of 1972 also extended Title VII's coverage to state and local governments as well as to institutions of higher education.

In 1979, EEOC received additional jurisdictional responsibilities as part of Reorganization Plan No. 1 of 1978: enforcement of the Age Discrimination In Employment Act (ADEA) of 1967, as amended; the Equal Pay Act (EPA) of 1963; Section 501 of the Rehabilitation Act of 1973, as amended; and Section 717 of Title VII. ADEA protects workers age 40 and older from discrimination in hiring, discharge, pay, promotions, fringe benefits, and other aspects of employment by employers having 20 or more employees. The EPA prohibits gender based discrimination in the payment of wages to men and women performing substantially equal work in the same establishment. The Commission receives and investigates charges of discrimination in these areas and makes findings of "violation" or "no violation" and may file suit in Federal District Court if it is unable to achieve voluntary resolution of violations through conciliation.

Section 717 of Title VII, Section 15 of the Age Discrimination In Employment Act, and Section 501 of the Rehabilitation Act of 1973, which bars discrimination by Federal agencies on the basis of disability provide the basis for Commission oversight responsibility for the procedures used by Federal departments and agencies in processing internal complaints of discrimination. In addition, the Commission has appellate jurisdiction to review final decisions of departments or agencies on discrimination complaints upon the request of the complainant. It is also responsible for ensuring that Federal departments and agencies maintain programs of equal employment opportunity. Further, under Executive Order 12067, the Commission provides leadership and coordination to all Federal departments and agencies' programs enforcing Federal statutes, executive orders, regulations, and policies which require equal employment opportunity without regard to race, color, religion, sex, national origin, age, or disability. Coordination is provided to eliminate conflict, competition, duplication, and inconsistency in these programs to improve their effectiveness. All Federal departments and agencies are required to cooperate with and assist the Commission in performing these functions and are required to furnish the Commission with such reports and information as it may require.

On July 26, 1990, the Americans With Disabilities Act (ADA) became law. The ADA became effective on July 26, 1992, for employers with 25 or more employees and on July 26, 1994, for employers with 15-24 employees. This legislation, covering some 43,000,000 Americans having one or more physical or mental disabilities, provides a clear and comprehensive mandate for the elimination of discrimination in employment opportunities for individuals with disabilities. EEOC is responsible for ensuring compliance with Title I of this statute and in coordination with the Attorney

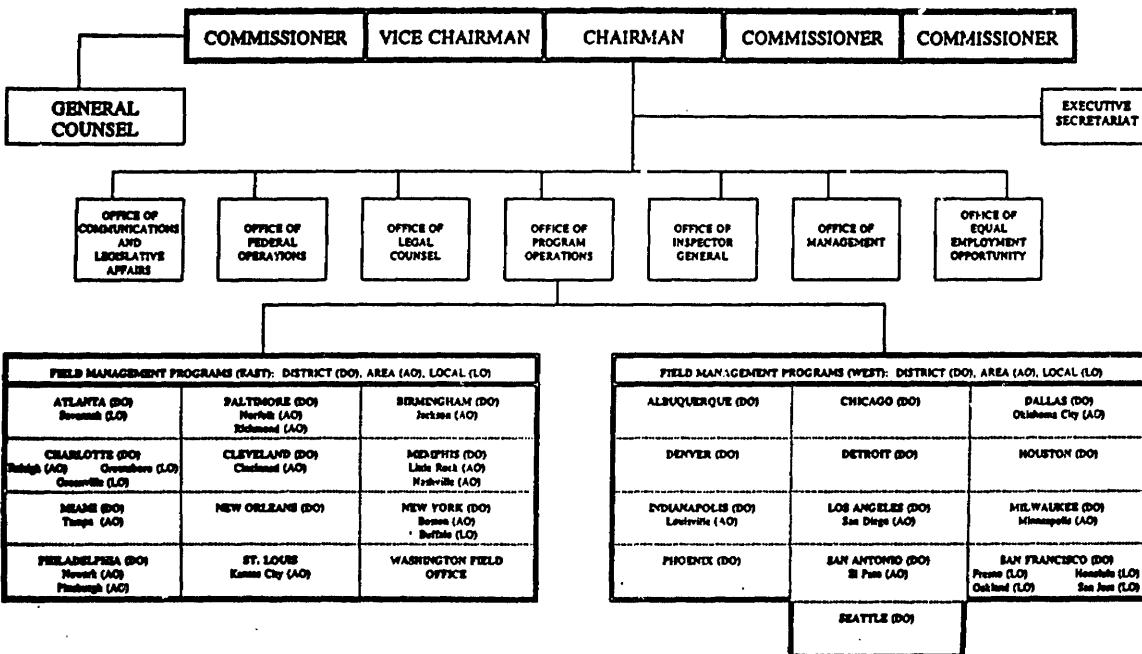
Equal Employment Opportunity Commission

General, for providing technical assistance to those with rights and responsibilities under the Act.

The Civil Rights Act of 1991, which amends Title VII, addresses a number of subjects, including disparate impact, business necessity, bias after hiring, challenges to consent decrees, timeliness of challenges to seniority systems, mixed motives, expert witness fees, extraterritoriality, compensatory and punitive damages, jury trials, interest and filing time in actions against the Federal government. The Act also mandated the EEOC to carry out educational and outreach activities.

The private (non-federal) sector of the Commission, through its Field and Headquarters offices, is responsible for receiving and investigating charges of employment discrimination under the various laws it enforces. Individual Commissioners may initiate charges based on information suggesting that the law has been violated. If the Commission decides after investigation that reasonable cause exists to believe that a violation has occurred, remedial relief is sought through the process of conciliation.

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION



III

Equal Employment Opportunity Commission

FY 1997 OFFICE OF MANAGEMENT AND BUDGET REQUEST DETAILED ANALYSIS OF CHANGE (Funds In Thousands of Dollars)			
	FY 1996 ESTIMATED LEVEL	FY 1997 REQUESTED INCREASE	FY 1997 ESTIMATED LEVEL
FTE	2,813	209	3,022
COMPENSATION AND BENEFITS:	162,791		181,217
1. FY 1996 Annualization		5,526	
2. FY 1997 Compensation and Benefit Increases		3,749	
3. Position Utilization Increase		9,151	
Standard Level User Charges (SLUC)	22,690	163	22,853
Information Resource Management	954	9,046	10,000
Alternative Dispute Resolution	212	1,100	1,312
Litigation Support	1,765	1,000	2,765
Systemic Support	74	1,300	1,374
Education, Outreach, and Technical Assistance	430	213	643
Training	400	2,100	2,500
State and Local	26,500	1,000	27,500
Other Operating Costs	17,184	652	17,836
TOTAL	233,000	35,000	268,000

Equal Employment Opportunity Commission

FY 1997 Request ANALYSIS OF CHANGE (Funds In Thousands of Dollars)		
Summary of Adjustments to Base and Built-In Changes	FTE	AMOUNT
FY 1996 Appropriation (BASE)	2,813	\$233,000
SALARIES AND EXPENSES		
Increase to Base:		
Compensation and Benefits		
1. FY 1996 Annualization Costs:		
- FY 1996 Within Grade Increases/Promotions		801
- FY 1996 Pay Raise		1,121
- FY 1996 Leave Without Pay/Furlough/Control Hiring		3,604
2. FY 1997 Compensation and Benefit Increases:		
- FY 1997 Pay Raise		3,749
SUBTOTAL		
3. FY 1997 Position Utilization Increase	209	<u>9,151</u>
TOTAL COMPENSATION AND BENEFITS		
		18,426
Non-Salary		
1. Additional amount required by GSA for Standard Level User Charges (SLUC)		163
2. Information Resource Management		9,046
3. Alternative Dispute Resolution		1,100
4. Litigation Support		1,000
5. Systemic Support		1,300
6. Education, Outreach, and Technical Assistance		213
7. Training		2,100
8. State and Local		1,000
9. Adjustments to Other Operating Costs		652
TOTAL INCREASE TO BASE		
	209	35,000
TOTAL FY 1997 AGENCY REQUEST		
	3,022	268,000

*Equal Employment Opportunity Commission***ADDITIONAL FTE REQUESTED FOR FY 1997
BY PROGRAM**

Private Sector Program (Investigations)	148
Federal Sector Program:	
Appeals	14
Hearings	22
Litigation Support	25
TOTAL	209

Equal Employment Opportunity Commission

WORKLOAD**Workload**

Although the Commission has made some headway in slowing the rapid growth in inventory with the implementation of new procedures, without sufficient resources, the Agency could begin to realize another rise due to the amount of staff resources required by the new process. In addition, severe budgetary constraints in the past have hampered the Commission's efforts to mount an aggressive outreach and prevention program. The long range impact of education and technical assistance would result in greater voluntary compliance with the laws the Commission administers. In turn, this is expected to eventually lead to a reduction in the number of new cases being filed.

Private Sector

A record number of charges were closed during the fourth quarter of FY 1995--the first full quarter of implementation of new charge handling procedures that went into effect in late June 1995. The Commission approved new procedures calling for prioritizing the inventory in such a manner as to select those charges where EEOC will expend the majority of its field enforcement resources. The Commission also approved a National Enforcement Plan that calls for managing the work to ensure that we direct our scarce resources to enforcement of the laws in critical areas identified by the Commission.

The increase in charge resolutions balanced out most of the gain in charge receipts throughout the year. EEOC resolved 91,774 charges in FY 1995, compared to incoming work totalling 93,279. Thus, the pending inventory increased by only 1,505 charges. This is 20,211 more charge resolutions than in FY 1994. For the first time since 1990, it appears that EEOC has turned the corner in terms of actually impeding the rapid growth of inventory.

The Agency views this trend with a good deal of caution, however, because the new process requires a significant dedication of resources to fully investigate those charges appearing to have merit, especially class and pattern and practice/systemic investigations which are labor-intensive. This component of the new system is necessary to ensure preservation of the public interest and effective law enforcement. Thus, while EEOC has seen immediate gains in resolutions currently and in the near future, much of the gain is attributed to the process of "weeding out" meritless charges that do not warrant a full investigation (as previous policies required). EEOC

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staff believes this recent surge in the resolution rate will slow as greater focus is then placed on those charges having merit, class investigations and public policy considerations as set forth in the Agency's new National Enforcement Plan. Attention to this aspect of the inventory is absolutely necessary to preserve the integrity of the laws for which the Agency has enforcement responsibility.

Caseloads for individual investigators still remain at alarmingly high levels--an average of 122.7 charges per investigator assigned to field enforcement. Thus, while we are making headway toward reducing the backlog of cases, staffing shortages continue to impair progress. The Agency began FY 1996 with a pending inventory of 98,269 charges (20.2 months of pending inventory). Even with the implementation of new charge prioritization procedures and the addition of 148 new staff requested for enforcement (111 investigators, 21 support staff and 16 supervisors) EEOC will continue to face enormous workloads that far surpass the levels of other Federal agencies engaged in similar work.

Federal Sector

The Federal Sector Appeals Program is experiencing similar workload increases and resultant delays. While computers and various systems help in managing the workload, the basic work must be done by skilled writing attorneys. During fiscal year 1995, the average productivity per appellate attorney increased from 146 in fiscal year 1994 to 154 by the end of fiscal year 1995. This increase in productivity was not significant enough to offset the increase in appeals received (8,152 from 7,141 in fiscal year 1994), or the impact of the 30 day extension of time limits in appeals processing pursuant to the implementation of 29 C.F.R. Part 1614. The average processing time increased from 185 days in fiscal year 1994 to 229 days by the end of fiscal year 1995. The appeals inventory grew to 6,498 by the end of fiscal year 1995 from 4,363 at the end of fiscal year 1994. Adequate customer service necessitates the resolution of an appeal within reasonable time limits. Since the appeal is the last stage of a lengthy administrative process, it should not add any more time to that process than is absolutely necessary.

Although the rate of receipt of hearings requests leveled off in fiscal year 1995, as compared to fiscal year 1994, the more than 25% increase in inventory for each of fiscal years 1993 and 1994 created 11 months (approximately 330 days) of pending inventory. Administrative Judges (AJs) are required by regulation to complete a hearing in 180 days, however, the rise in the number of cases involving compensatory damages and class actions has increased the complexity of issues to be determined by the AJs. Without an adequate level of staffing, the Federal Sector Program will continue to experience an upward spiral in its hearings inventory.

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Litigation

The Equal Employment Opportunity Commission approved the National Enforcement Plan in February 1996. This plan will require the Office of General Counsel and the District Legal Units to increase strategic litigation to free the Commission to focus on policy issues. Implementation of the National and Local Enforcement Plans will require headquarters and field legal units to identify and litigate more class pattern and practice cases.

To support this effort nationally, a special litigation unit will be operative in headquarters. This unit will litigate test model cases and major impact cases resulting in an increase in variety and the number of cases litigated directly from headquarters. Consistent with their local enforcement plans, field legal units will litigate more class action cases. In fiscal year 1994, fifty-nine class actions were filed and in 1995, seventy-seven class actions were filed. In addition to increasing the number of class actions in 1996, many of the class actions filed in previous years are increasingly active and require more funding as they approach trial.

A dramatic rise in ADA appeals is expected by fiscal year 1997, both because more cases will be completed at the trial level and because these cases are establishing new law and are thus more likely to be contested. Since the effective date of the ADA, July 1992, the number of ADA cases filed has risen significantly and the appeals caseload has grown concomitantly. All indications are that this growth will continue into the outyears. In fiscal year 1994, six briefs in ADA cases were filed; and in the current fiscal year, the number of briefs in ADA cases filed through the third quarter has already reached nine, and by the end of this fiscal year is projected to more than double the fiscal year 1994 filings.

The tables which follow provide workload projections for the private and federal sector, by program, at both level funding (without additional staff) and Agency Request (with additional staff) levels.

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**PRIVATE SECTOR EEOC ENFORCEMENT
COMPLIANCE PROJECTED INVENTORY
(WITHOUT ADDITIONAL STAFF)**

PRIVATE SECTOR EEOC ENFORCEMENT COMPLIANCE ACTIVITY												
WORKLOAD/ WORKFLOW	FY 1995 Actual	FY 1996 Estimate	FY 1997 Estimate	FY 1998 Estimate	FY 1999 Estimate	FY 2000 Estimate	FY 2001 Estimate	FY 2002 Estimate	FY 2003 Estimate	FY 2004 Estimate	FY 2005 Estimate	FY 2006 Estimate
Total Pending Charge/Complaints	96,764	88,268	111,636	144,803	168,070	191,337	214,604	237,871	261,138	284,406	307,672	330,939
Total Receipts	87,528	87,528	87,528	87,528	87,528	87,528	87,528	87,528	87,528	87,528	87,528	87,528
Net FEPAs Transfers/Deferrals	8,760	8,760	8,760	8,760	8,760	8,760	8,760	8,760	8,760	8,760	8,760	8,760
Total Workload	180,043	181,848	214,818	238,062	261,349	284,616	307,883	331,150	354,417	377,684	400,951	424,218
Charges/Complaints Received	81,774	70,012	70,012	70,012	70,012	70,012	70,012	70,012	70,012	70,012	70,012	70,012
Charges/Complaints Forwarded	88,268	121,636	144,803	168,070	191,337	214,604	237,871	261,138	284,406	307,672	330,939	354,208
Charge/Complaint Inventory (Months)	18.0	20.8	24.8	28.8	32.8	36.8	40.8	44.8	48.7	52.7	56.7	60.7

(1) Productivity is based on 82 resolutions per investigator.

Note: Workload totals above include charges originally received by EEOC and charges transferred into EEOC's workload from FEPAs. Workload totals do not include charges received and maintained for processing by FEPAs.

Table may not add due to rounding.

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PRIVATE SECTOR EEOC ENFORCEMENT
COMPLIANCE PROJECTED INVENTORY
(WITH ADDITIONAL STAFF)

WORKLOAD/ WORKFLOW	COMPLIANCE ACTIVITY											
	FY 1996 Actual	FY 1996 Estimate	FY 1997 Estimate	FY 1998 Estimate	FY 1999 Estimate	FY 2000 Estimate	FY 2001 Estimate	FY 2002 Estimate	FY 2003 Estimate	FY 2004 Estimate	FY 2005 Estimate	
Total Pending Charge/Complaints	96,764	88,269	120,138	133,331	144,098	154,867	165,636	176,403	187,171	197,939	208,707	219,475
Total Receipts	87,528	87,528	87,528	87,528	87,528	87,528	87,528	87,528	87,528	87,528	87,528	87,528
Net FEPA Transfers/Deferrals	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750	5,750
Total Workload	190,043	191,548	213,617	226,610	237,378	248,146	258,914	269,682	280,450	291,218	301,986	312,754
Charges/Complaints Resolved	81,774	71,410	80,086	82,511	82,511	82,511	82,511	82,511	82,511	82,511	82,511	82,511
Charges/Complaints Forwarded	88,269	120,138	133,331	144,098	154,867	165,636	176,403	187,171	197,939	208,707	219,475	230,243
Charges/Complaint Inventory (Months)	18.0	20.2	20.0	21.0	22.8	24.1	25.7	27.2	28.8	30.4	31.8	33.5

(1) The above table reflects 52 additional productive Investigators beginning 3rd quarter and 111 additional Investigators in FY 1997.

(2) Productivity is based on 82 resolutions per Investigator.

(3) A supervisor to employee ratio of 1 to 8 and clerical ratio of 1 to 8 was used.

(4) Total receipts reflect straight line projections; however, experience has demonstrated an average increase of approximately 8.45 percent each year over the last five years (FY 1991-FY 1996).

Note: Workload totals above include charges originally received by EEOC and charges transferred into EEOC's workload from FEPA's. Workload totals do not include charges received and maintained for processing by FEPA's.

Table may not add due to rounding.

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FEDERAL SECTOR ENFORCEMENT
HEARINGS PROJECTED INVENTORY
(WITHOUT ADDITIONAL STAFF)

FEDERAL SECTOR ENFORCEMENT HEARINGS												
WORKLOAD	FY 1996 Actual	FY 1996 Estimate	FY 1997 Estimate	FY 1998 Estimate	FY 1999 Estimate	FY 2000 Estimate	FY 2001 Estimate	FY 2002 Estimate	FY 2003 Estimate	FY 2004 Estimate	FY 2005 Estimate	FY 2006 Estimate
Complaints Pending	8,178	8,367	8,723	11,887	16,232	21,637	27,986	35,671	44,681	55,183	67,172	80,873
Complaints Received	10,815	11,356	12,284	13,248	14,305	15,449	16,685	18,020	19,462	21,018	22,701	24,517
Total Workload	18,991	17,723	20,987	25,232	30,637	36,986	44,671	53,691	64,183	76,172	88,873	106,390
Complaints Received	8,324	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Complaints Forwarded	8,367	8,723	11,887	16,232	21,637	27,986	35,671	44,681	55,183	67,172	80,873	96,390
Months of Inventory	8	12	16	22	29	37	48	60	74	80	106	128

(1) The above table reflects a 5% increase in hearings requests beginning in FY 1996.

(2) Productivity based on 130 resolutions per Administrative Judge per year.

**FEDERAL SECTOR ENFORCEMENT
HEARINGS PROJECTED INVENTORY
(WITH ADDITIONAL STAFF)**

FEDERAL SECTOR ENFORCEMENT HEARINGS												
FY 1996 WORKLOAD	FY 1996 Actual	FY 1996 Estimate	FY 1997 Estimate	FY 1998 Estimate	FY 1999 Estimate	FY 2000 Estimate	FY 2001 Estimate	FY 2002 Estimate	FY 2003 Estimate	FY 2004 Estimate	FY 2005 Estimate	FY 2006 Estimate
Complaints Pending	6,178	6,967	8,723	10,067	11,822	14,627	16,836	23,701	30,201	38,143	47,642	58,823
Complaints Received	10,515	11,366	12,264	13,245	14,306	15,448	16,686	18,020	19,462	21,010	22,701	24,517
Total Workload	16,631	17,723	20,907	23,342	26,127	30,000	36,221	41,721	49,963	58,162	70,343	83,340
Complaints Resolved	8,224	8,000	10,890	11,820	11,820	11,820	11,820	11,820	11,820	11,820	11,820	11,820
Complaints Forwarded	6,367	8,723	10,067	11,822	14,607	18,836	23,701	30,201	38,143	47,642	58,823	71,630
Months of Inventory	9	12	11	12	15	19	25	31	40	50	61	78

(1) The above table reflects 21 new Administrative Judges in FY 1997 and 1 Attorney Examiner.

(2) The above table reflects a 9% increase in hearings requests beginning in FY 1996.

(3) Productivity based on 120 resolutions per AJ per year; 90 per new AJ.

FEDERAL SECTOR ENFORCEMENT
APPEALS PROJECTED INVENTORY
(WITHOUT ADDITIONAL STAFF)

FEDERAL SECTOR ENFORCEMENT APPEALS												
WORKLOAD	FY 1996 Actual	FY 1996 Estimate	FY 1997 Estimate	FY 1998 Estimate	FY 1999 Estimate	FY 2000 Estimate	FY 2001 Estimate	FY 2002 Estimate	FY 2003 Estimate	FY 2004 Estimate	FY 2005 Estimate	FY 2006 Estimate
Complaints Pending	4,363	6,498	10,218	14,688	19,963	26,123	33,223	41,343	50,568	60,877	72,674	85,759
Complaints Received	8,162	9,376	10,125	10,935	11,810	12,758	13,775	14,877	16,087	17,352	18,740	20,239
Total Workload	12,515	16,873	20,343	25,623	31,778	38,878	46,998	56,220	66,632	78,329	91,414	106,998
Complaints Resolved	6,017	5,655	5,655	5,655	5,655	5,655	5,655	5,655	5,655	5,655	5,655	5,655
Complaints Forwarded	6,498	10,218	14,688	19,968	26,123	33,223	41,343	50,568	60,877	72,674	85,759	100,343
Months of Inventory	13	22	31	42	56	70	88	107	128	154	182	213

(1) Table reflects a 15% increase in complaints received in FY 1996. FY 1997 through FY 2006 reflects a 8% increase in complaints.

(2) Productivity based on 145 resolutions per Attorney per year.

FEDERAL SECTOR ENFORCEMENT
APPEALS PROJECTED INVENTORY
(WITH ADDITIONAL STAFF)

FEDERAL SECTOR ENFORCEMENT APPEALS												
ITEM	PY 1996 Actual	PY 1996 Estimate	PY 1997 Estimate	PY 1998 Estimate	PY 1999 Estimate	PY 2000 Estimate	PY 2001 Estimate	PY 2002 Estimate	PY 2003 Estimate	PY 2004 Estimate	PY 2005 Estimate	PY 2006 Estimate
Complaints Pending	4,363	6,496	10,218	13,148	16,388	20,623	25,593	31,683	38,875	47,287	56,824	67,878
Complaints Received	8,182	8,376	10,125	10,938	11,810	12,765	13,776	14,877	16,067	17,382	18,740	20,230
Total Workload	12,545	15,873	20,243	24,083	28,200	33,379	38,360	46,560	54,943	64,666	75,614	88,318
Complaints Received	6,017	6,686	7,196	7,688	7,688	7,688	7,688	7,688	7,688	7,688	7,688	7,688
Complaints Forwarded	6,496	10,218	13,148	16,388	20,623	25,593	31,683	38,875	47,287	56,824	67,878	80,533
Months of Inventory	13	22	22	20	32	40	48	61	74	88	106	126

(1) Table above reflects 14 additional attorneys in PY 1997.

(2) Table reflects a 15% increase in complaints received in PY 1996. A 5% increase in complaints is reflected in FY 1997 through PY 2006. Productivity is based on 146 resolutions per attorney; 110 per new attorney. Also a supervisor to employee ratio of approximately 1 to 6 was used.

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SPECIAL REQUIREMENTS**OUTREACH AND TECHNICAL ASSISTANCE COORDINATION (\$213,000)**

The Commission, through its Office of Communications and Legislative Affairs (OCLA), plans to formalize its coordinated program of outreach and technical assistance to all communities protected by civil rights statutes and to employers covered by those statutes. Pursuant to the CRA of 1991, the Commission has a statutory mandate to provide special education and outreach programs to historically underserved groups. Current technical assistance and education efforts are being carried out by several Agency components. The Commission plans to strengthen the coordination of this function to both enhance program management as well as strengthen the delivery of outreach and technical assistance services.

The Agency is requesting an increase of \$213,000 in fiscal year 1997 to provide funding for coordination of the Commission's education, outreach and technical assistance activities. This includes establishing a strategy for national, regional, and local collaboration activities between EEOC -- including the Field offices -- and organizations representing the varied interests of the many communities served or affected by the Commission. This strategy will make use of a wide range of sustained outreach vehicles and products and dissemination models, including, among other things, training seminars, videos, coordination of conference participation (in person and through use of the agency's portable exhibit), public service announcement campaigns (PSAs), use of special and ethnic media, and the development of core information products that can be replicated for mass distribution.

The requested funding level will also support EEOC's participation in conferences sponsored by civil rights and business/trade organizations and will facilitate travel to Field offices by Headquarters staff during fiscal year 1997 which is essential to the success of this effort. Participation in the conferences will inform the civil rights and business communities about the laws enforced by EEOC and about the Agency's services. Travel to Field offices will enable Headquarters staff to assess communications needs and to provide communications technical assistance.

The request for additional funding is also for the procurement of contract services to design, produce, and disseminate public service announcement campaigns; video production for presentation on EEO statutes and processes for use by Field offices; video news releases and information tapes for radio broadcasts on all EEOC-enforced statutes; and to develop technical assistance materials for mass distribution.

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TRAINING (\$2,100,000)

Training and employee development are critical to the accomplishment of the Agency's mission. Training activities also contribute to increased employee and customer satisfaction. The primary challenge to EEOC is how to provide the means for quality training when faced with a persistent lack of funding. These uncertainties regarding funding, coupled with a small number of training staff, have long undermined the Commission's training and development activities.

Over the past three years, the Commission has had an institutionalized training program for EEOC staff. This is accomplished in the field through direct distribution of funds to each District to be used at the Director's discretion in meeting the needs of his/her staff. In Headquarters, training is accomplished through a comprehensive in-house training program and specialized training through external vendors, when required. This approach to providing training to Agency employees has helped to ensure that training is available, in spite of uncertain funding levels.

Training activities proposed for fiscal year 1997 are diverse. Funds will be used to meet essential training needs - those stemming from new legislative or regulatory requirements - as well as training to meet new programmatic requirements or changes in regulations or procedures.

In fiscal year 1995, significant program changes and changes in procedures were made as a result of three task forces assembled by the Chairman. The recommendations of those task forces will necessitate departures from our previous operating procedures. In order to accomplish these changes, initial training is being held in fiscal year 1996. However, ongoing training to help employees manage the various changes that will be necessary if this Agency is to conduct its operations more effectively and efficiently is anticipated.

Training of supervisors and managers is key to increased productivity and better mission accomplishment at EEOC. Supervisory and managerial training will enable the Agency to provide consistent new supervisory training across offices and ensure that each new supervisor obtains the basic generic supervisory skills. The Agency must provide continuing training in the tools that managers will need to use if they are to effectively measure performance as required by the Government Performance and Results Act (GPARA). This includes training in evaluation and measurement skills, benchmarking, and other related topics.

The Agency's newly negotiated Collective Bargaining Agreement provides that a Career Internship Program will be developed to provide career development

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opportunities for employees in support positions. The Commission is committed to ten slots per fiscal year for employees who demonstrate the potential to grow and assume more complex job responsibilities. The Program will offer training and development opportunities in four tracks: Automation, Investigative, Administrative and Legal. In order to implement the program, funding is required for travel and per diem for participants to attend a two week orientation program, the annual evaluation forum and for training and development opportunities.

Funds will also be used for continuous development and enhancement of specific skills required by current employees, including the continuation of an in-house training program that has delivered significant, cost-effective training to Headquarters employees through on-site delivery of courses. A need is envisioned for substantive follow-up training for field personnel on the charge resolution process, particularly as it relates to conducting class investigations and counseling skills. In this regard, Headquarters staff involved with the field should also receive the same training.

An adequate level of funding will help ensure that:

- EEOC continues to support the Headquarters and Field Offices training needs, the Commission's information technology development needs and specialized development programs;
- EEOC adequately addresses the training and development of all enforcement and legal personnel;
- EEOC continues to replicate the NITA-type training experience for trial attorneys; and
- Staff have the opportunity to attend external specialized professional meetings and Agency directed/sponsored conferences and retreats.

INFORMATION RESOURCES MANAGEMENT (\$9,046,000)

Under EEOC's current information systems environment, there are seven principal information systems supporting the Agency's mission activities. In addition, there are many independent systems developed for tracking and managing cases. The number of different systems has resulted in redundant data entry and storage, duplicated processes and procedures, inadequate data integrity, and difficulties in accessing information.

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The Charge Data System (CDS) is the largest and most mission-critical of these systems. Current demand for report generation and other operational services has increased so much that overall system performance has been significantly degraded. The hardware and software supporting the CDS are both outdated. The hardware manufacturer no longer produces the NCR® Tower computers and the database software no longer meets the needs of the Agency. During the past four years, EEOC experienced several system failures, and has continuously repaired and upgraded the existing systems to accommodate the needs due to increasing charge and case loads.

In regards to desktop computing, EEOC uses stand alone personal computers (PCs) without the benefit of any "workgroup" computing capability. About 50% of the PCs are based on an Intel® architecture and configurations which no longer support the Agency's standard information systems and computer applications requirements and are now "functionally obsolete". Moreover, the maintenance of PCs and other peripheral equipment, including printers, has increased dramatically. Management faces the dilemma of funding the maintenance and support of this dysfunctional equipment or pursuing a strategy of incrementally replacing the equipment and providing more modern automation support for the Agency's users.

In fiscal year 1992, the Agency began a long-range effort to integrate and modernize EEOC's information systems. A plan to design integrated information systems for EEOC was developed, and the Information Resources Integration and Modernization Program (IRIMP) was initiated. The initial step, begun in fiscal year 1992 and completed in fiscal year 1993, was to identify critical data requirements in the context of the Agency's business processes. The resultant Enterprise Model described the Agency's business processes as well as the procedures necessary to collect, access, manipulate, and report information. It also documented how the information was to be used for case management decision-making. Simultaneously, the Agency selected the Oracle® Relational DBMS to serve as the Agency's standard repository for current and future information systems. The Enterprise Model serves to guide all information systems development activities throughout the EEOC. The Enterprise Model and the Oracle® database management systems remain the principle building blocks in the development of the Agency's new mission system, the Integrated Mission System, to replace CDS and several other mission-related systems.

In fiscal year 1994, EEOC began its development of the Headquarters component of the Integrated Mission System (IMS), which integrates the investigation, litigation, and commission vote data into a single information repository. In fiscal year 1995, EEOC also procured a Hewlett Packard (HP) Model K-200 server for the new IMS, which will eventually replace the CDS National Data Base hardware platform. In fiscal year 1996, a beta test of the Headquarters applications will be conducted utilizing the

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newly acquired HP server. In addition, EEOC also plans to initiate development of the field component of the IMS in fiscal year 1996. These activities include both development of the system as well as the conversion of the data to the new format.

In fiscal year 1995, the Financial and Resource Management Services (FRMS) and Information Resources Management Services (IRMS) collaborated in defining the requirements for replacing the Agency's Commission Accounting System (CAS) with an integrated Financial Management System (FMS). The effort established the concept of operations for the new FMS and provided for a model of the activities associated with the current financial system. In fiscal year 1997, the Agency plans to acquire equipment and software needed to transition to a GSA certified financial system and begin its migration from CAS to the new FMS. In addition, EEOC plans to continue the integration of other financial management applications (i.e., budget formulation, procurement, resources management and inventory, etc.) with the selected core system.

In fiscal year 1992, the Agency also began an initiative aimed at equipping every EEOC employee with a personal computer. Since fiscal year 1993, over 1500 new computers and 510 printers have been purchased and distributed to EEOC employees. EEOC has also continued its efforts to replace DOS-based software applications with graphical-based Windows® applications to establish an IMS-ready LAN environment. In fiscal year 1995, the Agency installed three additional LANs at Headquarters and three in the field (Seattle, Miami, and Chicago). Today, there are seven LANs installed at Headquarters and six in the field. Employees from these offices stated that the LANs have significantly improved office operations, employee efficiency, and information sharing. In fiscal year 1996, the Agency plans to add two additional LANs in the field and to consolidate all headquarters LANs into a single server to improve efficiency. In fiscal year 1996, EEOC also plans to continue acquiring additional PCs to replace its antiquated computers. The new PCs will allow employees to operate in a Windows® environment and be connected during future LAN installations to provide enhanced information sharing capabilities.

In fiscal year 1995, EEOC took the initial step to define a data communications architecture and explored potential alternatives that offer feasible solutions. In fiscal year 1996, EEOC deployed its Government Information Locator Service (GILS) records and plans to launch its "home page" on the World Wide Web. The EEOC will continue to address other issues relating to wide area network (WAN) connectivity as the program proceeds toward a full deployment of the EEOC Integrated Information System in fiscal year 1999 and fiscal year 2000.

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In fiscal year 1997, EEOC will continue its information resources integration and modernization effort. Specifically, together with its existing funding base and the increase being requested for fiscal year 1997 EEOC will be able to fund each of the initiatives described below:

- Continue Development of the EEOC Integrated Information System (\$2,250,000)

Complete the development of the field mission system using both contractor and EEOC staff. Install and evaluate the mission system at three beta sites in the field. Acquire equipment and software for the Agency's new Financial Management System and initiate effort to integrate other financial applications with the Joint Financial Management Improvement Program (JFMIP) Core system.

- Continue LAN Installations in Field Offices and LAN Upgrades at Headquarters (\$8,200,000)

Acquire additional hardware and software and provide for data cabling and other technical support services to install LANs in all field offices. Acquire additional equipment and services to expand LAN capabilities at Headquarters, migrate to a Windows® environment (GroupWise), and provide for increased communications capabilities.

- Continue Enhancement of Current Systems (\$2,550,000)

Continue efforts to improve desktop computing capabilities by supplying each employee at Headquarters and in all field offices with a Windows® ready PC and expanding the use of Windows®-based applications where possible. In addition, IRMS will continue the urgent replacement of equipment for Charge Data System in field offices.

LITIGATION SUPPORT (\$1,000,000)

An additional \$1,000,000 is requested for litigation support in fiscal year 1997. Even with the requested increase in fiscal year 1997, this will only allow \$8,618 per individual or small class cases. 979 cases are projected for FY 1997. This funding increase is the minimum required to maintain a viable litigation program, especially given the expected increase in class and systemic cases based on the National Enforcement Plan. Large class action filings are on the rise: In fiscal year 1993, 64 cases were filed, 59 cases were filed in fiscal year 1994, and in fiscal year 1995, 77 class actions were filed. Class cases are considerably more expensive than cases filed

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on behalf of individuals or a small number of plaintiffs. Both require experts but large class cases more frequently involve depositions. Class cases require more depositions that may range from one to three thousand dollars, and more if an expert is being deposed. Depositions of experts themselves are extremely expensive and may require retention of an expert to depose defendant's consultant.

A single deposition can range from \$1,000.00 to \$2,500.00. Thus, the projected cost of \$5,518 per case only allows for an approximate average of five to six depositions per case, not counting other litigation support costs such as expert witness fees. Expert witness fees range anywhere from \$2,000 per case to as much as \$750,000 in a single, complicated class case. Furthermore, EEOC anticipates an increase in the number of ADA cases, which usually require experts even in cases brought on behalf of individuals. Consequently, without the requested increase, the Commission's litigation support program could be placed in jeopardy, making it difficult to prosecute successfully the cases in active litigation.

SYSTEMIC PROGRAM (\$1,300,000)

An additional \$1,300,000 is requested in fiscal year 1997 for the Commission's Systemic Program. The Commission, in its National Enforcement Plan, has placed an increased emphasis on systemic and other class-type cases over the next two years. By the end of fiscal year 1996, EEOC's Office of General Counsel will have more than two hundred active class cases of various sizes. Class cases require more depositions and more costly experts. Expert witness fees range from \$2,000 per case to as much as \$750,000 in a single complicated class case. In some class cases, depositions of the experts are required. Cost projections for a class pattern or practice or systemic case averages \$15,000. The Agency's Office of General Counsel projects that 66.5% of its class pattern and practice cases will require this level of funding in fiscal year 1997.

The Systemic Program is a cornerstone of the Agency's charge resolution program. As the Agency becomes more selective about the types of charges to which its resources are devoted, Commission-initiated investigations become a more critical part of the overall approach to eliminate discrimination. Specific efforts must be dedicated to detecting discrimination of a "pattern and practice" nature and bringing those employers in compliance with the laws EEOC enforces. Since larger, more complex cases are anticipated under the agency's National Enforcement Plan, the Agency will need to rely more on outside experts, on more sophisticated tools for analysis, and provide improved technology to support this program. The proposed increase for Systemic Program support for field offices will be used for systemic case support, travel for on-site investigations and on-site technical assistance to field offices, and

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equipment. In addition, additional funds will enable the Agency to acquire support for technologically advanced resources and research materials to improve speed, accuracy and specificity of analysis of data relating to respondent employers' employment trends and patterns, labor force data, targeting analyses, etc.

Without this increase, the Agency will be unable to investigate and prosecute its caseload responsibly and could experience reduced effectiveness in a program that has received criticism from Congress for its limited number of "pattern and practice" investigations.

ALTERNATIVE DISPUTE RESOLUTION (\$1,100,000)

EEOC is planning to meet its charge processing responsibilities by utilizing a number of new methodologies, including proposals to utilize Alternative Dispute Resolution (ADR) systems. In July 1995, the Commission approved an ADR policy statement setting out parameters where EEOC would forgo investigating a number of charges of employment discrimination and instead the Agency would encourage disputes to be addressed by ADR systems. The Commission has expressed a preference in ADR for mediation systems (where a neutral third party guides the parties to settlement) and opposes binding arbitration where the third party neutral imposes a decision on the parties.

Currently, EEOC's 24 District Offices and the Washington D.C. Field Office are developing proposals for ADR systems suitable to their respective jurisdictions. The Agency is examining whether the private bar and the ADR community can supply volunteer mediators in the event Congress enacts the pending legislation that reauthorizes the use of volunteers. Some offices are arranging to secure neutrals from other Federal agencies on a cost reimbursement basis. Finally, some other field offices are exploring contracting with private ADR firms for qualified neutrals because even if utilizing volunteers is legally permissible, they are simply unavailable in some areas. Consequently, EEOC anticipates using some combination of volunteer resources as well as training some of our own staff in order to achieve a viable ADR program.

EEOC has experimented with ADR. The Agency operated a pilot ADR program in four of its field offices (Houston, Philadelphia, New Orleans and Washington D.C.) in fiscal year 1994. Each of these offices sent 75 charges to an outside (nongovernmental) mediator. The Agency performed an extensive analysis of this pilot. Some of the salient findings were that the parties were much more likely to opt for mediation when it was offered for no cost. When respondents were charged, they accepted at a rate of only 50% of those respondents who did not have to pay. Significantly, 52% of the

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charges referred to mediators were settled during the mediation process. Charges settled during mediation were resolved quickly--on average 67 days from charge receipt to charge closure. In short, the Agency believes that ADR will not supplant EEOC investigations. However, it can effectively supplement the current enforcement process. EEOC requests \$1,100,000 dollars for this enforcement activity in the private sector in fiscal year 1997. Such funding would permit approximately \$806,200 for contracts with private ADR services to resolve charges and approximately \$268,800 for contracts to train EEOC staff and ancillary services.

Funding is also being requested in fiscal year 1997 for ADR efforts in the Agency's internal EEO Program. An additional \$25,000 will be needed for travel to sites for resolutions of disputes and contracting of outside neutrals when it is determined that they should be used rather than internal neutrals or mediators. This initiative is designed to assure the vigorous enforcement of EEOC's equal employment opportunity program by providing a forum in which workplace disputes from the Agency's employees can be resolved before they rise to the level of formal EEO complaints. The unique diversity of the EEOC workforce makes it easy to frame a dispute as an EEO complaint simply because it involves persons of different EEO groups. This program can help prevent the expenditure of significant amounts of Agency resources on matters that do not belong in the EEO process.

Resolution of disputes through the use of ADR will result in faster resolutions and a reduction in the cost to process formal EEO complaints. One immediate cost saving of mediation is the elimination of the large amounts of money spent on court reporters during the hearing process. Since the contents of a mediation remain confidential, only minimal records are created. ADR activities are separated from EEO complaint processing in OEEO in order to prevent the appearance of conflicts of interest and to preserve confidentiality of the mediation process when that form of ADR is used.

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APPROPRIATION LANGUAGE**EQUAL EMPLOYMENT OPPORTUNITY COMMISSION****Federal Funds****General and Special Funds:****Salaries and Expenses**

For necessary expenses of the Equal Employment Opportunity Commission as authorized by Title VII of the Civil Rights Act of 1964, as amended (29 U.S.C. 206(d) and 621-634), the Americans with Disabilities Act, and the Civil Rights Act of 1991, including services as authorized by 5 U.S.C. 3109; hire of passenger motor vehicles as authorized by 31 U.S.C. 1343(b); non-monetary awards to private citizens; not to exceed [~~\$26,500,000~~] \$27,500,000 for payments to State and Local enforcement agencies for services to the Commission pursuant to Title VII of the Civil Rights Act, as amended, sections 6 and 14 of the Age Discrimination in Employment Act, the Americans with Disabilities Act, and the Civil Rights Act of 1991, [~~\$233,000,000~~] \$268,000,000. Provided, that unobligated and unexpended balances in the Equal Employment Opportunity Commission, Salaries and Expense Account, at the end of fiscal year 1996, shall be merged and made a part of the fiscal year 1997 Equal Employment Opportunity Commission appropriation, and shall remain available for obligation until September 30, 1998. Provided further, the Commission is authorized to make available for official reception and representation expenses not to exceed [~~\$2,500~~] \$3,000 from available funds. (The Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 1997.)

Note --A regular 1996 appropriation for this account had not been enacted at the time this budget was prepared. The 1996 amounts included in this budget are based on the levels provided in three continuing resolutions: P.L. 104-91, P.L. 104-92, and P.L. 104-99.

*Equal Employment Opportunity Commission***SUMMARY OF PROGRAM REQUEST**

	FY 1996 Estimate		FY 1997 Request		Inc (+) or Dec (-)	
	FTE	Amount	FTE	Amount	FTE	Amount
Executive Direction and Program Support	215	19,448	215	21,269	---	1,821
Enforcement	2,598	187,052	2,807	219,231	209	32,179
State and Local	---	26,500	---	27,500	---	1,000

PROGRAM DESCRIPTIONS**EXECUTIVE DIRECTION AND PROGRAM SUPPORT**

This budget activity provides the framework within which the Commission formulates the policy and program plans required to effectively carry out the mission of the Agency. It provides overall direction, policy and planning for all Commission enforcement and support activities, as well as leadership and coordination of Federal equal employment efforts. The following offices are included in this budget activity:

The Commission: Comprised of five members, the Commissioners. Develops and directs the policies of the Agency; considers and decides on all matters that come before it; disposes of all matters presented for its collective consideration by a majority vote; authorizes and approves filing of suits and performs such other functions prescribed by law, regulation, or order.

Office of the Chairman: Responsible for the implementation of Commission policy and for the administration of the Commission, including the appointment of such officers, agents, attorneys, hearing examiners, and employees of the Commission in the achievement of its mission and the performance of its functions.

Offices of the Commissioners: Coordinate the activities of the Commissioners; issue Commissioner's charges and perform such functions as may be authorized by the Commission, or requested by the Chairman.

Executive Secretariat (ES): Serves as the focal point for the receipt, documentation, review, coordination and monitoring of all policy development related activities and all decision documents flowing to and from the Chairman, Commissioners and

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program offices. Responsible for coordination and logistics of Commission meetings and administration of responsibilities under the Sunshine Act.

Office of Inspector General (OIG): The OIG's independent role and general responsibilities are established by the 1988 *Inspector General Amendments, P.L. 100-504*. The OIG is dedicated to improving operations; stimulating positive change; and detecting and preventing waste, fraud, abuse, and mismanagement.

The OIG has reporting responsibilities to the Chairman and the Congress and is committed to keeping them fully informed about significant issues confronting EEOC programs and operations. In particular, the OIG evaluates EEOC programs and operations to assess compliance, effectiveness; use of resources, and internal control weaknesses; recommends policy, procedural or operational changes to correct deficiencies; identifies savings through financial related audits of contracts and pre-award proposals; and conducts criminal and administrative investigations to identify and correct serious misconduct, fraud, abuse and mismanagement of government resources.

Office of Communications and Legislative Affairs (OCLA): OCLA has primary responsibility for the external communication function of the Agency. It represents the Commission to the public (including external constituency organizations), the Congress, and the news media, by promoting interest in and knowledge of Commission operations and of the laws it enforces. The office also conducts internal communications between EEOC Headquarters and Field offices.

OCLA is divided into two distinct yet interrelated divisions which correspond to its dual functions. The Communications Division serves as the Commission's principal liaison with the public, including external constituency organizations, and the news media. It is also the primary point-of-contact for the public by receiving and responding to calls and correspondence, and requests for publications (which are processed through the Commission's Publications Distribution Center). The Legislative Affairs Division serves as the Commission's principal representative to Congress and to the Executive Branch (including the White House); prepares and coordinates responses to congressional and Administration inquiries; performs congressional and intergovernmental liaison responsibilities; analyzes and responds to legislative and executive proposals; and provides guidance to the Commission and the Commission's staff on congressional relations.

Office of Equal Employment Opportunity (OEEO): Provides leadership and guidance to the Agency on the Federal government's equal employment opportunity program. The major functions of the office are to ensure: (1) that all qualified employees and

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applicants, regardless of sex, race, color, age, national origin, religion or disability are given equal consideration in all aspects of employment; and , (2) that all persons involved in any program or activity of the agency are treated equally regardless of their sex, race, color, age, national origin, religion, or disability. The office develops and executes procedures designed to ensure a prompt and fair resolution of equal employment opportunity complaints, including methods of alternative dispute resolution.

The OEOC maintains liaison with the Office of Personnel Management regarding its current policies and programs concerning the recruitment and employment of minorities, women and persons with disabilities, including disabled veterans.

Office of Management (OM): Provides support services to the Commission's Headquarters and 50 Field offices and maintains internal control systems throughout the Agency. OM coordinates and manages the Agency's Revolving Fund activities; employee performance systems; personnel and labor relations services; employee development and training programs; financial and resource management services, including budget, finance, debt collection, contract, procurement, and administrative support services; and information resources management (IRM) services.

ENFORCEMENT

This budget activity is responsible for the enforcement of the statutes under the Agency's jurisdiction: Title VII of the Civil Rights Act of 1964, as amended; the Age Discrimination in Employment (ADEA) of 1967, as amended; the Equal Pay Act (EPA) of 1963, as amended; the Americans with Disabilities Act (ADA) of 1990; the Civil Rights Act (CRA) of 1991; and Section 501 of the Rehabilitation Act. Enforcement activities and the programmatic oversight and technical guidance for these activities are carried out by the offices listed below:

Field Offices: Fifty field offices (24 District offices, 1 Field office and 25 Area and Local offices) represent the core of the Agency's enforcement program. These offices report to the Agency's Office of Program Operations, through the Field Management Program Directors (East and West). The field offices, under the direction of the 24 District Directors, enforce the statutory, regulatory, policy and program responsibilities of the Commission through a variety of resolution methods tailored to each charge, and appropriate conciliation and litigation, as necessary. The field staff is responsible for fulfilling a wide range of performance objectives that focus on high quality, timely and appropriate resolution of individual, class and systemic charges, and for securing relief for victims of discrimination in accordance with Commission policies. The field staff also counsel individuals about their rights under the laws enforced by EEOC.

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conduct outreach and Technical Assistance Programs and provide access to individuals who are geographically distant from EEOC Area and Local offices.

While all field offices are responsible for the receipt and investigation of charges, the District offices provide direction for Area and Local offices and are charged with additional responsibilities in the areas of administration, systemic investigations, Federal hearings, Federal affirmative employment programs, and legal advice, review and litigation.

Office of Program Operations (OPO): The Office of Program Operations (OPO) manages EEOC's national administrative enforcement programs. OPO assures full implementation of policies and procedures developed by the Commission in order to enforce Title VII of the Civil Rights Act of 1964, as amended; the Age Discrimination Act of 1967, as amended; the Equal Pay Act of 1963, as amended; and the Americans with Disabilities Act of 1990, as amended. Its functions include receipt, development, and resolution of charges of discrimination; development and completion of program enhancement and research projects; review and assessment of administrative charge resolution activities; management of the Agency's deferral relationships with State and Local Agencies; management of the Agency's contractual relationships with Tribal Employment Rights Organizations; and various administrative activities associated with program management.

State and Local Program: Section 706 of Title VII provides for a partnership between EEOC and State and Local Fair Employment Practices Agencies (FEPAAs). By regulation, agencies which meet established criteria are designated as "706 Agencies." EEOC and FEPAAs, to which EEOC defers charges for processing under a charge resolution contract, develop worksharing agreements that provide the conditions under which the joint workloads will be divided, thus avoiding duplication of effort. The District Offices have the primary responsibility for administering the deferral relationship, negotiating charge resolution contracts, monitoring worksharing agreements, conducting substantial weight and certified acceptance reviews of charge resolutions pursuant to the contracts, and authorizing contract payments under the overall guidance of OPO.

Since 1976, funds have been provided to units within tribal governmental structures known as Tribal Employment Rights Offices (TEROs) to encourage and facilitate Indian employment in businesses and industry located on or near reservations. The District Offices provide technical assistance to TEROS, investigate charges of employment discrimination referred by TEROS and monitor TERO accomplishments pursuant to the contracts.

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Office of Federal Operations (OFO): Provides leadership and guidance to Federal agencies on all aspects of the Federal government's equal employment opportunity program, in accordance with Section 717 of the Civil Rights Act of 1964, as amended; Section 501 of the Rehabilitation Act of 1973, as amended; the Age Discrimination in Employment Act of 1967, as amended; the Equal Pay Act of 1963; Executive Order 12067; and Executive Order 11478, as amended by Executive Order 12106.

OFO assures Federal agency and department compliance with Commission regulations which establish systems for the fair resolution of discrimination complaints within the Federal service. OFO has oversight responsibility for the pre-appellate hearings process which includes providing guidance and technical assistance to EEOC administrative judges who conduct hearings on discrimination complaints being processed by agencies. OFO adjudicates appeals of Federal agency decisions on discrimination complaints and ensures agency compliance with decisions issued on those appeals. OFO provides case resolution assistance, on a reimbursable basis, to other Federal agencies in connection with highly sensitive EEO matters, and provides advice and assistance to Federal agencies in connection with efforts to incorporate alternative dispute resolution mechanisms into EEO processes. In addition, OFO develops and implements Commission approved affirmative employment policies designed to guide agencies in efforts to enhance the occupational status of minorities, women, and persons with disabilities in the Federal sector.

Office of General Counsel (OGC): OGC was established by the Equal Employment Opportunity Act of 1972, which amended Title VII of the Civil Rights Act of 1964, to provide for a General Counsel, appointed by the President and confirmed by the Senate, with responsibility for conducting the Commission's litigation. In 1979, the General Counsel was also vested with responsibility to conduct Commission litigation under the Equal Pay Act and the Age Discrimination in Employment Act. With enactment of the Americans with Disabilities Act (ADA) in 1990, the General Counsel was granted responsibility for Commission litigation under that statute as well. The General Counsel provides guidance and oversight to the District Office Regional Attorneys.

Office of Legal Counsel (OLC): Responsible for providing legal advice and counsel to the Chairman, the Commission and Commission offices. As the chief legal advisor to the Chairman and the Commission, the Legal Counsel ensures that the Commission properly executes its responsibilities under Executive Order 12067 for leadership and coordination of all Federal equal employment opportunity programs; drafts policies and procedures for Commission approval that interpret and implement statutes enforced by EEOC; and represents the Commission in litigation in which it is a defendant.

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Information Resources Management Services (IRMS): is responsible for planning, developing, implementing, and maintaining EEOC's Information Resources Management (IRM) program, policies, and procedures. IRMS promotes the application and use of information technologies and administers policies and procedures in EEOC to ensure compliance with IRM-related Federal laws and regulations, including the Federal Information Resources Management Regulations, the Federal Information Processing Standards, the Paperwork Reduction Act, and the Computer Security Act.

IRMS is responsible for developing architecture design and programming requirements of EEOC's information systems. IRMS plans, evaluates, procures, and maintains EEOC's data communications systems and its computer hardware and software for providing effective working tools to Commission employees as well as establishing the foundation for the Agency's future integrated systems.

IRMS provides a variety of computer support and services to all EEOC offices. It manages and operates the Agency's primary information system, the Charge Data System (CDS), which is used for the management and tracking of charge processing by headquarters and 50 field offices, as well as 79 State and Local Fair Employment Practices Agencies (FEPAs). In addition IRMS provides a variety of computer support and services to all EEOC offices. IRMS provides Agency employees with (1) specialized or customized programming support for automating manual systems, (2) computer training through the Information Technology Training Center, (3) technical assistance and services through the IRMS Help Desk, and (4) graphical support services through the Computer Graphics and Design Laboratory.

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**BUDGET ACTIVITY I - EXECUTIVE DIRECTION AND PROGRAM SUPPORT
RESOURCE REQUIREMENTS/JUSTIFICATIONS**

An additional \$1,821,000 is requested for the Executive Direction and Program Support Activity in fiscal year 1997.

In fiscal year 1997, additional funding is being requested to cover increases resulting from fiscal year 1996 annualizations, rent increases, and inflation costs. The requested increase will also fund Agency initiatives to formalize its coordinated program of education, outreach and technical assistance, increases needed for employee development and training, and implementation of an internal Alternative Dispute Resolution (ADR) Program.

*Equal Employment Opportunity Commission***DECISION UNIT****Executive Direction and Program Support***

<u>OBLIGATIONS BY OBJECT CLASS (0000)</u>	FY 1995 Actual	FY 1996 Estimate	FY 1997 Agency Estimate
Personnel Compensation			
11.1 Full-time permanent (FTP)	11,861	11,394	11,884
11.3 Other than FTP	678	680	700
11.6 Other personnel compensation	127	812	836
Total Personnel Compensation	12,666	12,896	13,520
12.1 Civilian personnel benefits (Total FERS)	2,126	2,268	2,378
13.1 Benefits to former personnel	(1,130)	(1,158)	(1,216)
Total Compensation and Benefits	14,788	15,150	15,902
21.1 Travel of persons	132	112	280
22.0 Transportation of things	8	7	7
23.1 Other rent/Communications	395	395	416
23.2 Rental payments to GSA	1,707	1,787	1,950
24.0 Printing and reproduction	13	10	10
26.0 Other services	1,834	1,786	2,028
26.0 Supplies and materials	88	60	172
31.0 Equipment	290	161	504
TOTAL	19,255	19,448	21,269

OFFICES:

Chairman and Executive Secretariat
 Commissioners
 Communications/Legislative Affairs
 Equal Employment Opportunity
 Office of Inspector General
 Office of Management (Excluding IRMS)

* Executive Direction and Program Support includes the activities of the Office of Inspector General.

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**BUDGET ACTIVITY II - ENFORCEMENT
RESOURCE REQUIREMENTS/JUSTIFICATIONS**

An additional 209 positions and \$32,179,000 are requested in fiscal year 1997 for the Commission's Enforcement Activity.

In addition to requested staff increases, additional funds are also required for increases in operational costs and to cover implementation of special requirements and new initiatives designed to bring the pending inventory within a manageable level and to improve EEOC services to the public.

JUSTIFICATION**ADDITIONAL POSITIONS (\$9,151,000)**

The fiscal year 1997 request for additional positions is comprised of 209 additional Field compliance positions (111 investigator, 16 supervisors, and 21 clerical); 36 positions for Federal Sector enforcement and 25 for the legal function.

As discussed in the Workload Section, productivity is high in both the Private and Federal sector programs, however, overwhelming case inventories continue to exist, primarily due to a steady increase of new cases each year, and the added responsibilities of enforcing the ADA and CRA of 1991, without corresponding increases in resources. This trend of doing more with less has taken a toll on Commission operations. Caseloads have long passed a realistic level of performance expectation. To continue expecting staff to perform at higher and higher levels of productivity, increases the risk that eventually the quality of the service will suffer. Further compounding EEOC's workload problem is an increase in the number of systemic and class action filings which has contributed to the workload growth in the litigation program.

Notwithstanding programmatic and organizational improvements, the Agency still has a scarcity of resources and even operating at maximum charge resolution rates has had only a minimal impact on reducing the inventory. In the Private sector, during fiscal year 1995, the inventory once again exceeded the previous year's level because of the disproportionate balance between staff resources and charge filings. The 1:1 ratio of resolutions to receipts which the Agency experienced until fiscal year 1991, has steadily declined with the increase in charge filings. As a result, investigator caseloads have more than doubled since fiscal year 1991, when EEOC received enforcement responsibility for the ADA -- from 57.2 charges per investigator to 122.7 charges by the end of fiscal year 1995.

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Like the Private sector, the Federal sector is experiencing similar workload problems. The Federal sector appeals program has experienced steady monthly increases in receipts since fiscal year 1993 with inadequate staff levels to handle the workload. While computers and various systems help in managing the workload, the basic work must be done by skilled writing attorneys.

The increased emphasis being placed on the systemic program and growth in the number of class cases, which are complex and time-consuming, is contributing to the need for more resources in the Litigation program. Class action cases are on the rise. In fiscal year 1992, 47 class cases were filed; in fiscal year 1993, 64 class cases were filed; and in fiscal year 1994, data indicates that 59 class actions were filed. During 1995, the Office of General Counsel filed seventy-seven class cases on behalf of the Commission.

Additional staff resources are required to enable the Agency to continue providing the public with that level of service that is necessary to maintain the confidence of the people the Commission serves. Without the level of funding requested both employees and employers, will continue to endure significant delays in the resolution of complaints. As a result, the Commission's goal of eradicating discriminatory practices will be hampered because long delays erode the confidence of those who look to EEOC to expeditiously resolve their cases.

*Equal Employment Opportunity Commission***DECISION UNIT****Private Sector Enforcement: Compliance Activity**

OBLIGATIONS BY OBJECT CLASS (00000)	FY 1996 Actual	FY 1996 Estimate	FY 1997 Agency Request
Personnel Compensation			
11.1 Full-time permanent (FTP)	86,038	82,923	82,766
11.3 Other than FTP	617	619	638
11.6 Other personnel compensation	600	4,484	4,942
Total Personnel Compensation	87,256	88,226	88,346
12.1 Civilian personnel benefits (Total FERS)	17,581 (6,240)	17,669 (6,271)	18,897 (6,077)
13.1 Benefits to former personnel	46	44	44
Total Compensation and Benefits	104,883	106,938	116,007
21.1 Travel of persons	1,090	921	2,468
22.0 Transportation of things	124	106	112
23.1 Other rent/Communications	3,466	3,466	3,664
23.2 Rental payments to GSA	14,996	15,701	15,701
24.0 Printing and reproduction	206	164	169
25.0 Other services	5,417	6,215	6,659
26.0 Supplies and materials	2,320	1,580	2,696
31.0 Equipment	2,491	1,391	4,639
TOTAL	134,994	134,476	156,076

OFFICES:

Field Office - Compliance
 Office of Program Operations
 Information Resources Management
 Services (OMS)
 Office of Legal Counsel

*Equal Employment Opportunity Commission***DECISION UNIT****Private Sector Enforcement: Litigation**

OBLIGATIONS BY OBJECT CLASS (0000)	FY 1996 Actual	FY 1996 Estimate	FY 1997 Agency Request
Personnel Compensation			
11.1 Full-time permanent (FTP)	19,698	19,206	21,135
11.3 Other than FTP	298	298	307
11.5 Other personnel compensation	152	1,138	1,172
Total Personnel Compensation	20,148	20,642	22,614
12.1 Civilian personnel benefits (Total FERS)	4,160 (2,690)	4,262 (2,664)	4,657 (2,958)
13.1 Benefits to former personnel	18	18	18
Total Compensation and Benefits	24,324	24,922	27,289
21.1 Travel of persons	623	442	748
22.0 Transportation of things	23	20	21
23.1 Other rent/Communications	677	677	715
23.2 Rental payments to GSA	3,016	3,158	3,158
24.0 Printing and reproduction	22	16	17
25.0 Other services	2,819	2,715	5,355
26.0 Supplies and materials	144	98	309
31.0 Equipment	494	276	908
TOTAL	32,042	32,324	38,524

OFFICES:

Field Office - Legal Units
Office of General Counsel

*Equal Employment Opportunity Commission***DECISION UNIT****Federal Sector Enforcement: Oversight and Hearings**

OBLIGATIONS BY OBJECT CLASS (1000)	FY 1996 Actual	FY 1996 Estimate	FY 1997 Agency Request
Personnel Compensation			
11.1 Full-time permanent (FTP)	8,658	8,386	10,064
11.3 Other than FTP	58	60	62
11.8 Other personnel compensation	47	672	639
Total Personnel Compensation	8,663	8,018	10,706
12.1 Civilian personnel benefits	1,644	1,712	2,041
[Total FERS]	(790)	(631)	(883)
13.1 Benefits to former personnel	6	6	6
Total Compensation and Benefits	10,312	10,734	12,761
21.1 Travel of persons	428	361	504
22.0 Transportation of things	10	9	9
23.1 Other rent/Communications	270	269	286
23.2 Rental payments to GSA	1,202	1,258	1,258
24.0 Printing and reproduction	9	7	7
28.0 Other services	220	212	480
26.0 Supplies and materials	67	39	133
31.0 Equipment	197	110	381
TOTAL	12,705	12,999	15,822

OFFICES:

Field Office - FAA Units
 Field Office - Hearings Units
 Federal Sector Programs (OFO)

*Equal Employment Opportunity Commission***DECISION UNIT****Federal Sector Enforcement: Appeals**

OBLIGATIONS BY OBJECT CLASS (\$000)	FY 1995 Actual	FY 1996 Estimate	FY 1997 Agency Request
Personnel Compensation			
11.1 Full time permanent (FTP)	4,707	4,610	5,445
11.3 Other than FTP	143	145	149
11.6 Other personnel compensation	30	297	306
Total Personnel Compensation	4,880	4,952	5,900
12.1 Civilian personnel benefits (Total FERSI)	1,075 (690)	1,091 (700)	1,286 (826)
13.1 Benefits to former personnel	2	2	2
Total Compensation and Benefits	5,957	6,045	7,188
21.1 Travel of persons	16	14	85
22.0 Transportation of things	3	3	3
23.1 Other rent/Communications	168	168	178
23.2 Rental payments to GSA	760	785	786
24.0 Printing and reproduction	5	4	4
25.0 Other services	144	139	247
26.0 Supplies and materials	36	25	80
31.0 Equipment	123	69	236
TOTAL	7,202	7,252	8,809

OFFICE:

Office of Federal Operations

*Equal Employment Opportunity Commission***DECISION UNIT****Enforcement Summary**

OBLIGATIONS BY OBJECT CLASS (10000)	FY 1996 Actual	FY 1996 Estimate	FY 1997 Agency Request
Personnel Compensation			
11.1 Full-time permanent (FTP)	119,002	118,028	129,400
11.3 Other than FTP	1,114	1,122	1,158
11.6 Other personnel compensation	528	6,691	7,009
Total Personnel Compensation	120,644	122,838	137,566
12.1 Civilian personnel benefits (Total FERS)	24,460 (10,310)	24,734 (10,456)	27,681 (11,743)
13.1 Benefits to former personnel	71	69	69
Total Compensation and Benefits	146,475	147,641	165,316
21.1 Travel of persons	2,067	1,738	3,806
22.1 Transportation of things	180	140	146
23.1 Other rent/Communications	4,583	4,580	4,843
23.2 Rental payments to GSA	19,963	20,903	20,903
24.0 Printing and reproduction	242	181	187
25.0 Other services	8,800	6,281	14,641
26.0 Supplies and materials	2,587	1,742	3,216
31.0 Equipment	3,306	1,846	6,174
TOTAL	196,843	187,662	210,231

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**BUDGET ACTIVITY III - STATE AND LOCAL PROGRAMS
RESOURCE REQUIREMENTS/JUSTIFICATIONS**

An additional \$1,000,000 is requested in fiscal year 1997 for the State and Local Program.

JUSTIFICATION

The increase in funding requested for fiscal year 1997 represents a concentrated effort to slow the growth of Fair Employment Practices Agencies (FEPA) charge inventory. While the majority of this increase will be earmarked specifically for charge resolution, funds are also needed to enhance data collection and analysis systems and investigators' skills.

With the requested level of \$27,500,000 in fiscal year 1997, EEOC will be able to increase the number of charges paid under contract to approximately 50,500, an increase of 1,886 charges from fiscal year 1996 when an estimated 48,614 charge resolutions are expected to be paid under contract.¹ Under this level, EEOC would reimburse FEPA's at the rate of \$500 per charge. The Department of Housing and Urban Development (HUD) pays many of these same State and Local agencies \$1,700 per complaint to investigate complaints of housing discrimination. In general, most experts agree that housing discrimination complaints are certainly no more difficult, and in most cases are generally less difficult to investigate than complaints of employment discrimination.

Since the EEOC and the State and Local agencies share workloads, the capacity to investigate complaints of employment discrimination of either the EEOC or the State and Local agencies affects the workload of the other.

During the past several fiscal years, EEOC has made great strides to improve the reliability and integrity of charge data that is used for management, budget and informational purposes. Progress in computer hardware/software development continues to afford additional possibilities for increased efficiency. As EEOC upgrades its capacity to computerize and manipulate data, more sophisticated equipment is also needed by FEPA's so that data on dually filed charges may be better analyzed and tracked for management, efficiency, budgetary and decision-making purposes.

1/ It should be noted that the total number of resolutions FEPA's are projected to resolve is higher than the number expected to be paid under contract.

*Equal Employment Opportunity Commission***WORKLOAD DATA**
State and Local Program

WORKLOAD	FY 1995 Actual	FY 1996 Estimate	FY 1997 Estimate
Charges/Complaints Pending	80,021	82,879	84,893
Charges/Complaints Received	64,764	64,764	64,764
Charges/Complaints Resolved	56,156	57,000	57,000
Charges/Complaints Deferred to EEOC	5,750	5,750	5,750
Charges/Complaints Forwarded	82,879	84,893	86,907
Months of Inventory	17.7	17.9	18.3

*Equal Employment Opportunity Commission***DECISION UNIT****State and Local Program**

OBLIGATIONS BY OBJECT CLASS (1000)	FY 1995 Actual	FY 1996 Estimate	FY 1997 Agency Request
Personnel Compensation			
11.1 Full-time permanent (FTP)			
11.3 Other than FTP			
11.6 Other personnel compensation			
Total Personnel Compensation			
12.1 Civilian personnel benefits (total FERS)			
13.1 Benefits to former personnel			
Total Compensation and Benefits			
21.1 Travel of persons	21		
22.0 Transportation of things			
23.1 Other rent/Communications	3		
23.2 Rental payments to GSA			
24.0 Printing and reproduction			
25.0 Other services	20		
26.0 Supplies and materials	2		
31.0 Equipment	115		
41.0 Grants	26,322	26,500	27,500
TOTAL	26,483	26,500	27,500

*Equal Employment Opportunity Commission***DECISION UNIT****Agency Summary**

OBLIGATIONS BY OBJECT CLASS (0000)	FY 1995 Actual	FY 1996 Estimate	FY 1997 Agency Request
Personnel Compensation			
11.1 Full-time permanent (FTP)	130,853	126,419	141,384
11.3 Other than FTP	1,792	1,802	1,858
11.6 Other personnel compensation	958	7,503	7,845
Total Personnel Compensation	133,601	135,724	151,085
12.1 Civilian personnel benefits (Total FERS)	26,586 (11,440)	26,892 (11,614)	30,057 (12,968)
13.1 Benefits to former personnel	77	75	75
Total Compensation and Benefits	160,264	162,791	181,217
21.1 Travel of persons	2,189	1,850	4,085
22.1 Transportation of things	168	147	182
23.1 Other rent/Communications	4,978	4,975	5,269
23.2 Rental payments to GSA	21,670	22,690	22,853
24.0 Printing and reproduction	266	191	197
25.0 Other services	10,434	10,047	16,669
26.0 Supplies and materials	2,645	1,802	3,390
31.0 Equipment	3,595	2,007	6,678
41.0 Grants	26,322	26,500	27,500
TOTAL	232,620	233,000	268,000

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**ACCOMPLISHMENTS AND PRODUCTIVITY
IMPROVEMENTS****IMPROVING AND STREAMLINING OPERATIONS**

During fiscal year 1995 some of the most significant actions on behalf of the Commission were those efforts directed toward streamlining the organization and modifying the charge process to address the Agency's overwhelming charge inventory. After thorough inquiry and analysis and input of line field staff and external stakeholders, the Chairman's task forces on charge processing and alternative dispute resolution submitted recommendations designed to improve the efficiency and effectiveness of charge processing and to provide for voluntary mediation of some charges. These recommendations were largely adopted by the Commission and are now being implemented. The Chairman also appointed a task force to study EEOC's relationship with State and Local Agencies and those recommendations, aimed at developing a greater partnership with the State and Local Agencies with whom EEOC maintains contracts and worksharing agreements, are also now being implemented. In addition, a proposal is pending which will eliminate levels of review and oversight responsibility within Headquarters in a number of administrative matters (budget administration, personnel actions, allocation of certain funds, approval of financial documents, etc.) impacting field operations.

Fiscal year 1996 is expected to be a year of transition, whereby these significant changes, among others, will be tried, tested, and revised where necessary to achieve the most effective law enforcement program possible within the range of resources available to EEOC.

EDUCATION, OUTREACH AND TECHNICAL ASSISTANCE

During fiscal year 1995, approximately 52,168 calls were received and processed by EEOC's Office of Communications and Legislative Affairs (OCLA). This total does not include the public, media, and congressional calls made from outside the Agency or transferred from other offices inside the Agency to the individual phone numbers of OCLA staff members. Particularly heavy call activity was prompted by the issuance of the EEOC policy guidance, *Definition of the Term "Disability,"* on March 15, 1995. In the two-month period following the issuance, more than 3,000 calls to OCLA's main line were inquiries about the guidance and approximately 3,000 copies of the guidance were mailed out by OCLA staff. Another 5,452 copies of the guidance were mailed to the public by the agency's Publications Distribution Center (PDC) during fiscal year 1995.

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The PDC mailed out a total of 618,204 publications during fiscal year 1995. The mail-outs were requested through direct calls to the PDC (101,313), written requests (5,998), and requests received through telecommunications technology for deaf and hearing impaired individuals (4,035). ADA-related publications constituted more than half (332,264) of the total publications that were mailed out. Since material on the ADA is so heavily requested, OCLA compiled an "ADA package" to respond most effectively and efficiently to requests for such information. OCLA also developed a "sexual harassment package" to respond to the substantial demand for information on this subject. Approximately 3,161 sexual harassment packages were mailed out during this period.

EEOC field offices conducted 1,124 outreach presentations to 64,734 individuals during fiscal year 1995.

In addition, the Office of Legal Counsel (OLC) provided extensive guidance and interpretation of Agency statutes in response to telephone and written inquiries from the public, in training sessions and other public presentations. In fiscal year 1995, such guidance was provided in response to more than 10,000 telephone inquiries and several hundred written requests for legal advice and guidance. Many of these responses required extensive research and interpretation of complex issues.

OLC also made 150 public presentations interpreting EEOC statutes during the year, an increase of almost 40% over fiscal year 1994. Groups addressed included private employers, Federal, State and Local government agencies, legal and other professional organizations, law enforcement agencies, human rights and advocacy organizations and all groups protected by EEOC laws.

To obtain input on priority needs for Commission guidance, early in fiscal year 1995 the Office of Legal Counsel (OLC) initiated a series of meetings with national organizations representing major sectors of covered employers and groups protected by Commission-enforced statutes. Some 100 persons, representing organizations of private employers, state and local governments, law enforcement agencies, minority, women, disabled, older workers and other groups met with Commission staff to discuss their concerns and recommendations. During the year, additional input meetings were held at the request of other organizations concerned with specific issues such as health insurance and pension rights. Further input from a broad representation of the affected public was obtained by OLC staff in the course of numerous public presentations.

In fiscal year 1995, EEOC's Office of Federal Operations (OFO) received 110 requests for speakers and presenters from external organizations. These presentations were

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done with other agencies and non-profit organizations assuming most travel related costs. In addition to these presentations, OFO developed and presented a series of revolving fund seminars on Decision Writing and Investigative Training. These seminars will continue to be offered throughout the country to Federal agencies.

Targeted outreach to the Federal EEO community is continuing. Through periodic contacts and discussions with key entities, a fuller and more broadly based understanding of the mission of EEOC and the OFO is achieved. On sensitive matters, resolution is enhanced by consultation and discussion at the highest level. Conferences with EEO Managers from Federal agencies are held throughout the year. Such conferences permit more interaction to assess effectiveness of the complaints processing system.

AUDIT AND REVIEW

During fiscal year 1995, Office of Inspector General (OIG) auditors and inspectors issued nine reports to EEOC management. Through these reports improvements to the Agency's internal control system were identified, measures to reduce administrative travel expenditures were suggested, and more than \$340,000 in costs associated with a contract proposed for the mailing, receiving and processing of Employer Information Report EEO-1 Survey were questioned. Also, headquarters and field office directors were notified about employees use of the government travel credit card for purchases unrelated to authorized travel. Further, in response to allegations concerning the falsification of witness information contained in discrimination charge files, OIG certified EEOC's field investigative charge process in "no cause" findings. Staff analyzed a sample of closed case files, selected at random nationwide, and identified and contacted witnesses. All witnesses contacted either acknowledged or verified interviews or statements provided to EEOC investigators. OIG confirmed that the investigative process is operating as intended and that reported instances of falsified data were isolated cases.

During the year, OIG investigators received a total of 156 inquiries, including 39 hotline requests. These inquiries involved such allegations as time and attendance fraud, theft of government property, Hatch Act violations, and various conflict of interest issues, including the outside practice of law. Sixty nine percent, or 108, of these inquiries were administratively closed without investigative activity since they lacked either substantive information or OIG jurisdiction. Inquiries concerning charge processing matters were referred to EEOC field offices and the Offices of Federal and/or Program Operations. Four confidential investigative reports were issued which addressed misconduct, improper authorizations of government vehicle use, alteration of official government documents and improper loans. As a result of OIG findings,

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matters were referred to Human Resources Management Services and the Office of Legal Counsel for adverse action. Three investigative matters were referred to the Federal Bureau of Investigation and the Office of Special Counsel, including allegations of fraudulent activities by a health care provider involving field office employees. Additionally, circulation of a chain letter in the headquarters building necessitated a "fraud, waste and abuse alert" by OIG to all employees reminding them that personal or unauthorized use of government property is prohibited and violates ethics regulations.

Finally, OIG is responsible for coordinating external audit reviews of private and public sector EEOC programs and operations. During the year, the General Accounting Office (GAO) met with officials concerning their evaluations of federal services to people with disabilities, the use of alternative dispute resolution by private sector employees, the impact of federal regulations on businesses, the representation of women and minorities at various federal agencies, and the proposed merger of the Departments of Education and Labor and the EEOC. GAO also testified before the Senate Committee on Labor and Human Resources about the backlog of discrimination charges at EEOC. In accordance with the *Single Audit Act of 1984, Public Law 98-502*, OIG processed 43 external audit reports and notified EEOC field office directors of findings that affected certain Fair Employment Practices Agencies and Tribal Employment Rights Offices.

In adopting National Performance Review principles, OIG streamlined its operation and engaged in cross training of inspections and legal staff in investigative assignments. Inspectors and legal counsel conducted or participated in investigations, wrote investigative reports and attended training at the Federal Law Enforcement Training Center.

GUIDANCE ON LEGAL REQUIREMENTS

To provide guidance on legal requirements for Commission field staff and for the public, a comprehensive new section of the Commission's Compliance Manual was issued in fiscal 1995, interpreting the term "Disability" under the Americans with Disabilities Act.

During the year, new emphasis was placed on issuing shorter, simpler guidance documents to help resolve charges raising specific issues. One brief new policy document, "Questions and Answers on the Application of the ADA to Disability and Service Retirement Plans," provided Commission guidance that enabled resolution of nearly 5,000 pending charges. Five other memoranda provided guidance on specific Title VII issues consistent with existing Commission policy.

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CUSTOMER SERVICE

Mindful that many of the Agency's customers need to obtain information in formats other than in writing and in English, EEOC made a concerted effort in fiscal year 1995 to make a majority of its public information materials available in alternate formats (e.g., Braille, large print, computer diskette, audio cassette tape, Spanish-language documents, and Chinese-language documents). Callers are favorably impressed with EEOC's ability to immediately provide materials in a format suitable to their needs. In this area, the Agency responded to over 1,740 requests for alternate format products in fiscal year 1995.

In order to respond to questions on legal issues relating to the Federal EEO complaint process, staff attorneys in the Office of Federal Operations serve as attorney-of-the-day. Through the attorney-of-the-day function, attorneys provide assistance to Federal agencies and employees in the area of Federal employment discrimination. OFO attorneys handled over 3,600 calls this fiscal year.

LABOR/MANAGEMENT PARTNERSHIP

In fiscal year 1995, the Commission began a dialogue with its Union that set a new tone for defining our future relationship. Of the 98 pending employee grievances related to the Agency's invalidated performance appraisal system, 96 were resolved through negotiations rather than expensive litigation. A dispute involving overtime compensation for more than 1,000 bargaining unit employees was resolved through negotiations, thus avoiding costly litigation and the payment of back wages and penalties that could have conceivably caused the dismissal of several hundred employees. These breakthroughs demonstrate a true commitment on both sides to partnership and overcoming what seemed to be impossible challenges. The Parties developed a National Partnership Agreement that established an EEOC Labor/Management National Partnership Council and guidelines for developing a true partnership. In recognition of the Partnership Agreement between Labor and Management, on March 14, 1996, Chairman Casellas accepted a Hammer Award from Vice President Gore's National Performance Review for the Agency's nationwide labor-management partnership efforts. The Commission has established a national partnership council and local partnership councils in its headquarters and nationwide field offices to enable employees to work together in a cooperative relationship. The employees are resolving problems and redesigning work processes to enhance the Agency's effectiveness and efficiency for fulfilling its ultimate mission of eliminating employment discrimination. In an era of significant fiscal constraints, partnership is affording the Agency an opportunity to focus more of its resources on its front-line mission, rather than having valuable time, effort and money devoted to resolving

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disputes. In addition, partnership allows EEOC to tap the energy and creativity of all of our employees to help determine our future course. The Hammer Award recognized the achievements already made, and encourages EEOC to expand this initiative and achieve even greater gains.

The Parties also negotiated a new Collective Bargaining Agreement (CBA) in record time, by avoiding the traditional method of positional bargaining and using instead a win-win approach to bargaining. Although the CBA traditionally sets forth the procedures that define the interaction between labor and management, the goals of the partnership agreement were acknowledged in many of the articles in the CBA. These efforts were enormously successful and established the frame work that permitted the Parties to begin a dialogue on a new performance management system. The Office of Personnel Management (OPM) observed these efforts and has requested that the Agency share its experience with other agencies in a seminar sponsored by OPM.

TRAINING

In FY 1995, the Agency presented a trial skills training program to approximately 50 Commission attorneys. Two-thirds of the trainers were Commission employees, and the remaining one-third were highly experienced outside trial lawyers who donated their time. The program case materials were developed by Commission attorneys over approximately a 2-year period, and dealt exclusively with employment discrimination issues. The "hands on," practical training covered all aspects of the trial process.

Funds in the amount of \$140,000 were distributed to District Office Directors to train investigators, attorneys and administrative staff in areas such as Investigation, Time Management, Computer Skills, Effective Writing, Case Management, Effective Office Skills and Management Skills. This provided Field Offices with the flexibility to address some of their local training needs.

The Agency held a "Building Partnerships" Conference that brought together approximately 130 Field and Headquarters managers and labor representatives for intensive discussions and workshops on building management/labor partnerships and improving agency operations.

In addition, annual training on ethics and Freedom of Information Act (FOIA) requirements will continue to be provided to all Field Offices. To maximize the return on expended funds, Legal Counsel attorneys will again provide FOIA training to Field

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Offices at the same time that they provide mandatory ethics training, at no additional cost. If FOIA training had been provided separately, the added travel costs would have been \$20,000.

Extensive training opportunities were provided for Headquarters staff during FY 1995--approximately 45 courses were offered. Included among these were 34 computer courses as well as others on customer service, management/program analysis, information technology for managers, HIV/AIDS training, Myers Briggs Type Indicator as an evaluation tool plus four courses addressing specific needs of the clerical and administrative employees.

Other significant Headquarters training actions included implementation of a menu-driven, voice mail Telephonic Enrollment System (TES) eliminating the need for a five-part training request form and implementation of the Centralized Automated Training System (CATS) to track Agency training data. The Training Director also served in the voluntary capacity of Director of the Small Agency Council Training Program.

In a collaborative effort with the Occupational Safety and Health Administration and National Institute for Occupational Safety and Health (OSHA/NIOSH), training was developed and is currently being delivered by EEOC staff in all Field offices. This training introduces EEOC investigators and attorneys to the application of ergonomics to ADA investigations using expertise developed by NIOSH in their enforcement efforts.

The Office of Program Operations' staff continued to focus on critical field activities such as developing reasonable cause cases, improving the charge intake process, and emphasizing service to the public. Currently underway is a comprehensive "Best Practices" study, of the most effective settlement, conciliation and investigative techniques used in EEOC Field Offices. Findings of this study will aid the Agency in tailoring training for investigators, in designing effective recruitment programs and in managing work.

The Agency also provided training for other federal agencies:

- The Office of Legal Counsel (OLC) provided in-depth training on EEOC statutes for many other Federal agencies during fiscal year 1995. In conjunction with the Department of Justice (DOJ), OLC conducted training for 28 Federal agencies on the joint EEOC-DOJ regulation that establishes complaint processing procedures under the ADA and Section 504 of the Rehabilitation Act.

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- Training on Title V issues (Sexual Harassment, Pregnancy, National Origin and Religious Accommodation) was provided by OLC at an OFO-sponsored seminar for Department of Defense EEO staff. A workshop on Sexual Harassment was conducted for an Interagency Technical Assistance Conference and a Workshop on pregnancy issues conducted for the Women's Bureau, Department of Labor. Sexual harassment training also was provided for Congressional interns, under sponsorship of the Congressional Hispanic Caucus.
- Training on ADA Title I employment requirements was provided for DOJ staff responsible for enforcing Title II of the Act covering state and local governments.
- Under auspices of the Commission's Revolving Fund, OLC provided training on ADA, ADEA and Title VII was conducted for Department of Transportation attorneys and EEO Counsellors.

Information Resources Integration and Modernization Program*Enhancement to Current Systems:*

IRMS acquired and distributed over 400 microcomputers to various field and headquarters offices. In addition, it acquired and distributed Windows® applications software to all field and headquarters offices to use for familiarization in anticipation of the migration to a Windows® environment.

CDS-486 systems were installed in 17 EEOC district offices, bringing the total number of completed CDS upgrades to 23 sites. This version of the CDS system, which has been modified to run on an Intel-based 486 computer, allows for data processing at speeds eight times greater than the NCR®-600s.

Development of EEOC Integrated Information Systems

IRMS completed development of several major applications of the Integrated Mission System (IMS) for use by its Headquarters staff. The new applications consolidate four existing information systems into a single system, integrate mission data with word processing and spreadsheet functions, and include user documentation and on-line help and reporting facilities. IRMS also conducted a comprehensive analysis of several potential database servers suitable for supporting the IMS. Based on this study, a Hewlett Packard K-Series Model 200 and related software were selected and procured to support the IMS Headquarters applications.

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IRMS and FRMS jointly completed the identification of systems requirements for the new Financial Management System (FMS). These requirements identify the scope of the new system and serve as the basis for developing the project plan for acquiring and implementing the new system.

Establishment of Data Connectivity/Communications

LANs were installed in three district offices and two headquarters offices. A third LAN was installed at Headquarters for the 42 employees involved in the functional test of the IMS. These offices continue reporting productivity gains and time savings especially in the areas of resource and file sharing and improved office communications. Supervisors are able to review files in a more timely and efficient manner. Electronic Messaging (E-mail) has improved the employee's ability to communicate with other office members. Work products are being shared via file libraries on the LAN, virtually eliminating the time-consuming process of physically transferring files via diskettes, or printing the files and using copiers to produce hard copies.

In addition, IRMS organized a Government Information Locator Service (GILS) Working Group in the Agency for developing the initial GILS records set and identifying Agency information available to the public.

Provisions for Support Services

The IRMS Help Desk provides improved technical assistance and services to EEOC staff. The Help Desk ensures that EEOC employees have instant access to an IRMS staffer to discuss their PC, printer-related, and local area networking problems and to obtain guidance on their computer application questions. During fiscal year 1995, IRMS responded to approximately 3200 calls for technical assistance. In addition, IRMS consolidated many of its support services to provide more efficient response through a "single" point of contact for IRM support.

IRMS developed training classes in InfoMaker, Introduction to Windows, Introduction to LANs, GroupWise, Introduction to WordPerfect 6.1 for Windows and Quattro Pro for Windows, the Agency's Integrated Mission System Application, and an Information Technology Orientation for Managers. In all, IRMS delivered a variety of ADP training classes to over 900 employees. In addition, IRMS developed course outlines and other training materials to aid both headquarters and field offices in conducting computer training for their staff.

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IRMS produced more than 1300 reports on the National Data Base for use by OPO, OLC, OGC, OFO, and OCLA. These reports were used to: 1) respond to data inquiries from Members of Congress, the news media, independent researchers, and other government agencies, 2) prepare cases for litigation, 3) support budget justifications submitted to the Office of Management and Budget, 4) prepare presentation materials for public speaking engagements, and 5) monitor charge processing activity to formulate and improve case management strategies.

As a result of joint efforts by EEOC and the Department of Housing and Urban Development (HUD), the Housing Case Tracking Module (HCTM) was incorporated into the Charge Data System (CDS). This database application is designed to enable FEP Agencies to store and track charge data on housing discrimination cases. It also allows them to transmit this data to HUD, making use of the CDS communication system. Development and implementation of this module took about 15 months and cost the two agencies about \$120,000. It is estimated, conservatively, that the federal government has saved about two million dollars by using this approach to capture housing data from state and local enforcement agencies - the minimum amount of funds HUD would have had to invest in order to establish this data link independently. HCTM is an application used for the management of housing discrimination cases and it works in conjunction with the CDS. The one-day training session featuring hands on use of HCTM was conducted in March 1995. In addition, at the request of HUD, IRMS conducted a training session for 50 representatives of the FEP Agencies in the use of the HCTM.

ALTERNATIVE OPERATING TECHNIQUES

In both Headquarters and the Field, staff are ever conscious of finding ways to maximize existing resources and obtain "no-cost" or "low-cost" services and ways to accomplish work with fewer staff resources. For example, many Field offices now regularly recruit and utilize interns from colleges and universities to work in the legal units, enforcement and systemic investigative units, charge intake, etc. Generally, these are students who work for college credit; some are juniors or seniors and others are graduate students. Volunteers and summer employees are also recruited from organizations such as the American Association of Retired Persons (AARP), from Federal job training programs and the like. Offices have come to rely on volunteers as a complement to their paid workforce. If Congress re-authorizes the Alternative Dispute Resolution Act (ADRA), EEOC intends to make use of volunteer mediators as a significant part of its ADR program.

Throughout the year, as the inventory of pending appeals rapidly increased commensurate with the larger number of appeals being filed, management reassigned the work to improve productivity while attempting to minimize the increase in the

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average processing time. Supervisory staff continued writing summary decisions in an effort to compensate for the loss in productivity created by vacant attorney slots. Writing attorneys were assigned special projects where the case file evidence allows the Commission to issue a brief decision stating the facts of the case and the law. As the number of requests to reconsider decreased during the year, most of the attorneys assigned to this function were assigned instead to write opinions based on the merits. To control the age of the inventory, attorneys were also assigned the older cases first.

SURVEYS

The 1994 EEO-1 survey covered 44.2 million employees and last year 14,000 employers who filed over 168,000 establishment reports. In fiscal year 1995, the Commission:

- Greatly expanded the use of automated reporting in the survey results surveys for collection of employment data from employers. This reduces the reporting burden on employers, reduces the cost to employers to provide the data and reduces the processing cost to the government.
- Developed and implemented a new computerized system to share the survey data with FEP agencies. This provides for transfer of large volumes of employment data, previously provided on computer printouts or full compiled and menu driven diskettes. This saves large volumes of paper and makes the data much more useful. The Agency has also begun to experiment with other cost saving measures in this area (such as transmitting data on the Internet to researchers at Columbia University). Sharing of data in this manner reduces access time tremendously.
- Processed 798 requests for survey data, resulting in the distribution of 42,046 reports.
- Developed a package of aggregated EEO-1 data for 1983 and 1993 for various users. The data is in ASCII format and is provided along with documentation and technical notes. This reduces the number of data requests that must be processed by Commission staff and expands the use of the data.
- Provided aggregate data to the National Institute for Computer Assisted Reporting at the University of Missouri School of Journalism. This organization provides computerized data to reporters. EEO-1 data are now available from that organization for two years, and work continues with the organization in order to expand their library of EEO-1 through EEO-6 data. This should reduce

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demands placed on Commission personnel. Provided analytic support ranging from the development of requests for computerized data to conducting statistical tests for more than 15 investigations.

SYSTEMIC PROGRAM

During fiscal year 1995, the Commission approved 44 new systemic charges and resolved 42, this includes benefits for 456 individuals, a total of \$2,033,217. The merit factor rate² for these resolutions is significantly high, 90 percent.

Examples of significant systemic charge resolutions include:

✓ One Field office negotiated a settlement agreement with a restaurant chain which had failed to hire or promote African-Americans to front-of-the-house positions (server, bartender, host/hostess positions) because of their race. The agreement provided over \$250,000 and priority hiring for 56 identified qualified but rejected applicants; advertising to locate and compensate any additional victims who have yet to be identified; changes in respondent's employment selection process; and EEO training for management staff.

Another office negotiated a conciliation agreement with a snack food manufacturer involving a finding of discrimination in recruitment and hiring of African-Americans in route sales positions, assigning African-Americans to predominantly African-American sales territories, failing to promote African-Americans in the maintenance department, and requiring African-Americans to work first as temporary employees before considering them for permanent laborer positions. The agreement provided \$195,000 in back pay awards to 22 affected class members; route sales employment offers to three members of the class; changes in recruiting and equity in route assignments for African-American route sales persons; changes in application and promotion procedures for plant personnel; promotion to a maintenance position of a class member; and offers of permanent plant positions to two affected class members.

A District office negotiated a conciliation agreement with a franchisor of temporary and permanent placement services resolving a finding of a violation of the ADA by making pre offer medical inquiries, co-mingling personnel and medical records, and limiting the opportunities of qualified persons with disabilities. The agreement also

²Merit factor is defined as a resolution in one of the following four categories: pre-determination settlement, successful or unsuccessful conciliation, or withdrawal of charge with benefits to the charging party.

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resolved a finding of violation of Title VII through pre-employment inquiries of whether the applicant was pregnant. The agreement provided \$135,850 in back pay for 209 affected class members; consideration for employment to all interested affected class members; changes in pre-employment forms and procedures; and filing of medical information separately from the application and other nonmedical information.

- The Headquarters investigations division negotiated a conciliation agreement with a major airline, resolving a finding of discrimination against females because of their sex, and Hispanic and Asian males because of their national origin by maintaining minimum height requirements for pilot positions. The agreement also resolved a finding that the airline discriminates against females, Hispanics, and Asians with respect to preferring pilots with military experience and the exclusion from consideration of pilots who fly for other major commercial airline carriers. The agreement provided \$398,646 in monetary awards to 28 of 60 female, Asian and Hispanic class members; pilot employment consideration for all 60 class members; and changes in discriminatory policies and practices.
- Through legal assistance from the Office of General Counsel the Headquarters investigation division was successful in getting the U.S. District Court for the District of Maryland to grant enforcement of an administrative subpoena against certain contractors and some of its employees in a charge that originated against a local union concerning its referral practices.

LITIGATION PROGRAM

During fiscal year 1995, EEOC filed 359 cases.³ Thirty-five of these were either subpoena enforcement actions, record keeping and/or reporting violations, or temporary restraining orders. The remaining 324 suits were filed on the merits: 192 were filed under Title VII, 78 were brought under the ADA, 38 under the ADEA, one under the EPA, and 15 under more than one statute. In the same time period, 369 suits were resolved by the field legal units. Twenty-four of these involved subpoena enforcement actions, record keeping and/or reporting violations, or temporary restraining orders. Of the 345 suits resolved on the merits, 230 were Title VII cases, 31 were ADA cases, 68 were ADEA cases, two were EPA cases, and fourteen were resolved under more than one statute. As a result of these case resolutions, the EEOC recovered more than \$18.7 million in monetary benefits (back pay) for victims of discrimination: \$3.1 million was recovered in Title VII cases, more than \$860,800

³ Fiscal year 1995 data for the Litigation Program is preliminary and subject to further verification and correction.

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was recovered under the ADA, \$8.5 million was recovered under the ADEA, over \$162,500 under the EPA, and more than \$974,000 under cases involving more than one statute.

In addition, during the fiscal year, EEOC filed 95 appellate briefs, including 47 as *amicus curiae*. The field legal units submitted 381 Presentation Memoranda on cases under consideration for litigation during this time period. Also, the Research and Analytic Services Staff within the Office of General Counsel provided experts in 29 cases, 18 under Title VII, 11 under the ADEA, and one under more than one statute.

A sampling of Office of General Counsel Case Activity during fiscal year 1995 includes the following:

Cases Before the United States Supreme Court

McKennon v. Nashville Banner Pub. Co., No. 93-1543 (U.S. January 23, 1995), reported 115 S. Ct. 879. In this private action claiming discriminatory discharge in violation of the ADEA, the Supreme Court reversed the Sixth Circuit's affirmance of summary judgment entered against the plaintiff based on after-acquired evidence of misconduct that the employer claimed would have resulted in the plaintiff's immediate discharge. Consistent with the position urged in the joint brief of the United States and the Commission as *amici curiae*, a unanimous Court (Kennedy, J.) held that after-acquired evidence of wrongdoing which would have resulted in discharge does not bar all relief for a violation of Federal fair employment laws. The Court further held that an employer seeking to rely on after-acquired evidence of misconduct "must first establish that the wrongdoing was of such severity that the employee in fact would have been terminated on those grounds alone if the employer had known of it at the time of the discharge."

EEOC v. Francis W. Parker School, No. 94-1558 (U.S. June 19, 1995). The United States and the EEOC petitioned for *certiorari* in this landmark case in March. The defendant school in this ADEA action had a hiring policy which set salaries for new teachers based on their years of teaching experience. When seeking to fill an opening with a \$28,000 salary cap, the school allegedly refused to consider applicants with over six years of teaching experience. The Commission argued that this practice had a disparate impact on older applicants. The district court granted summary judgment, and the Seventh Circuit affirmed, holding that the ADEA does not prohibit disparate impact discrimination. In the petition for *certiorari*, the United States and the EEOC argued that the language of the ADEA, and the parallels to Title VII, support allowing disparate impact challenges, and that Hazen Paper did not rule them out. The Supreme Court denied *certiorari* on June 19, 1995.

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Title VII Race Discrimination

EEOC v. Steamship Clerks Union, Local 1066, Nos. 94-1621 & 94-1656 (1st Cir. February 28, 1995). A cargo clerks union on the Boston waterfront had a policy requiring an applicant for membership to be sponsored by a current member. The union members were all white, and their practice was to sponsor only close relatives of current or former members. The Commission challenged the sponsorship policy, arguing that nepotism by an all-white union inevitably has a disparate impact on potential minority applicants. The district court agreed. The union argued on appeal that the Commission's statistical proof of disparate impact was flawed, but the court of appeals agreed with the Commission that the statistics the Commission presented were sufficient, because common sense dictates that nepotism by an all-white group will have a disparate impact on potential minority applicants.

EEOC and Andrews v. Antonio Rodriguez, No. CV-F-93-5049 (WW/SSH (E.D. Cal. November 16, 1994)). The Commission alleged that the defendant engaged in a pattern and practice of race discrimination by refusing to hire blacks as salespersons at dealerships he owned in Fresno, California. The charging party, a black sales applicant, intervened in the Commission's action. Following a bench trial, the court ruled in favor of the plaintiffs on the issue of liability. The plaintiffs had presented evidence of numerous statements by the defendants' management personnel that blacks would not be hired as salespersons at dealerships owned by the defendant. The plaintiffs had also presented statistical evidence of a failure to hire blacks, evidence of a racially hostile environment at the dealerships, and evidence on qualified black applicants for sales positions who had not been hired. The court rejected the defense that few blacks had applied for sales positions, finding that the defendant had a reputation for racial discrimination that would discourage blacks from applying and that the defendant had discarded the applications of unsuccessful applicants in violation of the Commission's regulations.

EEOC v. Q&G Spring & Wire Forms Specialty Co., Nos. 92-3446 & 92-4118 (7th Cir. October 11, 1994) (petition for certiorari filed November 30, 1994). In this Title VII case alleging that the defendant engaged in a pattern or practice of intentional discrimination against black walk-in applicants, a split panel of the Seventh Circuit affirmed the district court's finding of intentional discrimination. The court of appeals agreed with the Commission that statistical evidence alone can be enough to prove intentional discrimination, and it found that the defendant's failure to hire even one black walk-in applicant was compelling evidence of race discrimination.

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Title VII Sex Discrimination

EEOC v. Chyrel's Retirement Home, No. 94-0012 (W.D. Pa. January 20, 1995). In this case, the Commission alleged that the defendant, a nursing home, subjected the charging party, a nursing assistant, to a sexually hostile working environment and discharged her in retaliation for complaining of the harassment. Following a one-day trial, the jury returned a verdict for the Commission. The Commission presented evidence that the charging party was verbally and physically sexually harassed by a male coworker and that she reported the harassment to two managers, one of whom reported it to the owner. On her final day of work, the charging party was assaulted by the harasser and when she complained, she was told to leave immediately and never return to the premises. The jury awarded the charging party \$19,351 in back pay and \$30,000 in punitive damages.

EEOC v. Lutheran Family Services in the Carolinas, No. 5:93-CV-608-F (E.D.N.C. October 12, 1994). The Commission alleged that the defendant, a nonprofit social services agency, discharged the charging party because of her pregnancy. Following a two-day bench trial, the court ruled in favor of the Commission. Following her doctor's orders, the charging party had requested a two-month leave of absence because of complications from her pregnancy. The defendant denied the charging party's leave request and discharged her, admittedly because it was concerned with future leave requests due to her pregnancy. The court found that the defendant had granted nonpregnancy related extended disability leave requests without consideration of the future impact or nature of the disabilities, and concluded that this difference in treatment constituted intentional discrimination on the basis of pregnancy. The court awarded charging party \$22,265 in back pay.

EEOC and Newberry v. Walden Book Company, Inc. d/b/a Waldenbooks, No. 3-93-1050 (M.D. Tenn. May 18, 1995). The Commission alleged in this case that the charging party had been verbally and physically sexually harassed by his male supervisor, and that because of the harassment, he was forced to resign. The charging party intervened in the Commission's action, alleging only Title VII claims. The case was tried to a jury for five and a half days. The jury returned a verdict for the plaintiffs, awarding the charging party \$75,000 in nonpecuniary compensatory damages and \$1.6 million in punitive damages. (These damages are subject to a \$300,000 statutory cap.)

EEOC v. Fannex Federal Credit Union and Randy Sable, No. 2-94-CV-083 (N.D. Tex. March 22, 1995). A consent decree resolved claims that the defendant credit union and its president had sexually harassed female employees, resulting in the constructive discharge of four women, and further that they had retaliated against individuals who had complained of the harassment. The defendant agreed to pay

Equal Employment Opportunity Commission

\$325,000 apportioned among 14 class members, approximately \$255,000 of which represents punitive damages; to offer reinstatement to two individuals; and to suspend the defendant's president, the alleged harasser, for 30 days. In addition, the decree provides for injunctive relief, including training and letters of apology to all class members.

Title VII National Origin Discrimination

EEOC v. Personnel One, Inc., 92-0801-CIV-FERGUSON (S.D. Fla. March 28, 1995). In this case, a consent order resolved claims that the defendant personnel agency had acceded to a bank's requests not to refer Hispanics with accents or blacks for teller positions. The defendant agreed to pay \$155,000 in back pay, apportioned among 13 individuals, and additional back pay if other claimants are identified within 90 days of the order. Further, the defendant will donate another \$5,000 to two minority training organizations. Injunctive relief includes training, reporting, and close monitoring.

EEOC, et al., v. 1334 Partners, L.P., d/b/a Manhattan Country Club, No. CV BC089079 (Cal. Super. Ct. November 14, 1994). A settlement agreement resolved the claim that the defendant subjected its Hispanic employees to a hostile work environment because of their national origin. EEOC's suit was filed in state court and consolidated with a related private action. Six individuals received a total of \$204,000 in monetary relief.

Title VII Religious Discrimination

EEOC v. Jlona of Hungary, No. 92 C 6698 (N.D. Ill. May 18, 1995). The Commission alleged in this case that the defendant, a personal care salon, failed to reasonably accommodate the two charging parties' requests for a day off to observe Yom Kippur, a religious holiday. Following a bench trial, the court ruled in favor of the Commission, rejecting the defendant's argument that because Yom Kippur fell on a Saturday, which was the defendant's busiest day, the defendant was financially unable to give them the day off. The court ordered the defendant to pay \$4,693 in back pay and interest to one charging party who had obtained employment shortly after her termination. The court ordered the second charging party reinstated and awarded her \$62,355 in back pay and interest. The court also permanently enjoined the defendant from discriminating on the basis of religion, ordered the defendant to report to the Commission on future requests for religious leave, and to post a notice for three years describing the results of the suit and the relief ordered by the court.

EEOC v. Dillard Department Stores, No. 4:93CV001771 (E.D. Mo. March 30, 1995). A consent decree resolved the claims in this case that the defendant department store

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disciplined the charging party because of her religious beliefs, which prohibited working on Sunday, and refused to hire other individuals with similar religious beliefs. The defendant agreed to make reasonable accommodation for the religious beliefs and practices of its employees and applicants for employment; to pay \$30,000 to be apportioned among class members to be identified; and to rehire the charging party if she reapplied.

Title VII Retaliation

EEOC v. River Oaks Imaging and Diagnostic, No. H-95-755 (S.D. Tex. June 23, 1995). The defendant, following the filing of a number of employment discrimination charges, had imposed a mandatory arbitration policy on its current employees, which they were required to sign to remain employed. The Commission obtained a temporary restraining order in April 1995 enjoining use of the policy. Subsequently, the parties entered into a consent decree that permanently enjoins the defendant from requiring any current or future employees to comply with the policy and also enjoins the defendant from imposing any other alternative dispute resolution policy on its employees unless the Supreme Court or the Fifth Circuit Court of Appeals upholds the use of such a policy as a condition of continued employment.

Robinson v. Shell Oil Co., No. 93-1562 (4th Cir. January 18, 1995). In this case, the plaintiff, a former employee, alleged that the defendant violated section 704(a) by giving him an unfairly negative reference in retaliation for filing a charge of race discrimination against the defendant. The district court dismissed the plaintiff's claim in reliance on this court's decision in Polsby v. Chase, 970 F.2d 1360 (4th Cir. 1992), which held that Title VII's retaliation provision does not apply to former employees for actions taken after employment has ended. While plaintiff's appeal was pending, the Supreme Court granted the plaintiff's writ of certiorari in Polsby and vacated the Fourth Circuit's opinion. Polsby v. Shalala, 113 S.Ct. 1940 (1993). The court in the instant case held that the language and purpose of section 704(a) provided protection against retaliation for former employees, thereby joining the majority of courts that have addressed this issue. Rehearing en banc has been granted in this case and argument is set for the court's October 1995 term.

Cases Under the Age Discrimination in Employment Act

EEOC v. International Paper Co., No. 92 Civ. 0062 (S.D.N.Y.). After a two-month trial, the Commission won a jury verdict in this case, which charged that the defendant violated the ADEA by requiring its corporate pilots to retire at age 60. The defendant claimed that its retirement policy was a bona fide occupational qualification and was reasonably necessary for safety reasons. In returning a verdict in favor of the EEOC, the jury rejected the defendant's claims that age was a proxy for whether

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a corporate pilot is qualified to continue flying and that pilots 60 and older cannot be individually assessed to determine whether they can continue to fly.

EEOC v. Northwest Airlines, Inc., No. 3-93-547 (D. Minn. May 12, 1995). The Commission alleged in this case that the defendant, a commercial airline, discriminated in hiring against pilot applicants who were 50 years of age and older. The parties entered into a consent decree, providing \$400,000 in monetary relief to the class and job offers to 26 class members. Each of the ten charging parties were also given pass privileges for themselves and their families.

EEOC v. Johnson & Higgins, Inc., No. 93 Civ. 5481(LBS) (S.D.N.Y. June 12, 1995). The Commission alleged in this case that the defendant's mandatory retirement policy for members of its Board of Directors violated the ADEA. The defendant, an insurance brokerage and employee benefits firm, is managed by a Board of Directors, who jointly own almost all of the capital stock of the corporation. All directors are active officers of the defendant and retain their prior duties upon election to the Board. As directors, however, these individuals were subject to a mandatory retirement policy that also required them to resign from their positions as officers and employees. The court granted summary judgment on liability for the Commission, rejecting the defendant's argument that its directors were in effect "partners" rather than covered employees under the ADEA.

Miller v. Cigna, No. 93-1773 (3d Cir. January 23, 1995). In this ADEA pretext case, the Third Circuit sitting *en banc* held that the district court had erred in instructing the jury that the plaintiff had to prove that age was the "sole cause" of the plaintiff's discharge. The court of appeals relied on the Supreme Court's decisions in Price Waterhouse, Hazen Paper, and Hicks. Adopting the position of the Commission as *amicus*, the court held that these cases make clear that "because of age" does not mean "solely because of age." The court concluded that, in non-mixed motive cases, a district court should instruct a jury that the plaintiff must prove that "age played a role in the employer's decision making process and that it had a determinative effect on the outcome of that process."

Binder v. Long Island Lighting Co., No. 94-7483 (2d Cir. June 8, 1995). Binder, whose position had been eliminated, alleged that his employer had discriminated against him on the basis of his age by not offering him any other position, in spite of his having expressed interest in continuing his employment. The jury found for Binder, but the judge then required the jury to identify the specific positions the employer should have offered Binder. Finding fault with the jury's responses, the judge granted the employer judgment as a matter of law. The Second Circuit reversed, holding that the district court had abused its discretion by requiring the jury to answer its supplemental interrogatories. The court of appeals also held, in

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agreement with the Commission's *amicus* brief, that under *Hicks*, Binder's evidence of pretext was sufficient to support the jury's finding of discrimination.

EEOC v. State of California Public Utilities Commission, Nos. C-90-0378 & C-91-2195-MHP (N.D. Cal. January 13, 1995). In this ADEA case, a consent decree resolved claims that the defendant discriminated against individuals 40 years of age and older in promotions to management and professional (engineer and economist) positions. The defendant agreed to pay \$1,783,000 in monetary relief apportioned among 47 class members, and \$300,000 in attorney's fees to 35 class members who had filed a related action. The decree also ordered injunctive relief, including a comprehensive plan for the development and administration of promotional examinations for four job classifications.

Cases under the Americans With Disabilities Act

EEOC v. AIC Security Investigations, Ltd., No. 93-3839 (7th Cir. May 22, 1995). The Commission's ADA suit alleged that AIC Security Investigations, Ltd. discriminated against the charging party by firing him because he had brain and lung cancer. The district court entered judgment on a jury verdict for the Commission, awarding, in addition to back pay, compensatory and punitive damages against both the corporate and individual defendants. The Seventh Circuit affirmed the judgment against the corporate defendant, holding that the district court admission of the charging party's videotaped deposition was not plain error. The court of appeals also affirmed the award of \$50,000 in compensatory damages for the charging party's pain and suffering, even though he had not received psychological treatment. The court of appeals reversed the award against the individual defendant, however, holding that individuals cannot be held liable under the ADA.

EEOC and Doe v. Campbell University, No. 5:94-CIV-301 BO(3) (E.D.N.C. March 27, 1995). A consent decree resolved the claim that the charging party, who had intervened in the action, was discharged from his position as a physical education instructor at the defendant university because of his disability, AIDS. The Commission had earlier obtained a preliminary injunction requiring the defendant to continue to pay the charging party his salary and provide him with health benefits pending a trial on the merits. Pursuant to the consent decree, the charging party received \$325,000 in monetary relief, \$300,000 of which is attributable to the Commission's claims (\$150,000 in nonpecuniary compensatory damages and \$150,000 in punitive damages); attorney's fees; reinstatement to a new position of his creation; and a guarantee of the difference between his salary and disability payments if he begins receiving long-term disability payments. In addition, the Commission received costs of \$24,677.

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EEOC v. Laborer's District Council Building & Construction Health & Welfare Fund, No. 94-3971 (E.D. Pa. January 4, 1995). A consent decree resolved the claim in this case that the defendant health and welfare fund violated the ADA by capping lifetime benefits for AIDS-related conditions at \$10,000 and other illnesses at \$100,000. The decree required the defendant to amend its health benefits plan to equalize coverage for AIDS-related conditions and to notify participants of the change. In addition, the decree awarded the charging party \$42,500 in compensatory damages and ordered reimbursement of medical expenses to the estate of a plan member who had died of AIDS.

Carpets v. Automotive Wholesaler's, No. 93-1954 (1st Cir. October 12, 1994). In this case alleging that the defendants' AIDS cap violated both Title I and Title III of the ADA, the First Circuit reversed and remanded the district court's decision dismissing the complaint. The district court had held that an organization which provides health insurance coverage for the employees of its member companies is not an "employer" within the meaning of Title I of the ADA, nor a "place of public accommodation" under Title III. The court of appeals disagreed and held that multi-employer benefit plans and their sponsors could be liable as "employers" under Title I of the ADA and remanded for additional proceedings to determine whether the defendants were Senter's "employer" under any of three theories laid out by the court.

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APPROPRIATION LANGUAGE

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

Federal Funds

Public Enterprise Funds:

**EEOC Education, Technical Assistance and Training
Revolving Fund**

There is hereby established in the Treasury of the United States a revolving fund to be known as the "EEOC Education, Technical Assistance and Training Revolving Fund" (hereinafter in this subsection referred to as the "Fund") to pay the cost (including administrative and personnel expenses) of providing education, technical assistance, and training relating to the laws administered by the Commission. Monies in the Fund shall be available without Fiscal Year limitation to the Commission for such purpose.

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EEOC EDUCATION, TECHNICAL ASSISTANCE, AND TRAINING REVOLVING FUND

The Commission's outreach program consists of two primary components that, when viewed collectively, provide the public with a broad range of public education, technical assistance, and training activities on equal employment opportunity laws and their enforcement. First, the EEOC makes information available on its operations, programs, and activities through printed materials, speeches, workshops, and technical assistance programs. These activities are produced with appropriated funds and are delivered free-of-charge to audiences across the country. Second, the EEOC is able to offer more specialized and in depth training services through its Revolving Fund. Programs sponsored by the Revolving Fund augment those activities that are provided at no cost to the public. As described below, Congressionally-approved Revolving Fund authority allows the Agency to use specially-reserved funds to develop and deliver specialized technical assistance. Moreover, this authority also permits the Agency to charge a fee for the costs associated with the delivery of this technical assistance, enabling the Agency to leverage its limited resources.

With the substantial increase in charges that the Agency must resolve and the resulting strain on the Agency's resources, the EEOC required a source of funding to meet the growing demand for in depth assistance. Accordingly, Congress passed the EEOC Education, Technical Assistance and Training Revolving Fund Act of 1992 (P.L. 102-411) as the vehicle through which the Commission would develop and deliver comprehensive and specialized external education, technical assistance, and training relating to the laws it enforces. One million dollars in appropriated monies was provided as a start-up fund. Having the Revolving Fund and the authority to charge reasonable fees covering the costs of providing training and technical assistance has lessened the dependency of EEOC technical assistance on appropriated monies. At the same time, the Revolving Fund helps the EEOC leverage its limited appropriated funds to comply with legislative mandates requiring the provision of free education and technical assistance to underserved communities.

The Revolving Fund Training Activity contributes to the Agency's mission of vigorously enforcing Federal EEO laws by educating members of the public and other agencies on their rights and obligations under these statutes. Through technical assistance, employees and employers gain a better understanding of what constitutes unlawful employment discrimination, the evidence required to substantiate such charges, the charge resolution process, and the remedies available for victims of discrimination.

Equal Employment Opportunity Commission

Since its inception in 1993, the technical assistance effort undertaken by the Revolving Fund has been a series of seminars directed primarily at employers in the Private sector and in State and Local government. These seminars focus on educating and assisting employers to comply with the laws enforced by the Commission. The program was in great demand in 1994 and proved to be very popular again in fiscal year 1995. During fiscal year 1995, EEOC offered forty-nine Technical Assistance Program Seminars to over 5,700 participants nationwide.

The Revolving Fund also developed and conducted seven technical assistance seminars for Federal agencies and employers during fiscal year 1995. Programs included courses on Investigating and Resolving Federal EEO Complaints, Complaint Investigator Training, and Writing Final Agency Decisions. These training programs were delivered to various Federal agencies including the Departments of Transportation, Agriculture, and Defense. These and other Federal sector programs will be made available to agencies during fiscal years 1996 and 1997.

During fiscal years 1996 and 1997, Revolving Fund activities will be integrated with an EEOC-wide strategic outreach plan for the provision of education, technical assistance and training to all of EEOC's customers. Program planning is underway to formalize an organizational structure and to coordinate functional responsibilities between the Revolving Fund and the primary program and policy offices at EEOC. This will enable the Agency to present and report on a coordinated education, technical assistance and training program that makes the best use of appropriated and revolving funds for these activities. Accordingly, significant programmatic enhancements are expected during fiscal year 1996 which will expand the delivery of Revolving Fund sponsored services through fiscal year 1997 to the future.

Equal Employment Opportunity Commission

EQUAL EMPLOYMENT OPPORTUNITY COMMISSION EEOC Education, Technical Assistance, and Training Revolving Fund SUMMARY OF FINANCING (Dollar amounts in thousands)			
	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997 ESTIMATE
Total Obligations	867	900	900
Financing:			
Offsetting collections from:			
Federal funds	-22	-55	-55
Non-Federal sources	-875	-845	-845
Recoveries	0	0	0
Unobligated balance, start of year	-1,743	-1,773	-1,773
Unobligated balance transferred	0	0	0
Unobligated balance, end of year	1,773	1,773	1,773
Budget Authority	0	0	0

Equal Employment Opportunity Commission

EEOC Education, Technical Assistance, and Training Revolving Fund FY 1997 REQUIREMENTS BY OBJECT CLASS (Dollar amounts in thousands)			
OBJECT CLASS	FY 1995 ACTUAL	FY 1996 ESTIMATE	FY 1997 ESTIMATE
11.1 Personnel Compensation	0	0	0
12.1 Civilian Personnel Benefits	0	0	0
21.0 Travel and Transportation of Persons	40	60	60
22.0 Transportation of Things	15	20	20
23.1 Rental Payment to GSA	200	200	200
24.0 Printing and Reproduction	238	238	238
25.0 Other Services	208	216	216
26.0 Supplies and Materials	45	45	45
31.0 Equipment	121	121	121
TOTAL OBLIGATIONS	867	900	900

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APPENDIX

EEOC Appropriations Profile: FY 1990-FY 1997

Financial Vision Statement

FY 1997 Budget Request

Equal Employment Opportunity Commission

EEOC - APPROPRIATIONS PROFILE FY 1990 - FY 1997 (Funds in Thousands of Dollars)						
	Budget Request	House Allowance	Senate Allowance	Enacted	FTE Requested	FTE Actual
1990 State and Local Total	188,700 (20,000) 188,700	184,926 (20,000) 184,926	184,926 (20,000) 184,926	184,926 (20,000) 184,926	3,050	2,853
1991 State and Local Supplemental Total	195,867 (20,000) 0 195,867	194,500 (20,000) 1,000 195,500	200,700 (25,000) 2,000 202,700	198,300 (25,000) 3,630 201,930	3,050	2,798
1992 State and Local Supplemental Total	210,271 (25,000) 1,000 211,271	209,875 (25,000) " " 209,875	210,271 (25,000) " " 210,271	210,271 (25,000) 1,000 211,271	2,821 50 2,871	2,791
1993 Request State and Local Supplemental Total	245,341 (25,000) 8,829 254,170	218,682 (25,000) " " 218,682	212,982 (25,000) " " 212,982	222,000 (25,000) " " 222,000	3,071 125 2,831	
1994 Request State and Local Total	234,845 (25,000) 234,845	230,000 (26,000) 230,000	227,305 (28,500) 227,305	230,000 (26,500) 230,000	3,000 " " 3,000	2,832
1995 Request State and Local Amendment* Rescission Total	245,720 (26,500) -242 -0- 232,758	238,000 (26,500) " " " " 238,000	240,000 (26,500) " " " " 240,000	233,000 (26,500) -242 -124 232,634	3,020 " " " " 3,020	2,813
1996 Request State and Local Total	268,000 (28,000) 268,000	233,000 (26,500) 233,000	233,000 (26,500) 233,000		3,219 " " 3,219	
1997 Request State and Local Total	268,000 (27,500) 268,000				3,022 " " 3,022	

- The result of the Amendment to the President's Budget adjusting procurement spending by \$242,000.

Equal Employment Opportunity Commission

VISION STATEMENT FOR FINANCIAL MANAGEMENT

To provide efficient, effective, and responsive service to its customers by empowering its employees, encouraging new ideas, and continually taking advantage of information technology to improve work processes.

GOALS AND STRATEGIES**GOAL**

As part of the Agency's overall, long-term goal of modernizing and integrating information systems, the Commission plans to replace its automated accounting system and its other stand alone financial systems with a single integrated Financial Management System (FMS). The new FMS will incorporate all existing financial and resource management information systems; meet the requirements for automated financial management systems contained in the Joint Financial Management Improvement Program (JFMIP) directives; and satisfy the goals of the National Performance Review for moving towards electronic methods of acquisition. The FMS will capitalize on the opportunities for improvement in operating efficiencies that a new integrated system will offer, and will resolve current systemic and procedural issues. Additionally, the new FMS will:

- standardize, integrate, and speed-up financial processes via automation, including budgeting, procurement, accounting, resource management, and financial reporting;
- establish, monitor, and maintain control over Federal funds;
- facilitate more effective management, analyses, and projections for planning purposes;
- improve customer service and support of goods, supplies and services for the Agency; and
- improve the speed and reliability of communicating financial information throughout the Agency and to external agencies, organizations, and citizens.

STRATEGIES

Analysis of Current Business Functions - A detailed analysis of current financial and resource management processes was performed and documented. The current business processes analyzed included: budget; procurement; accounting and financial management and resource management processes. Each business function has been described in general terms with a detailed listing and flow diagram of the processes involved in each function. This analysis revealed systemic issues affecting the efficiency of the processes, and opportunities for improvement.

Defining a "Concept of Operations" - A concept of operations has been developed. The concept of operations defines the desired or proposed methods and procedures necessary for staff to perform their duties more effectively and efficiently, and to be more responsive to their customers by taking advantage of information technology with a new automated integrated FMS. The concept of operations provides a new vision for the financial management organization, objectives for automating the new FMS, the scope of functions and the organization boundaries to be automated, and the expected service life of the system. It further provides specific business imperatives and information technology principles considered important in the new FMS, and a summary of the opportunities for potentially improving current work activities with the new FMS.

Specification of System Requirements - System requirements for the integrated FMS were identified based on the detailed analysis of the current business functions, and the management level goals and objectives established in the Concept of Operations. System requirements include:

Functional Requirements - what business functions and processes will be supported by the system.

Data Requirements - what data are required to support those business functions.

Technical Requirements - what environment needs to be in place to satisfy management objectives and support implementation of the functional data requirements.

The development and documentation of the system requirements for the integrated FMS took place within the context of a continuing effort to develop the EEOC Enterprise Model. The previous focus of the Enterprise Model development effort has been the Integrated Mission Statement which is a

Equal Employment Opportunity Commission

program mission oriented system.

The integrated FMS is the first administrative system to be targeted for integration with the Enterprise Architecture models.

Analysis of Alternative Strategies - Work is to begin on conducting an analysis of alternative strategies for developing an integrated FMS. The analysis will consider the available software applications and potential technical architectures to determine which overall hardware and software environment is the most technical effective and cost beneficial to the Agency.

Prepare Letter of Interest - A Letter of Interest (LOI) will be prepared announcing to all vendors (i.e., on GSA's Financial Management System Software Multiple Award Schedule program,) the Commission's requirements for the acquisition of commercial software for a FMS, and for the acquisition of services and support related to the implementation of such a software package. As part of the LOI process, an operational capabilities demonstration will be developed to test vendors' ability to process the Commission's basic accounting transactions, the efficiency of procedures associated with the transaction entry, and the efficiency of computer utilization while processing the selected transactions in an integrated environment.

Contract Award and Implementation - An initial contract will be awarded for the Core System and possibly one or more non-core modules. Additional non-core modules are planned to be added at later dates.

FINANCIAL SYSTEMS STRUCTURE - BASELINE

The Commission Accounting System (CAS) is the Commission's core FMS. It is a mainframe-based, batch processing system that was developed in 1979. Due to various constraints, other financial and mixed systems such as budget, procurement, property, document tracking, were developed as application specific systems that are not integrated with CAS.

In reviews by the Department of Treasury (Treasury) and an independent consulting firm, no material weaknesses have been found regarding CAS, internal controls, or the Commission's financial reporting practices and procedures. However, Treasury did find the system to be obsolete, requiring extensive time and programming cost to retrieve information, and recommended that the Commission purchase a new FMS.

Equal Employment Opportunity Commission

Several problems regarding the operation and the technology platforms currently deployed for the Commission's financial and mixed systems have been identified by senior management. These problems affect the Commission's ability to capture, record, monitor, and report financial information efficiently, effectively and responsively. These problems include:

- Financial and mixed systems are obsolete. The systems can not adequately support the financial processing and information requirements of the Commission, they can not easily share information, nor can they be easily integrated with other information systems because they employ different incompatible technologies.
- Duplicate procedures have been introduced to accommodate incompatible and different information needs between Commission offices; and
- Redundant paper work, paper flow, and paper storage have been introduced in an attempt to provide better, more timely information.

In spite of these limitations, an independent contractor found that the Commission has remained responsive to its customers, has maintained the effectiveness and efficiency of its operations (within the limits imposed by its existing information systems), and has maintained the integrity of the financial management systems.

TARGET STRUCTURE FOR FINANCIAL AND MIXED SYSTEMS

To resolve or eliminate the problems identified with the current systems, the Commission has decided to pursue the development and implementation of an integrated FMS. The FMS is defined as a set of application software modules and technical architecture components that support all accounting, budget, procurement and resource management business functions; that extend the automation of these functions to select staff in both Headquarters and District offices; that extend the capability for access to the information captured and processed by the system to a significant subset of the Commission's management and staff; and that satisfy all or most of the identified functional, data and technical system requirements.

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PROJECTS REQUIRED TO MOVE FROM BASELINE TO TARGET

<u>PROJECT</u>	<u>ESTIMATED COMPLETION DATE*</u>
Systems Requirements Analysis	April 1995
Issue Letter of Interest to Vendors on GSA's FMS Schedule	April 1996
Analysis of Alternatives	September 1996
Award Contract for Core System	February 1997
Implementation of Core System	June 1998
Non-Core Acquisitions	November 1998
Full System Implementation Including All Non-Core Modules	April 1999

* Completion of projects is contingent on the availability of adequate funding.

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Federal Communications Commission



Fiscal Year 1997 Budget Estimates
Submitted to Congress
March 1996

FEDERAL COMMUNICATIONS COMMISSION

FY 1997 Budget Estimates to Congress

APPROPRIATION LANGUAGE FY 1997

FEDERAL COMMUNICATIONS COMMISSION SALARIES AND EXPENSES

For necessary expenses of the Federal Communications Commission, as authorized by law, including uniforms and allowances therefor, as authorized by 5 U.S.C. 5901-02; not to exceed \$600,000 for land and structures; not to exceed \$500,000 for improvement and care of grounds and repair to buildings; not to exceed \$4,000 for official reception and representation expenses; purchase (not to exceed sixteen) and hire of motor vehicles; special counsel fees; and services as authorized by 5 U.S.C. 3109; \$222,338,000, of which not to exceed \$300,000 shall remain available until September 30, 1998, for research and policy studies: Provided, That \$152,523,000 of offsetting collections shall be assessed and collected pursuant to section 9 of title I of the Communication Act of 1934, as amended, and shall be retained and used for necessary expenses in this appropriation, and shall remain available until expended: Provided further, That the sum herein appropriated shall be reduced as such offsetting collections are received during fiscal year 1997 so as to result in a final fiscal year 1997 appropriation estimated at \$70,015,000: Provided further, That any offsetting collections received in excess of \$152,523,000 in fiscal year 1997 shall remain available until expended but shall not be available for obligation until October 1, 1997.

FEDERAL COMMUNICATIONS COMMISSION

FY 1997 Budget Estimates to Congress

ACTIVITY DEFINITIONS

Authorization of Service: The authorization or licensing of radio stations, telecommunications equipment and radio operators, as well as the authorization of common carrier and other services and facilities. Includes policy direction, program development, legal services, and executive direction, as well as support services associated with authorization activities.

Policy and Rule Making: Formal inquiries, rule making proceedings to establish or amend the Commission's rules and regulations, action on petitions for rule making and requests for rule interpretations or waivers; economic studies and analyses; spectrum planning, modeling, propagation-interference analyses and allocation; and development of equipment standards. Includes policy direction, program development, legal services, and executive direction, as well as support services associated with policy and rule making activities.

Enforcement: Enforcement of the Commission's rules, regulations and authorizations, including investigations, inspections, compliance monitoring and sanctions of all types. Also includes the receipt and disposition of formal and informal complaints regarding common carrier rates and services, the review and acceptance/rejection of carrier tariffs, and the review, prescription and audit of carrier accounting practices. Includes policy direction, program development, legal services, and executive direction, as well as support services associated with enforcement activities.

Public Information Services: The publication and dissemination of Commission decisions and actions, and related activities; public reference and library services; the duplication and dissemination of Commission records and databases; the receipt and disposition of public inquiries; consumer, small business and public assistance; and public affairs and media relations. Includes policy direction, program development, legal services, and executive direction, as well as support services associated with public information activities.

FY 1997 CONGRESSIONAL BUDGET

ANALYSIS OF CHANGE

Summary of Adjustments
(Funds in thousands of dollars)

Summary of adjustments to base and built-in changes:	FYI	AMOUNT
FY 1996 Conference Committee Funding Level as Referenced in P.L. 104-99.	2,105 1/	\$175,709 1/

Increases to base:

Compensation and Benefits

1. FY 1996 Annualized Pay raise and Locality Pay Adjustment	-	\$ 949
2. FY 1997 Pay raise (1.3%) and Locality Pay Adjustment (1%)	-	\$ 2,475
3. FY 1997 Compensation & Benefits to provide 150 FTEs on Term Appointments to Implement the Telecommunications Act of 1996	150	\$ 9,652
Subtotal Compensation and Benefits		\$ 13,076

1/ The FY 1996 Conference Committee level does not include an additional 40 FTEs and \$9,523,000 in additional funding proposed as an "add-back" for FY 1996 in the President's FY 1997 Budget to Congress.

FY 1997 CONGRESSIONAL BUDGET

ANALYSIS OF CHANGE

Summary of Adjustments
(Funds in thousands of dollars)

Non-Salary	FILE	AMOUNT
1. FY 1997 amount required for fixed cost increases to cover GSA Rent/Mail/ADP production support and maintenance/misc.	--	\$ 882
2. Telecommunications Act Implementation	--	\$ 2,871
3. Relocation of Headquarters Facilities	--	\$ 36,000
Subtotal Non-Salary		\$ 33,753
<hr/>		
Total Increases to Base	+150	\$ 46,829
<hr/>		
Decreases to base:		
1. There are no one-time decreases to the base appropriation in FY 1996	--	--
<hr/>		
Net Adjustments to Base	+150	\$ 46,829
Total FY 1997 Agency Request	2,255	\$222,538

FY 1997 CONGRESSIONAL BUDGET

ANALYSIS OF CHANGE

Summary of Proposed Budget Authority
(Funds in thousands of dollars)

	FY 1996	FY 1997	Net Change
Direct Budget Authority	\$ 99,309	\$ 76,815	\$18,706
Offsetting Collections			
• Regulatory Fees ¹	116,400	151,523	36,123
• Auction Cost Recovery Reimbursements ²	TBD	TBD	-
• Governmental/Other	692	692	-
Total Gross Budget Authority	\$176,309	\$223,138	\$46,829
Full Time Equivalents (FTEs) ³	2,105	2,255	+150

¹ Assumes the amount passed by Conference Committee for FY 1996. Does not include proposed 40 FTEs or \$9,523,000 in funding proposed as an "add-back" to FY 1996 in President's FY 1997 Budget.

² Auction cost recovery reimbursements have been estimated for FY 1996 to be approximately \$28.3 million.

³ FTEs are funded from a combination of Direct Appropriation and Offsetting Collections.

FY 1997 UNCONTROLLABLE COST INCREASES

o <u>Employee Compensation and Benefits</u>	\$3,424,000
Provides funds to cover the cost of the FY 1997 pay raise (1.3%) and locality pay (1.0%) for 75% of the fiscal year, funds to annualize 25% of the FY 1996 pay raise and locality pay increases.	
o <u>Travel and Transportation of Persons and Things</u>	\$ 49,000
Provides for increases to travel and transportation costs, developed in accordance with Office of Management and Budget guidelines for projected inflationary costs (2.7%).	
o <u>Rent, Communications and Utilities</u>	\$ 570,000
Provides funds for GSA estimated rent increase (2.7%) including costs for utilities and cleaning services, non-GSA rentals, departmental and FTS telephone services, postage fees, equipment rentals.	
o <u>Other Services</u>	\$ 180,000
Provides estimated cost increases based on 2.7% inflationary assumptions provided by the Office of Management and Budget. Increase covers federal and non-federal contract services, security, training, health units, maintenance of vehicles, repair of ADP and office equipment, repair of interior space, maintenance of software, and ADP data acquisitions.	
o <u>Printing and Reproduction/Supplies and Materials</u>	\$ 83,000
Provides 2.7% inflationary cost increases for printing, binding, photocomposition services, energy related supplies, departmental, technical and ADP supplies, and subscriptions.	
Total Uncontrollable Cost Increases	\$4,306,000

FY 1996 NON-RECURRING COSTS

Total Non-Recurring FY 1996 Funding Requirements \$ 0

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FY 1997 CONGRESSIONAL BUDGET
ORGANIZATIONAL TABLE

The distribution of Full Time Equivalents (FTEs) listed below by fiscal year reflects the planned allocation of Commission resources. These levels are based on a combination of assumptions regarding estimated workload and anticipated funding levels as presented throughout this document.

	Actual FY 1996 FTE	Estimate FY 1996 FTE	Proposed FY1998 "Add-Back" FTE	Estimate FY 1997 FTE
Office of the Commissioners	40	36		36
Cable Services Bureau	199	190		199
Common Carrier Bureau	261	300	30	427
Compliance & Information Bureau.....	372	304		254
International Bureau	108	125	2	138
Mass Media Bureau	324	302	3	320
Wireless Telecommunications Bureau.....	272	321	5	346
Office of Administrative Law Judges	16	14		14
Office of Comm'n Business Opportunities	8	8		8
Office of Engineering & Technology	92	93		103
Office of the General Counsel	78	80		87
Office of Inspector General	6	5		6
Office of Legislative & Intergovernmental Affairs	14	14		14
Office of the Managing Director	233	220		220
Office of Plans & Policy	19	19		14
Office of Public Affairs	62	66		85
Office of Workplace Diversity	1	4		4
Review Board.....	7	4 1/2		0
Commission FTE Totals	2,112	2,106	40	2,255

1/ This estimate reflects FTE levels projected thru March of 1998, at which time it is proposed that the Board be terminated and associated staff and workload be reassigned to the Office of General Counsel.

2/ The President's Budget includes a proposal to "Add-Back" FY1998 funds and increases the FY1998 FTE allowance by 40 FTEs.

FY 1987 CONGRESSIONAL BUDGET
ACTIVITY TABLE

		Actual FY 1986 FTE	Estimate FY 1986 FTE	Proposed FY 1986 'Add-Back' FTE	Estimate FY 1987 FTE
I. AUTHORIZATION OF SERVICE					
a.	Mass Media	200	187		187
b.	Common Carrier	7	7		7
c.	Wireless Telecommunications	163	154		154
d.	Engineering & Technology	32	32		32
e.	Cable Services	4	4		4
f.	International Bureau	40	39		37
g.	Legal & Program Support	86	87		81
	TOTAL FTEs	532	510		502
II. POLICY & RULEMAKING					
a.	Mass Media	53	48	3	46
b.	Common Carrier	67	101	30	210
c.	Wireless Telecommunications	72	112	5	137
d.	Engineering & Technology	54	55		55
e.	Cable Services	47	46		57
f.	International Bureau	86	75		90
g.	Compliance & Information	11	6	2	6
h.	Plans & Policy	19	19		14
i.	Legal & Program Support	87	101		133
	TOTAL FTEs	468	503	40	777
III. ENFORCEMENT					
a.	Mass Media	47	46		46
b.	Common Carrier	167	192		210
c.	Wireless Telecommunications	17	19		19
d.	Engineering & Technology	3	3		3
e.	Cable Services	129	122		130
f.	Compliance & Information	247	206		171
g.	Legal & Program Support	129	184		114
	TOTAL FTEs	746	710		692

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FY 1987 CONGRESSIONAL BUDGET
ACTIVITY TABLE

	Actual FY 1986 FTE	Estimate FY 1986 FTE	Proposed FY 1986 'Add-Back' FTE	Estimate FY 1987 FTE
IV. PUBLIC INFORMATION SERVICES				
a. Mass Media	24	22		22
b. Wireless Telecommunications	30	36		36
c. Engineering & Technology	3	3		3
d. Cable Services	20	18		18
e. International Bureau	10	11		11
f. Compliance & Information	114	93		78
g. Public Interaction	77	80		79
h. Legal & Program Support	66	69		47
TOTAL FTEs	344	322		284

COMMISSION TOTALS

Mass Media	324	302	3	320
Common Carrier	261	300	30	427
Wireless Telecommunications	272	321	5	346
Engineering & Technology	92	93		103
Cable Services Bureau	188	180		188
International	108	125	2	138
Compliance & Information	372	304		264
Plans & Policy	19	19		14
Public Interaction	77	80		79
Legal & Program Support	366	371		375
	2,112	2,106	40	2,286

^{1/} The President's Budget includes a proposal to "Add-Back" FY 1986 funds and increase the FY 1986 FTE allowance by 40 FTEs.

FY 1987 CONGRESSIONAL BUDGET

Summary of Requested Resources
 [Dollars In Thousands]

The Federal Communications Commission's budget estimates for Fiscal Year 1987 are summarized below:

BUDGET AUTHORITY:	1986 Actual	1986 Est. ^{3/}	1987 Est.	Net Change To Budget Authority
Direct Appropriation				
Current	\$68,832	\$68,308	\$70,015 ^{4/}	\$10,708
No-Year (P.L. 103-80)	900 ^{1/}	--	--	--
Expired: Procurement cost savings reduction (P.L. 103-317)	-187	--	--	--
H.R. 1844 Admin/Travel Expense Reccission (P.L. 104-19) ...	-108	--	--	--
Lapsed Unobligated Balance	-127	--	--	--
Total Direct Appropriation	\$68,830	\$68,308	\$70,015	\$10,708
Offsetting Collections				
Governmental/Other	846	600	600	--
Regulatory Fees	118,400	118,400	152,823	\$36,123
Auctions Cost Recovery/ Reimbursements (P.L. 103-80)	23,885	TBD ^{2/}	TBD	--
Total Offsetting Collections	\$140,630	\$117,000	\$153,123	\$36,123
Total Budget Authority - Available to incur obligations	\$210,130	\$176,308	\$223,138	\$46,828

1/ Balance of no-year funds used to complete requirements of the Cable Act.

2/ Estimated funding required to conduct auctions in FY 1986 is \$38,914,000 as included in the President's Budget at time of submission.

3/The 1986 amounts assume levels recommended by conference committee of the House and Senate Appropriations Committees.

4/ Direct Appropriation total includes \$30,000,000 in one-time cost for relocation of Headquarters facilities to the Portals in FY 1987.

DISTRIBUTION OF OBLIGATIONS:

Direct Appropriation	1996 Actual	1996 Est.	1997 Est.	Net Change To Obligations
Current:				
Personnel Compensation	\$42,241	\$38,096	\$26,823	
Personnel Benefits	8,239	7,548	5,322	
Benefits to Former Employees	790	149	98	
Other Obligations	17,267	13,514	37,972	
Subtotal - Current	\$68,527	\$59,309	\$70,015	\$10,706
Expired/Lapsed	-127			
No-Year:				
Other Obligations	900	--	--	--
Subtotal No-Year	\$900	--	--	--
Subtotal - Direct Obligations	\$69,300	\$59,309	\$70,015	\$10,706
Offsetting Collections				
Governmental/Other	8545	9600	9600	--
Regulatory Fees	116,400	116,400	182,823 2/	\$36,123
Auctions Cost Recovery/ Reimbursements (P.L. 103-66)	23,866	TBD 1/	TBD	--
Subtotal - Obligations from offsetting collections	\$140,930	\$117,000	\$183,123	\$36,123
TOTAL OBLIGATIONS	\$210,130	\$176,309	\$223,138	\$46,829

1/ Does not include \$28,314,000 in estimated obligations required to conduct auctions in FY 1996,
to more clearly illustrate the net appropriations request to Congress.

2/ Includes \$12,823,000 to provide for implementation of the Telecommunications Act.

OUTLAYS:	1986 Actual	1986 Est.	1987 Est.
Direct Appropriation			
From Prior Years	\$3,018	\$3,800	\$3,806
From Current Appropriation	68,982	64,770	65,814
Subtotal - Direct Appropriation	\$68,940	\$68,590	\$68,670
Offsetting Collections			
From Prior Years	80	80	80
From Offsetting Collections [all sources]	140,000	117,000 1/	153,123
TOTAL OUTLAYS [Gross]	\$157,770	\$175,690	\$222,793

1/ Does not include outlays associated with \$25,814,000 in estimated obligations to provide auctions conduct in FY1988.

	1986 Actual	1986 Est.	1987 Est.
Total Compensable Workyears:			
Full-Time Equivalent employment [FTEs]	2112	2106	2206
Direct (Est.) 2/	632	510	602
Reimbursable (Est.) 2/	1,500	1,000	1,700

2/ The distribution of FTEs between Direct and Reimbursable is estimated based on anticipated workload as reflected in the Activity Table taking into consideration those areas supported by Regulatory Fees.

**FY 1997 Congressional Budget
SUMMARY TABLES
DISTRIBUTION OF RESOURCES**
(Dollars in Thousands)

-The following tables depict the present distribution of personnel compensation and benefits and other obligations for Fiscal Years 1995-1997 based on a percentage ratio of direct and collecting collections budget authority to the total Budget Authority available for each fiscal year:

DIRECT AUTHORITY:	FY 1995 Bd.	FY 1996 Bd.	FY 1997 Bd.	Net Change in Dir. Bd.
11 Personnel Compensation	\$ 42,341	\$ 34,000	\$ 34,023	
12 Personnel Benefits	8,329	8,746	8,722	
13 Benefits for Former Personnel	8 750	8 149	8 98	
Other Obligations by Object Class				
21 Travel & Transportation of Persons	8 799	8 588	8 395	
22 Transportation of Things	44	105	70	
23 Rent, Communications, Utilities	7,658	6,862	8,253	
24 Printing	529	342	345	
25 Other Services	6,991	4,288	15,405	
26 Supplies & Materials	1,031	677	2,850	
31 Equipment	1,332	638	16,750	
32 Land, Buildings, Structures	11	0	0	
42 Inv. Chanc. & Intangibles	3	7	4	
43 Prompt Payment Act-Interest	2	1	2	
Total Direct Authority Obligations	\$ 69,300^V	\$ 59,369	\$ 70,015^V	\$ 10,706

^V Includes \$900,000 in no-year funds associated with cable implementation.

^V Includes \$30,000,000 in one-time costs for relocation of headquarters facilities to the Portals.

FY 1997 Congressional Budget
SUMMARY TABLES
DISTRIBUTION OF RESOURCES
(Dollars in Thousands)

AUTHORITY TO USE OFFSETTING COLLECTIONS:	FY 1995 Est.	FY 1996 Est.	FY 1997 Est.	Net Change to OAG Call Out/Pmt
REGULATORY FEES				
11 Personnel Compensation	\$ 71,863	\$ 74,778	\$ 101,191	
12 Personnel Benefits	\$ 14,822	\$ 14,814	\$ 30,226	
13 Benefits for Former Personnel	\$ 1,345	\$ 291	\$ 342	
Other Obligations by Object Class				
21 Travel & Trans. of Persons	\$ 1,361	\$ 1,141	\$ 1,518	
22 Transportation of Things	74	206	243	
23 Rent, Communications, Utilities	13,047	13,467	16,253	
24 Printing	833	711	856	
25 Other Services	9,780	8,400	7,223	
26 Supplies & Materials	1,790	1,329	1,889	
31 Equipment	2,228	1,251	2,756	
32 Land, Buildings, Structures	19	--	--	
42 Inter. Claims & Indemnities	6	13	16	
43 Prompt Payment Act-Interest	4	7	8	
Total Obligations from Regulatory Fees	116,400	116,400	152,523 ^v	36,123
Governmental/Other Reimbursable Authority	545	600	600	--
Auctions Cost Recovery Reimbursement Authority	<u>23,895</u>	<u>TBD^v</u>	<u>TBD</u>	--
TOTAL GROSS BUDGET AUTHORITY	\$210,130	\$176,309^v	\$223,138	\$ 46,829

^v At the time of submission, Auction costs were estimated to be \$28,314,000.

^v Does not include \$9,523,000 "Add Back" for Telecommunications Act Implementation recommended by the President.

^v Includes \$12,523,000 to support the implementation of the Telecommunications Act.

**SUMMARY OF CHANGES
TO CURRENT APPROPRIATION**
(Dollars in thousands)

Personnel Compensation	\$+16,997
Personnel Benefits	\$ +2,169
Other Obligations.....	\$+13,732
Total Increase	\$+46,828

This section provides a description of the funding requested for FY 1997 by budget category. These increments are funded from the two types of Budget Authority, Direct and Offsetting Collections (regulatory fees), available to the FCC. Proposed increases are associated with either Direct Authority, i.e., revenues of headquarters facilities; the authority to use offetting collections (regulatory fees), i.e., Telecommunications Act implementation; or a combination of these two types of budget authority, i.e., pay raise/locality pay and inflationary cost increases.

Estimated Changes

<u>Compensation/Benefits</u>	\$ +13,876
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- o Pay Raise annualized for FY 1996
Provides funds for the FY 1996 pay raise annualized for 25% of FY 1997
- o Pay Raise and Locality Pay for 75% of FY 1997
Provides funds for the pay raise (1.3%) and locality pay (1%)
- o Pending for 150 FTEs to implement the Telecommunications Act
Provides funding for 150 FTEs on term appointments to implement the Telecommunications Act of 1996. Funds to implement the Act will be provided through proposed increases in Regulatory Fees

Other Obligations

<u>Travel and Transportation of Persons</u>	\$ +190
---	---------

- o Domestic/Joint Board/International Travel
Provides inflationary cost increases (2.7%) for travel and transportation, and funding (\$143,000) necessary to implement of the Telecommunications Act. Funds to implement the Act will be provided through proposed increases in Regulatory Fees

o	Leased, Passenger Vehicles Provides inflationary cost increases	2
	Transportation of Themes	\$ +2
o	Rent, Non-Passenger Commercial/GSA Vehicles Inflationary cost increases for rental of non-passenger vehicles	2
	Rents, Communications, Utilities	\$ +4,177
o	Relocation Costs Provides one-time costs for utilities and bridge rent to relocate headquarters facilities to the Portals. Funds for these costs have been included in the Direct Budget Authority portion of this request	3,607
o	GSA Space Rent Provides funding for inflationary cost increases for office space pending relocation to the Portals	408
o	Non-GSA Space Rent Provides funding for inflationary cost increases	17
o	GSA Telephone Provides funding for inflationary cost increases	48
o	Mail Service-Postage Provides funding for inflationary cost increases	24
o	Gas, Electric, Other Utilities Provides funding for inflationary cost increases	14
o	Telecommunication Service-Non-GSA Provides funding for inflationary cost increases	45
o	ADP/Copier Equipment Rental Provides funding for inflationary cost increases	14

Printing and Reproduction	8	+28
● Printing/Reproduction	Provides funding for inflationary cost increases	4	
● Printing and Binding	Provides funding for inflationary cost increases	17	
● Reproduction	Provides funding for inflationary cost increases	5	
● Microfilm/Photocopying Service	Provides funding for inflationary cost increases	2	
Other Services	3	+15,006
● Relocation Costs	Provides one-time costs for contract services to relocate to the Portals including Architectural and Engineering (A&E) Management Support Services; general services; information technology and telecommunications systems contract services for the installation of communication lines for voice and data; construction of a consolidated public reference center, library, high density file rooms; development and installation of central and decentralized computer facilities, the computer network and security systems. Funds have been included in the Direct Budget Authority portion of this request	13,671	
● Provide funding for contract services including clerical support for joint board activities, data entry and research and analysis support to implement of the Telecommunications Act of 1996.	Funds will be provided through proposed increase in Regulatory Fee	1,135	
● Contract Services—Non-Personnel	Provides funding for inflationary cost increases	71	
● ADP Data Retrieval Services	Provides funding for inflationary cost increases	6	
● Training/Tuition/Fees	Provides funding for inflationary cost increases	2	

o	Guard Services—Federal Provides funding for inflationary cost increases	11
o	Security Investigations—Federal Provides funding for inflationary cost increases	1
o	Interagency Contracts Provides funding for inflationary cost increases	35
o	Space Repair Provides funding for inflationary cost increases	9
o	Health Services Provides funding for inflationary cost increases	2
o	Repair/Maintenance of Vehicles Provides funding for inflationary cost increases	1
o	ADP Software/Equipment Maintenance Provides funding for inflationary cost increases	29
o	Repair Office Equipment/Furniture Provides funding for inflationary cost increases	13
Supplies and Materials		8
Relocation Costs		+2,733
o	Provides one-time costs for supplies and materials for the relocation of the headquarters facilities to the Portals including cabling for voice and data communications, carpet tile, reference room file materials, office accessories, etc. Funds have been included in the Direct Budget Authority portion of this request	2,392
o	Provides funding for basic office and ADP supplies and materials to be used by 150 FTEs requested to implement the Telecommunications Act of 1996. Funds will be provided through proposed increases in Regulatory Fee	286

● Field Post Supplies Provides funding for inflationary cost increases	3
● ADP Supplies Provides funding for inflationary cost increases	5
● Crown, Subscriptions/Publishments Provides funding for inflationary cost increases	8
● Departmental/Field Supplies Provides funding for inflationary cost increases	23
● Copy Supplies/Materials Provides funding for inflationary cost increases	4
● GSA Faculty Supplies Provides funding for inflationary cost increases	4
● Technical Supplies/Materials Provides funding for inflationary cost increases	8
Equipment	\$ +11,617
● Relocation Costs Provides one-time costs for systems furniture and high density storage files required for the relocation to the Portals. (Does not include storage, shipping, installation cost reflected in other object classifications.) Funds for these costs have been included in the Direct Budget Authority portion of this request	10,330
● Provides funding for computer equipment and office furniture to provide workstations for the 150 temporary FTEs requested to implement the Telecommunications Act of 1996. Funds will be provided through proposed increases in Regulatory Fees	1,287

RECEIVED
FEDERAL BUREAU OF INVESTIGATION
U.S. DEPARTMENT OF JUSTICE

Leads and Structures No Change
Insurance Claims and Indemnities No Change
Except Payment And Interest No Change

FY 1987 CONGRESSIONAL BUDGET
ALLOCATION BY OBJECT CLASS CODE
(Dollars in thousands)

OBJECT CLASS CODE	Actual FY 1986	Estimated FY 1986	Adjustments To Establish FY 1987 Base /		Programmatic Changes	FY 1987 Total Request
			To Establish FY 1987 Base /	FY 1987 Base		
11 Personnel Compensation	\$114,194	\$112,000	\$6,002	\$110,770	\$6,044	\$127,814
12 Personnel Benefits	\$82,381	\$82,000	\$1,000	\$82,000	\$1,000	\$82,000
13 Benefits for Former Personnel	\$0,136	\$440	\$0	\$440	\$0	\$440
21 Travel & Trans. of Persons	\$2,160	\$1,721	\$47	\$1,768	\$148	\$1,911
22 Transportation of Things	\$110	\$911	\$0	\$912	\$0	\$912
23 Posts, Communications, Utilities	\$88,714	\$88,000	\$570	\$88,500	\$8,507	\$96,000
24 Printing	\$1,412	\$1,073	\$0	\$1,101	\$0	\$1,101
25 Other Services	\$16,571	\$12,000	(\$4,571)	\$7,429	\$14,000	\$22,000
26 Supplies & Materials	\$8,701	\$8,000	\$0	\$8,801	\$8,570	\$17,370
31 Equipment	\$0,000	\$1,000	\$0	\$1,000	\$11,617	\$12,617
32 Land, Buildings, Structures	\$0	\$0	\$0	\$0	\$0	\$0
42 Inter. Chars. & Indemnities	\$0	\$00	\$0	\$00	\$0	\$00
43 Prompt Payment Act-Interest	\$0	\$10	\$0	\$10	\$0	\$10
SUB TOTAL CURRENT AUTHORITY (Direct and Obligating Commitments) Reimbursements - Story/Other	\$168,700 1/	\$170,700	\$4,300	\$168,918	\$42,000	\$220,918
Assured Cost Recovery - Reimbursement	\$000 2/	\$100 3/	\$0	\$100	\$0	\$000
TOTAL REQUEST	\$170,700	\$170,800	\$4,300	\$168,918	\$42,000	\$220,918

1/ Includes \$600,000 in no year funds associated with cable implementation.

2/ Estimated funding to conduct auctions in FY 1988 is \$88,314,000 at the time of this submittal. Estimates are not included in the chart.

In an effort to present a more clear comparison of requested funds.

3/ Net increase results from pay rate/costly cost increases (\$0,400), inflationary increases (\$002), and reallocation of resources between object classes (\$0).

FY 1987 CONGRESSIONAL BUDGET
 PRORATA ALLOCATION BY OBJECT CLASS CODE
 Direct Authority and Offsetting Collections
 (Dollars in thousands)

OBJECT CLASS CODE	FY 1986 Funding Source			FY 1987 Funding Source			FY 1987 Total OC Allocation
	Direct Authority	Offsetting Collections	=	Direct Authority	Offsetting Collections	=	
11 Personnel Compensation	\$34,064	\$74,770	\$112,834	\$28,823	\$101,191	\$127,814	
12 Personnel Benefits	\$7,446	\$14,814	\$22,362	\$6,322	\$20,228	\$25,550	
13 Benefits for Former Personnel	\$146	\$291	\$440	\$86	\$342	\$440	
21 Travel & Trans. of Persons	\$680	\$1,141	\$1,821	\$365	\$1,818	\$1,811	
22 Transportation of Things	\$106	\$308	\$411	\$70	\$243	\$313	
23 Rents, Communications, Utilities	\$6,062	\$13,467	\$20,529	\$6,283	\$10,253	\$14,506	
24 Printing	\$362	\$711	\$1,073	\$246	\$806	\$1,101	
25 Other Services	\$4,380	\$8,400	\$12,780	\$18,405	\$7,229	\$22,628	
26 Supplies & Materials	\$677	\$1,229	\$2,006	\$2,860	\$1,669	\$4,739	
31 Equipment	\$638	\$1,251	\$1,889	\$10,750	\$2,798	\$13,508	
32 Land, Buildings, Structures	\$0	\$0	\$0	\$0	\$0	\$0	
42 Insur., Claims & Indemnities	\$7	\$13	\$20	\$4	\$16	\$20	
43 Prompt Payment Act - Interest	\$3	\$7	\$10	\$2	\$6	\$10	
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	
Budget Authority - Direct	\$68,308		\$68,308		\$70,015		\$70,015
Budget Authority - Offsetting Collections:							
Regulatory Fees	\$116,400		\$116,400		\$102,523		\$152,423
Reimbursable Program - Gov't/Other	\$600		\$600		\$600		\$600
Auctions Cost Recovery - Reimbursement (Est.)	TBD		TBD 1/		TBD		TBD
Total Gross Budget Authority			\$176,308				\$223,198

1/ Estimated funding to conduct auctions in FY 1988 is \$26,314,000 at the time of this submission. Estimates are not included in the chart in an effort to present a more clear comparison of requested funds.

FY 1987 CONGRESSIONAL BUDGET**RELOCATION FUNDING REQUIREMENTS
(000)**

<u>Activity</u>	<u>(FY 1987 Total)</u>
o Contract Support:	
- Temporary Guard Service	200
- GSA Alterations Fee	800
- A&E Services, Administrative Contract Support, Relocation/Moving Services	700
SUB - TOTAL	\$1,500
o Systems Furniture:	
- Systems Furniture (includes Installation & Storage/ Accessories & Design Services)	11,000
- Chairs (includes Shipping)	2,184
SUB - TOTAL	\$13,284
o Other Furniture/Furnishings, Including:	
- Conventional Office Furniture/Meeting Rooms	0
- Reference Rm/Library/High Density Files	636
- High Density File/Storage - Relocation/Installation/Equipment	220
SUB - TOTAL	\$1,066
o Information Technology & Telecommunications Systems:	
- Cabling	2,000
- Telecommunications	1,000
- Network Equipment & Supplies/ Interbuilding Network Systems	1,560
- Installation and Configuration of Network/ Auxiliary Systems/End - User Systems	2,400
SUB - TOTAL	\$8,960

FY 1997 CONGRESSIONAL BUDGET

RELOCATION FUNDING REQUIREMENTS
(\$000)

<u>Activity</u>	<u>FY1997 Total</u>
o Construction/Alterations:	
- Special Construction: Computer, Library, Public Rel. Room, Hearing	2,130
- FCC Communications Center	380
- Carpet Tile	22
- Security Systems	828
- Signage	236
- AV/BC Record Facility	200
SUB-TOTAL	<u>\$3,816</u>
o Miscellaneous Rents, Utilities, etc. :	<u>\$3,303*</u>
GRAND TOTAL	<u>\$30,000</u>

* The estimated costs for "Bridge Rent" requirements in FY1998 have not been calculated.

The Following Reports are no Longer Required:

• **Metric Conversion Report**

P.L. 104-66 December 21, 1995; TITLE III-REPORTS BY ALL DEPARTMENTS AND AGENCIES, Sec. 3001 Reports eliminated subsection (e), repeals REPORT ON PLANS TO CONVERT TO THE METRIC SYSTEM-Section 12 of the Metric Conversion Act of 1975 (U.S.C. 205).

• **Inspector General Annual Reporting Requirement**

The Inspector General's annual report is no longer required as stated in P.L. 104-65, the Lobbying Disclosure Act of 1995. Section 10(b) of the Public Law deleted subsection (d) of 31 U.S.C. 1352 (the Byrd Amendment) which included the requirement for the Inspector General's annual report.

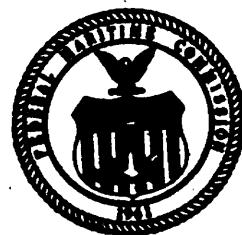
• **Annual Report relating to Drug-Testing activities by the FCC.**

Only agencies with budget authority or outlays for drug control programs that exceed \$500,000 are required to submit the materials described in sec 45.2 of the OMB Circular A-11.

• **Threshold Exemption, Exhibits 43-A,B,C**

As referenced in Circular A-11 revised and dated June 6, 1995, OMB guidelines establish a threshold of \$50 million for reporting requirements. Therefore, the Federal Communications Commission is exempt from submitting exhibits 43-A, Report on Information Systems, 43-B, Major Information Technology Acquisition Plans; and 43-C, Report on Obligations for Information Technology Systems.

FEDERAL MARITIME COMMISSION



(22)

BUDGET ESTIMATES

FISCAL YEAR 1997

SUBMITTED TO THE APPROPRIATIONS COMMITTEE

FEDERAL MARITIME COMMISSION

Budget Estimates Fiscal Year 1997

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FEDERAL MARITIME COMMISSION

Salaries and Expenses

For necessary expenses of the Federal Maritime Commission as authorized by Section 201(d) of the Merchant Marine Act of 1936, as amended (46 App. U.S.C. 1111), including services as authorized by 5 U.S.C. 3109; hire of passenger motor vehicles as authorized by 31 U.S.C. 1343 (b); and uniforms or allowances therefor, as authorized by 5 U.S.C. 5901-02; \$15,000,000: Provided, that not to exceed \$2,000 shall be available for official reception and representation expenses. (Departments of Commerce, Justice and State, the Judiciary, and Related Agencies Appropriation Act, 1996.)

FEDERAL MARITIME COMMISSION

Summary and Highlight Statement

Budget Estimates, 1997

The Federal Maritime Commission ("FMC" or "Commission") is an independent regulatory agency which currently administers the Shipping Act of 1984 ("1984 Act"); the Shipping Act, 1916 ("1916 Act"); the Intercoastal Shipping Act, 1933 ("1933 Act"); sections 19(1)(b) & (c) of the Merchant Marine Act, 1920 ("1920 Act"); the Foreign Shipping Practices Act of 1988 ("FSPA"); Public Law 89-777 (passenger vessel certification); and other related statutes.¹ Among its major responsibilities, the Commission: monitors the activities of ocean common carriers, marine terminal operators, conferences, ports and freight forwarders who operate in the U.S. foreign commerce to ensure they maintain just and reasonable practices; maintains a trade monitoring and enforcement program designed to detect and appropriately remedy malpractices and violations of the prohibited acts set forth in section 10 of the 1984 Act; monitors the laws and practices of foreign governments which could have a discriminatory or otherwise adverse impact on shipping conditions in U.S. trades, and imposes retaliatory remedial action as appropriate pursuant to section 19 of the 1920 Act and the FSPA; enforces special regulatory requirements applicable to carriers owned or controlled by foreign governments; and processes and reviews agreements, service contracts, and tariffs filed pursuant to the 1984 Act for compliance with statutory requirements. The Commission also regulates the rates of ocean common carriers operating in U.S. domestic offshore trades, issues licenses to qualified freight forwarders, ensures that passenger vessel operators demonstrate adequate financial responsibility in case of nonperformance or injury to passengers, and ensures that all non-vessel-operating common carriers in the foreign oceanborne commerce of the United States are bonded or maintain other evidence of financial responsibility.

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¹ The Commission's relatively minor functions pertaining to the 1916 and 1933 Acts will cease on September 30, 1996, upon the effective date of the repeal of those statutes pursuant to the ICC Termination Act of 1995.

The Commission's significant achievements during the past fiscal year include the following:

--Instituted two separate adjudicatory proceedings under Fact Finding Investigation No. 21 which was launched in response to reports of alleged unlawful activity by the Trans-Atlantic Agreement ("TAA"), subsequently Trans-Atlantic Conference Agreement ("TACA") and its member lines, such as unreasonably increasing transportation costs by reducing competition in the North Atlantic Trades and knowingly and willfully accepting cargo for the account of untariffed or unbonded non-vessel-operating common carriers ("NVOCCs"), or entering into service contracts with such carriers, to name a few. Docket No. 94-29 was an investigation into unlawful restraints on the right of TACA members to take independent action and Docket No. 94-30 was an investigation into unlawful container pools operated by TACA members and apparently sanctioned by TACA. A proposed settlement agreement was submitted to the Commission and public comment was sought on it. On February 24, 1995, the Commission conditionally approved the settlement agreement in the TACA cases and on March 9, 1995, it became effective. TACA agreed to roll back rates to 1994 levels, which is estimated to save U.S. shippers and importers about \$70,000,000. TACA also agreed, among other things, to revise service contracts and contracting procedures, and agreement provisions dealing with independent action.

--Initiated an Advance Notice of Proposed Rulemaking concerning section 6(g) of the 1984 Act. The purpose of the Advance Notice was to obtain comments on whether the Commission should issue regulations or guidelines that would describe its enforcement policy under 6(g), and if so, what form such guidelines should take. On November 9, 1994, the Commission voted to discontinue this proceeding and to issue a proposed rule to revise its information filing and reporting requirements. This proposed rule, Docket No. 94-31, was issued on December 5, 1994.

--Received a Petition from the Household Goods Forwarders Association of America, Inc. requesting that the Commission exempt NVOCCs by water from the tariff filing and bonding requirements to the extent that they are engaged in the transportation of used household goods and personal effects of personnel of federal civilian executive agencies in the domestic and foreign commerce of the United States pursuant to a solicitation issued and administered by the General Services Administration. The Commission issued notice of the filing of the Petition and requested interested persons to submit their views. Four commenters supported the Petition and no comments were filed in opposition. On August 18, 1995, the Commission granted the Petition and issued a final rule amending its

regulations to exempt NVOCCs by water from the tariff filing and bonding requirements.

--Issued a final rule adopting a new method of calculating the allowable rate of return of a regulated carrier in the domestic offshore trades. The rule changes the methodology from a comparable earnings test to a weighted average cost of capital method. The rule also revises the formula for computing a carrier's rate base.

--Filed a Motion for an Order to Show Cause - Alleged Contempt for Violation of Injunction against Wilfredo Garcia, Virginia Scalabrino, Abu W. Garcia Forwarding Inc., and others upon information that they were violating a previous injunction which prohibits the defendants from violating any provision of the 1984 Act and permanently enjoins them from engaging in any ocean or trucking transportation-related activities and from using "800" telephone numbers. A hearing was held on July 6, 1994, and a bench warrant for Garcia's arrest was issued. On December 30, 1994, the court denied a motion for finding of contempt in absentia.

--Instituted a proceeding to examine the lawfulness of the South Carolina State Ports Authority ("SCSPA") proposed stevedore licensing guidelines for the criteria it will apply to license stevedores and marine terminal operators ("MTOs") operating at SCSPA facilities, as well as provisions reserving to itself certain MTO functions performed at its facilities. This denied competing MTOs access to its publicly owned facilities to perform these functions. The Commission ruled that issues relating to the SCSPA's practice of reserving to itself certain MTO functions involved past and present practices, as well as future practices of the same kind, which were inappropriate for determination in a declaratory proceeding.

--Completed a series of proceedings which ordered carriers to show cause why the Commission should not cancel their paper tariff or essential terms publications for failure to convert them to Automated Tariff Filing and Information System ("ATFI") format. Docket No. 94-20, Cancellation of Tariffs for Failure to Comply with Automated Tariff Filing and Information System ("ATFI") Filing Requirements, was issued on October 14, 1994, to 243 carriers, conferences, and marine terminal operators with paper tariffs on file. The tariffs of 191 of these carriers were cancelled by order issued on February 7, 1995.

--Continued to investigate malpractices in the South American trades. This initiative involved all seven district offices in a comprehensive review of shipments in both the northbound and southbound trades to and from all major points in South America.

In addition to the above, the Commission, as part of its ongoing activities:

--Collected information and monitored conditions in certain countries, to determine whether these countries had engaged in restrictive practices involving intermodal services, including freight forwarding, consolidation, and harbor services.

--Participated in interagency groups and international maritime discussions, particularly as technical advisors to the Interagency Maritime Policy Group, whose other members include representatives of the U.S. Departments of Transportation, State, Commerce, and Justice, and the Office of the U.S. Trade Representative.

--Continued a controlled carrier program designed to identify controlled carriers effectively and quickly, and ensure appropriate monitoring of controlled carrier activities.

--Continued an exchange of enforcement information with the U.S. Customs Service ("Customs") in accordance with a Memorandum of Understanding.

--Monitored the agreement and tariff activity of common carriers and marine terminal operators, and completed several monitoring reports and trade studies to augment surveillance and enforcement efforts.

--Conducted a comprehensive program of tariff integrity enforcement to ensure compliance with the tariff filing and adherence requirements of the 1984 Act.

--Published volume 25 of the hardbound volumes of Commission decisions.

--Issued 208 final decisions of which 14 were formal proceedings, 162 involved special docket applications, and 32 were informal dockets involving shippers' small claims against ocean carriers.

--Collected approximately \$382,000 in fines and penalties. The Commission also collected approximately \$677,000 in fees for publications and photocopies, ocean freight

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forwarder licensing, passenger vessel certification, and special permission and other applications. Also, approximately \$118,000 was collected for ATFI system user fees. These revenues were returned to the Treasury. In addition, approximately \$572,000 was collected under P.L. 102-582.

--Reviewed all user fees to reflect the current cost of providing benefits and services to the public and determined whether any new user fees should be established. The user fees will cover the cost of operations overhead and general and administrative expenses related to the service or benefit provided. Appropriate rulemakings were completed and the new and updated fees became effective during fiscal year 1995.

--Renegotiated a contract to continue operations and support of the ATFI system.

--Prepared several reports in compliance with Presidential and Office of Management and Budget ("OMB") directives on streamlining and management review.

--Reviewed 145 carrier agreements and processed 125 terminal agreements in accordance with the substantive provisions of the 1984 Act.

--Processed 2,355 tariff pages and 309 special permission applications, and reviewed seven foreign tariffs.

--Completed the transition from a paper tariff system to the electronic ATFI system very early in fiscal year 1995. 1,014 new tariffs were filed in the system by marine terminal operators and carriers operating in the U.S. foreign and domestic offshore commerce. These filings included, among other things, 103,418 Rules, 355,673 commodity descriptions and 3,268,654 tariff line items.

--Received and processed 8,099 new service contracts and 8,851 amendments, and continued a program to reject service contracts that fail to comply with statutory and regulatory requirements.

--Processed 372 new applications and applications to amend existing freight forwarder licenses, of which 107 were returned because of various deficiencies.

--Received and processed 69 applications for passenger vessel certificates.

--Processed 1,898 complaints and information requests.

--Continued information resource management and automation efforts to ensure compliance with statutory and regulatory requirements and to ensure effective coordination of the Commission's automation program.

--Continued the review of all internal Commission orders to ensure that they reflect current policies and procedures and that orders which are no longer necessary are revoked and appropriate new orders are drafted.

--Continued implementation of an Equal Employment Opportunity ("EEO") early intervention program to resolve potential problems. No formal EEO complaints were filed in fiscal year 1995.

--Continued to conduct, through the Office of the Inspector General, various audits and operational reviews.

As part of its program objectives for fiscal years 1996 and 1997, in addition to its customary functions, the Commission is planning to:

--Continue to accumulate information on the laws and practices of foreign governments and monitor activities in the U.S. foreign trades to address appropriately any condition which appears unfavorable to U.S. shipping interests.

--Continue to examine the Commission's financial management systems to improve its core financial system with regards to the management of funds, payments, General Ledger, receipt, and reporting. The Commission has identified several new goals and initiatives that are expected to improve the accuracy and timeliness of reporting and the efficiency of the activities.

--Continue the Commission's monitoring, surveillance and enforcement programs to ensure compliance with the shipping statutes. Investigative resources will continue to be directed toward malpractice programs in the major trade routes and the development of new efforts to deter unlawful shipping practices.

--Continue to meet with officials of various trading partners, including the Commission of the European Communities, to discuss issues of mutual interest and to coordinate

activities where possible.

--Continue to maintain operation of the ATPI system.

--Process and review agreements, service contracts, and tariffs filed pursuant to the 1984 Act.

--Continue to refine its internal audit, internal controls programs, and financial management systems to prevent fraud, waste, mismanagement, and misuse of Government funds within the Commission.

--Provide consumer assistance consistent with the policies of Executive Order 12160, "Providing for Enhancement and Coordination of Federal Consumer Programs."

--Continue to monitor the representation of minorities and women in the workplace and update procedures for affirmative action, complaints processing, special emphasis and handicap programs. Initiate additional activities designed to increase an understanding of EEO concepts and principles.

--Continue to develop efficient, effective, and economical automation systems.

--Continue to refine the Commission's training plans and strategy to provide a more structured and effective program.

--Conduct an annual review of all user fees to ensure they reflect the current cost of providing benefits and services to the public.

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--Continue to implement electronic commerce to automate the processing of purchase orders, obligations and payments.

The budget estimates for fiscal year 1997 in the amount of \$15,000,000 provide funding for 160 workyears of employment. The request is \$145,000 more than the \$14,855,000 Conference level for fiscal year 1996, and reflects a reduction of one workyear of employment. Of this amount \$11,066,000 is for salary and benefit costs to support Commission programs, which is a reduction of \$384,000 from 1996. Administrative expense estimates reflect an increase of \$529,000 over 1996. Travel estimates remain at \$81,000 in fiscal year 1997.

This budget request provides for a total funding for ATPI of \$700,000 which is included in the Operational and Administrative Program.

FEDERAL MARITIME COMMISSION

Appropriation: Salaries and Expenses Budget Year: 1997

Summary of Requirements

	1996 <u>(Estimate)</u>	1997 <u>(Estimate)</u>	<u>(Difference)</u>
Salaries and Benefits	\$11,450,000	\$11,066,000	\$(384,000)
Travel	81,000	81,080	0
Administrative Expenses	<u>3,324,000</u>	<u>3,853,000</u>	<u>529,000</u>
Appropriation	\$14,855,000	\$15,000,000	\$145,000

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FEDERAL MARITIME COMMISSION

Program by Activities
(\$000)

	1995 <u>Actual</u>	1996 <u>Estimate</u>	1997 <u>Estimate</u>
Formal Proceedings	\$ 4,393	\$ 3,899	\$ 4,032
Equal Employment Opportunity	110	114	138
Inspector General	266	268	300
Operational and Administrative	2,234	1,591	1,774
Economics and Agreement Analysis	2,010	1,790	1,944
Tariffs, Certification and Licensing	2,760	2,693	2,613
Enforcement	4,313	2,644	2,322
Administration	<u>2,445</u>	<u>1,856</u>	<u>1,877</u>
Total Obligations	\$ 18,531	\$14,855	\$ 15,000

FEDERAL MARITIME COMMISSION

Summary of Salaries and Benefits
(\$000)

	<u>1995</u>	<u>Actual</u>	<u>1996</u>	<u>Estimate</u>	<u>1997</u>	<u>Estimate</u>	<u>Diff.</u>
	<u>MY</u>	<u>Amount</u>	<u>MY</u>	<u>Amount</u>	<u>MY</u>	<u>Amount</u>	<u>MY</u>
Full-time permanent employment (Workyears)	196	\$11,034	161	\$ 9,518	160	\$ 9,364	(1) \$ (154)
Temporary and part-time employment	0	0	0	0	0	0	
Other personnel compensation	—	<u>148</u>	—	<u>1</u>	—	<u>0</u>	<u>(1)</u>
Total Salaries	196	\$11,182	161	\$ 9,519	160	\$ 9,364	(1) \$ (155)
Personnel benefits		<u>1,825</u>		<u>1,931</u>		<u>1,702</u>	<u>(229)</u>
Total Salaries and Benefits	196	\$13,077	161	\$11,450	160	\$11,066	(1) \$ (384)

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FEDERAL MARITIME COMMISSION

Summary of Employment

<u>OFFICES</u>	<u>1995 Workyears</u>	<u>1996 Workyears</u>	<u>1997 Workyears</u>
Formal Proceedings	<u>12</u>	<u>38</u>	<u>39</u>
Office of Commissioners	15	12	12
Office of Secretary	10	10	11
Office of General Counsel	12	12	12
Office of Admin. Law Judges	5	4	4
Office of Equal Employment Opportunity	1	1	1
Office of Inspector General	3	3	3
Office of the Managing Director	12	11	11
Bureau of Economics and Agreement Analysis	21	20	22
Bureau of Tariffs, Certification and Licensing	40	38	38
Bureau of Enforcement	<u>50</u>	<u>26</u>	<u>25</u>
Office of the Director	17	17	16
New York District Office	5	2	2
Houston District Office*	5	0	0
New Orleans District Office*	3	0	0
Miami District Office	5	4	4
San Francisco District Office*	6	0	0
Los Angeles District Office	7	3	3
Puerto Rico District Office*	2	0	0

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<u>OFFICES</u>	1995 <u>Workyears</u>	1996 <u>Workyears</u>	1997 <u>Workyears</u>
Bureau of Administration	<u>27</u>	<u>24</u>	<u>21</u>
Office of the Director	4	4	3
Office of Administrative Services	11	9	8
Office of Budget and Financial Management	6	5	5
Office of Personnel	6	6	5
Total Workyears (FTB)	<u>196</u>	<u>161</u>	<u>160</u>

*NOTE: These field offices were closed • 9/30/95.

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FEDERAL MARITIME COMMISSION

Other Personal Services Data

The salary and benefit estimates for fiscal year 1997 are reduced \$384,000 below fiscal year 1996, and reflect a reduction of one workyear of employment (FTEs). The funding provides for general schedule pay step increases (withingrades); for annualized cost of 1996 Locality Pay increases; and for the FY 1997 pay raise for 75% of the fiscal year. The reduction is primarily due to the cessation of entitlements due to the employees who were terminated through a reduction in force ("RIF") action in our field offices. There are no funds budgeted for overtime or awards.

Personnel benefits amount to \$1,702,000 for current programs, which includes the Government contribution to civil service retirement, FERS, Social Security, group life insurance and health benefits, and worker's compensation and medical benefits.

FEDERAL MARITIME COMMISSION

Travel and Other Administrative Expenses
(\$'000)

	1995 <u>Actual</u>	1996 <u>Estimate</u>	1997 <u>Estimate</u>	<u>Diff.</u>
Travel	\$ 158	\$ 81	\$ 81	\$ 0
Administrative Expenses	\$5,296	\$3,324	\$3,853	\$ 529
Transportation of things	16	0	0	0
Rental payments to GSA	2,321	2,022	2,043	21
Communications, utilities, and miscellaneous charges	331	220	238	18
Printing and reproduction	286	103	105	2
Consultant services	8	10	25	15
Other services	1,947	904	1,261	357
Supplies and materials	286	65	156	91
Equipment	101	0	25	25
TOTAL	\$5,454	\$3,405	\$3,934	\$ 529

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Explanation of Changes in Travel and Administrative Expenses

Travel - \$81,000

Travel requirements for fiscal year 1997 are projected at \$81,000, which is the fiscal year 1996 level.

Administrative expenses - \$3,853,000

Funding requirements for administrative expenses in fiscal year 1997 reflect an increase of \$529,000 above the fiscal year 1996 level. A breakdown of these requirements by object class follows:

Transportation of things - \$0

There is no plan to relocate field office personnel during fiscal year 1997.

Rent - \$2,043,000

This estimate covers the cost of renting office space and reflects an increase of \$21,000 from the fiscal year 1996 level.

Communications, utilities and miscellaneous charges - \$238,000

This category includes payment for telephone communications. This estimate reflects a \$18,000 increase for standard rate increases.

Consulting Services - \$25,000

There are two activities within this category: \$10,000 for expert consultants for tariff automation and \$15,000 for auditing services for the Commission's Inspector General.

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Printing and reproduction - \$105,000

This category includes an increase of \$2,000 above the fiscal year 1996 level for printing costs. Included is \$90,000 for printing in the Federal Register and for printing in the Code of Federal Regulations, \$11,000 for miscellaneous printing and \$4,000 for printing the Commission's annual report.

Other services - \$1,261,000

Included in this estimate are services obtained from private contractors for credit reports, maintenance of equipment, reporting services, and other miscellaneous services. Also included are services furnished by other government agencies for fiscal accounting, protective services associated with the rental of office space, training and other miscellaneous services. Overall funding requirements for "Other services" in fiscal year 1997 reflect an increase of \$357,000. This includes an increase of \$133,000 associated with the ATFI system.

Supplies and materials - \$156,000

An increase of \$91,000 above fiscal year 1996 is reflected for the purchase of supplies and materials. The FMC must replenish supplies and materials it was unable to purchase in fiscal year 1996 due to budget constraints.

Equipment - \$25,000

Furniture and equipment needs are budgeted at \$25,000 in fiscal year 1997. There are no funds budgeted in fiscal year 1996 for these purchases.

FEDERAL MARITIME COMMISSION

Formal Proceedings Program

The Offices of Commissioners, Secretary, General Counsel and Administrative Law Judges comprise the Formal Proceedings Program. Within this program, the Commission conducts hearings, renders formal decisions in the disposition of docketed cases, compiles and maintains all official documents arising from proceedings, and conducts external representation activities before the Congress, courts of law, and other agencies. The duties, responsibilities, and accomplishments of the offices within the program are provided in the following summary.

Office of Commissioners

The Chairman of the Commission is designated by the President of the United States and serves as its chief executive and administrative officer. As such, the Chairman has exclusive authority over agency personnel matters, organization and supervision, distribution of business, and use of funds for administrative purposes.

The Chairman and the other four Commissioners are responsible for making decisions and determinations in the disposition of docketed cases, and ensuring the efficient, equitable, and expeditious resolution of all other matters arising under statutes administered by the Commission.

The Commission promulgates rules and regulations and issues decisions which interpret, enforce and assure compliance with the 1984 Act, 1916 Act, 1933 Act, 1920 Act, FSPA, Public Law 89-777, and related shipping statutes. During the fiscal year ending September 30, 1995, the Commission issued 208 final decisions. Of these, 14 were formal proceedings, 162 involved special docket applications, and 32 were informal dockets involving shippers' small claims against ocean carriers.

Total Number of Workyears	1995	1996	1997
	15	12	12

Office of the Secretary

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The Office of the Secretary serves as the focal point for all matters submitted to and emanating from the members of the Commission. Accordingly, the Office is responsible for preparing and submitting regular and notation agenda matters for consideration by the Commission, and preparing and maintaining the minutes of actions taken on these agenda and notation matters; receiving and processing formal and informal complaints involving violations of the shipping statutes and other applicable laws; receiving, processing and deciding special docket applications and applications to correct clerical or administrative errors in service contracts; issuing orders and notices of actions of the Commission; maintaining official files and records of all formal proceedings; receiving all communications, petitions, notices, pleadings, briefs, or other legal instruments in regulatory and quasi-judicial proceedings and subpoenas served on the Commission or members thereof; administering the Freedom of Information, Government in the Sunshine, and Privacy Acts; responding to information requests from the Commission staff, maritime industry, and the public; issuing publications and authenticating instruments and documents of the Commission; compiling and publishing bound volumes of Commission decisions; and maintaining and promulgating official copies of the Commission's regulations. The Secretary's Office also participates in the implementation of legislative changes to the shipping statutes.

During fiscal year 1995, the Office of the Secretary continued to process administratively and direct all major filings addressed to the Commission and its component offices, including agreements filed under section 5 of the 1984 Act, which must be reviewed and processed within 45 days. Of note was the continued high volume of special dockets filed seeking relief from clerical or administrative errors in rate filings. During fiscal year 1995, volume 25 of the hardbound volumes of Commission decisions was published. The Office currently is pursuing alternate methods of records storage involving optical imaging, and plans to publish further volumes of Commission decisions. The Office also is exploring use of online information dispersal for dissemination of information on Commission activities.

Office of Informal Inquiries, Complaints, and Informal Dockets

The Office of Informal Inquiries, Complaints, and Informal Dockets ("OIICID") coordinates the Commission's informal complaint handling activities by receiving, recording and tracking complaints, and assuring timely replies. OIICID also assists the

general public in securing available informational materials.

In addition, OIICID is responsible for the adjudication of reparations claims seeking \$10,000 or less for alleged violations of the shipping statutes. Although the vast majority of the claims received in earlier years were directed against ocean common carriers for alleged freight overcharges, many cases now involve claims by individuals against NVOCCs. These claims generally allege prohibited acts in connection with the international transportation of household goods.

During fiscal year 1995, OIICID processed 1,898 complaints and information requests. Annual increases in the total case load are foreseen through fiscal year 1997, particularly in light of the closure of four of the Commission's field offices, which had served as a local forum for such activity. Complaints from individuals and shippers/importers made up 62 percent of the total complaints received.

In fiscal years 1996 and 1997, OIICID will continue to conduct its outreach program to the public, and utilize new resources, including online information dispersal, to inform the public of the types of informal assistance available. Targets of the program include shippers and shipper organizations, consumer groups made up of members who deal with cruise lines or other regulated entities, port interests, and government users of transportation services. OIICID also has increased its participation in interagency programs designed to enhance timely responsiveness. The outreach program has played a significant role in enhancing public awareness of the services and assistance OIICID can provide.

Total Number of Workyears	1995	1996	1997
	10	11	11

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Office of the General Counsel

The General Counsel provides legal counsel to the Commission. This includes reviewing for legal sufficiency staff recommendations for Commission action, drafting proposed rules to implement Commission policies, and preparing final decisions, orders, and regulations for Commission ratification. In addition, the Office of the General Counsel provides written or oral legal opinions to the Commission, its staff, or the general public in appropriate cases. As described in more detail below, the General Counsel also represents the Commission before the courts and Congress and administers the Commission's international affairs program.

Decisions and Rulemakings

The following are adjudications and rulemakings representative of matters prepared by the General Counsel's Office:

Fact Finding Investigation No. 21 -- Activities of the Trans-Atlantic Agreement and its Members; [Docket No. 94-29], Practices of the Trans-Atlantic Agreement and its Members With Respect to Independent Action; [Docket No. 94-30], Container Pool Practices of the Trans-Atlantic Agreement and its Members, 27 S.R.R. 51, (February 24, 1995).

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On July 27, 1994, the Commission commenced an extensive investigation into the activities of the TAA, subsequently TACA, and its member lines. This fact finding investigation, similar in process to a grand jury, was launched in response to reports of alleged unlawful activity by TAA from several sources, including the Commission's own monitoring initiatives and inquiries, and petitions filed by shipper groups.

In its order instituting Fact Finding Investigation No. 21, the Commission announced that it would investigate whether the TAA lines had engaged in activities violative of the 1984 Act, including:

- Unreasonably increasing transportation costs by reducing competition in the North Atlantic trades;
- Operating under agreements that have not been filed, or in a manner not in accordance with the terms of its filed agreements;
- Retaliating against certain shippers by refusing or threatening to refuse cargo space accommodations, or by resorting to other unfair or

- unjustly discriminatory methods;
- Subjecting particular persons or descriptions of traffic to unreasonable refusals to deal or to undue or unreasonable prejudice or disadvantage;
- Knowingly and willfully accepting cargo for the account of untariffed or unbonded NVOCCs, or entering into service contracts with such carriers;
- Boycotting or taking other concerted actions resulting in unreasonable refusals to deal;
- Allocating shippers among specific carriers, or prohibiting TAA members from soliciting cargo from particular shippers;
- Charging, demanding, collecting or receiving greater, less, or different compensation for transportation of property than the applicable tariff rates and charges.

To augment the fact finding investigation, the Commission also issued two compulsory orders directing TAA and its members to provide information and documents relating to: (1) alleged restrictions on the exercise of the right of independent action by TAA members; and (2) TAA members' non-exclusive transhipment agreements and so-called "connecting carrier" agreements. The Commission inquired whether the lines' use of such agreements constituted unfair or unjust means to circumvent otherwise applicable tariffs and service contracts.

The purpose of the proceeding was to enable the Commission to determine whether there was sufficient evidence of violations of the 1984 Act to warrant further action, including the institution of injunction proceedings in U.S. District Court. Fact finding hearings were conducted in Boston, Chicago, New York, and Washington, DC.

The Commission announced on November 18, 1994, that as a result of evidence developed in Fact Finding Investigation No. 21 it was instituting two separate adjudicatory proceedings directed at certain activities of the TAA and its members, Docket No. 94-29, Practices of the Trans-Atlantic Agreement and its Members With Respect to Independent Action -- an investigation into unlawful restraints on the right of TACA members to take independent action; and Docket No. 94-30, Container Pool Practices of the Trans-Atlantic Agreement and its Members -- an investigation into unlawful container pools operated by TACA members and apparently sanctioned by TACA.

A proposed settlement agreement involving Dockets Nos. 94-29 and 94-30 and Fact Finding Investigation No. 21 was submitted to the Commission on February 2, 1995, by TACA and

its member lines, the Commission's Bureau of Hearing Counsel, and the Investigative Officers in Fact Finding Investigation No. 21. Under the terms of the proposed settlement, the TACA lines agreed, inter alia, to reduce rates to 1994 levels, revise service contracts and contracting procedures, and revise TACA provisions dealing with independent action. Furthermore, under the settlement, the TACA lines agreed to cancel other discussion and conference agreements in the North Atlantic trades, thereby removing any legal authority for discussions between TACA and non-TACA lines on rates or other competition-related matters. The lines also pledged to eliminate much of their current broad space charter authority, to cancel all connecting carrier agreements with NVOCCs, and to implement a plan to set forth in applicable tariffs and service contracts the terms by which containers and equipment will be made available to shippers. It was proposed that representatives of TACA and the Commission meet semi-annually to discuss TACA activities and plans, beginning in September 1995.

On February 9, 1995, the FMC voted to seek public comment on the proposed settlement agreement. The Commission received 245 comments on the proposed settlement, over 200 of which supported the proposed settlement. However, a number of the commenters, both in favor and opposed, expressed concerns regarding possible significant TACA rate increases in 1996 if the settlement was approved.

On February 24, 1995, the Commission conditionally approved the proposed settlement in the TACA cases. However, noting concerns about the potential for unreasonable 1996 rate increases, the Commission required as a condition for approval that the TACA lines permit individual members to enter into service contracts with shippers for the 1996 contract year. The carriers satisfied this condition on March 9, 1995, filing an amendment to their conference agreement providing that any TACA member may enter into an individual service contract with any shipper or shippers' association for the transportation of cargo, including seasonal commodities, within the trade for the 1996 contract year, and the settlement became effective. Shippers will also retain the option of entering into a TACA conference service contract for 1996.

Petition of South Carolina State Ports Authority for Declaratory Order, [Docket No. 94-24], 27 S.R.R. 175, (May 1, 1995).

The Commission granted in part and denied in part a request to initiate a declaratory order proceeding concerning the practices of SCSPA. The Petition, filed pursuant to Rule 68 of the Commission's Rules of Practice and Procedure, 46 C.F.R. § 502.68 (1993),

requested a ruling to allow the SCSPA to act without peril in issuing in its FMC-filed tariff guidelines for the criteria it will apply to license stevedores and MTOs operating at SCSPA facilities, as well as provisions reserving to itself certain MTO functions performed at its facilities, thus denying competing MTOs access to its publicly owned facilities to perform those functions. The Commission instituted a proceeding to examine the lawfulness of the SCSPA's proposed stevedore licensing guidelines but ruled that issues relating to its practice of reserving to itself certain MTO functions involved past and present practices, as well as future practices of the same kind, were inappropriate for determination in a declaratory order proceeding.

Section 6(g) of the Shipping Act of 1984. [Docket No. 93-23], 58 Fed. Reg. 62616 (November 29, 1993).

The Commission initiated an Advance Notice of Proposed Rulemaking concerning section 6(g) of the 1984 Act. The purpose of the Advance Notice is to obtain comments on whether the Commission should issue regulations or guidelines that would describe its enforcement policy under section 6(g), and if so, what form such guidelines should take. In the first round of comments, the Commission received an exceptionally broad range of comments on the desirability, form, and contents of the possible 6(g) guideline. Therefore, the Commission invited and received reply comments from carriers, shippers and government agencies. On November 9, 1994, the Commission voted to discontinue this proceeding, finding that its section 6(g) methodology was best developed through case experience and application.

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On the same date, the Commission voted to issue a proposed rule to revise its information filing and reporting requirements. This new rulemaking proceeding incorporates various meritorious suggestions made by commenters in Docket No. 93-23.

American President Lines, Ltd. v. Cyprus Minerals Corporation, [Docket No. 91-27], and American President Lines, Ltd. v. Cyprus Copper Company, [Docket No. 92-01], 26 S.R.R. 1227 (January 31, 1994).

American President Lines, Ltd. ("APL") filed two complaints against Cyprus Copper Company ("Cyprus") alleging violations of section 10(a)(1) of the 1984 Act, based upon alleged misdescriptions of certain shipments from the U.S. to Japan. Upon APL's motion for summary judgment and Cyprus' motion for subpoena, the presiding Administrative Law

Judge issued an order denying Cyprus' motion but granting APL's, and awarded it reparations of \$455,345.57, plus interest. The ALJ, however, declined to award APL the attorneys' fees it had requested. Both parties filed exceptions to the order and the Commission heard oral argument.

The Commission, in an order served January 31, 1994, found that the filed rate doctrine continues to apply to cases under the 1984 Act, and, therefore, any agreement to charge other than tariff rates is irrelevant. The Commission further found correct the ALJ's denial of Cyprus' motion for subpoena. However, the Commission expressed some reservations about the state of the record. In particular it questioned the proper classification of the cargo under the applicable tariffs and the methodology used to compute the freight due. The Commission, accordingly, remanded the proceeding to the ALJ to resolve those limited issues. The Commission also noted that should APL ultimately prevail, it would be entitled to petition for attorneys' fees. The ALJ held a further hearing in this matter during which both parties presented witnesses and introduced additional evidence. The ALJ issued a supplemental initial decision in which he found that APL had properly classified the cargo shipped according to its applicable tariff and that APL used the proper methodology to compute the freight charges due. Cyprus subsequently filed exceptions to this decision. On January 3, 1995, Complainant and Respondents filed a Joint Motion for Dismissal in order to settle the matter. The Commission approved the settlement on March 15, 1995.

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Litigation

The General Counsel represents the Commission in litigation before courts and other administrative agencies. Although the litigation work largely consists of representing the Commission upon petition for review of its orders filed with the U.S. Courts of Appeals, the General Counsel also participates in actions for injunctions, enforcement of Commission orders, actions to collect civil penalties, and other cases where the Commission's interest may be affected by litigation.

The following are representative of matters litigated by the Office:

Puerto Rico Maritime Shipping Authority v. FMC, 1st Cir. No. 95-1643.

The respondent in *Save-On Shipping, Inc. v. Puerto Rico Maritime Shipping Authority*, [Docket No. 92-12], and *Mr. Stanley Hecht v. Puerto Rico Maritime Shipping Authority*,

[Docket No. 93-21], filed a petition in the First Circuit for review of the Commission's order of April 25, 1995, in which the Commission found that the tariff and bill of lading provisions of Puerto Rico Maritime Shipping Authority ("PRMSA") compelling shippers to pay costs and attorneys' fees incurred by PRMSA in suits to recover unpaid freight violated the requirement of the 1916 Act that carriers in the domestic offshore trades maintain reasonable practices relating to rates, charges, tariffs and bills of lading. PRMSA sought review of the Commission's decision in the U.S. Court of Appeals for the First Circuit, which heard oral argument in the case on November 8, 1995. On February 6, 1996, the Court reversed FMC's award of reparations in Dkt. No. 93-21 and affirmed FMC's finding of unreasonable practice in Dkt. No. 92-12.

Burlington Northern Railroad Company v. M. C. Terminals, Inc., [Docket No. 91-06], 26 S.R.R. 934 (May 21, 1993).

Complainant, a rail carrier being sued in a court by Respondent, a marine terminal operator, asked the court to stay the case to obtain the Commission's ruling as to the reasonableness of the tariff item under which the terminal operator was seeking to recover money. The tariff item in question concerned an assessment on rail cars delivered to the terminal, the terminal claiming that it was conferring benefits on the railroad, in the form of services and use of terminal facilities in completion of the railroad's duty of delivery of the rail cars to the terminal. In its complaint to the Commission, the rail carrier challenged two other tariff items which dealt with charges to be assessed against it by the terminal in cases of disruption of rail service or delay in delivering rail cars to the terminal.

The Initial Decision ("ID") of the ALJ held that the Commission lacks jurisdiction over the subject matter of each of the challenged tariff items, but that the tariff items could remain in the tariff subject to publication of a notice that they did not relate to marine terminal functions. On exceptions, the Commission reversed the holdings that it lacks subject matter jurisdiction under section 10(d)(1) of the 1984 Act, 46 U.S.C. app. § 1709(d)(1), over charges for moving railcars to position them in the order requested for unloading by the terminal, and that Complainant is not a user of Respondent's marine terminal facilities, insofar as these include the underground hoppers and supporting structures. Tariff items relating to rail service disruption and delay in delivery of railcars, not subject to the Commission's jurisdiction under the 1984 Act, were ordered deleted from the marine terminal operator's tariff. The Commission also reversed the ID to the extent that it relied on section 33 of the 1916

Act, 46 U.S.C. app. § 832, for determination of the reach of the 1984 Act. The ID was otherwise adopted and the proceeding was held in abeyance for the parties to seek clarification of matters from the Interstate Commerce Commission ("ICC"). Each party sought a declaratory order in a proceeding before the ICC. The parties reached settlement of the dispute, resolving the proceedings before the District Court, the ICC, and the FMC. The settlement was approved by both agencies. FMC approval was administratively final on November 9, 1994.

Hanstai International, Inc. v. FMC, D.C. Cir. No. 94-1165.

The complainants in *Western Overseas Trade and Development Corp. v. Asia North America Eastbound Rate Agreement*, [Docket No. 92-06], *Allstate Trading Company, et al. v. Asia North America Eastbound Rate Agreement*, [Docket No. 92-07], and *Pacific Motif, Inc. v. Asia North America Eastbound Rate Agreement*, [Docket No. 92-18], filed a petition for review of the Commission's orders of April 26, 1993, and February 24, 1994, in which the Commission found that: (1) it had jurisdiction to determine if their service contracts were entered into under section 8(c) of the 1984 Act, (2) although the service contracts at issue contained a provision which purported to limit the shipper's remedies in the event the conference failed to perform, that provision did not render the contracts void *ab initio*, (3) the members of the conference could lawfully take independent action to establish tariff rates that were lower than the corresponding rates in the subject service contracts, and (4) section 8(c) of the 1984 Act bars the Commission from hearing claims which, although couched in terms of alleged violations of the Act, sought remedies or asserted defenses that would be available in a breach of contract action if the matter were brought before a court. On April 12, 1995, the U.S. Court of Appeals for the D.C. Circuit issued a *per curiam* decision affirming the Commission.

USA & FMC v. Martyn C. Merritt, et al., S.D.N.Y. 88-Civ. 6253 (TPG).

Martyn Merritt appealed the entry of an order by the U.S. District Court for the Southern District of New York, enforcing the Commission's decision in Docket No. 84-38. The Commission had assessed penalties totalling \$335,000 against Merritt individually, and jointly and severally with Ariel Maritime Group, Inc. and other Merritt-created and -controlled companies charged with multiple and repeated violations of the 1916 Act. The U.S. Court of Appeals for the Second Circuit affirmed the District Court's ruling that Merritt's challenge to the Commission's order could only be brought on direct appeal to the U.S. Courts of Appeal, which he had not taken. The Court of Appeals

affirmed the view of the District Court and the Commission that substantive challenges may not be raised in defense of an action to enforce Commission penalty orders under the 1984 Act. In the related action in the District Court, continuing orders of garnishment of certain Merritt and Ariel assets were entered on June 7, 1993. An order to disburse was entered on March 3, 1994. The Commission received a total of \$138,000 in penalties and interest from the bank holding the escrow account in FY 1995.

Universal Fixture Manufacturing Co., Inc. v. FMC, D.C. Cir. No. 94-1623.

Universal Fixture Manufacturing Co., Inc. ("Universal") filed a complaint against the Asia North America Eastbound Rate Agreement ("ANERA") alleging various violations of the 1984 Act. The dispute centered around a service contract between Universal and ANERA, under which Universal shipped less cargo than it had committed. On August 10, 1993, the Commission issued a decision dismissing the alleged violations of sections 3(21) and 8(c) of the 1984 Act and remanding the proceeding to the ALJ for such further action as was warranted. Subsequently, ANERA filed a second motion to dismiss the remaining allegations of the complaint, which was granted on November 18, 1993. Universal appealed that order to the Commission.

On appeal, the Commission found that Universal's allegations of misrepresentations should be considered by a court or arbitrator and not by the Commission. The Commission found that Universal's arguments concerning misrepresentations, waiver and estoppel were defenses to common law contract actions and did not present meritorious claims under the 1984 Act. The Commission further concluded that there was no common source of discrimination in this case and that the filed rate doctrine did not apply. The Commission also found that Universal did not have a choice of remedies and that it did not have to resolve the issue of attorneys' fees and costs at that time. Universal subsequently filed a petition for review with the U.S. Court of Appeals for the D.C. Circuit. On May 14, 1995, Universal's motion for voluntary dismissal was granted.

FMC v. Wilfredo Garcia, Virginia Scalabrino, and Abu M. Garcia Forwarding, Inc., et al.,
United States District Court, Middle District of Pennsylvania, Civil Action Number 3:
CV-92-1760.

On December 7, 1992, the Commission filed an action seeking a preliminary injunction against defendants to enjoin violations of the 1984 Act pending the completion of a Commission administrative proceeding, FMC Docket No. 92-52. The defendants had

allegedly violated the 1984 Act by engaging in freight forwarding services without a license and bond, acting as an NVOCC without a tariff and bond, knowingly and willfully using an unfair device and means to obtain ocean transportation for less than the rates applicable, engaging in unfair practices in the adjustment and settlement of claims, and failing to establish, observe and enforce just and reasonable regulations and practices relating to or connected with receiving, handling, storing, or delivering property. The defendants had also allegedly engaged in fraud, deceit, and other unlawful conduct in booking or attempting to book cargo with ocean common carriers and NVOCCs, using the names of licensed freight forwarders without their knowledge and consent, and assuming fictitious names to conceal their true identities.

The U.S. District Court granted the preliminary injunction. Upon information that defendants were violating the injunction, the Commission filed a Motion for an Order to Show Cause-Alleged Contempt for Violation of Injunction. The U.S. District Court entered a Stipulations and Consent Order on March 8, 1993, which among other things prohibits defendants from violating any provisions of the 1984 Act. This Order also permanently enjoins defendants from engaging in any ocean or trucking transportation-related activities, requires full restitution to injured shippers, and terminated all of defendants' "800" telephone numbers. Defendants also admitted to all the factual allegations and violations in FMC Docket No. 92-52. The Court ordered a public defender for Garcia on June 27, 1994. A hearing was held on July 6, 1994, on FMC's request for 6 months of imprisonment. The Court issued a bench warrant for Garcia's arrest on July 14, 1994. On December 9, 1994, supplemental briefs on hearing requirements for finding absent defendant in contempt were filed. The Court denied the motion for finding of contempt in absentia on December 30, 1994. He remains a fugitive.

Legislative Activities

The General Counsel represents the Commission's interests in all matters before Congress. This includes commenting on proposed legislation, proposing legislation, preparing testimony for Commission officials, and responding to Congressional requests for assistance.

During fiscal year 1995, 91 bills, proposals and Congressional inquiries were referred to General Counsel for comments. The Office also prepared and coordinated testimony for four Congressional hearings.

Significant Ongoing Activity

Pacific Trades Inquiry

In June 1995, the Commission directed its staff to conduct an informal inquiry into two major carrier agreements in the Pacific trades, the Transpacific Stabilization Agreement ("TSA") and the Westbound Transpacific Stabilization Agreement ("WTSA"). These agreements were formed during a period of widespread economic recession and significant financial issues for all carriers operating in the Pacific trades. Their purpose is to allow conference and non-conference carriers to discuss matters of mutual concern, including rates, and to try to arrive at common rate and service policies. In addition, TSA authorized the establishment and maintenance of a "capacity management program," whereby the TSA member carriers agreed to establish a "maximum allowed capacity" for each TSA line by withholding from the shipping public a certain amount of its actual vessel capacity.

The Commission's concern about TSA and WTSA stemmed from the change in economic conditions in the Pacific trades, which now appear to be much more favorable for the carriers. After an initial review of Pacific trade conditions and recent WTSA and TSA activities, the Commission held intensive negotiations with the agreement carriers, required production of documents and extensive data about their operations, and secured elimination of TSA's capacity management program. Termination of the capacity program, on August 29, 1995, resulted in additional vessel space being available to shippers, leading to increased competition in the trade. Since that time, several lines have cut rates on a number of key commodities in the Pacific. The Commission continues to investigate informally other aspects of TSA and WTSA.

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Petition for Exemption from Tariff and Bonding Requirements in Regard to Household Goods and Personal Effects for the Account of the General Services Administration, [Petition No. P2-95], S.R.R. (April 10, 1995).

On April 14, 1995, the Household Goods Forwarders Association of America, Inc. filed a Petition requesting that the Commission exempt NVOCCs by water from the tariff filing and bonding requirements to the extent that they are engaged in the transportation of used household goods and personal effects of personnel of federal civilian executive agencies in the domestic and foreign commerce of the United States pursuant to a solicitation issued and administered by the General Services Administration. The

Commission issued notice of the filing of the Petition on April 20, 1995, and requested interested persons to submit their views by May 25, 1995. Four commenters support the Petition and no comments were filed in opposition. On August 18, 1995, the Commission granted the Petition and issued a final rule amending its regulations to exempt NVOCCs by water from the tariff filing and bonding requirements to the extent requested by the Petition.

Information Form and Post-Effective Reporting Requirements for Agreements Among Ocean Common Carriers Subject to the Shipping Act of 1984 [Docket No. 94-31], 61 Fed. Reg. ____ (March ___, 1996).

The Commission amended its regulations governing the information submission requirements for agreements among ocean common carriers subject to the 1984 Act. The Commission promulgated a new information form for newly filed agreements, which will require the submission of specific data on the agreement member lines' cargo carryings, revenue results and port service patterns before they entered into the agreement. In addition, the Commission issued regulations that require the member lines of certain kinds of effective agreements to submit reports on their operations on a regular and ongoing basis, which will reflect the lines' cargo carryings, revenue results and port service patterns after they entered into the agreement. The application of the new regulations to a particular agreement will depend primarily on whether the agreement authorizes its carrier members to engage in certain activities, and secondarily on the carrier members' combined market share. An agreement that does not authorize any of the activities specified by the new regulations must still be filed with the Commission, unless it qualifies for one of the Commission's existing filing exemptions, but will not have any information form or reporting obligations. The intent of the new regulations is to provide the Commission with improved information on the impact of concerted carrier practices on the foreign commerce of the United States, and to facilitate the processing and monitoring of ocean carrier agreements under the standards of the 1984 Act.

Vessel Sharing Agreements - Order to Show Cause, [Docket No. 94-28], 27 S.R.R. 249.

On November 23, 1994, the Commission ordered the members of four vessel sharing agreements operating in the North Atlantic trades to show cause why those agreements should not be disapproved, canceled or modified for violating the conference withdrawal and readmission requirements set forth in section 5(b)(2) and (3) of the 1984 Act. At

issue were the agreements' significant withdrawal penalties, coupled with provisions requiring membership in TACA.

On February 9, 1995, the Commission voted to disapprove a proposed settlement agreement in this proceeding. In disapproving this settlement, the Commission observed that the parties had not reached a sufficient agreement on all the material issues covered by the settlement. However, on March 6, 1995, the parties submitted to the Commission a second proposed settlement. Under the terms of that agreement, the lines agreed to delete from the subject agreements the requirement that vessel sharing agreement member lines be members of TACA. In addition, Respondents would delete those sections of their agreements which establish that, when a party withdraws from a vessel sharing agreement, it must withdraw from the trade for five years. Instead, the parties would be allowed to discuss conference membership in a non-binding manner. The Commission approved this settlement on May 10, 1995, finding that it resolved the legal issues in the proceeding and brought the parties into compliance with the 1984 Act.

Coloading Practices by Non-Vessel-Operating Common Carriers; Shipper Affiliate Access to Service Contracts, [Docket No. 93-22], 58 Fed. Reg. 62077 (November 24, 1993).

The Commission issued a proposed rule to amend its coloading regulations to remove ambiguities in the current rules and reflect developments in coloading industry practices. The proposal would redefine the term "coloading" to mean cargo combined pursuant to an agreement between or among NVOCCs, and to exclude cargo for which the receiving NVOCC issues its own bill of lading. The Commission also solicited comment on whether full containerload cargo could be coloaded. The proposed rule would require coloading agreements to be put in writing and made available to the Commission, prohibit coloaded cargo from being carried under a service contract, and limit the affiliates that may access service contracts. The Commission also invited comment on the more fundamental issue of whether coloading should be prohibited altogether.

Upon review of the 58 comments received in response to the proposed rule, the Commission determined to hold this proceeding in abeyance and to explore further whether existing coloading practices are consistent with statutory requirements. Therefore, on November 4, 1994, the Commission initiated a new proceeding, Docket No. 94-26, *Inquiry into Statutory Basis for Coloading Practices and Possible Section 16 Exemption for Coloading*, in which it served notice that coloading appears to contravene statutory tariff filing requirements. Docket No. 94-26 also solicits comment on whether the Commission should

initiate a proceeding under section 16 of the 1984 Act, to exempt some aspect of coloading activity from otherwise applicable requirements if no other statutory basis for coloading can be identified. Comments on this Inquiry are under review.

Foreign Shipping Restrictions and Related Matters

The Commission has the authority to address restrictive foreign shipping practices under section 19 of the 1920 Act, and the FSPA. Section 19 of the 1920 Act empowers the Commission to make rules and regulations governing shipping in the foreign trade to adjust or meet conditions unfavorable to shipping. The FSPA directs the Commission to address adverse conditions affecting U.S. carriers in the U.S. foreign trades and conditions which do not exist for foreign carriers in the United States, but do exist in that foreign country.

During fiscal year 1995, the Commission investigated potentially restrictive practices by foreign governments in Japan and the People's Republic of China ("PRC"), which may warrant institution of formal proceedings under section 19 and the FSPA.

On September 12, 1995, the Commission issued Information Demand Orders to all carriers in the U.S.-Japan trades, to collect information on restrictions and requirements for the use of port and terminal facilities in Japan. The Commission is investigating (1) the "prior consultation" system, a process of mandatory discussions and operational approvals for port usage; (2) mandatory weighing and measuring requirements; (3) restrictions on Sunday work; and (4) the disposition of the Japanese Harbor Management Fund, a fund collected from carriers serving Japanese ports. These restrictions issues are of serious concern to the carriers operating in the U.S.-Japan trade, including the U.S.-flag carriers.

In its investigatory orders, the Commission solicited information about these practices, and about the role of the Government of Japan in harbor operations. The Commission will review the information provided under these orders, to determine if further action is warranted. If so, it can initiate proceedings under the FSPA, or under section 19 of the 1920 Act. Under these acts, the Commission has the authority to levy per-voyage fees on Japanese-flag lines, or to prevent them from operating in the U.S. trades altogether.

With regard to China, the Office of the General Counsel is monitoring indications that the PRC Government has not carried through on a commitment made to the U.S. Government in November 1993 to permit freight forwarding and consolidation by wholly foreign-owned subsidiaries of U.S. ocean carriers. The Commission understands that no U.S.- or foreign-flag carrier has been allowed to engage in this type of operation, except in the form of a joint venture with a Chinese company. The U.S. Government currently is trying to resolve this issue through diplomatic means; however, should these diplomatic efforts prove unsuccessful, initiation of Commission action under section 19 or the FSPA may be appropriate.

The Office of the General Counsel also participated in interagency groups and international maritime discussions, particularly as technical advisors to the Interagency Maritime Policy Group, whose other members include representatives of the U.S. Departments of Transportation, State, Commerce, and Justice, and the Office of the U.S. Trade Representative. The Office also coordinated and participated in briefings of foreign visitors.

Another responsibility of the Office is the identification and verification of controlled carriers under section 9 of the 1984 Act. Common carriers that are owned and controlled by foreign governments are required to adhere to certain tariff-filing requirements under the 1984 Act. The Office investigates and makes appropriate recommendations to the Commission regarding the status of potential controlled carriers. The Office, in conjunction with other Commission components, also monitors the activities of controlled carriers. In fiscal year 1995, the Office reviewed documents and information relating to the controlled carrier status of a number of carriers.

	1995	1996	1997
Total Number of Workyears	12	12	12

Office of Administrative Law Judges

Administrative Law Judges ("ALJs") conduct hearings and render decisions in adjudicatory proceedings held after receipt of a complaint, or when instituted by the Commission. ALJs have authority to administer oaths and affirmations; issue subpoenas; rule upon motions and offers of proof; receive evidence; authorize depositions; regulate the course of hearings; hold prehearing conferences for the settlement or simplification of the issues involved; dispose of procedural requests; and, take any other action authorized by agency rule or the Administrative Procedure Act.

The case load of the Office is governed by the number of complaints and applications filed, the number of formal proceedings instituted by the Commission on its own motion, and other matters assigned in furtherance of the Commission's regulatory functions. Proceedings which come before the ALJs include, but are not limited to, the adjudication of unjustly discriminatory or unfair or unreasonable practices between various parties subject to the shipping acts, and adjudication of shipper complaints and domestic rate cases. ALJs also can be called upon to process special docket applications on an as-needed basis.

At the beginning of fiscal year 1995, there were 15 formal proceedings pending. In fiscal year 1995, 31 new formal proceedings were added; six proceedings were settled formally, and two were dismissed or discontinued; prehearing conferences were held in six cases; and, 19 initial decisions were issued. There were 19 formal proceedings pending at the end of the fiscal year. Of the 19 initial decisions issued, two were settled, and 14 became administratively final. The other three decisions were pending consideration by the Commission at the end of the fiscal year.

During fiscal years 1996 and 1997, the Office will conduct hearings and render decisions on adjudicatory proceedings and on such special docket applications as may be referred to the Office.

Total Number of Workyears	1995	1996	1997
	5	4	4

Equal Employment Opportunity Program

The Office of Equal Employment Opportunity ("OEEO") develops, implements and manages a comprehensive program of equal employment opportunity for the Commission. The Equal Employment Opportunity Program is a statutorily-mandated program with required activities in complaints processing and adjudication, affirmative program planning, special emphasis programs, community outreach, monitoring and evaluation. The Director, Office of Equal Employment Opportunity ("DOEEO") directs the complaints adjudication program and coordinates collaterally assigned EEO Counselors and one Special Emphasis Coordinator. The DOEEO is also responsible for training and technical support in the EEO arena. An early intervention program carried out by the DOEEO involves extensive contacts with managers, supervisors and employees in order to resolve potential problems. The DOEEO also monitors and evaluates all personnel operations, agency policies, practices, and procedures in order to ensure equity.

The DOEEO arranges for counseling of employees who raise allegations of discrimination; provides for the investigation, hearing, fact finding, adjustment, or early resolution/mediation of complaints of discrimination; and, monitors and evaluates the program's impact and effectiveness. The DOEEO serves as an advisor on established FMC committees and to the Executive Resources Board. The DOEEO also represents the agency on several intergovernmental committees and serves as the Chairperson of the Federal EEO Coalition of Small Agencies. The DOEEO coordinates all affirmative program planning efforts, directs programs of special emphasis and coordinates the activities of the Selective Placement and Federal Equal Opportunity Recruitment Coordinators.

Significant accomplishments in fiscal year 1995 include the following: (1) provided briefings to senior staff; (2) provided internal and external workshops on equal employment topics; (3) provided extensive counseling assistance to managers, supervisors and employees; (4) assisted in management reviews of district offices; (5) continued to utilize outside resources at no expense to the agency to upgrade the skills of clerical, administrative and EEO staff; (6) developed information and materials for training senior executives, district directors and staff and EEO Counselors; (7) planned and developed extensive internal and external special emphasis programs for FMC employee participation; (8) continued to improve FMC's image and identity among Federal agencies and the community by developing cooperative programs in the special emphasis areas; (9)

continued to chair the Small Agency Coalition of EEO Directors; and (10) developed and implemented non-discrimination policy and programs in response to Public Law 103-123.

During fiscal years 1996 and 1997, the DOEEO will continue all existing programs and initiate additional activities designed to increase an understanding of EEO concepts and principles.

Total Number of Workyears	1995	1996	1997
	1	1	1

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Inspector General Program

The Office of the Inspector General ("OIG") operates pursuant to The Inspector General Act of 1978 ("1978 Act") (5 U.S.C. App. 3) as amended in 1988. The 1988 amendments created additional statutory offices of inspector general at various designated Federal entities, including the FMC.

The purpose of the 1978 Act, as amended, and as applicable to the FMC, is to create an independent and objective unit to conduct audits; review operations and programs; investigate possible fraud, waste and abuse of Commission resources; and promote economy, efficiency and effectiveness in programs and operations administered by the FMC.

At the FMC, the OIG is currently staffed by the Inspector General ("IG"), one auditor and one clerical worker.

The OIG has a memorandum of understanding ("MOU") with the FMC's Office of the Secretary which provides for the furnishing of legal services, and has a similar MOU with the Office of the Inspector General at the General Services Administration which provides for criminal investigative assistance as needed. The IG works independently under the general supervision of the Chairman. The IG does not report to, nor is subject to supervision by, any other officer or employee of the FMC.

During fiscal year 1995, four audits were completed in final, including an extensive review of the program relating to the licensing of ocean freight forwarders. Other audits dealt with a review of the Miami District Office, the Agency's Fund Controls, and Personnel Security. In addition, one audit was issued in draft and one operational review was conducted. Towards the end of fiscal year 1995, the Office initiated a number of audits in connection with ATFI secondary user fees required to be collected and remitted to the Commission pursuant to Public Law 102-582.

Also during the year, various investigations, both informal and formal, were opened and pursued. Two formal investigations remain pending at the end of fiscal year 1995.

During fiscal years 1996 and 1997, the Office intends to conduct a comprehensive program of audits and reviews, with a continued high priority on program evaluations. Our goal

is to improve program operations while continuing to fulfill the OIG statutory mandate to combat waste, fraud and abuse in Agency programs. In addition, the Office will initiate investigations, both formal and informal, as warranted.

Total Number of Workyears	<u>1995</u>	<u>1996</u>	<u>1997</u>
	3	3	3

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Operational and Administrative Program

Office of the Managing Director

The Managing Director, as senior staff official, is responsible to the Chairman for the management and coordination of Commission programs managed by the Bureaus of Economics and Agreement Analysis; Tariffs, Certification and Licensing; Enforcement; and Administration, and thereby implements the regulatory policies of the Commission and the administrative policies and directives of the Chairman. Also, the Managing Director provides administrative guidance to the Offices of the Secretary; General Counsel; and Administrative Law Judges; and administrative assistance to the Offices of Equal Employment Opportunity and Inspector General. This requires the Managing Director, under the Chairman's oversight, to: make final determinations on all significant personnel, travel, budgetary, and administrative matters; oversee the development and operations of various Commission programs; and recommend new programs and necessary changes in staff objectives. Further, early in fiscal year 1995, the Office of Information Resources Management was transferred from the Bureau of Administration to the Office of the Managing Director.

The Managing Director is the Commission's Audit Follow-up and Management (Internal) Controls Officer, and the Office manages those programs. The Managing Director is the agency's Senior Procurement Executive, its Designated Senior Information Resources Management Official, and the Commission's Chief Operating Officer.

At the beginning of calendar year 1995, the Chairman appointed the Deputy Managing Director as the Contracting Officer for the Commission's ATFI system. As the ATFI Contracting Officer, the Deputy Managing Director has direct responsibility for administration of this contract and the planning for future ATFI contract requirements. Additionally, the Chairman has designated a member of the Commission as the Chairman of the ADP Committee and responsible for ATFI oversight.

The Office is currently: (1) guiding the implementation and maintenance of the agency's ATFI system under Commissioner Hsu's oversight and the planning for future ATFI contract requirements; (2) overseeing the further development of all enforcement efforts, including addressing the challenges facing the Commission's enforcement programs as the result of the closing of four of its seven district offices; (3) directing all staff efforts in cases involving restrictive practices of foreign governments; and

(4) managing the Commission's planning and actions with respect to the President's directives and OMB's guidance on streamlining government, strategic planning and management reform.

A significant achievement of the Office during fiscal year 1995 was the coordination of an enhanced enforcement program involving all operating bureaus, especially the extensive investigation into the activities of TACA, which included a number of public hearings around the country as part of its information-gathering phase. During fiscal year 1995, the Commission achieved a settlement agreement with TACA. This agreement, among other things, required TACA to revise its service contracting procedures and its agreement provisions dealing with independent action. TACA also agreed to roll back rates to 1994 levels, which is estimated to save U.S. shippers and importers about \$70,000,000, and to permit individual members to enter into service contracts with shippers for the 1996 contract year. The Commission also began a comprehensive fact finding regarding malpractice activity in major U.S. trades. This effort will be a major focus of the operating bureaus for an extended period, as many leads are pursued and information developed in an attempt to curb violative actions that negatively affect U.S. ocean commerce.

The Office's key objectives for fiscal years 1996 and 1997 are the continued coordination of staff efforts regarding the implementation and maintenance of the ATFI system and planning for future ATFI contract requirements; the further development of the Commission's enforcement program in light of the strictures imposed by the closing of many of its district offices; organization of staff action to implement Presidential directives with respect to streamlining, strategic planning and management reform; and continuing oversight of staff efforts to address restrictive practices of foreign governments.

Information or Consulting Services

In accordance with section 1114 of Title 31 U.S. Code, the Commission is providing the following information on consulting services including a brief description of the need for consulting services, the major programs requesting these services, and amounts requested for fiscal years 1996 and 1997.

Management and Professional Support Services: There are two activities within this category: tariff automation, and auditing services for the Commission's IG. The

justification for each follows:

1. Tariff Automation (ATFI)

The FMC is a small regulatory agency with limited personnel resources. It is responsible for the regulation of oceanborne transportation in the foreign commerce and in the domestic offshore trade of the United States. The Commission has little internal expertise in procurement or design of major computer systems.

In fiscal years 1996 and 1997, consultants will be required to give legal and technical advice (e.g., development of a request for proposals and other pre-contract award matters, contract administration, engineering change proposals, disputes, contracting for later phases), provide independent validation and verification of technical contract deliverables, and advise the Commission concerning development and operation of the system. The estimated cost of these services in fiscal year 1996 is \$10,000 and in fiscal year 1997 is \$10,000.

2. Inspector General Activities - Auditing

In fiscal year 1997, a consultant will assist in conducting various audits in the Commission such as the tariff automation program, and will conduct operations reviews and investigations. The estimated cost of this service in fiscal year 1997 is \$15,000.

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Office of Information Resources Management ("OIRM")

The OIRM is responsible for ensuring that the Commission's information resources management ("IRM") program is administered in a manner consistent with applicable rules, regulations, and guidelines.

The Director, OIRM, serves as the Commission's Senior IRM Manager, Contracting Officer's Technical Representative on the ATFI project, FMC Computer Security Officer, coordinator of the Commission's ADP Committee, Forms Control Officer, and Records Management Officer. During fiscal year 1995, significant OIRM activities included the following: coordinated technical, logistical, procedural and security issues related to the Commission's worldwide ATFI system and other database systems created, owned and maintained by the Commission; upgraded the Commission's Local Area Network ("LAN") to

a Microsoft Windows NT Operating System; coordinated the initial cabling and prototype testing for the agency's optical imaging program; implemented CD-ROM technology and desktop publishing in the LAN environment; established Internet access capabilities for FMC users; coordinated testing, installation and upgrading of PCs throughout the FMC; coordinated the return of equipment and software and the cancellation of all support services contracts in FMC District Offices that were closed and downsized; completed development of the new ATFI Invoice Accounting System and User Guide; assisted the FMC's Inspector General on audits of industry accounting procedures to ensure compliance with P.L. 102-582, and provided technical analysis of data collection; furnished advice and coordination on records management, OMB clearances and information management issues to agency components; and coordinated with agency components to develop Government Information Locator ("GILS") entries.

For fiscal years 1996 and 1997, OIRM will continue to emphasize ongoing support for Commission and externally mandated programs. Major initiatives will include: (1) submission of an electronic records management schedule to the National Archives and Records Administration; (2) developing an update of internal guidance to reflect changes occasioned by the Paperwork Reduction Act of 1995; and (3) maintaining liaison with the Government Printing Office to ensure that FMC's GILS entries remain current.

Total Number of Workyears	<u>1995</u>	<u>1996</u>	<u>1997</u>
	12	11	11

Economics and Agreement Analysis Program

The Bureau of Economics and Agreement Analysis² plans, develops, and administers Commission programs under the 1984 Act, 46 U.S.C. app. 1701-1720; the 1916 Act, 46 U.S.C. app. 801-842; the 1933 Act, 46 U.S.C. app. 843-848; section 19 of the 1920 Act, 46 U.S.C. app. 876; and the FSPA, 46 U.S.C. app. 1710(a). The Bureau is responsible for the following activities: (1) monitoring of general trade conditions and economic developments in liner shipping; (2) overseeing individual and concerted carrier and marine terminal operator activity; (3) developing economic studies and analyses in support of the Commission's regulatory responsibilities; (4) processing and analyzing carrier and marine terminal agreements; and (5) providing expert economic testimony and support in formal proceedings, particularly regarding unfair foreign shipping practices and domestic rate-of-return cases. Early in the year, the Bureau assumed full responsibility for conducting financial analyses in the domestic offshore trades. This responsibility includes the review and analysis of annual financial and operating reports as well as General Rate Increases ("GRI") filed by carriers operating in the domestic offshore trades.

The Bureau has three operating offices under the supervision of the Bureau Director: two Economics Offices and the Office of Agreements and Information Management. The Economics Offices develop and administer programs overseeing individual and concerted carrier activities, carriers' dealings with shippers and intermediaries, activities of state-controlled carriers in U.S. foreign commerce, foreign shipping practices, domestic rate cases, financial reporting of carriers operating in the domestic offshore trades, and overall U.S. liner trade conditions. The Office of Agreements and Information Management is responsible primarily for processing and analyzing carrier and marine terminal agreements filed with the Commission.

Agreements in the U.S. foreign commerce are subject to the 1984 Act, and are processed and analyzed under strict statutory deadlines. An agreement becomes effective 45 days after filing, unless it is rejected by the Commission, made the subject of a formal Commission request for additional information, or is enjoined by a U.S. district court under section 6(g) of the 1984 Act upon a showing by the Commission that it will

² Early in 1995, the Bureau changed its name from the Bureau of Trade Monitoring and Analysis to more clearly reflect its responsibilities.

unreasonably increase rates or decrease service. An agreement already in effect also can be enjoined under section 6(g) by a U.S. district court upon a similar showing by the Commission. Further, the 1984 Act empowers the Commission to investigate and order the disapproval, cancellation, or modification of any effective agreement it finds to be in violation of the 1984 Act. In an investigation, the Commission may seek to enjoin, in U.S. district court, conduct that violates the 1984 Act.

Agreements in the U.S. domestic offshore trades are subject to the 1916 Act, and are processed and analyzed in accordance with that Act's "public interest" standard. Agreements in the domestic trade must be approved by the Commission before going into effect. The 1916 Act also empowers the Commission to investigate and order the disapproval, cancellation, or modification of an agreement that it finds to be in violation of the 1916 Act.

Economic Analysis Activities

To keep the Commission apprised of current trade conditions, emerging commercial and economic trends, and the impact of regulations affecting waterborne liner transportation, the Bureau prepares studies and profiles of major trades, monitoring reports, economic analyses, agreement/carrier profiles, and special projects to identify and track relevant competitive and economic activity in major U.S. trade lanes. The Bureau's monitoring activities include surveillance programs to identify: (1) concerted activity without an effective agreement on file with the Commission, or concerted activity exceeding the scope or authority of an effective agreement; (2) activity contravening the mandatory conference and interconference agreement provisions required by sections 5(b) and 5(c) of the 1984 Act; (3) the prospective or actual emergence of unreasonable transportation service/cost impacts contravening the 1984 Act's section 6(g) general standard; (4) controlled carrier activity in areas relevant to the Commission's administration of section 9 of the 1984 Act; (5) the occurrence of prohibited acts proscribed under section 10 of the 1984 Act; (6) economic harm associated with unfair trade practices of foreign governments; and (7) whether the continued operation of an effective agreement in its present form is consistent with the statute and current Commission decisions, rules, and policies. The Bureau develops profiles of major trade areas to assess carrier behavior under agreements, to determine compliance with regulatory requirements, and to ascertain the competitive posture of carriers, shippers, and shippers' associations within each trade. Also, the Bureau reviews and analyzes the financial reports and general rate increases of carriers in the

domestic offshore trades.

During fiscal year 1995, the Bureau received 1,433 sets of minutes of agreement meetings, which included reports related to shippers' requests and complaints, indices of documents, as well as 29 operating and ad hoc reports. The Bureau reviews these reports for filing compliance and follows up where there are questions of clarity or potential statutory or regulatory violations.

In fiscal year 1995, the Bureau produced a variety of reports and analyses. These included: (1) an analysis of periodic reports filed by the Trans-Atlantic Agreement ("TAA") and of trade conditions in the North Atlantic; (2) an updated TAA Monitoring Report; (3) an economic analysis of the impact of amendments to TAA, changing the agreement to the Trans-Atlantic Conference Agreement ("TACA"); (4) a critique of the U.S. Department of Agriculture's "Conference Premium" paper; (5) a review of the South American trade, including the Inter-American Discussion Agreement; (6) an analysis of the conditions in the Aruba, Bonaire, Curacao Liner Association trade; (7) an economic analysis of an amendment to the Transpacific Stabilization Agreement ("TSA"); (8) a transpacific outbound market share report; (9) a rate-of-return analysis for a rate increase in the U.S./Hawaii trade; (10) a review of the responses to section 15 information demand orders regarding independent action activities of Transatlantic and Transpacific Conferences; (11) an analysis of responses to a section 15 information demand order on increases in bunker fuel and currency adjustment surcharges in the transpacific trades; (12) participation in hearings and the review of documents in the Commission's fact finding investigation of TAA/TACA; (13) a report on controlled carrier activities covering 1993 and 1994; and (14) review and analysis of carriers' annual financial reports in the domestic offshore trades.

Other projects the Bureau was involved in during fiscal year 1995 included: (1) preparation of monthly status reports on the activities of controlled carriers; (2) review of agreement documents to determine whether carriers were pursuing the implementation of a vessel-scraping program; (3) development and implementation of an industry interview project, in which Bureau staff participated in briefings and discussions with carriers, conferences, and shippers in New York and San Francisco; (4) review of TAA's response to the European Commission's Statement of Objections against TAA; (5) handling a variety of inquiries and complaints from members of Congress and shippers on a wide range of problems and issues in a number of trades, including carrier activities, independent action, and agreement matters; (6) retrieving and analyzing

carrier market share data in various major U.S. trades; (7) researching and preparing speeches, testimony and briefings for senior agency officials; (8) participation in an interagency initiative to develop an international trade database pursuant to National Performance Review recommendations; (9) preparation of service data for the Department of Transportation in connection with a Section 301 Investigation; (10) preparation of a paper on the traditional arguments for antitrust immunity and tariff filing and enforcement; and (11) participation in the inter-Bureau South American malpractices program.

In fiscal years 1996 and 1997, the Bureau will continue to monitor agreement activities and trade conditions, and prepare reports and economic analyses covering a wide variety of developments and issues in key U.S. trades; annual reports on the activities of controlled carriers; analyses of the annual financial reports and general rate increases of the domestic offshore carriers; and responses to inquiries and complaints. The Bureau will continue to provide support and assistance for Commission investigative and enforcement activities, including providing expert witnesses. The Bureau also will assist other components of the Commission on international trade issues, particularly those involving unfair foreign shipping practices.

Carrier Agreement Activities

The Bureau's carrier agreement activity consists of: (1) processing carrier agreement filings under the procedures of the 1984 and 1916 Acts; (2) conducting a comprehensive review and analysis of all pertinent legal and commercial facets of carrier agreements in order to recommend appropriate action to the Commission on the disposition of filed agreements; (3) making appropriate recommendations on applications for the waiver of applicable format requirements; (4) maintaining the Commission's official agreement archives; and (5) implementing and maintaining the Agreement Profile System, a database of information on each agreement filed with the Commission.

During fiscal year 1995, the Bureau reviewed 145 carrier agreement filings, including conference agreements, pooling and equal access agreements, joint service and consortia agreements, space charter and sailing agreements, and discussion agreements.

The Bureau maintains an agreement library to facilitate handling the increasing number of public requests for copies of agreements.

Marine Terminal Agreement Activities

The 1916 and 1984 Acts require certain agreements pertaining to marine terminal activities to be filed with the Commission. Section 15 of the 1916 Act applies to marine terminal operations in the domestic offshore commerce of the United States. Commission approval under section 15 of the 1916 Act is required before an agreement may go into effect. This approval gives the parties immunity from the antitrust laws with respect to activities within the scope of the agreement. Sections 4, 5, and 6 of the 1984 Act apply to marine terminal operations in the foreign commerce of the United States. Agreements that are filed under the 1984 Act generally go into effect 45 days after filing, and the parties thereby obtain similar antitrust immunity.

During fiscal year 1995, 125 terminal agreements were processed. Agreement filings are expected to decrease given the filing exemptions for terminal agreements.

Periodic reports filed by terminal conferences, discussion agreements, and interconference agreements are also reviewed. These include annual reports and minutes of meetings.

Formal Proceedings

The Bureau furnishes support in formal Commission proceedings arising in the areas of its expertise. The Bureau provides analyses and recommendations on petitions, information demand orders, and Commission-initiated rulemakings, and provides expert witness testimony in investigations of unfair foreign shipping practices and in domestic offshore rate cases. Occasionally, the Bureau is asked to prepare economic testimony in malpractice investigations.

In fiscal year 1995, the Bureau participated in the following matters: (1) an advanced notice of proposed rulemaking concerning section 6(g) of the 1984 Act (Docket No. 93-23); (2) a final rule changing the financial reporting requirements and rate-of-return methodology in the domestic offshore trades (Docket No. 94-7); (3) Fact Finding Investigation No. 21, examining the activities of TAA/TACA; (4) final rules updating the Commission's existing user fees and implementing new fees (Docket Nos. 94-14 and 94-15); (5) section 15 information demand orders on (a) independent action activities of certain Atlantic and Pacific Conferences, and (b) increases in bunker fuel and currency adjustment surcharges by three inbound transpacific conferences; (6) a working group

to develop proposed rules on new information and reporting requirements for agreements (Docket 94-31); and (7) section 15 information demand orders on (a) pricing by transpacific conferences, and (b) a Pacific capacity management program.

The Bureau's support of formal proceedings during fiscal years 1996 and 1997 will depend on the number and subject matter of the proceedings initiated over the period. The Bureau also will assist in the Commission's continuing endeavor to rid U.S. trades of unfair shipping practices under the FSPA and the 1920 Act.

Total Number of Workyears	1995 21	1996 20	1997 22
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Tariffs, Certification and Licensing Program

The Bureau of Tariffs, Certification and Licensing: (1) plans, develops, administers and analyzes programs concerning pricing activities and related practices by common carriers by water, conferences of such carriers, and marine terminal operators in the foreign and domestic offshore commerce of the United States; (2) reviews and maintains new and amended tariff matter filed in electronic form, rejecting filings which fail to conform to the Commission's regulations; (3) acts on special permission applications to deviate from tariff filing rules; (4) reviews and processes service contracts, service contract amendments, and essential terms publications filed by ocean common carriers and conferences of such carriers, rejecting or obtaining corrections to those which fail to conform to the Commission's regulations; (5) reviews requests to correct clerical or administrative errors in the essential terms of service contracts; (6) initiates recommendations for formal Commission action and proceedings, collaborating with other Commission offices as warranted; (7) recommends the institution of rulemaking proceedings; (8) licenses ocean freight forwarders under the provisions of the 1984 Act; (9) receives and reviews evidence of financial responsibility filed by NVOCCs to satisfy claims arising from transportation-related activities; (10) administers the Commission's anti-rebating certification program with regard to common carriers and ocean freight forwarders; (11) certifies the financial responsibility of passenger vessel owners and operators pursuant to Public Law 89-777 to satisfy liability incurred because of nonperformance of voyages or injury or death; (12) supports other Commission components with regard to enforcement of the Commission's regulatory requirements; and (13) has primary responsibility for the administration and review of all tariffs and service contract essential terms filed in the Commission's ATFI system.

Three offices under the direction of the Bureau Director carry out the Bureau's programs. Freight forwarder matters are the responsibility of the Office of Freight Forwarders. The Office of Tariffs handles carrier and marine terminal tariff matters, including the anti-rebating and NVOCC financial responsibility programs, and maintains many of the Bureau's core automated database systems. The Office of Service Contracts and Passenger Vessel Operations is responsible for administering the service contract program and passenger vessel financial responsibility matters.

ATFI

The Bureau has fully implemented the Commission's ATFI system and achieved total industry compliance with its filing requirements. ATFI provides for electronic filing, processing and retrieval of foreign and domestic carrier tariffs, marine terminal tariffs and service contract essential terms. The Commission launched the ATFI system on February 22, 1993. During fiscal year 1995, 1,014 new tariffs and 35 essential terms publications were filed in the system by marine terminal operators and carriers operating in the United States foreign and domestic offshore commerce. These tariff filings include, among other things, 103,418 rules, 355,673 commodity descriptions and 3,268,654 tariff line items.

During fiscal year 1995, the Commission completed a series of proceedings, the first of which was initiated in fiscal year 1993, which ordered carriers to show cause why the Commission should not cancel their paper tariff or essential terms publications for failure to convert them to ATFI format. Docket No. 94-20, Cancellation of Tariffs for Failure to Comply with Automated Tariff Filing and Information System ("ATFI") Filing Requirements, the last of the series, was issued on October 14, 1994 to 243 carriers, conferences, and marine terminal operators with paper tariffs on file. The tariffs/essential terms of 191 of these carriers/marine terminal operators were cancelled by order issued on February 7, 1995.

Foreign Tariff Activity

Section 8 of the 1984 Act, 46 U.S.C. app. 1707, requires the filing of tariffs setting forth the rates, charges, rules, and practices of common carriers operating in the U.S. foreign commerce. A major objective of the tariff program is to ensure that all tariffs comply with statutory requirements and the Commission's tariff regulations. The Bureau: (1) reviews all new tariffs and tariff matter amending existing tariffs; (2) acts upon applications for special permission to file tariffs on less than statutory notice or to deviate from other tariff filing rules and regulations; (3) rejects improperly or incorrectly filed tariffs and amendments to these tariffs, or recommends alternative action; (4) recommends Commission action on tariff filing activities and regulations; (5) maintains anti-rebate certification records; and (6) maintains records of NVOCC financial responsibility.

At the end of fiscal year 1995, approximately 2,150 NVOCC surety bonds and one insurance policy were on file, which may be used to satisfy claims arising from transportation-related activities or penalties assessed by the Commission pursuant to section 13 of the 1984 Act.

During fiscal year 1995, the Bureau received and processed 309 foreign commerce special permission applications to deviate from the statutory provisions of the 1984 Act and/or the Commission's tariff filing regulations.

Domestic Tariff Activity

Common carriers operating in the U.S. domestic offshore commerce are required, pursuant to section 18 (a) of the 1916 Act, 46 U.S.C. app. 817, and section 2 of the 1933 Act, 46 U.S.C. app. 874, to file tariffs of rates, charges and rules with the Commission. The Bureau reviews these tariffs to ensure that they comply with applicable statutory requirements. During fiscal year 1995, 50 new domestic tariffs were received. The Bureau processed four domestic special permission applications to deviate from the domestic tariff filing rules.

Marine Terminal Tariff Activity

Marine terminal operators are required to file tariffs of rates, charges, rules and practices pursuant to 46 CFR Part 514 of the Commission's regulations, which implement statutory responsibilities set forth in section 17 of the 1916 Act, 46 U.S.C. app. 816, and section 10 of the 1984 Act, 46 U.S.C. app. 1709. The Bureau reviews and analyzes terminal tariff filings to ensure that they are clear and definite, do not relieve terminal operators from liability for their own negligence, and otherwise conform with the requirements of the Commission's regulations and the 1916 and 1984 Acts. During fiscal year 1995, the Bureau received, processed, and reviewed 33 new terminal tariffs along with numerous amendments that were filed in the ATFI system during the fiscal year.

Service Contracts

The 1984 Act permits vessel-operating common carriers and conferences to enter into service contracts with shippers or shippers' associations. Service contracts entered into under section 8(c) of the 1984 Act, 46 U.S.C. app. 1707(c), are filed confidentially with the Commission. At the same time, a concise statement of the contract's essential terms must be filed with the Commission and made available to the general public in tariff format. The Bureau reviews contracts and essential terms filings to ensure that they conform to statutory and regulatory requirements.

During fiscal year 1995, the Bureau received 35 new essential terms publications, 8,099 new service contracts and 8,851 amendments, which involved the entire scope of the U.S. foreign commerce, both inbound and outbound.

Freight Forwarder Operations

The Commission's statutory authority for the licensing of ocean freight forwarders is contained in section 19 of the 1984 Act, 46 U.S.C. app. 1718. The Bureau's program with regard to ocean freight forwarders enables the Commission to maintain effective surveillance over the technical qualifications and financial responsibility of ocean freight forwarders operating in the U.S. foreign commerce.

During fiscal year 1995, the Commission received 372 new and amending license applications. The Commission approved 249 applications; 107 applications were deficient and returned; 17 requests for a license were withdrawn; and one application was denied. The Commission also issued 129 licenses and revoked 69 licenses. At the end of the fiscal year, 1,850 licensed forwarders were operating under the Commission's jurisdiction.

On-site compliance investigations are conducted as part of the Commission's effort to ensure that licensed ocean freight forwarders comply with the provisions of the shipping statutes and the Commission's regulations. During the year, 67 investigative reports were received by the Bureau. Several of these reports resulted in the issuance of warning letters to licensees, while more serious matters were referred to the Bureau of Hearing Counsel for the assessment of appropriate civil penalties.

In fiscal year 1995, the Commission redesigned the form FMC-18, Application for a License as an Ocean Freight Forwarder, by clarifying the instructions and streamlining the information required in order to reduce the applicants' paperwork burden from 18 hours to 2 hours.

Passenger Vessel Operations

The Commission administers sections 2 and 3 of Public Law 89-777 (46 U.S.C. app. 817d and 817e) which require evidence of financial responsibility for vessels which have berth or stateroom accommodations for 50 or more passengers and embark passengers at U.S. ports.

During fiscal year 1995, 37 casualty certificates and 32 performance certificates were approved and issued to passenger vessel applicants. The program now encompasses about 135 vessels and 42 operators, which have evidence of financial responsibility coverage in excess of \$330 million for nonperformance and over \$1 billion for casualty on file with the Commission. The certificates issued pursuant to this program are necessary for the U.S. Customs clearance of thousands of passenger vessel sailings annually.

Anti- Rebate Certification Program

Every common carrier by water in the foreign commerce of the U.S. and licensed ocean freight forwarder is required by section 15(b) of the 1984 Act (46 U.S.C. app. 1714) and 46 CFR Part 582 to file a sworn Certification of Company Policies and Efforts to Combat Rebating in the Foreign Commerce of the United States. This certification is to be filed with the Secretary of the Commission on or before December 31 of each even-numbered calendar year and is to be signed by the Chief Executive Officer of the common carrier or ocean freight forwarder. A program supported by the Bureau's electronic databases is in place to ensure that common carriers and freight forwarders file their certifications. During fiscal year 1995, nearly 4,000 anti-rebate reminder letters were mailed to carriers and licensed ocean freight forwarders. The tariffs of 141 of these firms were cancelled for failure to file 1995/1996 anti-rebate certifications.

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Automated Database Systems

In addition to ATFI, the Bureau maintains the following automated database systems: (1) the service contract system; (2) the regulated persons index, which includes information on NVOCC financial responsibility and ATFI registration; (3) the microfiche system for cancelled paper tariffs; and (4) the ocean freight forwarder licensing program system. During fiscal year 1995, the Bureau completed the reprogramming, verification and updating of the freight forwarder database.

During fiscal year 1995, the Commission decided to purchase an imaging system to scan optically historical tariff data which was filed with the Commission in paper format prior to ATFI. This system is expected to be operational in fiscal year 1996.

Rulemaking and Docketed Proceedings

The Bureau recommends initiation of, or supports, formal rulemakings and Commission docketed proceedings. During fiscal year 1995, the Bureau was involved in rulemakings and proceedings involving various tariff filing requirements, service contracts, and passenger vessel operators. These matters included preparing a Notice of Inquiry, Docket 94-21, Inquiry into Alternative Forms of Financial Responsibility For Nonperformance of Transportation, to determine whether an acceptable alternative can be fashioned which will address the industry's objections to the Proposed Rule in Docket 94-06, Financial Responsibility Requirements for Nonperformance of Transportation. The Bureau also participated in Fact Finding Investigation No. 21, Activities of the Trans-Atlantic Agreement and its Members; Docket No. 94-28, Vessel Sharing Agreements -- Order to Show Cause; Docket No. 94-29, Practices of the Trans-Atlantic Agreement and its Members with Respect to Independent Action; and Docket No. 94-30, Container Pool Practices of the Trans-Atlantic Agreement and its Members. The Bureau initiated the removal of 46 CFR Parts 515, 550, 580, and 581, Docket No. 95-01, Filing of Tariffs by Marine Terminal Operators; Publishing, Filing and Posting of Tariffs in Domestic Offshore Commerce; Publishing and Filing of Tariffs by Common Carriers in the Foreign Commerce of the United States; Service Contracts. The Bureau also initiated a rulemaking to revise service contract filing requirements to allow the filing of an abbreviated service contract which incorporates a reference to its electronic essential terms, Docket No. 95-08, Service Contract Filing Requirements -- Miscellaneous Revisions.

In addition (as mentioned previously under the headings "ATFI" and "Service Contracts", respectively), the Bureau initiated a show cause proceeding with regard to paper tariffs of carriers that had failed to convert tariffs filed with the Commission in paper format to electronic format, Docket 94-20, Cancellation of Tariffs for Failure to Comply with Automated Tariff Filing and Information System ("ATFI") Filing Requirements; and the Bureau completed an analysis of a second and third series of semiannual section 15 reports following Fact Finding Investigation No. 20, Service Contract Negotiations with Shippers' Associations and Non-Vessel-Operating Common Carriers, a nonadjudicatory investigation o. the service contract negotiating process.

Total Number of Workyears	1995	1996	1997
	40	38	38

Enforcement Program

On October 20, 1995, the Commission merged its former Bureaus of Investigations and Hearing Counsel into a new Bureau of Enforcement. The new Bureau provides for closer coordination between investigations and prosecutions, and streamlines the management of these two related functions. Attorneys of the Bureau of Enforcement participate as trial counsel in formal adjudicatory proceedings. The Bureau also participates in formal complaint proceedings where intervention is permitted. Bureau attorneys serve as legal advisors to the Managing Director and other bureaus, and also are designated Investigative Officers in nonadjudicatory fact finding proceedings. The Bureau monitors all other formal proceedings in order to identify major regulatory issues and to advise the Managing Director and the other bureaus. The Bureau also participates in the development of Commission rules and regulations. On occasion, attorneys from the Bureau may participate in matters of court litigation to which the Commission is a party.

Through investigative personnel, the Bureau monitors and conducts investigations into the activities of ocean common carriers, NVOCCs, freight forwarders, shippers, ports and terminals, and other persons to ensure compliance with the statutes and regulations administered by the Commission. Monitoring activities include: (1) service contract reviews to determine compliance with applicable statutes and regulations; (2) reviews of NVOCC operations, including compliance with bonding requirements; (3) post-licensing and routine compliance checks of licensed ocean freight forwarders to determine whether their operations conform with regulatory requirements; (4) audits of passenger vessel operators to ensure the financial protection of cruise passengers; and (5) various studies and surveys to support Commission programs. Investigations are conducted into alleged violations of the full range of statutes and regulations administered by the Commission, including: illegal rebating, misdescriptions or misdeclarations of cargo, illegal or unfiled agreements, abuses of antitrust immunity, unlicensed freight forwarding, untariffed cargo carriage, unbonded passenger vessel operations, and various types of consumer abuses, such as failure of carriers or intermediaries to carry out transportation obligations, resulting in cargo delays and financial losses for shippers.

The Bureau maintains a headquarters office in Washington, DC, and district offices in New York, Miami, and Los Angeles. District offices in Houston, New Orleans, San Francisco and San Juan, PR were closed on September 30, 1995. In addition to monitoring and investigative functions, each district office represents the Commission within its jurisdiction, provides liaison between the Commission and the maritime industry and the

shipping public, collects and analyzes intelligence of regulatory significance, and assesses industry conditions. Liaison activities involve cooperation and coordination with other government agencies, providing regulatory information and relaying Commission policy to the shipping industry and the public, plus handling informal complaints within each district.

The Bureau prepares and serves notices of violations of the shipping statutes and Commission regulations and may compromise and settle civil penalty demands arising out of those violations. If settlement is not reached, Bureau attorneys act as prosecutors in formal Commission proceedings that may result in settlement or in the assessment of civil penalties. The Bureau also participates, in conjunction with other bureaus, in special enforcement initiatives.

During 1995, the Bureau of Investigations continued to investigate malpractices in the South American trades. Several cargo interests and middlemen were investigated in addition to carriers allegedly involved in rate malpractices. Other trades were also the subject of malpractice investigations, including the transatlantic, transpacific, Mediterranean, Central American and Caribbean trades. Other areas of investigation included improper shipper practices such as misdescription of commodities and misdeclaration of measurements in major U.S. trades.

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The Bureau of Investigations also conducted a comprehensive program of tariff review and enforcement to ensure compliance with the tariff filing and adherence requirements of the 1984 Act. All common carriers have converted their tariffs to the electronic ATPI format, which facilitates tariff review. In addition to ensuring compliance, tariff reviews conducted by investigators during fiscal year 1995 have resulted in many improvements to the ATPI tariffs, particularly those of NVOCCs adjusting to the new filing requirements.

During fiscal year 1995, cooperation between the Commission's offices and the U.S. Customs Service's ("Customs") regional offices with respect to the exchange of investigative information has improved. In particular, the district offices greatly increased their level of information retrieval from Customs' Automated Commercial System ("ACS") database (now called the Automated Commercial Environment).

On July 27, 1994, the Commission launched a comprehensive inquiry into the competitive power of the Trans-Atlantic Agreement ("TAA") and its member lines, and the impact of

that power upon shippers. This fact finding investigation was launched in response to reports of alleged unlawful activity by TAA from several sources, including the Commission's own monitoring initiatives and inquiries, and petitions filed by others. Attorneys from the Bureau of Hearing Counsel were designated as Investigative Officers. In November 1994, the Investigative Officers presented an Interim Report which persuaded the Commission that immediate action should be taken to address certain activities of the conference (renamed "TACA" in October 1994) and its members which appeared to be in violation of the 1984 Act. In November 1994, the Commission also commenced three adjudicatory proceedings to determine whether certain activities were violative of the 1984 Act. The activities addressed in these three proceedings included possible restrictions on the statutory right of TAA members to take independent action on rates; significant withdrawal restrictions contained in certain vessel sharing agreements which also require membership in TACA; and allegedly untariffed and discriminatory inland container pools established by TACA members and sanctioned by TACA. In March and May 1995, the Commission approved settlements with members of TACA and of certain vessel sharing agreements to resolve the issues generated in these several proceedings. The settlements included changes to the conference and agreement structure and procedures, a roll-back of rates to 1994 levels, and agreement to allow independent action on conference service contracts in 1996.

At the beginning of fiscal year 1995, 21 enforcement cases were pending final resolution by the Bureau of Hearing Counsel. During the fiscal year, 55 new enforcement actions were commenced. Forty-four were compromised and settled, administratively closed, or referred for formal proceedings. Thirty-two enforcement cases were pending resolution at fiscal year's end.

At the start of fiscal year 1995, the Bureau of Hearing Counsel was party to 11 formal proceedings. During the fiscal year, the Bureau participated in 7 new formal proceedings. Eight proceedings in which the Bureau participated were completed. Accordingly, 10 formal proceedings were pending at the end of the fiscal year.

At the beginning of fiscal year 1995, there were 40 requests for legal advice pending in the Bureau of Hearing Counsel. Sixty-eight requests for legal advice were received during the fiscal year, and 46 legal advice projects were completed. Accordingly, 62 legal advice matters were pending in the Bureau on September 30, 1995.

The closing of four district offices and the reduction in investigative personnel may curtail increases in investigative activity in fiscal years 1996 and 1997. However, the Bureau of Enforcement anticipates that it will continue to have a caseload of formal proceedings and fact finding investigations and will continue to plan enforcement programs with other bureaus. Where violations of the 1984 Act are developed, the Bureau will pursue violations and negotiate settlements of these cases. The Bureau will also provide legal advice to the Managing Director and other bureaus. The Bureau will continue its practice to implement policy decisions through formal proceedings in order to resolve regulatory and enforcement problems and to intervene in formal complaint cases with significant regulatory and jurisdictional issues.

Total Number of Workyears	1995	1996	1997
	50	26	25

Office of the Director - Bureau of Administration

The Bureau of Administration ("BOA") provides administrative support to the program operations of the Commission. The Bureau interprets governmental policies and programs and administers these in a manner consistent with Federal guidelines, including those involving procurement, financial management, and personnel. The Bureau initiates recommendations, collaborating with other elements of the Commission as warranted, for long-range plans, new or revised policies and standards, and rules and regulations, with respect to its program activities. The Director, BOA is responsible for the direct administration and coordination of the:

Office of Administrative Services ("OAS")

Office of Budget and Financial Management ("OBFM")

Office of Personnel

Many of the functions and achievements of BOA are reflected below in the narratives for these offices.

The Director serves as the FMC's Competition Advocate charged with the responsibility for carrying out the functions specified in the Federal Acquisition Regulation ("FAR"), challenging barriers to competition and reviewing procurement practices. The Director is also the Commission's representative, as Principal Management Official, to the Small Agency Council ("SAC"). Upon the fiscal year 1996 retirement of the Director, OBFM, the agency's Chief Financial Officer ("CFO"), the Bureau Director became the CFO.

The Commission's Training Officer is located in the Office of the Director. The Training Officer provides employee development assistance and career counseling throughout the agency and provides technical assistance to the Executive Resources Board. The Training Officer also serves as a member of the SAC Training Committee. During fiscal year 1995, the agency utilized a number of cost-free training opportunities available through the SAC. Due to a reduction in force, the Training Officer arranged for career transition training for the field offices. In fiscal year 1996, the Training Officer is planning to arrange career transition and computer training for all Commission employees.

The Office of the Director is responsible for directing and administering the Commission's Information Security Program, which includes an active oversight and security education program to ensure effective implementation of Executive Order 12958. BOA activities in connection with the National Performance Review are coordinated within the Office of the Director.

Office of Administrative Services

The OAS is responsible for procuring and furnishing all supplies, equipment and services necessary and required to support the day-to-day operations and overall mission objectives of the Commission. To meet and accomplish this responsibility, the OAS directs and administers a variety of management service functions, including: (1) developing and administering Commission procurement actions and contracts that obligate the Government to an expenditure of funds; (2) controlling and administering the Commission's property utilization, maintenance, inventory and disposition programs; (3) developing and coordinating a comprehensive voice telecommunications program for all Commission locations, including installation and maintenance of telecommunications equipment and features; (4) planning and administering programs for improvement of the workplace environment and other space utilization operations for all Commission locations, including the assignment of office space and provision of office furnishings; (5) managing the receipt, storage, issuance and inventory of all supplies, forms and accessories; (6) coordinating and fulfilling all printing, copying, and graphic service requirements; (7) regulating the receipt, distribution and dispatching of mail; (8) coordinating the use of the building's physical facilities with respect to maintenance, security and parking; (9) arranging transportation services for all Commission locations; (10) conducting safety inspections and coordinating the Commission's emergency planning and evacuation plan; (11) managing the transfer and disposal of Commission records; (12) directing the Commission's participation, development and goal-setting efforts under the Small Business Act; and (13) formulating and implementing policies, procedures, and methods to accomplish support services that are in compliance with governing regulations, e.g., the Federal Property Management Regulations, the FAR, and the Federal Information Resource Management Regulations.

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During fiscal year 1995, the OAS: (1) coordinated the relocation of several district offices; (2) continued to provide contracting guidance and assistance in support of the

FMC's ATPI program; (3) arranged cost-saving telecommunications changes for the New York District Office; (4) effected and improved the space utilization in numerous Headquarters offices; (5) joined the SAC's newly established Administrative Services Committee to share information and expertise; (6) worked with BOI to arrange for a district office directors conference; (7) provided procurement information and guidance to the Inspector General; (8) arranged for an MOU between the FMC and OPM for background investigation services; (9) reconfigured Headquarters copier equipment to improve productivity and cost effectiveness; (10) implemented an agreement with USDA for disposition of FMC's excess personal property; (11) implemented a new procurement automation system as part of electronic commerce requirements for Federal agencies; (12) coordinated the acquisition and installation of new telecommunication systems in several district offices; (13) coordinated and arranged for the closing of the San Francisco, Houston, New Orleans, and Puerto Rico District Offices and the reduction in office space of the New York, Los Angeles, and Miami District Offices and Headquarters; (14) arranged for the printing of FMC's bound volume decisions nos. 26, 27, and 28; and (15) arranged for the printing and distribution of the FMC's 33rd Annual Report.

In fiscal years 1996 and 1997, OAS plans to: (1) complete the implementation of FMC's automated property management system; (2) continue efforts to expand the FMC's electronic commerce program; (3) review the MOU with the Office of Thrift Supervision ("OTS") for accounting and payroll services; and (4) continue to provide advisory and assistance support to FMC activities regarding innovative procurement approaches.

Office of Budget and Financial Management

The OBFM administers the Commission's financial management program and is responsible for optimal utilization of the Commission's fiscal and staffing resources. The OBFM is charged with interpreting government budgetary and financial policies and programs, and developing annual budget justifications for submission to the Congress and OMB. The Office also administers internal control systems for agency funds, travel and cash management programs, and the Commission's Imprest Fund. The Director, OBFM, was the CFO through the end of fiscal year 1995.

The OBFM's main responsibilities are to: (1) submit annual budget justifications and estimates to OMB and the Congress; (2) execute the budget to ensure that appropriated

funds are properly expended; (3) prepare regular financial reports to aid management decisions; (4) administer the control system over workyears of employment; (5) collect all fees and forfeitures due the Commission; (6) process payments to vendors efficiently and in accordance with the Prompt Payment Act; (7) verify all accounting and payroll reports generated by OTS; (8) process travel orders and vouchers within established time limits and in accordance with Federal Travel Regulations; and (9) administer the Commission's Imprest Fund program and manage the Commission's Cash Management program.

During fiscal year 1995, the OBFM: (1) collected and deposited \$1,749,271 from user fees, fines and penalty collections, and ocean freight forwarder application and passenger vessel certification fees (of this amount, \$117,618 is related to ATPI user fees and \$572,480 to P.L. 102-582 fees); (2) coordinated and prepared budget justifications and estimates for the fiscal year 1996 Congressional budget and fiscal year 1997 budget to OMB; (3) participated in OMB and Congressional budget hearings; (4) worked with the American Express Government Credit Card Program to implement the use of the Travel Credit Card for ATM machines (field personnel only); (5) prepared a variety of external reports such as: the Annual Leave Year Report for Fiscal Year 1994 (OPM), the Annual Report on Occupational Safety and Health Program, Report on Financial Management Improvements (JFMIP), the Annual Prompt Payment Report (OMB), the Report on Workyears and Personnel Costs (OPM); the Civil Monetary Penalty Report (Treasury), the Current Asset Management Annual Certification (FY 1994 Cash Flow) (Treasury), and the Best Practices in the Federal Financial Management (Electronic Clearing House) Report (JFMIP); (6) provided management with monthly status reports on workyears, funding, travel, and receivables; (7) managed the Commission's travel and cash management programs; (8) prepared fiscal year 1996 OMB policy base line estimates for submission to OMB; (9) assisted with the update of user fees for the Commission; (10) developed Voluntary Separation Incentive Payments and Voluntary Early Retirement Proposals; and (11) prepared a draft of procedures to close out fiscal year obligations.

The Commission has a single integrated accounting system which includes payroll, payments to vendors, and personnel processing, which is performed by the Office of Thrift Supervision ("OTS") pursuant to an interagency fiscal services contract. Under the contract, OTS provides such services as payroll accounting; general ledger accounting; Government disbursements (payroll, payments, garnishments, and incentive awards); savings bond processing; and Thrift Savings Plan, health and life insurance and retirement deductions. The OTS accounting system interfaces with the Commission's Financial Management Reporting System which reduces duplication and results in a single

integrated financial management system.

Financial management goals in fiscal years 1996 and 1997 include the continued testing of off-the-shelf travel manager software, which will be integrated with the administrative accounting system to provide fund control, accounting updates, and electronic processing of travel. OBFM will also (1) continue to develop and implement electronic commerce to automate the processing of purchase orders, obligations and payments in conjunction with the OAS and OIRM; (2) review procedures and controls for cash management; and (3) pursue initiatives leading to economy and efficiency in budget and financial operations. These goals and initiatives are expected to improve the accuracy and timeliness of the reports and the efficiency of activities.

Office of Personnel

The Office of Personnel plans and administers a complete personnel management program including: recruitment and placement, position classification and pay administration, occupational safety and health, employee assistance, employee relations, workforce discipline, performance appraisal, incentive awards, employee benefits, retirement, and personnel security.

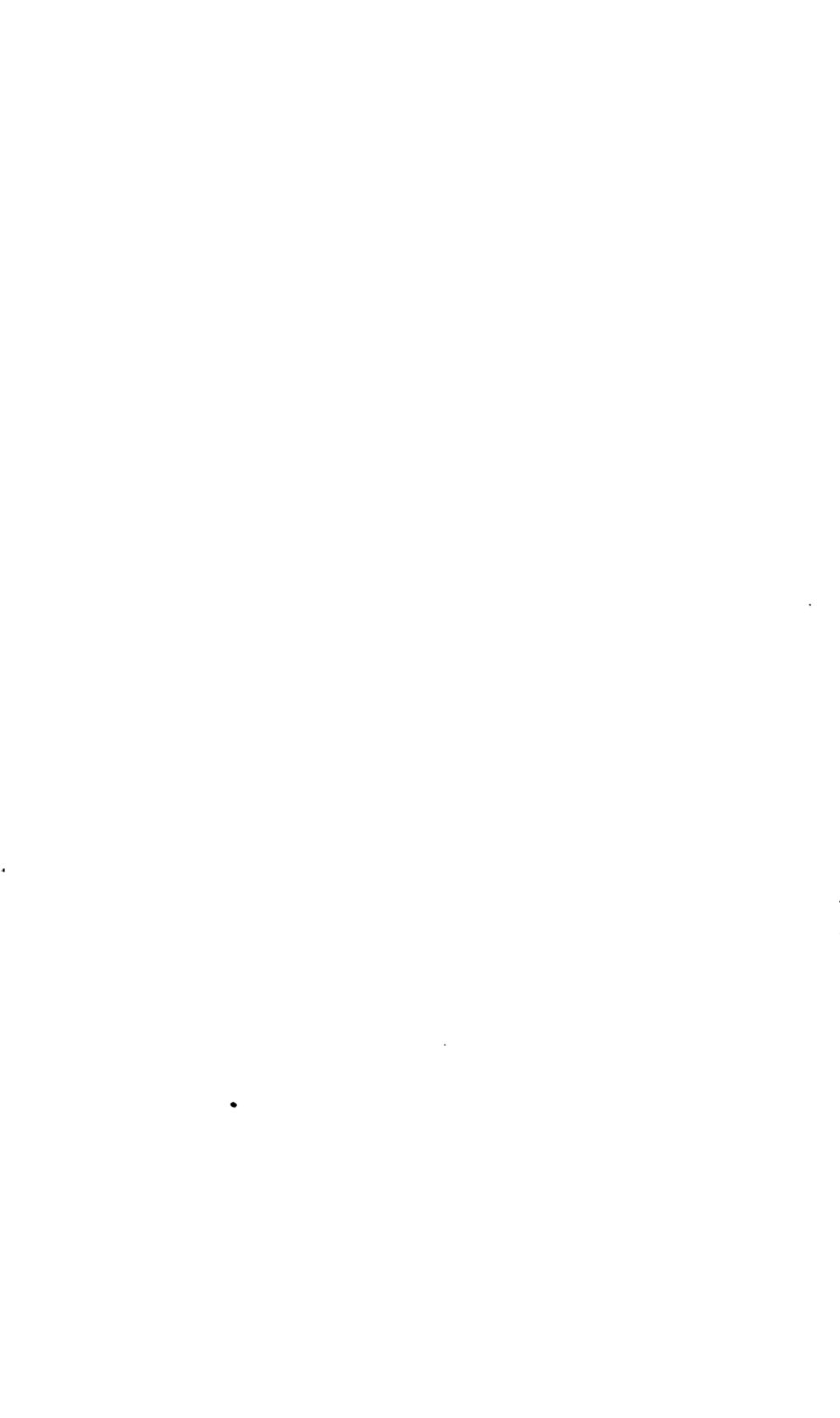
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During fiscal year 1995, the Office: (1) prepared numerous personnel management information papers to Commission employees and management; (2) improved the Commission's personnel and information security program including preparation of sensitivity designation forms for every position; (3) worked with the Executive Resources Board to complete the SES recertification program and draft an SES Reduction in Force plan; (4) issued guidance on new restrictions on the ability of SES to accumulate annual leave; (5) completed a year-long program to deliver mandatory HIV/AIDS education and training to all employees nationwide; (6) made significant progress in reviewing, revising and reducing the number of internal personnel regulations and delegating authority to supervisors and managers; (7) revised and reissued the following Commission Orders ("CO"): CO 62, Performance and Incentive Awards; CO 121, Financial Disclosure (in cooperation with the Ethics Officer); CO 94, Employee Absence and Leave; and CO 123, Reduction in Force in the Senior Executive Service; (8) issued Certificates of Expected Separation to employees in district offices alerting them to the possibility that they could be furloughed within six months and establishing their eligibility for the Office

of Personnel Management and Department of Labor assistance; (9) issued RIF notices to certain employees in all of the Commission's district offices and dispatched a Personnel Office representative to assist in outplacement efforts for those employees affected by RIF; (10) established a Career Transition Center for employees at the Commission's Headquarters; (11) submitted a request for Voluntary Early Retirement Authority to the Office of Personnel Management, which was subsequently approved; (12) conducted a Voluntary Early Retirement Open Season during which eligible employees were offered the opportunity to retire early; (13) prepared a Retention Register for Commission employees; (14) monitored and reported on employee assistance program contracts in Washington, D.C., New York, Miami, New Orleans, Houston, San Francisco, and Los Angeles, and sponsored on-site wellness programs on such subjects as "Stress Management" and "Managing Change" and EAP training for supervisors; (15) worked closely with OTS to make certain all pay changes were processed correctly; (16) sponsored an annual Employee Health Fair and conducted the Health Benefits and Thrift Savings Plan Open Seasons; (17) advised supervisors concerning their responsibilities in areas of employee conduct and performance, including granting within-grade increases and awards, and correcting disciplinary and performance problems; (18) resolved a number of employee relations cases; (19) managed a successful Annual Leave Transfer Program; (20) charted SES and PMS performance appraisal milestones and issued reminders and instructions to supervisors concerning performance appraisals; (21) maintained the Commission's high standing among agencies in percentage of employees with targeted disabilities and publicized the availability of the new Federal Information Relay Service for communication with the speech and hearing impaired; (22) raised over \$17,000 for the Combined Federal Campaign and (23) worked with the District Government to conduct the Summer Youth Employment Program.

During fiscal years 1996 and 1997, the Office will continue to advise the Commission on all personnel matters and ensure the maintenance of a sound and progressive personnel program while fully implementing the provisions of the Commission's streamlining plan. The Office will continue its review of personnel policies as recommended by the National Performance Review with the goal of reducing its internal regulations in accordance with streamlining guidelines.

	1995	1997
Total Number of Workyears	27	1



FEDERAL TRADE COMMISSION



FISCAL YEAR 1997

CONGRESSIONAL BUDGET JUSTIFICATION

(291)



OFFICE OF
THE CHAIRMAN

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

March 18, 1996

The Honorable Judd Gregg
Chairman
Subcommittee on Commerce, Justice, and State,
the Judiciary, and Related Agencies
United States Senate
Washington, D.C. 20510

The Honorable Harold Rogers
Chairman
Subcommittee on Commerce, Justice, and State,
the Judiciary, and Related Agencies
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman,

This transmits the budget justification for the Federal Trade Commission in support of the President's fiscal year 1997 budget request.

The Commission's fiscal year 1997 budget request amounts to a program level of \$104,462,000 and 979 full-time equivalent positions. It provides for a net increase of approximately \$3.6 million over our fiscal year 1996 program level while holding full-time equivalent positions at our current ceiling. As the justification materials describe, this budget will permit the Commission to continue to pursue its Competition and Consumer Protection missions.

By direction of the Commission,

Robert Pitofsky
Chairman

**Fiscal Year 1997
Congressional Budget Justification**

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Overview Statement

The role of the Federal Trade Commission, as defined by Congress, is to enforce the federal antitrust, competition and consumer protection laws. Under these laws, the Commission seeks to ensure that the nation's markets are competitive, function vigorously and efficiently, and are free from undue restrictions. The Commission also seeks to improve the operation of the marketplace by eliminating deceptive and unfair practices, with emphasis on those practices that may unreasonably restrict or inhibit the free exercise of informed choice by consumers. The Commission relies on economic analyses to support this law enforcement effort and to contribute generally to the economic policy deliberations of the Congress, the Executive Branch, and the public.

The FTC is a small agency with important law enforcement responsibilities and a proven track record in fulfilling its Congressional mandates. Without adequate full-time equivalent (FTE) levels, the increasing scope and complexity of the Commission's responsibilities would quickly outstrip its ability to do the job.

As a major initiative in fiscal years 1996 and 1997, the Commission has committed itself to an extensive review of fundamental issues relating to antitrust, competition and consumer protection. One critical goal is to ensure that the Commission -- today and in the future -- carries out its mandates as effectively and efficiently as possible. In fiscal year 1997, the Commission will review selected federal antitrust, competition and consumer protection policies in light of increased global competition as well as the changing nature of competition in "high tech" industries.

Cooperative efforts with state and local officials now characterize nearly every facet of the Commission's work. Specifically, information-sharing in law enforcement, joint investigations, and joint training occur on an ongoing basis. In numerous instances, the Commission has coordinated with state officials in law enforcement actions in both of its Missions. In the Maintaining Competition Mission, for example, the Commission and several states conducted parallel, coordinated investigations of Nintendo of America for alleged resale price maintenance violations. This effort, which resulted in federal and state

consent agreements announced at a joint press conference, has served as a model of federal-state cooperation. Similarly, in the Consumer Protection Mission, the Commission worked with a coalition of 20 state securities divisions and offices of a number of state attorneys general, as well as the Department of Justice, to address business opportunity fraud on a national level. Together the law enforcement agencies filed approximately 100 law suits against firms promising quick, easy money through fraudulent sales of franchises and business opportunities involving vending machines, amusement games, pay telephones and display racks. The Commission is attempting to halt such illegal scams and obtain redress for consumers and civil monetary penalties.

The Commission's current FTE level is some 20 percent below what it was in the mid-1960's. During the 1980's the Commission's FTE level dropped from 1,784 to 894, an FTE ceiling reduction of approximately 50 percent. Subsequently, between fiscal years 1989 and 1996, the precipitous decline in Commission resources was halted, and a modest amount of those lost resources was restored to improve the effectiveness of our law enforcement program and to enable the Commission to carry out new or expanded duties assigned to it by Congress.

Agency Request

Fiscal year 1996 funding for the Federal Trade Commission provides \$100,909,000. The requested funding for fiscal year 1997 is \$104,462,000 and 979 full-time equivalents (FTE). This represents an increase of \$3,553,000 over our fiscal year 1996 funding level with no increase in FTE.

The President's fiscal year 1997 request for \$104,462,000 includes \$58,905,000 in reliance on Hart-Scott-Rodino (HSR) fees, up from \$48,262,000 in fiscal year 1996. In addition to this higher reliance on new fee collections, the request anticipates \$10,643,000 in carryover from fees collected in fiscal year 1996 in excess of the \$48,262,000 and which first become available for obligation in fiscal year 1997. Data for fiscal year 1995 and the first quarter of fiscal year 1996 indicate that the total number of filings would support this higher level of fee reliance. Finally, the request includes \$34,914,000 in direct appropriations.

Federal Deposit Insurance Corporation Improvement Act

The Administration's proposed appropriation language, which the Commission supports, continues the prohibition on spending authorized funds to implement certain provisions of the Federal Deposit Insurance Corporation Improvement Act (FDICIA). The Commission continues to believe that its responsibilities under the FDICIA would be more appropriately assigned to Federal regulatory agencies with jurisdiction over financial institutions, and that the Commission does not have the resources required to carry out these duties. Commission staff continue to inform OMB and Congress of the FTC's concerns with this legislation.

Hart-Scott-Rodino Premerger Filing Fees

The Commission's HSR fee dependency has increased from \$16,900,000 in fiscal year 1993 to \$58,905,000 in fiscal year 1997, an increase of about 249 percent. Although current appropriation language continues to protect the FTC against a fee shortfall, it does so only one year at a time. Protective language does not exist for fiscal year 1997 and beyond. As the Commission moves toward higher levels of fee income to sustain funding levels in the current government-wide environment of constrained budgets, it is critical that the Commission continue to have protection against possible fee shortfalls. This protection provides a constant source of funding to the Commission, allowing efficient and effective management of resources.

Maintaining Competition

For fiscal year 1997, under the Maintaining Competition Mission, the Commission is requesting a total of 470 FTC and \$50,243,000. The request reflects an increase of \$1,710,000 over fiscal year 1996.

The Maintaining Competition Mission is based on the fundamental premise that free markets work well, so competition results in the best products at the lowest prices, spurs efficiency and innovation, and strengthens the U.S. economy. Unreasonable restraints on competition harm everyone --

consumers, businesses and workers -- and it is the Commission's job under the Maintaining Competition Mission to guard against such restraints.

Recent changes in the U.S. economy have increased the demands on the agency. Most prominent among these changes is a significant increase in mergers and acquisitions, which have reached near-record levels.

The Commission applies three criteria to test its success under this Mission: First, our efforts must make a tangible difference to consumers. Second, they must benefit consumers without unduly burdening business. Finally, they must take into account the dynamic changes in the economy -- the increasingly rapid pace of technological change, and any trends towards internationalization of markets, as well as advances in the economic analysis of competition -- through a continuing process of reviewing the Commission's enforcement policies.

In the last 17 months, the Mission has made a difference to the average consumer -- whether shopping for groceries on Cape Cod, checking into the hospital in Florida, using natural gas in Salt Lake City, or buying prescription drugs or athletic shoes anywhere in the U.S. To cite Commissioner efforts in the merger area alone, enforcement actions protected consumers from likely anticompetitive consequences in 53 different mergers and acquisitions, a record number. Relief obtained in just two proposed mergers resulted in an estimated savings to consumers of \$45 million -- roughly equal to the entire amount of the Mission's annual resources. Other efforts have substantially benefited consumers as well.

Other actions, many of which cut costs across program boundaries, improve enforcement efficiency under the Maintaining Competition Mission, eliminate unnecessary burdens on business, and adapt policies to new developments. These include:

Minimizing Burden and Improving Efficiency of Operation:

- The Commission joined with the Department of Justice in issuing final versions of two sets of guidelines stating the agencies' antitrust enforcement policies in certain areas:
(1) *Antitrust Enforcement Guidelines for International Operations*, and (2)

Antitrust Guidelines for the Licensing of Intellectual Property. Such guidelines play an essential role in assisting businesses in complying with the law. Further, the issuance of guidelines may help avoid both the cost of litigation to challenge anticompetitive conduct after the fact, and the risk that businesses will shun procompetitive, efficient transactions that they wrongly fear might be challenged.

- o The Commission issued a new *Policy Statement Regarding Duration of Competition and Consumer Protection Orders* providing that it will ordinarily "sunset" future orders automatically after twenty years, and a *Notice of Proposed Rulemaking Regarding the Duration of Existing Competition and Consumer Protection Orders* providing that it likewise would ordinarily "sunset" existing orders after twenty years. The proposed rule was made final in the first quarter of fiscal year 1996, to take effect at the beginning of the second quarter. In all cases the automatic sunsetting is subject to exceptions where a complaint alleging an order violation has been filed in court.
- o The Commission issued a statement that adopted a less restrictive "prior approval" policy for merger orders and now will not use prior approval or prior notice provisions except where it believes there is a credible risk of renewal of the acquisition attempt or a likelihood that the firm may engage in potentially anticompetitive transactions that need not otherwise be reported to the Commission. The Commission also invited parties subject to existing orders to seek modification of their orders where appropriate under the new policy.
- o The Commission issued a statement that clarified its policy regarding use of administrative litigation after denial of a preliminary injunction in federal court, indicating it will affirmatively reconsider the desirability of proceeding in such cases.
- o The Commission proposed new HSR rules to reduce burden and cost by providing five specific exemptions to the existing reporting rules. The proposed exemptions cover classes of transactions that are unlikely to raise antitrust concerns, thereby decreasing the number of transactions that must be

reported. These proposals could save the public several million dollars in costs associated with the preparation of filings and in filing fees, and could save both Commission and DOJ resources in the review of filings.

- Working with the Department of Justice, the Commission has made the HSR review process quicker and less burdensome. Average clearance times have been shortened from 17 to 10 days, and parties have produced over 40 percent fewer documents under a new model document request.

Adapting Antitrust to a Changing World:

- Twenty-three days of hearings were conducted over a period of two months to gather information on changes brought about by the globalization of the economy and advances in economic thinking. More than 140 witnesses including leading economic and legal scholars, business executives, foreign enforcement authorities, and practitioners presented views during these hearings.
- Enforcement staff are incorporating in their day-to-day activity a refined understanding of the important dimensions of competition in a high-technology economy. This is evidenced both by decisions not to challenge particular conduct or transactions, and by cases such as Dell Computer and Silicon Graphics, reflecting the degree to which compatibility and standards issues can play a major role in the competitive dynamic.
- Commission staff have undertaken an examination of types of integrations among health-care providers that may not fully be taken into account in existing case law and analysis but that may, nonetheless, offer efficiency benefits that should affect the antitrust analysis of inter-provider agreements. The Commission will examine whether types of integration among participants in health care provider networks, other than capitation and similar risk sharing arrangements, are likely to produce efficiencies that should trigger rule-of-reason analysis. This project is intended to ensure that antitrust enforcement in this area keeps abreast of the new and evolving economic realities in the health care industry.

Additional guidance to the public on these issues will be considered in the near future.

The Commission also is leveraging its resources and expertise in the Maintaining Competition Mission through cooperation with state governments. In particular, the Commission has sought to strengthen the already strong working relationships developed in recent years with state governments. In October 1995, the Commission adopted an expanded policy for sharing information concerning its antitrust investigations with state law enforcement officials. Several investigations have been conducted jointly with state authorities, while others have been conducted in parallel and benefited from substantial information-sharing.

Consumer Protection

For fiscal year 1997, under the Consumer Protection Mission, the Commission proposes a total of 509 FTE and \$54,219,000, for an increase of \$1,843,000 over fiscal year 1996.

The Consumer Protection Mission includes five law enforcement programs: Advertising Practices; Service Industry Practices; Marketing Practices; Credit Practices; and Enforcement. These are supported by the Economic and Consumer Policy Analysis program and the Office of Consumer and Business Education. The resources requested for the Consumer Protection Mission will be used to implement mission-wide strategic plans, including: (1) protecting consumers from fraud, deception, and unfair practices in three priority areas -- health, safety, and financial well-being; (2) building institutional expertise in the impact on consumers of globalization and new technologies, and adapting consumer protection principles to correct practices that harm consumers and undermine these new markets; and (3) assuring that operations under the Mission are efficient and are using creative approaches that effectively protect consumers but do not unduly burden business. As part of implementing these plans, the Commission is committed to educating consumers and businesses about their rights and responsibilities under Commission rules and regulations included in the Consumer Protection Mission.

Under this Mission, the Commission pursues illegal practices that are, or could become, widespread and that risk imposing

significant personal or economic harm to consumers. Practices that create risks to consumers' health and safety, such as unsubstantiated claims for weight loss products and services; health-related claims in advertising for food and dietary supplements; deceptive claims involving safety-related devices; false claims regarding compliance with safety standards; and fraudulent claims for medical treatments, are a major focus under the Consumer Protection Mission. Another major focus involves unlawful practices that are likely to impose significant economic losses to individual consumers, such as investment frauds, deceptive marketing of business opportunities and franchises, and unlawful credit practices, particularly with respect to major purchases such as homes and automobiles. Under the Consumer Protection Mission the Commission addresses areas of strong national interest, such as lending discrimination under the Equal Credit Opportunity Act where the focus is on discriminatory practices involving home mortgages, automobile financing, and secured loans.

Most recent areas of focus for the Mission involve emerging practices in the marketplace that potentially pose risks of injury to consumers. Examples of this include the dramatic expansion of leasing, as opposed to financing, in the automobile market; the emergence of new health care delivery systems and medical treatments; and the marketing of new high-tech consumer products. High technology products, such as computer hardware and software, which traditionally have been marketed to groups with technical expertise, now are being promoted to a broader market. The Commission also actively pursues unlawful practices involving newer forms of marketing, such as infomercials and interactive home shopping channels, as well as Internet and other online service providers.

Fiscal Year 1995 Accomplishments

In fiscal year 1995, the Commission cosponsored a conference on the role of the media in preventing fraudulent advertising with the Food and Drug Administration, National Association of Attorneys General (NAAG), and American Association of Advertising Agencies. The conference focused on the benefits to both the media and consumers derived from screening ads before they are run. The Commission also hosted a two-day workshop on Consumer Protection and the Global Information Infrastructure (GII), which

examined advertising of goods and services on the GII, electronic payment systems, consumer privacy issues, and industry governance. In addition, the Commission hosted a Credit Repair Summit with federal, state, and local law enforcement agencies, credit bureau representatives, and public interest groups to invigorate law enforcement and other efforts to combat credit repair fraud.

The Commission also sought to increase law enforcement and consumer awareness in the burgeoning area of international fraud. American consumers increasingly are being subjected to telemarketing fraud emanating from outside the United States. The Commission worked with both U.S. and foreign criminal law enforcement agencies to develop successful prosecutions of individuals perpetrating cross-border fraud.

The Commission completed a Report to Congress on federal-state relations, as required by the Federal Trade Commission Act Amendments of 1994 (P.L. 103-312), which demonstrated that the Commission successfully leverages its resources by working with state and local officials on many matters. The Commission updated the 1993 NAAG/FTC Joint Enforcement Handbook, which facilitates joint or state actions to enforce rules that have a local impact. The Commission also responded to the President's directive that agencies review their regulations, create grassroots partnerships, revise how performance is measured, and use negotiated rulemaking proceedings or techniques when possible.

In the rulemaking area, the Commission accelerated its review of certain rules and guides under its existing ten-year schedule of reviews of all such rules and guides, and as a result, proposed to repeal several rules. As required by the Telemarketing and Consumer Fraud and Abuse Prevention Act (P.L. 103-297), the Commission promulgated the Telemarketing Sales Rule that defines and outlaws both deceptive telemarketing practices and certain abusive telemarketing practices, such as calling at inappropriate hours. During the rulemaking phase, a Public Workshop Conference was held to obtain oral comments from persons likely to be affected by a telemarketing rule, including representatives of law enforcement agencies, consumer groups, and industry. The new rule became effective December 31, 1995.

Pursuant to the Energy Policy Act of 1992 (P.L. 102-486), the Commission issued a final rule establishing labeling requirements for non-liquid alternative fuels and alternative-fueled vehicles that will result in disclosure of cost and benefit information enabling consumers to make reasonable purchasing choices and comparisons. Pursuant to the Energy Policy Act of 1992 amendments to the Energy Policy and Conservation Act of 1975, the Commission completed certain amendments to the lamp-labeling rules to facilitate industry compliance, and issued an enforcement policy statement to provide the industry additional time to comply with the new statutorily-mandated rules. A survey of gasoline distributors to assess compliance with the Fuel Rating Rule was undertaken, which demonstrated that the overall level of compliance was good. The report on the survey also found that state laws that require gasoline to be tested periodically are effective and concluded that they would be beneficial if enacted in states that currently do not have them.

In fiscal year 1995, the Commission approved 57 consent agreements, 48 in final and nine for public comment, several with provisions for consumer redress or disgorgement of funds to the U.S. Treasury. Many of the consent agreements involved allegations of false, deceptive, and unsubstantiated health or safety claims for dietary supplements, drugs, and medical devices, including: a purported bone-building calcium supplement; a bee pollen product; a patch that purportedly aided consumers in efforts to stop smoking; an arthritis remedy; a cholesterol-reducing supplement; and an array of weight loss products, including diet pills and fiber supplements, a body wrap, two acupuncture devices, and body-shaping booklets. Other settlements involved health and nutrient content claims for foods, including false and unsubstantiated claims about the health benefits of a beverage made of apple juice, grape juice, and vinegar; false and misleading low-calorie claims for a frozen dessert product; false and misleading low-fat claims for a frozen yogurt product line; and false and unsubstantiated low-fat, blood pressure-lowering, and blood cholesterol-lowering claims for eggs.

Several of the consent agreements concerned environmental claims, including: biodegradable claims for plastic grocery store bags, environmentally safe and beneficial claims for an

ice-melting product, ozone-friendly and recyclable packaging claims for aerosol products, and unsubstantiated performance claims for two indoor air cleaners. The Commission also approved consent agreements with, among others, a company making allegedly unsubstantiated arthritis treatment claims in infomercials, and a company making claims about the ability of its phonics program to teach reading to users, including those with learning disabilities. The Commission approved a consent agreement with a cigarette company prohibiting the company from disseminating advertisements that misrepresent the relative amounts of tar and nicotine consumers get by smoking various brands of cigarettes.

In the health care services area the Commission issued final consent orders against three of the largest multi-state providers of smoking cessation services. The Commission alleged that the marketers made false and unsubstantiated success rate, efficacy and superiority claims for single-session, group hypnosis seminars for smoking cessation and weight loss. Continuing its work in the diet program area, the Commission secured two consent orders that require companies to have scientific evidence to support claims that dieters can lose weight or maintain weight loss. In a third diet-related matter, the Commission approved a consent agreement obtained against the nation's second-largest advertising agency that prohibits the firm from misrepresenting the results of any studies in the advertising of any diet food product. In addition, the Commission issued a final consent order against a marketer of a cosmetic, non-surgical treatment for varicose and spider veins. The Commission also accepted a consent agreement with a provider of infertility services who allegedly deceived consumers by "double counting" in success rates calculations (*i.e.* counting multiple births, such as twins, as multiple deliveries), when the industry standard is to count such births as single deliveries.

The Commission approved a consent agreement with one of the three major credit bureaus in the United States. The company agreed to follow reasonable procedures to assure accuracy in its consumer reports, enhance procedures for handling consumer disputes, and comply with the privacy provisions of the Equal Credit Opportunity Act. In the Truth in Lending area, the Commission approved 12 consent agreements with a franchisor and 23 franchisees of video dating services, resolving charges that they made inaccurate disclosures to consumers regarding the cost

of financing memberships in their services. The franchisees agreed to make refunds to consumers who were misled by undisclosed finance charges and annual percentage rates. The Commission also approved for public comment a consent agreement with three auto dealerships and their principal resolving charges that they engaged in lease and credit advertising violations. In addition, the Commission approved a consent agreement with a homebuilder and credit companies resolving charges that their home financing promotions, made in both Chinese and English, violated the Truth in Lending Act.

The Commission initiated or settled more than 150 federal district court actions during this period. Included were 22 actions referred to the Department of Justice to enforce the Franchise Rule as a part of a joint law enforcement effort against fraudulent business opportunity firms. Commission action in another part of this same "Project Telesweep" resulted in the Commission's filing of 12 federal district court complaints seeking permanent injunctions prohibiting deceptive earnings claims and seeking consumer redress. The remaining district court actions primarily included cases in the areas of fraudulent telemarketing; fraudulent marketing and sale of franchises and business opportunities; violations of trade regulation rules; and violations of credit statutes. Approximately 40 of the resulting court orders contained provisions requiring total payments of more than \$60,000,000 in consumer redress. The Commission resolved its first enforcement action involving the Information Superhighway, which targeted false claims made in the promotion of a credit repair program on an online computer service. That settlement provides for redress to consumers.

The 12 telemarketing fraud cases filed by the Commission included actions against recovery rooms preying on already victimized consumers; a fraudulent provider of employment services; investment scams involving sales of partnerships in interactive television and satellite broadcasting systems; and telemarketing of gemstones, vintage wine, and art. Continuing to press an important new front in the battle against telemarketing fraud, the Commission approved settlements in five other federal district court actions against telemarketers that allegedly engaged in deceptive charity solicitations, most of which involved prize promotions, for a combined total of nearly \$500,000 in consumer redress. Under the terms of the settlement

in one of those cases, seven individual defendants are each required to post a \$1,000,000 bond before engaging in or assisting others in any telephone prize-promotion programs.

The Commission filed a complaint in federal district court seeking permanent injunctive relief and consumer redress against a major Las Vegas telemarketer that employed allegedly fraudulent prize promotions, and settled a case with similar allegations against another group of defendants, obtaining a broad injunction that bans two corporate and two individual defendants from further involvement in interstate telemarketing, and bans another individual defendant from engaging in any prize-promotion telemarketing. In another district court enforcement action against an alleged scam involving prize promotions, the Commission filed an action seeking injunctive relief and consumer redress against a Maryland direct-mail operation that appears to have caused nearly \$50,000,000 in consumer injury over the past few years.

Working closely with the Department of Justice, including the FBI and U.S. Attorneys, preliminary injunctions were obtained in federal district court cases filed against, in a new area for the Commission, three telemarketers of durable medical equipment (scooters, wheelchairs and beds) who allegedly defrauded consumers and private insurance companies by promising to provide consumers with certain goods, and then billing their insurance providers for other goods not provided to the consumers.

The federal court actions include 29 orders that require payment of a total of more than \$3,500,000 in civil penalties for alleged violations of Commission rules and orders. For example, the Commission and the Tennessee Attorney General brought seven law enforcement actions against funeral homes operating in Nashville, Tennessee, for allegedly violating the Commission's Funeral Rule by failing to provide shoppers with a general price list. Three of these cases were referred to the Department of Justice, and the defendants agreed to settle the charges and to pay civil penalties. The Commission also filed and settled a district court enforcement action against a large service bureau involving, among other things, an alleged violation of the Pay-Per-Call Rule by charging for information or entertainment programs accessed by dialing an 800-number. The defendant was ordered to pay \$500,000 in civil penalties and \$2,000,000 in

consumer redress. In addition, the Commission obtained judgments against defendants in four franchise rule enforcement matters, two of which involved franchise show promoters, for a combined total of \$155,000 in civil penalties and appropriate injunctive relief against future law violations. The Commission's efforts to enforce its own cease and desist orders resulted in a consent decree providing for the third largest civil penalty in a consumer protection matter to date. The order requires payment of an \$825,000 civil penalty to resolve allegations that one of the nation's largest sellers of hearing aids violated an earlier Commission order.

The Commission continued to coordinate closely with criminal law enforcement authorities from the outset of investigations in order to maximize deterrence through criminal prosecutions. These efforts contributed to the filing of several indictments growing out of the conduct alleged by the Commission as fraudulent in federal district court actions filed in fiscal year 1995. The Commission also sought to enhance criminal law enforcement of fraud through its participation in the Securities and Commodities Fraud Working Group and the Telemarketing Fraud Working Group.

In a follow-up criminal contempt action to a multi-million dollar redress judgment obtained against a chain of weight loss clinics, the staff acted as Special Assistant U.S. Attorneys in obtaining sentencing of the defendant for willfully diverting and hiding assets from the court and Commission in violation of existing asset freeze orders. In another follow-up criminal contempt action, the Department of Justice appointed Commission staff as Special Assistant U.S. Attorneys to help prepare a prosecution of a defendant in a health care case for violations of the asset freeze order entered against him.

The Commission's Office of Consumer and Business Education produced more than 40 new and revised consumer and business publications: 38 targeted consumers; seven targeted business; 18 were updates; and eight were in Spanish. The Commission distributed more than three million publications to the public during the fiscal year. The Office completed a video promoting its *Facts for Consumers* produced with the National Coalition for Consumer Education, the National Funeral Directors Association, and the National Futures Association. The ConsumerLine,

established by the Commission on the Internet, received approximately 50,000 "hits" (accesses to individual publications or publication categories) from its initiation in February 1995 through September of that year. The Office participated with 60 government agencies in Public Service Recognition Week, and in a Congressional Expo with the U.S. Office of Consumer Affairs and 36 other federal agencies. Further, the Office worked with several organizations on *LifeSmarts*, a high school consumer game show. The Office also worked with the Consumer Literacy Consortium, a group of more than 20 private and public sector organizations headed by the Consumer Federation of America, to write, produce, and market *66 Ways to Save Money*.

Management/Support

The Commission will continue its efforts to ensure that it has properly identified its customers' concerns and that its resources are used as effectively as possible to maximize their satisfaction with the Commission's law enforcement activities. The Commission also will continue to refine the detailed customer service plan developed during fiscal year 1994, which, for each of ten program areas within its Missions, describes the services the program provides and the performance standard for that program, and provides a summary of the results that program produced from fiscal year 1993 to present. The plan also describes the manner in which the Commission and its staff determine the needs of customers, and accommodate those needs consistent with the Commission's overriding obligation to act in the public interest to enforce the statutes for which it is responsible. Methods used in this determination include surveys, informal consultations, formal public comment procedures embodied in the Commission Rules of Practice, and a variety of other available techniques.

The Commission continues its streamlining efforts under the National Performance Review goals and objectives. The Commission has reduced the number of supervisors by 13 percent with attendant reductions in layers of review. More recently, the Bureau of Economics has eliminated a tier in its supervisory structure.

The fiscal year 1997 budget request proposes to maintain Commission-wide information systems at the high quality made

possible by significant Executive Branch and Congressional support over the past several years. This support has brought the Commission to a point where it has a generally excellent information systems infrastructure; however, it is critical to continue support and maintenance of our current investment. As work requirements continue to grow and technology continues its exponentially rapid rate of change, the Commission must work to keep pace by expanding and upgrading current capabilities while continuing the process of integrating the improved systems into the basic business processes of the Commission.

The Commission will continue to refine the major integration of its primary administrative support systems, including personnel, payroll, procurement, accounting and financial reporting, through its franchising agreement with the Department of Interior's Denver Administrative Service Center. When complete, this effort will result in a broad, integrated database of management information which will be seamlessly shared among systems. Information will be entered at the initiating program office and will flow through the systems, resulting in personnel actions, payroll checks, and procurements through electronic commerce. This effort, and other changes, have resulted in 15 FTE being reassigned to direct Mission offices from administrative activities.

Major management initiatives for both fiscal years 1996 and 1997 will be to continue to improve productivity with an emphasis on effective use of information systems in performance of Mission objectives. In the Maintaining Competition mission, final work will be completed in fiscal year 1997 to modify the existing Premerger Notification System, which is used by both the Commission and the Antitrust Division of the Department of Justice. In the support of the Consumer Protection mission, development and installation of a new Consumer Complaint System, which was initiated in fiscal year 1995, will be continued.

Budget Justification Summary
(\$ in thousands)

	Fiscal Year 1996		Fiscal Year 1997		Change	
	FTE	Amount	FTE	Amount	FTE	Amount
Budget by Mission:						
Maintaining Competition	470	\$48,533	470	\$50,243	—	\$1,710
Consumer Protection	509	52,378	509	54,219	—	1,843
Total	979	\$100,909	979	\$104,462	0	\$3,553
Budget by Organization:						
Headquarters	799	\$86,873	799	\$89,900	—	\$3,027
Regions	180	14,036	180	14,562	—	526
Total	978	\$100,909	979	\$104,462	0	\$3,553
Budget by Funding Source:						
Direct Budget Authority	—	\$31,306	—	\$34,914	—	\$3,608
Filing Fees Current Year	—	48,262	—	58,905	—	10,643
Filing Fees Prior Year	—	21,341	—	10,643	—	-10,698
Total	979	\$100,909	979	\$104,462	0	\$3,553

Summary of Change
(\$ in thousands)

	<u>FY 1996 Estimate</u>	<u>FY 1997 Estimate</u>	<u>Net Change</u>
Budget Authority	\$100,909	\$104,462	+\$3,553
Full-time Equivalents.....	979	979	---
			<u>EPE</u> <u>Amount</u>

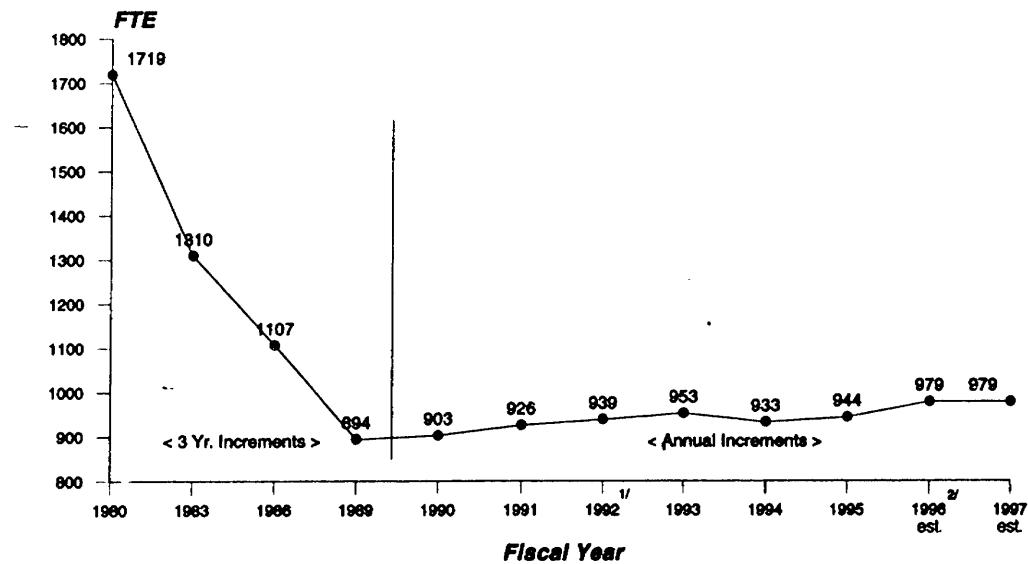
Explanation of Change:**Increases: (Base Adjustments)**

To provide for annualization of the FY 1996 pay raise.....	---	+753
To provide for a 3.0% pay increase effective January 1997.....	---	+1,631
To provide for increased benefit costs.....	---	+304
To provide for increased costs of space rent.....	---	+225
To provide for increased costs in other non-personnel services.....	---	+640
Total Increases/Change.....	---	+3,553

¹ Includes direct appropriation and offsetting collections from pre-merger filing fees.

Full-time Equivalent History

Federal Trade Commission
Fiscal Years 1980 - 1997



1/ Definition of FTE changed to include previously ceiling-exempt FTE, per Exec. Order 12839, dated 2-10-93.

2/ Conference level.

**Maintaining Competition
Fiscal Year 1997 Budget Justification
(\$ in thousands)**

<u>by Program</u>	<u>Fiscal Year 1996</u>		<u>Fiscal Year 1997</u>	
	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>
Premerger Notification	51	\$4,065	51	\$4,215
Mergers & Joint Ventures	154	12,376	154	12,822
Horizontal Restraints	83	6,596	83	6,837
Distributional Arrangements	19	1,526	19	1,582
Single Firm Violations	10	816	10	847
Antitrust Policy Analysis	7	546	7	571
Other Direct Mission Resources	20	1,655	20	1,734
Subtotal Direct Mission	344	\$27,582	344	\$28,608
Direct Support	68	\$8,876	68	\$9,241
Indirect Support	60	12,075	60	12,394
Subtotal Support Allocation 1/	128	\$20,951	128	\$21,635
Total Mission	470	\$48,533	470	\$50,243
 <u>by Organization</u>				
Bureau of Competition	222	\$17,909	222	\$18,066
Bureau of Economics	65	5,138	65	5,330
Regional Offices	57	4,445	57	4,912
Subtotal Direct Mission	344	\$27,582	344	\$28,608
Direct Support	68	\$8,876	68	\$9,241
Indirect Support	60	12,075	60	12,394
Subtotal Support Allocation 1/	128	\$20,951	128	\$21,635
Total Mission	470	\$48,533	470	\$50,243

1/ Includes the cost of support organizations plus space and equipment rents, postage, telecommunications, Federal Register printing, library materials and other overhead expenses.

**Maintaining Competition
Premerger Notification
(\$ in thousands)**

<u>FY 1996 Estimate</u>		<u>FY 1997 Estimate</u>		<u>Difference FY 1996/1997</u>		<u>Percent Difference</u>	
FTE	Amount	FTE ¹	Amount	FTE	Amount	FTE	Amount
51	\$4,064.6	51	\$4,214.8	0	\$150.2	0%	+3.7%

¹FTE include: 48 for BC, 1 for BE, and 2 for RO.

Introduction

The Hart-Scott-Rodino Act Premerger Notification Program, codified as Section 7A of the Clayton Act (HSR Act), is an essential component of the enforcement program protecting consumers against anticompetitive mergers and acquisitions. Prior to enactment of the HSR Act, parties often consummated their acquisitions and combined their operations before the antitrust agencies even learned of the transactions, making it difficult, if not impossible, to "unscramble the eggs" and restore to consumers the benefits of competition. The HSR Act requires persons meeting certain size requirements who are planning significant acquisitions to file notification with the Commission and the Department of Justice for a prescribed period of time before consummation. Thus, if the mergers would harm competition, the antitrust enforcement agencies have a chance to take action before they occur. The program is a highly effective means of identifying and reviewing potentially anticompetitive mergers and acquisitions, and a large majority of the Commission's merger enforcement actions are initiated through this process.

The Premerger Notification Program has two basic components. First, we must ensure that parties actually provide the notification and information that the law requires. Second, we must ensure the information is analyzed rapidly and put in the

hands of those who need it in their work. To identify potentially anticompetitive transactions, the Premerger Notification Office prepares a summary description and a preliminary antitrust analysis of every transaction reported. Those summaries are then reviewed by the Bureau of Competition's litigation divisions, the Bureau of Economics, and the Merger Screening Committee, a committee with participants from both Bureaus that convenes regularly to consider which matters call for further action. The Office also provides those summaries to the Antitrust Division of the Department of Justice.

In conjunction with the goal of identifying potentially unlawful acquisitions, the Program strives to minimize the burden on filing parties to the extent consistent with the agencies' enforcement responsibilities. To improve the level of voluntary compliance, the Office provides assistance to individuals and organizations subject to the HSR Act in understanding its requirements. When it appears that individuals or organizations may not have complied with the HSR reporting requirements, the Bureau of Competition's Compliance Division conducts an investigation and recommends an enforcement action for civil penalties, or other relief when appropriate.

In addition to providing advice concerning HSR's requirements, the FTC's Premerger Notification Office recommends improvements in the HSR rules, to be carried out through rule changes and formal interpretations, and improves efficiency in the processing and review of reported transactions through increased reliance on automated systems. The Office also works with the Antitrust Division of the Department of Justice to ensure that the Premerger Notification Program is applied consistently and uniformly by the two agencies.

Fiscal Year 1997 Budget Request

Program efforts will remain the same for fiscal years 1996 and 1997.

In recent years, this Program has faced a sharply increasing workload. Transactions subject to Premerger Notification filings have increased significantly every year since 1992, when there were 1,589 such transactions. For the latest full fiscal year, 1995, we received filings for 2,816 transactions, an increase of

more than 77% from the fiscal year 1992 total. The total for fiscal year 1996 to date indicates a rate even higher than that for 1995, and continuation at a similar rate must be anticipated.

Merely processing this volume of filings will require the use of almost all FTEs currently allocated to this program and leaves limited time for other important responsibilities, such as rule changes, interpretive advice to the public, and examinations of possible violations of the HSR Act.

Fiscal Year 1996 Program Activities

Screening and Advisory Activities: The Premerger Notification Program is continuing its review of transactions for compliance with the HSR Act reporting requirements, and its performance of preliminary antitrust review for the Merger Screening Committee for every transaction filed. In addition, staff is continuing to provide oral and written advice regarding the interpretation and application of the HSR Act and rules. Through the end of January, filings were received in 998 transactions, and the Chairman issued 11 requests for additional information ("second requests").

The Premerger Office also is responsible for collecting a filing fee from each acquiring person required to report a transaction on the Notification and Report Form in compliance with the HSR Act. Legislation enacted during fiscal year 1994 increased the filing fee to \$45,000. The Office had collected \$45.9 million in HSR filing fees for fiscal year 1996, as of February 15. These fees are divided equally between the Commission and the Department of Justice to support their activities.

Decreasing Burden and Improving Efficiency: As a result of recent changes, average clearance times under the HSR program are down considerably from 17 to 10 calendar days. Staff have continued their evaluation of comments received on exemptions from the HSR filing requirement and revisions in the HSR reporting form that were proposed in fiscal year 1995, and expect to complete both evaluations and recommend final action on both proposals to the Commission during fiscal year 1996.

Compliance Enforcement: In fiscal year 1996, the United States entered into a settlement with Sara Lee Corp. concerning charges that the company failed to comply with HSR requirements when it purchased Reckitt & Coleman. The stipulated penalty of \$3.1 million was the largest civil penalty ever obtained for such a violation.

Fiscal Year 1995 Program Activities

Screening and Advisory Activities: During fiscal year 1995, the Commission received filings under the HSR Act for 2,816 proposed transactions. This represented an increase of approximately 22% from fiscal year 1994. The staff of the Premerger Office reviewed each filing and prepared analytical summaries of each proposed transaction, including recommendations to the Bureau to monitor the activities of the parties, investigate proposed mergers for possible anticompetitive implications, or grant the filing parties' request for an early termination of the waiting period. The Chairman issued second requests in 58 proposed transactions. During fiscal year 1995, the Office collected \$117.6 million in filing fees.

In addition, the Premerger staff provided oral and written interpretations, informal advice, and general information to the public in approximately 16,000 instances on a variety of subjects, including the Premerger Rules, the written interpretations of the Rules, the Premerger Notification Source Book, and the three Premerger Guides designed to assist the public's understanding and compliance under the HSR Act.

Decreasing the Burden Imposed: The Commission and the Antitrust Division of the Department of Justice jointly developed and published eight initiatives to improve the agencies' review and screening of mergers reported under the HSR Act prior to their consummation. These measures were adopted to: (1) eliminate any undue burden on parties that attempt to comply with the reporting requirements of the HSR Act; (2) expedite the HSR clearance and second request processes; and (3) explore alternatives that could exempt some transactions from HSR review.

Building on these initiatives, the Bureau developed two proposals designed to reduce the burden and cost of filing the Notification and Report Form, and to increase staff efficiency

for both the Commission and the Department of Justice in the processing and analysis of information submitted under the HSR Act. First, staff prepared and the Commission published proposed changes to the Notification and Report Form. If adopted, these rules would eliminate parties' submission of information non-essential to the antitrust review of a reportable transaction. Second, staff developed five specific exemptions to the existing interpretation of the general ordinary course of business rule in an effort to end the reporting obligation for transactions not likely to raise law-enforcement concerns. This proposal would save the public several millions of dollars in the preparation of those filings, avoid unnecessary delay in completion of the transactions, and ease the burden on both agencies from reviewing information received with such filings.

Compliance Enforcement: Also during fiscal year 1995, parties paid \$3,025,000 in civil penalties to settle charges that they did not comply with the premerger notification and waiting period requirements of the HSR Act. Pennzoil Company paid \$2,600,000 to the U.S. Treasury to settle charges relating to its acquisition of certain voting securities of the Chevron Corporation; and William F. Farley paid \$425,000 in civil penalties to settle charges relating to his acquisition of voting securities of West Point Pepperell, Inc. Both complaints were filed in earlier fiscal years by Commission attorneys deputized to act as special attorneys to the U.S. Attorney General. The staff continued three other investigations of possible violations of the filing and waiting period requirements of the HSR Act.

Statistical Summary - Fiscal Year 1995

HSR Filings	2,816
Inquiries	28,000

Enforcement Matters Initiated in Earlier Fiscal Years

Total Civil Penalties Collected During the Fiscal Year
\$3,025,000

**Maintaining Competition
Mergers and Joint Ventures**
(\$ in thousands)

<u>FY 1996</u>		<u>FY 1997</u>		<u>Difference</u>		<u>Percent</u>	
<u>Estimate</u>	<u>FTE</u>	<u>Estimate</u>	<u>FTE¹</u>	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>
154	\$12,375.7	154	\$12,821.7	0	+\$446.0	0%	+3.6%

¹FTE include: 99 for BC, 36 for BE, and 19 for RO.

Introduction

Mergers and joint ventures (for convenience, "mergers") can play an important role in promoting the efficient allocation of economic resources. Some mergers, however, may be harmful to competition and to consumers. The mission of this Program is to prevent such harm. In some instances, this cannot be accomplished without preventing the merger entirely or, where this is not possible, undoing it. In many other instances, it is possible to arrive at narrowly tailored relief that prevents injury to competition but allows the overall transaction to proceed. Obtaining either kind of relief, and determining what kind of relief is necessary, entail investigations designed to answer two fundamental lines of questions about each merger reviewed as to each product market it may affect: (1) Is it likely to result in the lessening of actual or potential competition, increase the market power of the joining firms, and lead to market dominance or a significant increase in the likelihood of collusion? (2) Is it likely to increase barriers to entry or expansion, or foster interdependent conduct among firms? This Program also concerns itself with interlocking directorates among competing firms, which may have effects similar to those of anticompetitive mergers.

The Merger Program uses a three-part process to carry out its mission: detecting potentially harmful mergers before they occur by monitoring merger activity and screening all significant mergers, in conjunction with the Premerger Program; investigating those mergers that the screening process has targeted for further

inquiry; and taking action to prevent (or undo) those mergers or portions of mergers that, after investigation and analysis, appear likely to lessen competition.

The Merger Program uses all processes available, but particularly second requests under the HSR Act, in pursuing its investigatory strategy. To protect consumers against mergers that may substantially lessen competition, the most effective and cost-efficient strategy -- and thus the preferred strategy -- is

to prevent such mergers before they occur. The Commission implements this strategy primarily through its authority to seek injunctive relief under Section 13(b) of the Federal Trade Commission Act, although the availability of this authority often makes it possible to resolve the competitive problem through consent proceedings. Where injunctive relief is inappropriate or unavailable, the Commission may rely on its administrative remedial powers to seek to restore competition lost as the result of a merger that could not be prevented. Whether achieved by consent or in an administrative proceeding, the principal remedy is divestiture of assets sufficient to preserve or restore competition, although the Commission has also employed conduct remedies where appropriate.

Fiscal Year 1997 Budget Request

Program efforts will remain the same for fiscal years 1996 and 1997.

Enforcement Activity Resource Needs: The increase in merger activity in recent years has brought about an increase in merger investigations. In fiscal year 1992, 40 merger investigations were opened; in fiscal year 1995, 81. As of February 14, there have been 17 in fiscal year 1996. Similarly, the number of merger consent agreements has been increasing over the years: In fiscal year 1992, there were five consents; in fiscal year 1995, there were 30. As of February 15, there have been 9 consents in fiscal year 1996.

There is no reason to anticipate that merger investigations and enforcement activity will not continue at a high level. In particular, consolidations in the services sector of the health care industry -- including hospitals, nursing homes, and health

maintenance organizations -- have risen sharply in recent years as the industry consolidates in the face of pressure to reduce costs. The extensive horizontal consolidation is accompanied by increasing vertical integration in the industry, including creation of entities such as physician-hospital organizations that may drastically alter the way local health care services markets operate. Industry observers expect this restructuring to continue for the foreseeable future. Accordingly, we must not only review the burgeoning volume of transactions, but also make sure that our understanding of market forces in the industry keeps pace with the dynamic changes occurring.

Consolidation in pharmaceutical markets also seems likely to continue to demand substantial Commission resources. In addition to the horizontal acquisitions by drug manufacturers (representing some of the largest mergers in history), the extensive vertical integration that is occurring presents a challenging and complex picture for antitrust enforcement. Industry observers predict that the next few years will be critical in determining how competition will evolve as consumers increasingly come to purchase drugs through Pharmacy Benefit Management System (PBMs).

Further, a substantial portion of Program resources are currently being devoted to the growing number of mergers in high technology industries such as defense and aerospace, cable television, and computers. These transactions are often both very large and very complex, involving a wide range of product markets. Further, the rapid pace at which the markets involved are changing often places an especially heavy burden on the analysis of their probable competitive effects.

Related to the increase in the number and analytical complexity of mergers is the fact that the parties are relying on accounting and economic studies, particularly with respect to efficiency and failing company defenses, to a greater degree than in previous years. The result is that our accounting and economic resources are being stretched thinner as we respond to these studies.

We have been able to absorb some of this increasing workload through more efficient use of resources. However, the demands of the Merger Program have forced us to shift substantial resources

from our nonmerger activities, assigning fewer staff members to such matters and thus operating well below optimal levels.

Fiscal Year 1996 Program Activities

Enforcement Activities: Under the Merger Program for fiscal year 1996 through the end of January, the Commission has authorized staff to seek preliminary injunctions in federal court to prevent two mergers. It has accepted 9 consent agreements for comment, one of which has been made final. Seventeen merger investigations have been opened, and 11 second requests have been issued.

The greatest concentration of merger enforcement activity thus far in the fiscal year has been in healthcare markets.

- o One of the two preliminary injunction actions authorized seeks to prevent the merger of Butterworth Hospital and Blodgett Memorial Medical Center, the two largest hospitals in Grand Rapids, Michigan, which the action alleges are direct competitors. This matter is pending.
- o The Commission accepted and made final a consent order with the Upjohn Company and Pharmacia Aktiebolag in connection with the companies' \$13.9 billion merger, with relief designed to preserve competition in a new treatment for colorectal cancer that both companies had in an advanced stage of development.
- o The Commission also accepted for comment a consent order with Johnson & Johnson to settle charges that its \$1.8 billion acquisition of Cordis Corporation would have reduced competition in the market for the cranial shunts used in treatment of hydrocephalus, a potentially fatal condition affecting infants and children.
- o The other preliminary injunction action authorized concerned the plan of Questar Corporation to acquire 50 percent ownership of Kern River Gas Transmission Company, and alleged that the transaction would allow Questar to reassert a monopoly over the transmission of natural gas to industrial customers in the Salt Lake

City area. The companies abandoned the transaction after the Commission acted.

Two consent agreements accepted for comment relate to defense procurement.

- o The first involves the Air Force's Airborne Laser ("ABL") program. General Motors, and its subsidiaries Hughes Electronics and Hughes Danbury Optical Systems, agreed to relief designed to prevent Hughes Danbury's acquisition of Itek Optical Systems Division of Litton Industries, Inc. from undermining competition for an important element of the ABL program, so-called "deformable mirrors." Itek has an exclusive contract with the team competing with Hughes and Rockwell International Corporation. The relief requires that Hughes release another mirror-producing firm, Kinetixs Inc., from its exclusive commitment to the Rockwell/Hughes team.
- o The second consent agreement directly affecting defense procurement is that with Litton Industries, Inc. to divest a \$40 million dollar systems engineering and technical assistance contract for the Navy's Aegis destroyer program it would acquire in its acquisition of PRC Inc. Litton is one of two construction contractors for the Aegis destroyers, and the Commission's complaint charges that acquiring PRC's access to sensitive non-public information about the other contractor, General Dynamics, could have given Litton an anticompetitive advantage in future procurements of Aegis and resulted in higher costs to the taxpayers.

Five other consent orders have been accepted thus far in fiscal year 1996, in a wide range of product markets.

- o An agreement with Service Corporation International, the largest owner of funeral homes in North America, would allow its acquisition of Gibraltar Mausoleum Corporation to proceed but require divestiture of seven properties in particular regions where it appeared competition would be injured.

- o A settlement with The Stop & Shop Companies, Inc. in its merger with Purity Supreme, Inc., seeks to protect competition in areas around Boston and Cape Cod by requiring the sale of 17 stores by the merged company.
- o In a transaction that will combine the top two producers of collagen sausage casings in the U.S., the Commission reached agreement with Devro International PLC that its acquisition of Teepak International, Inc. would be followed by divestiture of Devro's current North American manufacturing operation.
- o The Praxair, Inc. plan to acquire CBI Industries, Inc. resulted in an agreement by Praxair to divest four plants that produce atmospheric gases for industrial uses.
- o Finally, Illinois Tool Works, Inc. agreed to settle charges that its acquisition of Hobart Brothers Company could lead to higher prices for industrial power sources and engine drives by divesting Hobart's assets in these markets.

Interlocking Directorate Cases: Pursuant to a 1990 Amendment of the Clayton Act, the Bureau will calculate and publish revised jurisdictional thresholds for the Act's prohibition of interlocking directorates. It will remain alert for instances of unlawful interlocking directorates.

Improving our Analysis of Mergers and Joint Ventures and Divestiture Orders: During the current fiscal year, the Commission conducted public hearings on the contemporary competitive environment and the role antitrust and consumer protection enforcement should play. These unprecedented hearings ran for twenty-three days and involved over 140 witnesses comprising an impressive list of leading businessmen, economists, practitioners and academicians. The issues discussed in these hearings included a number that have clear relevance to merger enforcement, such as the measurement of market power; the ability of firms to enter new markets; the treatment of efficiencies in mergers; the treatment of efficiencies in innovation, particularly those resulting from collaboration; the treatment of failing firms or distressed industries; and foreclosure, access and

efficiency issues related to networks and standards. We anticipate that the presentations and papers received in these hearings will make significant contributions to our analysis in the months and years ahead.

A cooperative effort of the Bureaus of Economics and Competition produced an initial draft of an empirical study of the effectiveness of various types of past Commission divestiture orders in merger cases. The initial investigation has proven very informative, and we plan a further more extensive examination of this issue.

Compliance with Merger Orders: The Program will continue to monitor compliance with merger orders and initiate enforcement action as appropriate. It will also continue to review petitions to delete or modify the prior approval provisions of outstanding merger orders in accordance with the Commission policy statement adopted in fiscal year 1995. Thirteen such order modifications have been carried out in fiscal year 1996 as of February 14.

Fiscal Year 1995 Program Activities

Enforcement Activities: Under the Mergers Program during fiscal year 1995, the Commission authorized staff to file motions in federal district court to prevent the consummation of five proposed mergers. The Commission also accepted 31 consent agreements for public comment, all but one of which have now become final, and entered into an hold-separate agreement with stipulated relief pending the completion of the Commission's investigation in one matter.

The two most prominent areas of merger enforcement in fiscal year 1995 were health care services (acute care hospital services, specialized medical facilities, medical devices, pharmaceuticals, and retail pharmacy) and defense industries.

Health Care: In health care, the Commission initiated 16 enforcement actions.

Three enforcement court actions involving the health care industry were in federal district court:

- o In the action against the proposed merger of Port Huron Hospital and Mercy Hospital, a consent agreement requires the parties to abandon their merger plans and notify the Commission before acquiring certain hospital assets.
- o In another action, the Commission authorized the Bureau to seek a preliminary injunction to block the proposed acquisition by Boston Scientific Corporation (BSC) of Cardiovascular Imaging Systems, Inc. The Commission subsequently withdrew its request for a preliminary injunction when a consent agreement with BSC was made final. The consent order, requiring Boston Scientific to grant a non-exclusive license to its intravascular ultrasound imaging catheters, also settles the Commission's competitive concerns arising from BSC's proposed acquisition of SCIMED Life Systems, Inc.
- o In the third health care matter, the Commission sought to prevent Freeman Hospital and Tri-State Osteopathic Hospital Association d/b/a Oak Hill Hospital from consolidating to form Health SouthWest Alliance of Missouri. The Commission's administrative complaint issued charged that the acquisition could reduce competition and raise prices and reduce services for inpatient acute care hospital services in the Joplin, Missouri area. The district court denied the Commission's motion for a preliminary injunction, however, and was ultimately upheld by the Eighth Circuit. The Commission then dismissed its complaint as no longer in the public interest.

In another major action in the health care services area, the Commission challenged the proposed acquisition by Eli Lilly and Company, a major pharmaceutical manufacturer, of the pharmacy benefit management business (PBM) of McKesson Corporation, and the matter was settled by consent. The Commission's complaint alleged that the proposed acquisition of McKesson's PCS Health Systems subsidiary, which operated the PBM, would substantially lessen competition in the manufacture and sale of pharmaceutical because PCS was in a position to influence the prices and availability of pharmaceutical products offered under its pharmacy benefit plans. Under terms of the final consent order,

Lilly was permitted to proceed with the acquisition only on condition that it take steps to ensure that Lilly drugs are not given unwarranted preference over those of its competitors. Lilly is also required to build a "fire wall" between its pharmaceutical sales business and PCS's PBM business to ensure that Lilly does not gain access to non-public information about its competitors through PCS. The Commission also announced that it would continue to review the performance of the relevant markets to determine whether further relief was required.

Later in the year, the Commission obtained a consent agreement in Hoechst AG's acquisition of Marion Merrell Dow Inc., which created the third largest pharmaceutical firm in the world in a \$7 billion transaction. The Commission alleged that the merger threatened competition in markets for four drugs, including medications for high blood pressure and angina, leg cramping caused by arteriosclerosis, ulcerative colitis and Crohn's Disease, and tuberculosis; and required divestiture and related relief to preserve competition in each area as a condition for the merger.

In Columbia/HCA Healthcare Corporation, the largest hospital merger in U.S. history, the parties agreed to divest seven hospitals and to terminate a joint venture that owned another hospital to settle Commission charges that the \$3 billion merger would impair hospital competition in six different geographic areas. Through these divestiture of hospitals in Pensacola, Okaloosa, and Orlando Florida, and in Ville Platte-Mamou-Opelousas, Louisiana, Denton, Texas, and Salt Lake City/Ogden, and Utah, the Commission acted to protect services and price competition for consumers who live in these local areas.

The other ten enforcement actions in the health care area included consent agreements covering a wide variety of markets in the health care industry -- vaccines, generic drugs and other pharmaceutical; orthopaedic implants and medical devices used in the treatment of chronic cardiac conditions; and psychiatric, rehabilitation, and acute care hospitals. One hold separate agreement (with stipulated relief if the Commission identified a problem) was entered pending completion of the Commission's investigation.

Defense Industries: In the defense area, the Commission challenged Alliant Techsystems Inc.'s proposed acquisition of Hercules Aerospace Company, and Lockheed Corporation's proposed acquisition of Martin Marietta Corporation. Both matters were resolved through consent agreements that address the competitive concerns while permitting the other parts of the acquisitions to proceed unchallenged. Both consent orders have been issued as final in fiscal year 1995.

In the Alliant Techsystems matter, the acquisition of Hercules' munitions propellant division made Alliant both an ammunition and munitions producer and the only U.S. supplier of propellant for large-caliber ammunition. The Commission alleged that the acquisition could reduce weapons innovation and quality. The Commission's order requires Alliant to construct a "fire wall" to prevent its newly-acquired propellant division from sharing with its ammunition division any non-public information that the propellant division receives from other ammunition and munitions makers.

In the Lockheed/Martin Marietta matter, the Commission alleged that the merger would substantially reduce competition in the U.S. markets for military aircraft, military satellites and satellite launch vehicles. The Commission's order requires Lockheed Martin Corporation, the merged company, to open up the exclusive "teaming arrangements" that each individual firm, prior to the merger, had with infrared sensor producers, so as to restore competition for certain types of military satellites. The settlement also prohibits certain divisions of Lockheed Martin from gaining access through other divisions to competitively sensitive information about competitors' satellite launch vehicles or about competitors' military aircraft.

Other Markets: The Commission also took merger enforcement action affecting a range of other product markets. During fiscal year 1995, the Commission sought two additional preliminary injunctions.

- o A consent agreement ultimately ended the district court injunction action challenging B.A.T. Industries p.l.c.'s proposed acquisition of American Tobacco Company on grounds that the acquisition would eliminate price competition and increase the chances of

coordinated interaction among firms in the U.S. cigarette market.

- o Ferro Corporation abandoned its plans to acquire Chi-Vit Corporation, another leading producer of a specialty glass used in home appliances, after the Commission notified the parties of its intention to seek a temporary injunction to block the transaction.

Seventeen other consent agreements in a variety of industries were accepted during fiscal year 1995.

- o Twelve consents require the divestiture of assets in such industries as supermarkets, chemicals, cable television systems, wire fund transfers, and funeral homes.
- o One other consent agreement contains a provision that requires the parties to modify the acquisition agreement.
- o Another agreement requires a firm to develop compatible computer systems and software for use by its competitors.
- o Yet another requires the parties to terminate a supply agreement that could otherwise substantially reduce competition in the canned fruit market.
- o The proposed consent agreement with Nestle Food Company was nullified after new evidence not available at the time the consent was placed on the public record, relating to the relevant product market, revealed that the proposed acquisition of Alpo PetFoods would not be likely to reduce competition.

Administrative charges challenging R.R. Donnelley & Sons Co.'s (Donnelley) acquisition of Meredith/Burda Company L.P. (Meredith/Burda) were dismissed when the Commission found that the product market was not as narrow as alleged by the complaint, but should have included other commercial printing processes for high volume publication printing. In addition, the decision concluded that it was unlikely that the Donnelley/Meredith/Burda

firm would engage in anticompetitive coordination in the market since the remaining firms have already repositioned their products in response to the merger. The Commission's decision reversed the initial decision of an Administrative Law Judge that would have required Donnelley to divest the printing assets acquired from Meredith/Burda in 1990.

Ending Unnecessary Burdens on Business: As part of its ongoing efforts to ensure that merger enforcement protects competition and consumers without inflicting unnecessary burdens on business, the Commission issued two new statements of enforcement policy during fiscal year 1995.

The first policy statement describes the factors the Commission takes into consideration in determining whether to proceed with administrative litigation following the denial of a preliminary injunction. The policy statement also addresses the procedures for seeking the Commission's reconsideration of the public interest in an administrative proceeding in that situation. The Commission subsequently clarified and expedited that process through an amendment to its Rules of Practice.

The second statement announces a new policy regarding the use of "prior approval" provisions in merger orders. Under the new policy, the Commission will no longer routinely require companies subject to an order in a merger case to seek prior Commission approval for future acquisitions in the same market. The Commission instead will rely on the premerger notification and waiting period requirements of the HSR Act to learn about and review those transactions. A narrow prior approval requirement (limited to a renewed attempt at the same transaction) may be used under special circumstances, and a non-HSR premerger notification and waiting period requirement may be used if the company is likely to attempt a non-HSR reportable transaction that may violate the antitrust laws. The Commission also invited petitions to reopen and modify existing orders to conform to the new policy.

In addition, the Commission, working with DOJ, drafted a new, more streamlined model Second Request for documents. In FY 1995 to 1996 to date, the new form has resulted in businesses having to produce over 40 percent fewer documents in merger investigations.

Compliance with Merger Orders: Rubus Development Corporation (successor to Supermarket Development Corporation) paid the second installment of \$125,000 in civil penalties to the U.S. Department of the Treasury settling allegations that the company violated several provisions of a 1988 divestiture order.

Five merger orders were modified during the 1995 fiscal year. Most notably, the Commission and The Coca-Cola Company agreed to settle the FTC's challenge to Coca-Cola's acquisition of the Dr Pepper Company. At the request of the parties, the Court of Appeals for the D.C. Circuit dismissed Coca-Cola's petition for review of a 1994 Commission decision and remanded the case to the Commission for the purpose of modifying the prior approval and prior notification provisions. Under the terms of the consent agreement, The Coca-Cola Company agreed not to acquire any rights to the Dr Pepper brand in the United States without obtaining prior Commission approval. In addition, the Commission terminated the 1973 order in Amerada Hess Corporation under the "sunsetting" policy and deleted the divestiture requirement in the 1989 order with Arkla, Inc. It also deleted prior approval provisions applicable to Valspar Corporation and Supermarket Development Corp.

In a matter initiated in the 1994 fiscal year, Red Apple Companies, Inc. agreed to divest six supermarkets to settle antitrust concerns alleged in a 1994 administrative complaint concerning its acquisitions of Sloan's supermarkets.

Statistical Summary - Fiscal Year 1995

Investigations Opened	139
Initial Phase	10
Full Phase	71
Second Request Investigations	58
Transactions Abandoned After Second Request	8
Preliminary Injunctions	5
- 4 Filed (3 settled with consent agreements, 1 pending on appeal)	
- 1 Authorized but not filed because transaction abandoned	

Part II Consents Accepted for Comment 30
- 21 Final
- 8 Pending Final Action
- 1 Nullified (Commission Closed Investigation)

**Civil Penalties Collected During the Fiscal Year
\$125,000**

Administrative Complaints 1
- 1 Awaiting Pre-hearing Conference

Enforcement Actions Initiated in Earlier Fiscal Years

Part II Consents 7
- 6 Final
- 1 Withdrawn (parties abandoned transaction)

Commission Decisions 2
- 2 Complaints Dismissed

Adjudicative Matters 2
- On Appeal to the Fifth Circuit
- On Appeal to the Eighth Circuit

**Maintaining Competition
Horizontal Restraints**
(\$ in thousands)

FY 1996 <u>Estimate</u>		FY 1997 <u>Estimate</u>		Difference <u>FY 1996/1997</u>		Percent Difference	
FTE	Amount	FTE ¹	Amount	FTE	Amount	FTE	Amount
83	\$6,596.5	83	\$6,837.5	0	+\$241.0	0%	+3.7%

¹FTE include: 44 for BC, 13 for BE, and 26 for RO.

Introduction

The Horizontal Restraints Program looks at anticompetitive behavior among competitors. Some horizontal restraints, such as price-fixing and other anticompetitive behavior among competitors, harm consumers by raising prices and reducing the quantity and quality of goods and services. Such restraints may be the products of collusion or of conduct that facilitates collusion. The mission of this program is to detect, investigate, prevent, and remedy anticompetitive collusion or facilitation of collusion. While some agreements among competitors, such as standard-setting and the promulgation of legitimate ethical codes, can serve functions that are procompetitive and even essential, such agreements can also be abused to exclude entry by new competitors or expansion by existing competitors.

The Program has had substantial benefits throughout the economy. One example is the health care sector, in which the Commission has used the antitrust laws to challenge unlawful conspiracies among health care providers, such as price fixing and coercive boycotts of cost-containment programs or alternative providers. This program also has examined and acted against instances of such conduct by members of a number of other professions, such as lawyers and accountants, and of manufacturing, retailing and service industries.

The Commission employs a strategy combining investigation, litigation, voluntary compliance, and negotiation in striving to eliminate collusive restraints that limit the right to engage in

competition. In addition, to advance the use of free market mechanisms in place of regulatory or private restraints wherever possible, the Commission, where appropriate, provides reports and comments to federal, state, and local government agencies; *amicus curiae* briefs; advisory opinions, and legal and economic analyses.

Fiscal Year 1997 Budget Request

Program efforts will remain the same for fiscal years 1996 and 1997.

The Commission has been striving to be more aggressive in identifying and investigating potential anticompetitive behavior in the areas of horizontal restraints. This has been a challenge with our current level of resources, and if we have to continue to divert some of those already limited resources to the more time-sensitive Merger Program, we will not be able to move as quickly as we should to the "complaint or close" decision point for these horizontal cases.

We continue to devote significant resources to the ever-evolving health care sector of the economy, which currently represents almost 14% of the GDP and continues to grow. The health care industry is rapidly evolving, with consolidation among horizontal competitors occurring at an increasing rate. In addition, new forms of joint ventures, such as physician-hospital organizations (PHOs) -- which may simultaneously involve both horizontal and vertical agreements and integration -- are constantly appearing as the industry attempts to position itself for possible national healthcare reform and to respond to increased pressure from both private and governmental purchasers and payers to improve efficiency and contain costs. Our healthcare investigations involve complex and often unique antitrust and economic issues that require extensive use of staff time and resources. We expect this area will continue to grow as an important law enforcement focus as market forces continue to pressure health care providers to realign to meet current and future needs.

Fiscal Year 1996 Program Activities

Enforcement Activity: During fiscal year 1996 to February 14, the Horizontal Restraints Program opened 13 new investigations. Also to that date, one new consent agreement has been accepted for comment. That agreement is an undertaking by RxCare of Tennessee, Inc., the leading provider of pharmacy network services in that state, to stop requiring so-called "most favored nation" clauses in its contracts with pharmacies. These clauses have required that, if a pharmacy in the RxCare network agrees to accept a lower reimbursement rate for providing prescription drugs to any other plan's subscribers, it must afford RxCare the lower rate as well. The Commission alleged that RxCare's network includes more than 95 percent of chain and independent pharmacies in Tennessee. Given this market share, and the amount member pharmacies stood to lose by accepting lower reimbursement from other plans, it alleged that RxCare in effect established a price floor for prescription drugs in Tennessee.

Improving Analysis of Horizontal Restraints: A number of the topics addressed at the just-concluded Commission hearings, in addition to bearing upon merger analysis, are highly relevant to the evaluation of horizontal restraints, including in particular the measurement of market power and the analysis of efficiencies. The Program should gain from these new insights.

We have begun an examination of types of integrations among health-care providers that may not fully be taken into account in existing case law and analysis, but that may nonetheless offer efficiency benefits that should have a bearing on antitrust treatment of inter-provider agreements. We will look at whether types of integration among participants in health care provider networks, other than capitation and similar risk sharing arrangements, are likely to produce efficiencies that should trigger rule of reason analysis. This project seeks to ensure that antitrust enforcement keeps abreast of the new and evolving economic realities of health care.

Compliance: The Commission granted a petition to reopen a 1979 order against the California Medical Association and set it aside. The Commission found that the order would have prevented CMA from forming and operating a managed care subsidiary, which could be procompetitive.

Fiscal Year 1995 Program Activities

During fiscal year 1995 the Horizontal Restraints Program opened 43 new investigations. The Commission initiated 11 new enforcement actions, ten of which resulted in consent agreements. In the eleventh, the Commission issued an administrative complaint charging that the International Association of Conference Interpreters and its U.S. affiliate members conspired to fix the fees charged for interpretation services performed in the United States. All of the ten consent agreements accepted for public comment are now final.

- o In two of these consent agreements, Baby Furniture Plus Association, Inc. and New England Juvenile Retailers Association settled charges that the two associations threatened to boycott manufacturers that sold their products through mail-order catalogs.
- o Another consent involved The Medical Association of Puerto Rico, its Psychiatry Section and two of its individual psychiatrist members. All of these parties settled charges that they conspired to boycott a government insurance program in an attempt to force the insurers to adopt an exclusive referral rule that would reimburse patients for physical therapy services only if referred for those services to a psychiatrist.
- o Another consent involved the Korean Video Stores Association of Maryland, which was charged with conspiring to fix the rental fees of Korean-language video tapes in its member stores in the Washington, D.C. metropolitan area.

Additional consent agreements include:

- o The Danville, Virginia Physicians Group, Inc., charged with preventing a managed care plan from establishing a competing health care facility in the area;
- o The Council of Fashion Designers of America, charged with attempting to reduce competition among themselves by fixing the prices they paid for modeling services or modeling agency services;

- o Port Washington Real Estate Board, charged with restricting the use of exclusive agency listings in an attempt to control the commission paid by a homeowner when residential property is sold;
- o Summit Communications Group, Inc., charged with the illegal allocation of customers for cable television systems;
- o Santa Clara County Motor Car Dealers Association, charged with engaging in an unlawful group boycott to cancel and withhold advertising in an area newspaper that published an automobile buyers' guide informing consumers how to determine the purchase price against the dealer's wholesale price of a new car; and
- o Reuters America, Inc. and Federal News Service Group, charged with agreeing to allocate markets for news transcripts.

In a case carried over from prior years, the Commission issued its decision and order against the final group of respondents in Detroit Auto Dealers Association, Inc., on remand from the U.S. Court of Appeals for the Sixth Circuit. The Commission had earlier held that the respondent auto dealers violated Section 5 of the FTC Act by agreeing to restrict their hours of operation and to maintain uniform hours. The Commission held that the dealers' agreement restricted competition and impeded consumers' ability to shop for cars. On remand, the Commission reexamined the respondents' claim that they were immune to antitrust prosecution by reason of a labor exemption and held that respondents did not qualify for the exemption. The decision requires that the showrooms operate a minimum number of hours per week for a one-year period in order to encourage the restoration of normal competitive forces. Other groups of respondents settled the case in fiscal year 1994.

Finally, in a matter involving the California Dental Association, an Administrative Law Judge issued an initial decision prohibiting the association from interfering with its members' use of truthful, nondeceptive advertising.

Advice to Aid Compliance with the Law: The Commission and the Department of Justice jointly issued antitrust guidelines for the licensing of intellectual property that is protected by patent, copyright, or trade secret laws or by proprietary know-how. The Commission and DOJ also issued joint antitrust guidelines for companies engaged in international operations that affect U.S. commerce.

Also during fiscal year 1995, the Program staff issued ten advisory opinions in response to requests from these business organizations:

- Accrediting Commission on Career Schools and Colleges of Technology;
- Northwestern Nevada Orthopaedic Surgery Alliance;
- Oakland Physician Network;
- Erlanger Medical Center, Memorial Hospital Division of the Sisters of Charity of Nazareth Health System, Inc., and Women's East, Inc.;
- California All Health;
- Elmore Community Hospital and Community Hospital;
- Eastern Ohio Physicians Organization, Inc;
- Hematology/Oncology Care Specialists of Western Pennsylvania, P.C.;
- Otolaryngology Specialty Providers of Georgia; and
- Central Texas Medical Group.

Compliance Activity: The Commission terminated the 1965 order with Armstrong World Industries, Inc. under its newly adopted sunsetting policy.

Statistical Summary - Fiscal Year 1995

Investigations Opened	44
Enforcement Actions	11
- 1 Administrative Complaint	
- 10 Part II Consents	
- 5 Final	
- 5 Pending Final Action	
Other Enforcement Actions	11
- 10 Advisory Opinions	
- 1 Order Set Aside	

Enforcement Matters Initiated in Earlier Fiscal Years

Matters in Adjudication	2
- 1 Commission Decision on Remand from the	
Sixth Circuit	
- 1 Awaiting a Commission Decision	

**Maintaining Competition
Distributional Arrangements
(\$ in thousands)**

<u>FY 1996 Estimate</u>		<u>FY 1997 Estimate</u>		<u>Difference FY 1996/1997</u>		<u>Percent Difference</u>	
<u>FTE</u>	<u>Amount</u>	<u>FTE¹</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>
19	\$1,526.0	19	\$1,582.2	0	+\$56.2	0%	+3.7%

¹FTE include: 1.0 for BC, 2 for BE, and 7 for RO.

Introduction

This program generally deals with restraints on the distribution of goods from manufacturers to consumers. Such practices can facilitate horizontal collusion, or limit sources of supply or restrict channels of distribution in ways that give a party unilateral power to increase prices or reduce price-adjusted quality. Potentially unlawful conduct includes restrictions on resale prices as well as restrictions on non-price terms. Such practices may result from agreements between suppliers and purchasers, or from the coercion of purchasers by sellers (or vice-versa). The program also deals with discrimination in price or other terms that tends to deny competitive opportunities to firms in the distribution chain and that may injure consumers.

In attacking anticompetitive distributional arrangements, the Commission employs a strategy combining investigation, litigation, voluntary compliance, and negotiation. Where appropriate, the Commission will issue policy statements, advisory opinions, and engage in competition advocacy.

Fiscal Year 1997 Budget Request

Program efforts will remain the same for fiscal years 1996 and 1997.

In this program the Commission would like to take a more aggressive role in identifying and examining potentially harmful

vertical arrangements that may be harmful to consumers and competition, such as unlawful exclusive dealing arrangements and resale price maintenance. These investigations involve firms at two or more different levels in the chain of distribution. As such, they require a careful study of the interrelationships and competitive dynamics between and among firms at the different levels. These matters typically involve particularly complex issues related to balancing the economic efficiencies gained from vertical arrangements against potential anticompetitive effects. The investigations thus require thorough factual, legal, economic, and financial analyses involving the use of extensive Competition Mission resources. At current resource levels, we are limited in our ability to be as aggressive as we should be in these critical areas of concern.

Fiscal Year 1996 Program Activities

Enforcement Activities: No new investigations have been opened in this program thus far in fiscal year 1996. Thirteen investigations were active as of February 14.

Improving Analysis of Distributional Arrangements: As is the case with horizontal restraints, a number of the topics addressed at the just-concluded hearings to explore new thinking in antitrust analysis are highly relevant to the evaluation of distributional arrangements. In particular, the measurement of market power is an over-arching issue for the rule of reason analysis that applies to non-price vertical restraints, and the analysis of efficiencies is also of central importance to such evaluation.

Compliance: Federated Department Stores, Inc. agreed to pay a civil penalty of \$250,000 to settle charges that it violated a 1979 Commission order prohibiting it from interfering with the entry of another tenant in any shopping mall in which it operates. The Commission set aside a 1967 order that applied to Kraft Foods as successor to the National Dairy Products Corporation, under its sunsetting presumption applicable to orders older than 20 years. (This action was taken before the effective date of the rule revision that makes such sunsetting automatic.)

Fiscal Year 1995 Program Activities

Enforcement Activities: Under the Distributional Restraints Program, the Commission initiated seven initial phase investigations and one full phase investigation in fiscal year 1995. Some of the resources originally targeted for the Distributional Restraints Program were redirected to the Merger Program. A consent agreement was reached and made final, during the fiscal year, with Reebok International Ltd., the largest manufacturer of athletic and casual footwear, settling charges that Reebok and its Rockport Company subsidiary attempted to fix the resale prices at which retailers sold their products.

Compliance Activities: A civil penalty settlement of \$225,000 was reached with Onkyo U.S.A. Corporation for violations of a 1982 consent order dealing with resale price maintenance. Seven old orders under this program were set aside under the Commission's sunsetting policy (before it became automatic), one additional order was set aside due to changed circumstances, and two orders were modified or clarified to permit the parties to engage in conduct that appeared unlikely to violate the antitrust laws.

Statistical Summary - Fiscal Year 1995

Investigations Opened During the Year	8
7 - Initial Phase	
1 - Full Phase	
Investigations Opened in an Earlier Year	6
Compliance Matters Open	15
Part II Consents	1
- 1 Final Consent	
Projects/Studies Open	10

Enforcement Actions Initiated in Earlier Fiscal Years

Administrative Complaints Withdrawn from
Adjudication (6 separate dockets) 1

Civil Penalties Collected During the Fiscal Year
\$225,000

**Maintaining Competition
Single Firm Violations
(\$ in thousands)**

<u>FY 1996 Estimate</u>		<u>FY 1997 Estimate</u>		<u>Difference FY 1996/1997</u>		<u>Percent Difference</u>	
FTE	Amount	FTE ¹	Amount	FTE	Amount	FTE	Amount
10	\$817.7	10	\$847.2	0	+\$29.5	0 ^t	+3.6 ^t

¹FTE include: 6 for BC, 2 for BE, and 2 for RO.

Introduction

A single firm with market power can use various anticompetitive practices to reduce output and increase price above the competitive level, thereby injuring consumers and misallocating resources. While neither the existence of such market power nor the attempt to achieve it is unlawful in itself, obtaining, increasing, or maintaining market power by unnecessarily exclusionary means is unlawful. The goal of the Single Firm Violations Program is to prevent or remedy instances in which market power is created or maintained, or either is attempted, through conduct that would injure long-run consumer welfare. The principal challenge that the Program presents is distinguishing such conduct from that which merely constitutes vigorous competition. Such activity as tying and price and non-price predation are typical of unlawful monopolizing conduct.

The Commission employs a strategy combining investigation, litigation, voluntary compliance, and negotiation in striving to eliminate single firm actions that unlawfully limit the right to engage in competition. In addition, reports and comments to federal, state, and local government agencies; *amicus curiae* briefs; and legal and economic policy analysis are provided where appropriate.

Fiscal Year 1997 Budget Request

Program efforts will remain the same for fiscal years 1996 and 1997. The Program will attempt to pursue allegations of

monopolization, attempted monopolization, predation or other conduct abuses by single firms, including in particular the health care industry.

Fiscal Year 1996 Program Activities

Enforcement Activities: Two new investigations have been opened in the Program thus far in fiscal year 1996.

One consent agreement, with Dell Computers Inc., has been accepted subject to public comment. Dell agreed to drop patent claims affecting the many personal computers that employ the "VL-bus" standard. The Commission's complaint charged that Dell had certified, during industry standard discussions, that it knew of no patent, trademark, or copyright that the bus would violate, but later contacted members of the standard-setting association and asserted that the standard did violate a Dell patent. The Commission's action was described as the first time federal law enforcement had acted against a company for seeking to use a standard-setting association to impose costs on its rivals.

Improving Analysis of Single-Firm Conduct: As with all of the Competition Mission's other substantive programs, it is anticipated that analysis under this program of monopolization and attempted monopolization will gain new insights from the results of the recently concluded hearings.

Compliance: Other than automatic sunsetting under the Commission's new rule, effective at the beginning of the second quarter of fiscal year 1996, there have been no official compliance actions in this program thus far.

Fiscal Year 1995 Program Activities

Enforcement Activities: Eight new investigations were opened under the Single Firm Violations Program during fiscal year 1995, involving alleged monopolization activities.

Compliance Activities: Three old orders under this program were set aside under the Commission's newly adopted sunsetting policy.

Statistical Summary - Fiscal Year 1995

Projects/Studies Opened in Earlier Year	7
Investigations Opened During FY95	8
Investigations Opened in Earlier Year	3
Compliance Matters Opened in Earlier Year	5

**Maintaining Competition
Antitrust Policy Analysis
(\$ in thousands)**

<u>FY 1996</u> <u>Estimate</u>		<u>FY 1997</u> <u>Estimate</u>		<u>Difference</u> <u>FY 1996/1997</u>		<u>Percent</u> <u>Difference</u>	
FTE	Amount	FTE ¹	Amount	FTE	Amount	FTE	Amount
7	\$546.4	7	\$571.1	0	+\$24.7	0%	+4.5%

¹FTE include 7 for BE.

Introduction

The goal of this program is the development and dissemination of historical and analytical information needed to devise sound competition policy. The major objectives of the Antitrust Policy Analysis Program are to: (1) increase our knowledge about those situations in which antitrust action will increase consumer welfare, (2) further the understanding of the role of business practices in advancing or retarding a competitively functioning economy, and (3) ensure that consumer interests are represented before various governmental and self-regulatory bodies.

The strategies that will be followed for this program include: (a) conducting original empirical studies of how antitrust policies, market institutions, market structure, and domestic and international trade restraints may affect market performance; (b) performing analyses drawing extensively on existing research to advise policymakers on specific industries or particular antitrust and trade policy decisions; (c) providing access to the Line of Business data for qualified academic researchers; and (d) presenting the findings of these analyses in reports, testimony, invited commentary, and other means as appropriate.

Fiscal Year 1997 Budget Request

Program efforts will remain the same for fiscal years 1996 and 1997.

Fiscal Year 1996 Program Activities

Through February 1996 the Bureau of Economics had released two studies: (1) *The Salt Producers' Discount Practices Before and After the Robinson-Patman Act and the FTC's Challenge to Them: The Morton and International Salt Cases*, which examines the historical record of these two price discrimination cases and more generally examines the concentration levels of industries in which the FTC obtained orders for violations of the Robinson-Patman Act; and (2) *The Effectiveness of Collusion Under Antitrust Immunity: The Case of Liner Shipping Conferences* which examines the effects of ocean shipping conferences and industry concentration on shipping rates. In addition, a Bureau analysis of the future of Intelsat that proposed a competitive alternative to the current international cartel ownership of satellites formed the basis of the U.S. delegation's submission to the competition working group of the OECD.

In addition to continuing to provide access to the Line of Business data and responding to invitations to comment on various proposals related to our competition mission, we expect to speed up the production process for other antitrust related studies, including (1) an examination of the effects of FTC divestiture orders, and (2) a study of the price and output effects of franchise transfers and mergers in the carbonated soft drink bottling industry. In addition, the Bureau began examinations of (1) the pharmaceutical industry, and (2) the effects of mergers and corporate downsizings on aggregate employment.

Fiscal Year 1995 Program Activities

During fiscal year 1995, the Bureau of Economics released one study: *Measurements of Market Power in Long Distance Telecommunications*. That study examines empirically the competitiveness of the long distance telephone market. The Bureau also continued work on other antitrust and trade-related studies including: (1) an empirical analysis of signal carriage for cable TV systems, (2) the effects of the entry of generic drugs on the pricing and output of branded drugs, (3) the effects of bottler mergers in the carbonated soft drink industry, (4) the effects of divestitures in FTC antitrust cases, (5) the effects of vertical integration in financial markets (broker/specialist mergers), and (6) the sources

of injury in the International Trade Commission's unfair trade cases, 1989-1992. The Bureau also continued to provide access to the Line of Business data to several unpaid academic researchers. In addition, the Commission staff provided responses to nine requests for comments on antitrust related issues, covering subjects such as: health care issues, airport landing slots, regulations that may diminish competition in car sales, AT&T's market power in long distance telecommunications, competition in the production and distribution of electricity, and intellectual property rights.

Maintaining Competition
Other Direct Mission Resources
 (\$ in thousands)

<u>FY 1996</u>		<u>FY 1997</u>		<u>Difference</u>		<u>Percent</u>	
<u>Estimate</u>	<u>PTE</u>	<u>Estimate</u>	<u>PTE¹</u>	<u>PTE</u>	<u>Amount</u>	<u>PTE</u>	<u>Amount</u>
20	\$1,654.9	20	\$1,733.3	0	+\$78.4	0%	+4.7%

¹PTE include: 15 for BC, 4 for BE, and 1 for RO.

Introduction

The Maintaining Competition Mission requires that the diverse goals of its substantive programs be coordinated in budgeting and administration through the efforts of the Director, Deputy Directors and senior management staff of the Bureau of Competition and the Bureau of Economics, and with the assistance of the Regional Directors. The overall goal of this program is the efficient use of all the resources of the Commission's Maintaining Competition Mission, through effective management of those resources.

Strategies include ongoing policy and budget analysis, continued development of our automated systems programs, efficient assignment of staff, effective recruiting, and appropriate evaluation and training of Bureau personnel. The subsidiary activities of this program include maintenance of necessary information regarding mission activities, timely response to public inquiries and correspondence, productive liaison with the Department of Justice and other government agencies, and meeting responsibilities under treaties, agreements and legislation governing international notification and cooperation in antitrust matters.

Fiscal Year 1997 Budget Request

Program efforts will remain the same for fiscal years 1996 and 1997.

Fiscal Year 1996 Program Activities

This program is continuing activities in liaison with other federal agencies and with antitrust authorities of the states and of other nations; control of correspondence; human resource management; recruitment; improvement of our automated data management processes; budget and financial management; contracting and procurement; and records and space management. The Program will give special attention to long-term attorney development and training. In addition, it will seek to improve coordination of enforcement activities involving the Bureau of Economics and Regional Offices in an effort to make all of the Mission's Programs more effective.

Fiscal Year 1995 Program Activities

In addition to the ongoing activities described above, during fiscal year 1995, this program supported FTC activity with the Antitrust Division of the Department of Justice to improve the clearance process under the Premerger Program. As a result, the response time in the clearance process has been significantly shortened. It also supported the process of putting the Bureau on the Internet, and a major upgrading of the Bureau's automated office systems to a Windows-based platform. The former development has provided the public easier access to a wide variety of documents, such as speeches, news releases, advisory opinions, and matters for public comment; while the latter has made available a much wider and more powerful set of operating tools to the staff responsible for carrying out the Maintaining Competition Mission.

Consumer Protection
Fiscal Year 1987 Budget Justification
 (\$ in thousands)

<u>by Program</u>	<u>Fiscal Year 1996</u>		<u>Fiscal Year 1997</u>	
	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>
Advertising Practices	70	\$5,388	70	\$5,592
Service Industry Practices	56	4,544	56	4,714
Marketing Practices	95	7,474	95	7,756
Credit Practices	55	4,053	55	4,204
Enforcement	57	4,618	57	4,687
Economic and Consumer Policy	7	548	7	571
Program Management	33	3,136	33	3,237
Subtotal Direct Mission	373	\$29,659	373	\$30,761
Direct Support	71	\$9,625	72	\$10,019
Indirect Support	65	13,092	64	13,439
Subtotal Support Allocation 1/	136	\$22,717	136	\$23,458
Total Mission	509	\$52,376	509	\$54,219
 <u>by Organization</u>				
Bureau of Consumer Protection	218	\$17,538	218	\$18,188
Bureau of Economics	32	2,530	32	2,823
Regional Offices	123	9,591	123	9,950
Subtotal Direct Mission	373	\$29,659	373	\$30,761
Direct Support	71	\$9,625	72	\$10,019
Indirect Support	65	13,092	64	13,439
Subtotal Support Allocation 1/	136	\$22,717	136	\$23,458
Total Mission	509	\$52,376	509	\$54,219

1/ Includes the cost of support organizations plus space and equipment rents, telecommunications, postage, Federal Register printing, library materials and other overhead expenses.

Consumer Protection
Advertising Practices
 (\$ in thousands)

<u>FY 1996 Estimate</u>		<u>FY 1997 Estimate</u>		<u>Difference FY 1996/1997</u>		<u>Percent Difference</u>	
FTE	Amount	FTE ¹	Amount	FTE	Amount	FTE	Amount
70	\$5,387.8	70	\$5,592.1	0	+\$204.3	0%	+3.8%

¹FTE include: 39 for BCP, 8 for BE, and 23 for RO.

Introduction

Advertising is one of the principal means by which American consumers receive information about the availability and relative merits of competing products and services, and is a significant vehicle for competition amongst American businesses. In 1993, American business spent \$138.1 billion on all advertising, a 5.2% increase over 1992. This follows a 3.9% increase from 1991 to 1992. National media advertising expenditures, of the type primarily of concern to the FTC, reached \$80 billion in 1993, almost 60% of total advertising.

The purpose of the advertising program is to ensure that advertising is truthful and nondeceptive. In doing so, the program's primary goal is to protect consumers from deception but to do so in a manner that maximizes the amount of information available to consumers for decision-making. In protecting consumers, the program also facilitates competition by ensuring that less scrupulous competitors do not take unfair advantage of more honest ones. The FTC's market-based national advertising standards foster both of these goals.

A primary focus of the advertising program is on products and claims affecting consumers' health and safety and economic well-being. Health and safety claims in advertising are important because of the significant potential for consumer injury if the claims prove to be deceptive, and because they usually involve credence claims (*i.e.*, claims that consumers cannot readily evaluate based on their own experience). In

addition, this area often involves rapid new scientific and technological developments. Thus, advertisers are faced with the challenge of conveying complex scientific or technical information in a manner that is truthful and non-deceptive.

One specific focus of the program's concern about health related claims is food advertising. The amount of food and food product advertising is substantial, totaling \$3.9 billion in 1994, up from \$3.4 billion in 1993. Moreover, it is an area of significant public interest, because advertising has the potential to help reduce the incidence of chronic diseases by encouraging improvements in the diet. Survey evidence shows that consumers' interest in and concern about nutrition and health messages in food advertising have continued to be strong. Eighty-four percent of consumers are concerned that what they eat may affect their health. Consumer concern over specific nutrients also is rising. Thirty-four percent of consumers have stopped buying a food, particularly those high in fat, after reading about the food's nutritional content. That interest has sparked the rapid development of a variety of new food products. For example, the number of "low fat" or "fat reduced" foods introduced into supermarkets jumped from 38 in 1981 to 1,439 in 1992. FTC staff will continue to monitor food advertising for consistency with the Commission's Food Policy Statement. That Statement, issued in 1994, sets forth the Commission's guidance on deception in food advertising, and harmonizes the Commission's approach to advertising enforcement with the Food and Drug Administration's rules on food labeling.

Another significant area of claims in the health products area is dietary supplements. The introduction and promotion of dietary supplements has been on the rise in recent years, fueled by consumer interest in health along with emerging scientific evidence suggesting potential links between various nutrients and health benefits. At the same time, there is uncertainty in the marketing of dietary supplements as the Food and Drug Administration (FDA) continues its implementation of the 1994 Dietary and Supplement Health and Education Act. Because consumer interest in dietary supplements is high, with sales in 1993 reaching \$4 billion, this product category will continue to receive close attention, and staff will continue to take action in cases of deceptive or unsubstantiated health-related claims as well as working with the industry and the media to encourage

better self-regulation. New forms of advertising and marketing that evade traditional monitoring also will be targeted.

The marketing of over-the-counter drugs also has significant impact on consumer health. With the movement from traditional physician-centered health care and the rising costs of medical treatment, consumers are now relying more on self-care. Expenditures for advertising of over-the-counter drugs and remedies totaled \$2.5 billion in 1994. This is an area in which FTC staff works closely with FDA staff. The increasing number of "switch" drugs -- products previously available only by prescription, but now allowed by FDA to be sold over-the-counter -- constitutes a category of particular interest since there can be significant economic benefit to consumers from switching products. FTC staff will continue to work closely with FDA staff to facilitate this process.

Weight loss claims for dietary supplements and OTC drugs have traditionally been among the most active areas of enforcement. A third of all Americans are seriously overweight and nearly half perceive that they have a weight problem. Consumers spend more than \$33 billion annually on weight-loss products and services, much of it on products with no proven effectiveness. The marketing of ineffective or unproven products has both economic and health implications for consumers who otherwise may choose more effective weight reduction strategies. New products marketed through false or unsubstantiated claims have proliferated over the last five years. Staff will continue to target diet products, with the goals of halting new deceptive promotions before they proliferate and holding advertising agencies and third parties that facilitate the deception responsible for the claims. At the same time, staff will search for innovative solutions to this pervasive and longstanding problem area. For example, staff will explore non-case strategies to augment the FTC's impact, including intensified efforts to increase media screening, additional consumer education, and enhanced cooperation with state law enforcement and food and drug officials.

The marketing of cigarettes and other tobacco products has a very significant health impact, and the Commission has important responsibilities for administering the Federal Cigarette Labeling and Advertising Act, and for administering and enforcing the

Comprehensive Smokeless Tobacco Health Education Act. Each statute applies to areas with substantial amounts of advertising and promotion expenditures: \$6.03 billion for cigarettes and \$119 million for smokeless tobacco products in 1993. Staff monitors advertising for tobacco products -- with particular focus on potential marketing of tobacco products to children and adolescents -- and for smoking-cessation products. The Commission is also engaged in a rulemaking proceeding to determine whether racing vehicles and other event-related items bearing the name, logo or selling message of a smokeless tobacco brand are required to bear health warnings under the Smokeless Tobacco Act. In addition, the Commission is engaged in a rulemaking proceeding to streamline the requirements in the smokeless tobacco regulations governing the method for rotating the required health warnings. And, following the Commission's 1994 request that the National Cancer Institute convene a conference to answer specific questions concerning the test method currently used to determine cigarette tar, nicotine and carbon monoxide ratings, staff is preparing and will forward to the Commission recommendations for possible improvements to the current testing methodology.

In addition to health and safety concerns, a second significant area of focus for the Commission's advertising program is the development of new media and marketing techniques and the marketing of new technologies to consumers. The challenge is to adapt traditional FTC consumer protection principles to these new techniques and technologies as they evolve.

Advances in telecommunications continue to shift a growing portion of consumer spending from the marketplace to the home. Infomercials, home shopping channels, catalogs, commercial online shopping services, Internet shopping, and other forms of non-retail direct sales continue to grow and are a dynamic segment of the advertising market. For example, published industry analyses report that infomercial and home shopping networks can expect sales to grow to \$5.4 billion annually by 1998.

Even greater growth is predicted for marketing on the Internet. Commercial online service revenue is expected to reach \$1.8 billion by 1997, while Internet revenue will grow to approximately \$3.7 billion by 1998. The number of users of these

services will also continue to increase. As of December 1994, there were approximately 20 million people using the Internet, with that number growing at the rate of about two million additional people each month. One segment of the Internet alone, the World Wide Web, will grow from its current two million users to a projected 11.2 million users by 1998. With the increased number of new users of online services, the Internet, and the Web, the marketing opportunities are abundant, as are the opportunities for fraud and deception.

Another area of rapid advertising growth is in the sale of high technology products. For example, computer hardware and software advertising is reaching more and more ordinary consumers; in the past, such advertising was primarily targeted at technical groups such as computer programmers and analysts. Projected personal computer (PC) hardware and software revenues for 1995 are expected to reach \$10.9 billion and \$3.8 billion, respectively. Industry sources estimated that in 1994, 27% of American homes had PC's, and they predict that 50% to 80% of the population will use a personal computer by the year 2000.

A third area of significant product innovation and improvement has been with so-called "green" products, products promoted as beneficial for the environment. Surveys show that consumers' concern about the environment remains at a very high level. In response, new green product introductions are rising. Green claims were made for almost 13% of all new products introduced in 1993. Green products have achieved a significant presence in many markets, especially in the categories of health and beauty aids, household products, and foods and beverages. And, like health and safety claims for consumer goods, most environmental benefit claims -- for example, that a product contains "no chlorofluorocarbons" -- are credence claims.

In July 1992, the FTC issued guidelines that set forth the Commission's position on deception in green advertising. These Guides furnish the basis for companies to comport their environmental labeling and advertising claims with the law, while also providing the basis for a coordinated enforcement policy between the states and the FTC. The FTC has continued to bring cases against deceptive environmental advertising consistent with the principles enunciated by the Guides. At the same time, some states have enacted the Guides into law, while various state

regulatory bodies and legislatures have adopted regulations and statutes based on the Guides. International standard setting organizations are also considering adopting the Guides. In fiscal year 1996, the Commission will complete a three year formal review of the Guides, including a public workshop, to determine their effectiveness in preventing deception and encouraging truthful claims.

Fiscal Year 1997 Budget Request

Program efforts will remain the same for fiscal years 1996 and 1997.

Fiscal Year 1996 Program Activities

The program will emphasize advertising addressing health issues to ensure that claims for products that purport to assist consumers in maintaining a healthy or safe lifestyle are fully substantiated. Specific areas of focus will include the advertising of food, dietary supplements, over-the-counter-drugs, weight loss products, and alcohol products. In all of these areas we will maintain an enforcement presence but also look for self-regulatory and consumer education activities that can broaden the impact of the program.

In addition to health related claims, the program will also focus on safety related product use claims in such areas as pesticides, automobiles, tobacco products and other consumer products, and claims concerning the environmental soundness of commercial and consumer products. The latter category includes claims that advertised products comply with criteria established by EPA under the President's Executive Order to encourage the purchase of environmentally sound products by federal agencies.

The program will also focus on developing cases applying traditional FTC consumer protection principles to rapidly evolving "information highway" marketing techniques, particularly infomercials, home shopping, computer buying services and interactive marketing. The program will also continue to focus on other areas of significant economic injury, such as the advertising of premium gasolines. Finally, the program will

continue to look for innovative ways to reduce fraud. One important strategy for reducing fraudulent advertising will be following up on the Commission's May 1994 conference on media pre-screening practices by contacting cable television and other broadcast and print media to encourage more screening of advertising before it is run.

Fiscal Year 1995 Program Activities

The Commission issued 25 final consent agreements, accepted six consent agreements subject to final approval, won a permanent injunction in federal court, issued five administrative complaints, and filed one complaint in federal court. One of the consent agreements required \$1.45 million to be disgorged to the U.S. Treasury. Four consent agreements and the federal court order brought over \$1 million in consumer redress.

Many of the consent agreements, as well as one of the administrative complaints, involve allegations of false, deceptive, and unsubstantiated health or safety claims for dietary supplements, drugs, and medical devices, including: two purported bone-building calcium supplements; a bee pollen product and vitamir mouth sprays claiming to cure or prevent various ailments; a mouth spray and a patch for stopping smoking; an arthritis remedy; a cholesterol-reducing supplement; a beverage made of apple juice, grape juice, and vinegar purported to provide many health benefits; and an array of weight loss products, including diet pills and fiber supplements, a body wrap, two acupuncture devices, and body-shaping booklets. Some of the weight loss products also claim to provide body-building or cholesterol-reducing benefits as well.

Other settlements involve health and nutrient content claims for foods, including allegedly false and misleading low-calorie claims for a frozen dessert product; allegedly false and misleading low-fat claims for a frozen yogurt product line; and allegedly false and unsubstantiated low-fat, blood pressure-lowering, and blood cholesterol-lowering claims for eggs.

The Commission also accepted consent agreements with companies charged with deceptively advertising a wide range of other products, including safety and new technology products. These include: uncertified protective body armor; an escape mask

purported to filter out lethal gases associated with fires; two facilitated communication devices for autistic and mentally retarded individuals; the escape sequence feature of a computer modem; and a computer graphics accelerator board.

Of the five administrative complaints issued, three involve allegedly false or unsubstantiated safety claims for add-on motor vehicle braking systems.

Several of the consent agreements concern environmental claims, including: biodegradable claims for plastic grocery store bags, environmentally safe and beneficial claims for an ice-melting product, ozone-friendly and recyclable packaging claims for aerosol products; and unsubstantiated performance claims for two indoor air cleaners. Staff also participated in several conferences and met with groups interested in environment related issues to promote voluntary compliance with the Green Guides. The Commission sought public comment on various aspects of the Guides, and in December 1995 held a two day public workshop for interested parties in conjunction with the comment period.

In the tobacco area, the Commission approved a consent agreement with a cigarette company prohibiting the company from disseminating advertisements that misrepresent the relative amounts of tar and nicotine consumers will get by smoking various brands of cigarettes. The Commission asserted that consumers will not necessarily get less tar smoking the company's low tar cigarettes, because the ratings published in the advertisements were obtained by smoking machines that do not reflect actual smoking, and therefore do not take into account such behavior as "compensatory smoking." Due to general concerns that have been raised about the limitations of current cigarette testing methodology, the Commission asked the National Cancer Institute to convene a conference to review how the tar and nicotine ratings for cigarettes are determined. The conference was held in December 1994, and staff provided written statements and made presentations. A conference report will be released. In the area of smokeless tobacco, the comment periods closed on the Notice of Proposed Rulemaking on health warnings on sponsored racing-event vehicles and other related products, and on the proposed rule governing rotation of warnings on utilitarian items.

The Commission continued its enforcement activity with respect to infomercials. The Commission approved a consent agreement with a company making arthritis treatment claims in infomercials. The staff also challenged the format of the infomercials as deceptively masquerading as programming. The Commission also issued a consent order with a company charged with making misleading claims in infomercials, and other forms of advertising, about the ability of its phonics program to teach reading to users, including those with learning disabilities. In addition, following a settlement with a company that allegedly made deceptive claims in infomercials for a real estate scheme, the Commission asked a federal court to order the company to also pay redress to consumers who had responded to the advertisements.

In April 1995, the Commission cosponsored with the Food and Drug Administration, the National Association of Attorneys General (NAAG), and the American Association of Advertising Agencies, a conference on the role of the media in preventing fraudulent advertising and the benefits to the media and consumers from screening ads before running them. Members of the electronic and print media, state and federal advertising regulators, and consumer representatives attended.

Commission staff continued to coordinate closely with other federal agencies with parallel or overlapping authority. Staff maintains a close working relationship with the Environmental Protection Agency (EPA) in its monitoring of the advertising of lawn care pesticides, and with respect to environmental marketing issues. The Commission is coordinating with EPA in its implementation of Executive Order 12873 on Federal Acquisition, Recycling, and Waste Prevention, in order to ensure that marketers do not make deceptive claims concerning their participation in this program. Staff has set up a liaison arrangement with the Food and Drug Administration to monitor health fraud activities. Staff also worked closely with FDA on drug, cosmetic, and medical devices issues, coordinating activities, attending FDA-sponsored scientific meetings, and filing comments on the FDA proposed sunscreen labeling regulations. Staff also consulted with and obtained expert assistance with investigations from the Consumer Product Safety Commission, the National Highway Traffic Safety Administration, and other agencies.

Commission staff hosted visiting groups from Eastern Europe, Asia, and South America interested in learning about the Commission's advertising program. Staff made presentations, answered questions, and provided documents to the visitors. Staff members also advised foreign officials in developing market-based economies and consumer protection capabilities.

**Consumer Protection
Service Industry Practices**
(\$ in thousands)

<u>FY 1996 Estimate</u>		<u>FY 1997 Estimate</u>		<u>Difference FY 1996/1997</u>		<u>Percent Difference</u>	
FTB	Amount	FTB ¹	Amount	FTE	Amount	FTB	Amount
56	\$4,544.1	56	\$4,713.6	0	+\$169.5	0†	+3.7%

¹FTE include: 42 for BCP, 3 for BE, and 11 for RO.

Introduction

Telemarketing fraud results in billions of dollars of losses to consumers every year. Estimates of losses range from \$3 billion to \$40 billion each year, in addition to the probable loss of hundreds of millions of dollars of financial institutions. Over eight billion telemarketing calls are made each year. Although the great majority of this business activity is legitimate, the potential for fraud is enormous.

Investment fraud, particularly that done through telemarketing, is a major focus of the program's law enforcement efforts. Americans over 50 are increasingly saving for retirement and other purposes, and Americans of all ages are facing the burden of financial planning for retirement. Not surprisingly, more and more companies are making pitches for consumers to put their IRA (individual retirement account) money into questionable investments.

Consumers, most notably the middle-aged to elderly, annually invest billions of dollars in so-called "high-tech" scams. Currently, the most prevalent ones involve the sale of Federal Communications Commission licenses or systems to develop those licenses. False claims are made concerning the value and technological capabilities of the licenses or systems, the profit to be derived, and the risks of investing. Unfortunately, the majority of consumers' monies are often siphoned off into the pockets of the promoters.

Consumers also continue to purchase what are claimed to be rare coins, precious metals, gemstones, and other hard assets, all of which are sold as investments that will rapidly appreciate in value. These investments are often induced by deceptive representations by unscrupulous telemarketers concerning past performance and risk of the investments. Consumers lose hundreds of millions of dollars each year to such investments.

The program also challenges deceptive and fraudulent representations made by so-called "recovery rooms," a relatively new scam that has evolved to prey on consumers who have already lost money. There are two main types of recovery room scams: one victimizes consumers, particularly the elderly, who have lost money in sweepstakes scams; the other preys on consumers who have lost money in investment scams. In each instance, consumers are enticed to pay an upfront fee for services that will allegedly result in recovery of lost money, but which often lead to no recovery at all, just a further loss.

A consumer hotline operated by the National Consumers' League receives about 6,000 inquiries per month from consumers who believe they may have been subjected to a deceptive telemarketing sales pitch. The NAAG-FTC Telemarketing Complaint System, administered in this program, contains information from over 45,000 complaints, and is growing at a rate of over 11,000 new complaints each year. This system is used by over 90 law enforcement agencies to obtain information about fraudulent telemarketers, including the Federal Bureau of Investigation (FBI), the U.S. Postal Inspection Service, the Department of Justice and 43 state Attorneys General. The complaint system assists agencies in determining enforcement priorities, allowing them to target particular types of fraud and/or specific geographic areas. The information in the system is updated daily, enhancing its effectiveness. New trends and scams can be identified almost at their inception.

The market for healthcare services is estimated at one trillion dollars annually, of which as much as \$100 billion may be attributable to fraud. Victims of healthcare fraud frequently lack information to evaluate deceptive advertisements and are often reluctant to challenge healthcare professionals because of this informational imbalance.

Consumers may be especially vulnerable and susceptible to false promises of success or misrepresentations about risks, side effects, or recovery periods of a healthcare service or procedure because of injury, disease, age, or condition. Other consumers are victimized by telemarketing schemes and other promotional scams that increase the cost of health care by bilking insurance providers and consumers for goods or services that are not as represented or are not provided.

Deception in the marketing of health care goods and services not only impacts negatively on consumers' pocketbooks and wallets, it can also adversely affect their health and well-being. Some consumers may be led to purchase services that do not perform as advertised and delay treatments or procedures that may be far more effective.

Standards are pervasive in our economy. There are approximately 50,000 government standards and 40,000 private standards in use in the United States and their effects are far-reaching. Standards affect not only how products are designed, but how they are produced, how well they are to perform, how such performance is to be tested, and how to assure users and buyers that products offered for sale actually conform to performance and other standards. Standards are significant in virtually every American industry and market, and affect decisions about how to produce and whether to buy thousands of different products sold. As a result, both the potential benefit and the potential harm from standards are very great.

When the standards system works properly, it greatly benefits consumers. A correctly operating standards system reduces the cost to consumers of obtaining and understanding complex product information, lowers production costs, advances development of new technologies and products, assures the compatibility of different products that can be used together, reduces product defect rates, and provides minimum levels of health, safety, and environmental protection.

However, when standards are misused, these benefits may not be realized and great harm may result. Misused standards may exclude innovative products from the market, compromise product safety, or add unnecessary additional costs by over-engineering products. Standards also may be used to deceive consumers by

inducing unjustified confidence in the ability of laboratories to test products or providing false information about the performance of products offered for sale.

Fiscal Year 1997 Budget Request

Program efforts will remain the same for fiscal years 1996 and 1997.

Fiscal Year 1996 Program Activities

The program will continue a strong enforcement effort against telemarketing fraud through cases and partnerships with other federal and state agencies. The agency will participate in a coordinated effort by the Las Vegas and San Diego boilerroom task groups to attack telemarketing fraud in a nationwide sweep. This will include cases against prize promotion telemarketers and "recovery rooms" that falsely promise, for a fee, to recompense prior victims of fraud. The program also will launch a major FTC-state project to attack "high-tech" frauds such as those involving telecommunications licenses issued by the Federal Communications Commission (FCC). Litigation will be pursued to completion, and law enforcement efforts will be initiated as new cases and areas in telemarketing or investment fraud are identified. Staff also will pursue innovative strategies with the advertising industry, brokerage houses, and other interested parties to educate consumers so that they can protect themselves against fraudulent telephone pitches.

The program will also continue to combat health care fraud by targeting false and unsubstantiated therapeutic and efficacy claims for various health care products and services. This effort will address unsubstantiated cancer-cure claims; purported vision-correction remedies; cases involving the fraudulent sale of durable medical equipment; and other investigations of marketing claims for unproven therapies. Matters presently in negotiations or litigation will be pursued to completion, and new matters will be initiated. Efforts to coordinate the Commission's activities with other federal, state and local civil and criminal enforcement agencies charged with combating healthcare fraud will be continued.

The program also will develop law enforcement actions against firms and individuals who, in the era of "down-sizing," take fees on the basis of false promises of career opportunities. The program also will focus on working with Canadian officials to combat cross-border fraud.

In the standards area, matters under investigation and in litigation will be completed. In addition, discussions with the National Institute of Science and Technology, other government agencies, and standards users will continue with the goals of informing standards developers and users about the Commission's standards program and its objectives, learning their views on the strengths and weaknesses of standards and standards development, and identifying appropriate matters for investigation. Law enforcement efforts will be initiated as appropriate.

Fiscal Year 1995 Program Activities

The Commission filed sixteen cases in federal district court against recovery rooms preying on already victimized consumers, a fraudulent provider of employment services, and investment scams involving sales of partnerships in interactive television and satellite broadcasting systems, gemstones, vintage wine, and art. Courts entered twenty-five judgments, ordering permanent injunctions in each, as well as consumer redress and disgorgement totaling over \$12.5 million.

In recognition of the pervasiveness of telecommunication investment fraud, the staff met regularly with the FCC and the Securities and Exchange Commission to coordinate and facilitate law enforcement efforts in this area. In addition, the Commission participated in a panel on wireless communications fraud at the annual meeting of the North American Securities Administrators Association.

Membership in the NAAG-FTC Telemarketing Fraud Databank increased during the fiscal year, with the addition of several U.S. Attorney's offices and state security agencies. There are ninety four member law enforcement agencies and data contributors in the system.

The Commission continues to stress close coordination with criminal law enforcement authorities from the outset of investigations in order to maximize deterrence through criminal prosecutions. These efforts contributed to the filing of several indictments growing out of the conduct alleged by the Commission as fraudulent in federal district court actions filed this fiscal year. The Commission also sought to enhance criminal law enforcement of fraud through its participation in the Securities and Commodities Fraud Working Group and the Telemarketing Fraud Working Group.

The Commission also sought to increase law enforcement and consumer awareness in the burgeoning area of international fraud. American consumers are increasingly being subjected to telemarketing fraud emanating from outside the country. The Commission has worked with both U.S. and foreign criminal law enforcement agencies to develop successful prosecutions of individuals perpetrating cross-border fraud.

In the health care services area, the Commission issued final consent orders against three of the largest multi-state providers of smoking cessation services. The Commission charged that the marketers made false and unsubstantiated success rate, efficacy and superiority claims for single-session, group hypnosis seminars for smoking cessation and weight loss. Through coordinated efforts with NAAG and the states, the staff assisted six state Attorneys General offices in taking similar actions against hypnosis seminar providers.

Working closely with the Department of Justice, the FBI and U.S. Attorneys in a new area for the Commission, stipulated preliminary injunctions were obtained in recently-filed federal district court cases against three telemarketers of Durable Medical Equipment (scooters, wheelchairs and beds), who allegedly defrauded consumers and private insurance companies by promising to provide consumers with certain goods, and then billing their insurance providers for other goods not provided to the consumers.

Continuing its work in the diet program area, the Commission finalized a consent order that requires that the company have scientific evidence for claims that dieters can lose weight or maintain that weight loss. The Commission charged the firm with

deceptively advertising the success of diet program participants in reaching their weight loss goals and maintaining that weight loss. In another diet-related matter, the Commission accepted for public comment a consent agreement obtained against the nation's second-largest advertising agency that prohibits the firm from misrepresenting the results of any studies in the advertising of any diet food product.

In a follow-up criminal contempt action to a multi-million redress judgment obtained against a chain of weight loss clinics, the staff acted as Special Assistant Attorney in obtaining sentencing of the defendant for willfully diverting and hiding assets from the court and the Commission in violation of existing asset freeze orders. In another follow-up criminal contempt action, the Department of Justice appointed Commission staff as Special Assistant Attorney to help prepare a prosecution of a defendant in another one of our health care cases for violations of the asset freeze order entered against him.

In addition, the Commission issued a final consent order against a marketer of a cosmetic, non-surgical treatment for varicose and spider veins. The complaint charged that the provider's advertising deceptively advertised the lack of pain and high success rates for the treatment. The Commission also accepted a consent agreement with a provider of infertility services who allegedly deceived consumers by "double counting" in calculating success rates -- counting multiple births, such as twins, as multiple deliveries, when the industry standard is to count such births as single deliveries. Finally, investigations continue into other health care providers marketing efforts involving a wide variety of health care services and procedures.

In an expanded effort to coordinate activities with federal, state and local law enforcement agencies and other groups concerned with healthcare issues, Commission staff attended several federal and state conferences on health care and managed care, published articles in the NAAG and private healthcare groups' journals discussing the public results of our healthcare program, and continued to work closely with the Federation of State Medical Board's Ad Hoc Committee on Health Care Fraud.

Under the standards program, the Commission filed two new cases in federal district court. The first alleged that a private, voluntary, standards developer and laboratory accreditor falsely accredited a laboratory as technically capable of conducting certain tests of the energy efficiency of windows. The accreditation was essential to state, local, and federal government acceptance, over a ten year period, of the laboratory's tests showing that windows installed in new homes met Pacific Northwest energy conservation requirements. The second complaint alleged that a Pacific Northwest window manufacturer falsely represented the energy efficiency of its windows, by using test results of window samples it had doctored (by leaving out water drainage systems, for example) to market undoctored production windows to builders, contractors, homeowners, and others. The Commission litigated this matter.

The Commission also participated in government-wide standards policy development activities. In addition, to advance the goals of addressing past, and deterring future misuse of standards, Commission staff met with representatives of the National Institute of Science and Technology, other federal government agencies, state agencies, and standards users to inform them about the Commission's standards program and its objectives, learn their assessments of where standards and standards development work well and where they work poorly, coordinate activities to improve standards development, and identify appropriate matters for investigation.

**Consumer Protection
Marketing Practices**
(\$ in thousands)

<u>FY 1996</u>		<u>FY 1997</u>		<u>Difference</u>		<u>Percent</u>	
<u>Estimate</u>	<u>Amount</u>	<u>FTE¹</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>
95	\$7,474.5	95	\$7,755.5	0	+\$281.0	0%	+3.8%

¹FTE include: 35 for BCP, 4 for BE, and 56 for RO.

Introduction

The Commission seeks to identify and combat consumer fraud and deception of national concern. Both law enforcement and consumer education are used to achieve this goal. Taking advantage of the FTC's status as the leading federal consumer protection law enforcement agency, staff coordinates training, enforcement, and public education campaigns to bring maximum resources to bear on significant patterns of consumer fraud and deception. By using high-impact enforcement strategies to attack national problems, we influence the national consumer protection agenda, encourage voluntary compliance, transfer "know-how" and vision to state and local enforcers, and provide focus for consumer education efforts.

Law enforcement activities in the program are designed to identify, halt, and redress injury caused by unfair and deceptive practices in the marketing and sale of a host of products and services to consumers and small businesses. For example, business opportunity and employment fraud, and deceptive practices aimed at the elderly are pursued in this program. The scope of the program encompasses virtually any deceptive or unfair practice occurring within a marketing or sales context -- ranging from hard-core fraud to inadequate pre-sale disclosure of warranty information. The principal focus of the program, however, is deceptive sales practices, and priorities are set to target those abuses that cause the greatest consumer injury or otherwise undermine consumer confidence and fair competition.

Accordingly, emphasis will continue to be placed on enforcement against fraudulent business opportunity ventures and bogus franchise schemes that masquerade as legitimate business format franchises. Recent estimates suggest that tens of thousands of investors lose as much as \$500 million annually in franchise and business opportunity fraud. A key area of program activity is the monitoring of the sales and marketing practices in the multi-billion-dollar franchise industry through enforcement of both the FTC Act and the Commission's Franchise Rule, which requires pre-sale disclosure of information to prospective franchisees. The program is employing new and more effective strategies to target business opportunity and franchise fraud through multiple simultaneous federal court actions under the FTC Act and the Franchise Rule.

With the dramatic expansion of the economic importance of telemarketing in recent years, there has been a corresponding increase in deception and fraud perpetrated by means of the telephone. As in recent years, the program will continue to pursue selected targets of national scope -- for example, fraud operators that employ cutting-edge scams, exploiting consumers' interest in or lack of familiarity with new products, services or payment systems.

High priorities in this program include enforcement of two newly-promulgated regulations: the Trade Regulation Rule to govern telemarketing sales, as mandated by the Telemarketing and Consumer Fraud and Abuse Prevention Act of 1994, and the Pay-Per-Call Rule, governing disclosures and billing dispute procedures in the 900-Number (pay-per-call) industry, as mandated by the Telephone Disclosure and Dispute Resolution Act of 1992.

The program also focuses on ensuring that consumers receive essential pre-sale information about expensive consumer products or services, and "use-and-care" information that permits consumers to use such products without health, safety, or financial risk. Funeral Rule enforcement, aimed at assuring that consumers obtain price and other important information concerning funeral arrangements, is an important element of this aspect of the program's activities.

Fiscal Year 1997 Budget Request

Program efforts will remain the same for fiscal years 1996 and 1997.

Fiscal Year 1996 Program Activities

The program's chief effort in combating telemarketing fraud during fiscal year 1996 will be to design and implement, under the new Telemarketing Sales Rule, a series of comprehensive enforcement "sweeps" -- simultaneous strikes against multiple targets. Modeled on a fiscal year 1995 sweep project against business opportunity and franchise frauds, the Telemarketing Rule enforcement sweeps comprise the logical continuation and evolution of the leadership the Commission has provided in federal and state efforts to combat telemarketing fraud. Through FTC-led training of our counterpart state consumer protection law enforcers, the sweeps will serve as a vehicle for the transfer of our expertise and "know-how" in this area of law enforcement as the states begin to exercise their new rule enforcement authority granted under the Telemarketing Act. This project will set the pattern for maximum efficacy of this new law enforcement tool.

The telemarketing rule sweeps will target offenders throughout the nation. Targets will be identified using complaint data developed by the National Fraud Information Center. Responsibility for investigating and prosecuting cases against these targets will be shared by the staff at headquarters and in the regional offices, and by law enforcement agencies on the state level. To maximize the impact of this comprehensive law enforcement effort, a consumer education campaign will be launched to coincide with each sweep, focusing on a particular type of telemarketing fraud or a particular practice outlawed by the Telemarketing Sales Rule. In addition to the sweeps, the program will also continue and extend its coordinated effort with attorneys general in selected states and U.S. Attorneys in districts within those states to bring criminal and civil resources to bear on telemarketing fraud. To supplement the single issue consumer education efforts that will coincide with each of the sweeps, the program will organize a multimedia consumer education week, directing attention to ways in which consumers can avoid becoming victimized by telemarketing fraud.

Enforcement actions against large direct mail operations that generate the largest number of consumer complaints alleging deception will be pursued. These cases are likely to be resource intensive but very high profile cases that will draw significant industry attention. Litigation of two ongoing cases against allegedly fraudulent direct mail companies with a combined total of \$70 million in consumer injury will be completed.

The program will also continue to devote considerable resources to address both large and small fraudulent business opportunity sellers and bogus franchisors. An important aspect of this activity will be to continue litigating cases initiated in the fiscal year 1995 sweep against alleged business opportunity and franchise frauds. The staff will pursue new cases involving the failure of franchisors to comply fully with key requirements of the Franchise Rule in preparing their disclosures. Targets will include large, established franchisors as well as newer entrants to the marketplace. Enforcement in this area will include filing cases in federal court, joint enforcement initiatives with state attorneys general, issuance of informal advisory opinions, and consumer education. Issues arising after the franchise purchase transaction has been completed will be monitored, and law enforcement actions will be brought where unfair or deceptive practices that cause significant consumer injury characterize the relationship between franchisees and franchisors. As a part of the Commission's scheduled periodic regulatory review of all trade regulations and guides, public comment will be sought on the costs and benefits of the Franchise Rule, the continuing need for the Rule, and how the Rule can be improved.

Additionally, a concerted effort will be made to increase referral of criminal matters to U.S. Attorneys' Offices. Here, staff will build on several recent successes where U.S. Attorneys have begun criminal proceedings in Commission business opportunity cases. Prosecutors can dramatically reduce the resources required to investigate complex, white collar fraud by using the fruits of investigations conducted by Marketing Practices program staff, and by drawing on this program's familiarity with the principals and employees of these scams and our ready list of victim/witnesses. Active criminal investigations have sprung from successful actions involving sellers of a greeting card distributorship, a nutritional and

diet product distributorship, and a vending machine business opportunity. (The initial group of criminal indictments was issued recently against several of the defendants in this \$35 million fraud.)

The recent reauthorization legislation for the Commission granted it limited authority to seek criminal contempt sanctions for violations of federal court orders obtained in its fraud cases. The Commission must first refer proposed criminal contempt actions to the Department of Justice (DOJ) on a negative option basis. Working with the DOJ's Office of Consumer Litigation, staff will develop a package of criminal contempt cases; staff will work with DOJ to arrive at an advance understanding concerning the division of labor in prosecuting these cases; staff will also coordinate prosecutions to achieve the maximum impact, in terms of deterrence and publicity, from these prosecutions.

U.S. consumers increasingly are victimized by fraudulent schemes of international dimension. Staff will explore ways to improve information sharing with our counterpart law enforcers in other countries with respect to consumer fraud problems affecting U.S. consumers, including the possibility of a secure Internet environment for the rapid exchange of sensitive information. By improving communications in this manner, the FTC can ultimately do a more comprehensive job of protecting our consumers in the global marketplace. Once an effective mechanism is developed, the program will promote it through existing Commission contacts with OECD, the emerging market democracies in Eastern Europe, and among our North American NAFTA colleagues.

In a related effort prompted by the increased globalization of fraud, the program will build upon 1994 and 1995 work with colleagues at Industrie Canada to develop and pursue one or more joint investigations of cross-border fraudulent telemarketers.

The program will also conduct another round of funeral rule enforcement sweeps during fiscal year 1996. In conjunction with these sweeps, which will involve at least ten state enforcement agencies, a campaign will be launched to educate consumers about the information they should receive when they contact a funeral home about arranging for a funeral. Industry self-regulation, where appropriate, will augment Rule enforcement. The program

also will continue to monitor 900 number and other pay-per-call services to ensure compliance with the Commission 900-Number Rule, and where fitting, bring actions seeking civil penalties or consumer redress. Special attention will be devoted to emerging scams in advanced technologies that are surfacing through 900-number services, international lines, and emerging telecommunications services that may lend themselves to efforts by some unscrupulous operators to evade the Rule. We will continue our efforts to educate consumers about their rights, and businesses about their responsibilities, under the Rule.

Fiscal Year 1995 Program Activities

The Commission initiated or settled 73 federal district court actions in this fiscal year. Resolution of 21 of these cases through stipulation or litigation yielded redress or disgorgement orders totaling in excess of \$21 million and appropriate injunctive prohibitions tailored to the specific law violations alleged. The majority of the program's federal court litigation was concentrated in three areas: fraudulent telemarketing; fraudulent and deceptive marketing and sales of franchises and business opportunities; and enforcement of the recently-adopted Pay-Per-Call Rule. The remaining enforcement actions in federal court addressed other types of deceptive marketing or trade regulation rule violations.

One federal court action against an alleged telemarketing "toner phoner" office supply scam was resolved by a stipulated settlement banning the defendants from further involvement in telemarketing or in sales of office supplies, and providing a combined total of \$2.425 million in consumer redress. The Commission also filed a complaint in federal court seeking injunctive relief and consumer redress against another company allegedly employing a very similar fraudulent scheme to telemarket cleaning supplies and light bulbs to small businesses and nonprofit groups.

Continuing to press an important new front in the battle against telemarketing fraud, the Commission approved settlements in five federal district court actions against telemarketers that allegedly engaged in deceptive charity solicitations, most of which involve prize promotions, for a combined total of nearly \$500,000 in consumer redress. Under the terms of the settlements

in one of those cases, seven individual defendants are each required to post a \$1 million bond before engaging in or assisting others in any telephone prize-promotion programs. The Commission obtained a judgment against another deceptive telemarketing operation engaged in charitable solicitations. The court granted summary judgment against these defendants for more than \$2.5 million, and permanently barred them from prize promotion telemarketing.

The Commission also filed a new complaint in federal district court seeking permanent injunctive relief and consumer redress against a major Las Vegas telemarketer that employed allegedly fraudulent prize promotions, and settled a case with similar allegations against another group of defendants, obtaining a broad injunction that bans two corporate and two individual defendants from further involvement in interstate telemarketing, and bans another individual defendant from engaging in any prize-promotion telemarketing. In another district court enforcement action against an alleged scam involving prize promotions, the Commission filed an action seeking injunctive relief and consumer redress against a Maryland direct-mail operation that appears to have caused nearly \$50 million in consumer injury over the past few years. A settlement was obtained with one defendant in this matter, requiring the payment of \$350,000 for consumer redress.

The Commission filed and settled a district court enforcement action against a large service bureau involving, among other things, alleged violation of the Pay-Per-Call Rule by charging for information or entertainment programs accessed by dialing an 800 number. The defendant in that case was ordered to pay \$2 million in consumer redress and \$500,000 in civil penalties. The Commission accepted an administrative consent against a media publisher in another case for alleged failure to comply with the Rule's disclosure requirements. That company was required to pay a civil penalty of \$30,000. The Commission also opened a number of other investigations of possible violations of the Pay-Per-Call Rule.

The Commission reached settlements with five individual defendants and the 18 corporate defendants they controlled in a case involving an allegedly fraudulent telemarketer of a business opportunity involving display rack distributorships. The

settlement requires payment of more than \$600,000 in consumer redress, and bans each of the defendants from marketing franchises or business opportunities, and requires them to post bonds varying in amounts from \$200,000 to \$5 million, before engaging in any future telemarketing. The Commission accepted a settlement with one of seven remaining individual defendants in a case against an allegedly fraudulent vending machine business opportunity. The settlement requires that defendant to post a \$1 million bond before ever offering any franchise or business opportunity for sale again. In another display rack business opportunity case, the Commission entered into a settlement banning the defendants from selling business opportunities or franchises, and netted approximately \$360,000 in consumer redress. The Commission also settled a complaint in federal court alleging misrepresentations and Franchise Rule violations against a seller of restaurant and apparel franchises. The orders ban the defendants from further involvement in franchising.

The Commission approved for simultaneous filing, 34 separate federal district court enforcement actions comprising a comprehensive and innovative enforcement sweep of allegedly fraudulent sellers of business opportunities. Specifically, this project is comprised of twelve separate actions to be filed in district courts across the country seeking temporary and permanent injunctive relief and consumer redress, and another 22 complaints seeking civil penalties and injunctive relief for alleged violations of the Franchise Rule. In other federal court actions, the Commission also obtained judgments against defendants in four franchise rule enforcement matters, two of which involved franchise show promoters, for a combined total of \$155,000 in civil penalties and appropriate injunctive relief against future law violations. A third case against a franchise show promoter alleging unsubstantiated earnings claims was settled through an administrative complaint.

The Commission filed a complaint in federal district court seeking preliminary and permanent injunctive relief and consumer redress against a seller of a turn-key work-at-home travel agency opportunity. The Commission also obtained \$16,400 in consumer redress in a settlement of charges in another federal court case involving an allegedly fraudulent work-at-home scheme.

The Commission also obtained permanent injunctive relief in settlement of complaints alleging false and unsubstantiated claims about an alleged method of diagnosing and treating dyslexia, false representations of fees charged in connection with a purported offer of "manager trainee" positions that were actually commissioned sales jobs, false claims about offered timeshare resale services; and a scheme that allegedly sold consumers unnecessary electrical repairs and charged consumers' credit cards without authorization.

The Commission launched a number of joint enforcement initiatives with individual Attorneys General and the National Association of the Attorneys General (NAAG). The Commission continued to work closely with state regulators and the franchise industry (both franchisor and franchisee representatives) to ensure coordination of effort on the state and federal levels, and to safeguard a level playing field for all industry participants. Staff continued its efforts to promote awareness of the Franchise Rule and its requirements through the issuance of informal staff opinions, participation in the North American Securities Administrators' Association's franchise advisory committee, the American Bar Association's forum on franchising and other programs.

The Funeral Rule, amended by the Commission in 1994, requires, among other things, that price and other specific information regarding funeral arrangements be made available to consumers to help them make informed choices and pay only for services they select, and prohibits certain specified unfair or deceptive practices. As a first stage in enforcing the newly amended rule, Commission staff last fiscal year mailed comprehensive new compliance guidelines to every funeral home in the country to promote awareness of and compliance with the amended rule. In the second stage, staff employed a sweeps methodology to initiate a large number of nonpublic investigations of compliance with core rule provisions. The funeral Rule enforcement effort resulted in settlements with seven funeral rule enforcement actions for a total of \$185,500 in civil penalties. In addition, the Commission filed a federal district court complaint against another funeral home.

The Commission promulgated the Telemarketing Sales Rule, defining and outlawing both deceptive telemarketing practices and

certain specific abusive practices, such as calling at inappropriate hours. An initial Rule was published for comment in February 1995. A Public Workshop Conference was held in Chicago in the first week of April to obtain the oral input of representative of persons likely to be most strongly impacted by a Telemarketing Rule, including representatives of law enforcement, consumer groups, and industry. A revised Rule was published for comment in June 1995, and the final Rule was issued in August 1995.

**Consumer Protection
Credit Practices**
(\$ in thousands)

<u>FY 1996</u>		<u>FY 1997</u>		<u>Difference</u>		<u>Percent</u>	
<u>Estimate</u>	<u>FTE</u>	<u>Estimate</u>	<u>FTE¹</u>	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>
55	\$4,052.9	55	\$4,204.3	0	+\$151.4	0	+3.7%

¹FTE include: 36 for BCP, 3 for BE, and 16 for RO.

Introduction

Credit is a part of the daily lives of Americans, who benefit enormously from its availability. The Commission has jurisdiction over the overwhelming majority of credit grantors in the United States. Most Americans over the age of 18 have or will seek some form of credit. Approximately 113 million Americans hold credit cards and over 50 percent of these have five or more cards. Over 900 million cards are currently in existence.

The program identifies and deals with problems that have resulted from the proliferation of credit. For example, problems associated with inaccurate or disputed credit histories abound in today's world. Approximately 190 million people have credit histories on file with each of the major credit bureaus. One of the major complaints received by the Commission, however, is that many of these credit histories contain one or more errors. One of the major goals of the program is to ensure that these credit histories are corrected and remain correct. The credibility of the credit reporting system and the continued availability of credit are at stake.

At the same time, personal credit histories are being distributed constantly both among those who have legitimate reasons for seeing them as well as those who may not be entitled to them. The value of the information in these histories makes it likely that their rate of dissemination will increase. The program works to ensure that only those parties who have

permissible purposes will receive these reports. Consumer correspondence demonstrates that privacy is becoming an increasingly important commodity. We are currently in the process of applying some of the lessons we have learned from credit reporting to the challenging privacy issues posed by the development of the Global Information Infrastructure.

Denial of credit access for reasons unrelated to creditworthiness continues to be a serious problem. Race, national origin, gender, marital status, age, and the like are not legitimate criteria to use in evaluating a person's application for credit. The program attempts to ensure that everyone is able to obtain credit on an equal basis.

Also important is the information that is given to the borrower before the loan is made and at the time the transaction is consummated. Not only must the information be appropriate and relevant to the transaction, but it must be uniform and correct. Consumers must be able to meaningfully compare credit terms and credit costs if they are to effectively shop for credit and make the decision that is best for them. The program monitors the disclosure of credit information to ensure that it is conspicuous as well as accurate.

Once credit is granted, delinquency and default can occur for a variety of reasons, many of which cannot be prevented. How consumers who do not or cannot pay are handled is extraordinarily important to the efficacy of the overall credit transaction. Abusive, deceptive and unfair debt collection practices can contribute to personal bankruptcies, job loss and a variety of medical problems. It is the responsibility of the program to prevent such practices from occurring.

Credit scams are always emerging in the marketplace. Because credit is valuable to the average consumer and because some consumers have a difficult time managing it, many want it but cannot get it. Others do not understand the complexities of the credit world. Misleading promises about credit availability or procurement are constantly being made and advertised. Credit card fraud is on the upswing in a variety of contexts. Typically, perpetrators of deception and fraud prey on consumers who are unable to obtain credit legitimately and thus are most

vulnerable to false claims. The program works to protect these consumers as well as all who need credit to live and prosper.

Fiscal Year 1997 Budget Request

Program efforts will remain the same for fiscal years 1996 and 1997.

Fiscal Year 1996 Program Activities

The Credit Practices program has focussed on three areas during the current fiscal year: (1) traditional areas of significant consumer injury, primarily relating to economic well being; (2) issues relating to the globalization of marketplaces and new technologies; and (3) improving the methods by which we accomplish our goals.

As we have done in the past with 900 numbers and the Internet, we have continued to be mindful of new credit scams and will bring appropriate cases to focus public attention on these rip offs that have a direct impact on consumers' economic well being. We have leveraged our resources by working closely with state attorneys general and other federal government agencies to conduct, where appropriate, joint investigations in which we share resources and expertise. Given our limited resources, our almost exclusive focus is on bringing cases of national significance or first impression. In the past year, we have used stiff remedies to send important messages to industries under our jurisdiction. For instance, civil penalties awarded in debt collection cases surpassed in just one year the entire civil penalty collections by the Commission in its historical enforcement of the FDCPA. This year, we are considering creative and stiff remedies in a number of other statutory areas.

On globalization and new technology issues, the program last year concluded the first federal consumer protection action dealing with cyberspace. We are developing additional cases focusing on this fast developing communications mechanism. In addition, we have undertaken an initiative to facilitate and coordinate the development of voluntary online privacy principles that will permit merchants to collect and use consumer transactional information only with consumers knowledge and choice.

Finally, following the successful self-regulatory experience of our agreement with the Medical Information Bureau, which took effect at the beginning of this fiscal year, we met with all of the major associations relating to automobile dealers to focus on problems with automobile advertising. In cooperation with a coalition of public interest groups, primarily concerned about protecting the elderly, we helped to produce a pamphlet informing consumers about the costs and benefits of telephone leasing.

In our traditional areas of enforcement, fair lending practices have continued to be a central focus of this program in fiscal year 1996. The program will continue to engage in enforcement activities designed to put lenders under the Commission's jurisdiction on notice that illegal lending discrimination will not be tolerated. The program will examine: the improper consideration of race in mortgage lending; race and sex discrimination in automobile financing; marital status discrimination in secured loans; and finance companies' compliance with notice, record keeping and other requirements of the Equal Credit Opportunity Act.

The program will also continue to enforce the Fair Credit Reporting Act by bringing enforcement actions against credit bureaus or other consumer reporting agencies that do not comply with the Act's accuracy and privacy protections. The program will monitor information being supplied to consumers before a loan or lease is made to ensure that it is accurate, and will bring enforcement actions for violations of the Truth in Lending Act or Consumer Leasing Act when that information is inaccurate or non-existent. Deceptive, unfair and abusive debt collection tactics will be investigated and complaints will be issued against debt collectors that have violated the Fair Debt Collection Practices Act. Finally, efforts to curtail or eliminate unfair and deceptive credit practices in the marketplace will be continued.

Fiscal Year 1995 Program Activities

Enforcement actions taken during the fiscal year resulted in twenty-two consent agreements and injunctions, containing provisions for consumer redress, civil penalties, and/or disgorgement amounting to over \$1.7 million. A complaint was filed in federal district court against a debt collection agency

and its principals for allegedly using abusive and deceptive collection practices in violation of the Fair Debt Collection Practices Act. The program had seven matters in litigation during the fiscal year.

Cases involving the Fair Credit Reporting Act, the law governing the accuracy and privacy of consumer reports, continued to be an important part of the program's agenda for the fiscal year. The Commission issued a final consent agreement with one of the three major credit bureaus in the United States by which it agreed to follow reasonable procedures to assure accuracy in its consumer reports, enhance procedures for handling consumer disputes, and comply with the privacy provisions of the statute. The Commission also continued litigation against another of the three major credit bureaus based on alleged violations of the Fair Credit Reporting Act through its sale of target marketing lists.

Enforcement of the Fair Debt Collection Practices Act and the Truth in Lending Act also highlighted the program's agenda. A significant settlement agreement was reached with one of the country's largest debt collection agencies. The settlement resolved allegations that the company violated the Fair Debt Collection Practices Act by revealing consumer debts to third parties, using obscene or abusive language, and falsely threatening arrest, garnishment, or other legal action against consumers from whom it was attempting to collect debts. The company agreed to a permanent injunction and a \$500,000 civil penalty. In addition, a court upheld Commission allegations against a Baltimore, MD, debt-collection agency for illegal collection practices. The company and its attorney were ordered to pay a combined total of \$550,000 in civil penalties, the largest penalty ever obtained by the Commission in a debt-collection case.

In the Truth in Lending area, the Commission approved for public comment consent agreements with a franchisor and 23 franchisees of video dating services, resolving charges that they made inaccurate disclosures to consumers regarding the cost of financing memberships in their services. The franchisees agreed to make refunds to consumers who were misled by underdisclosed finance charges and annual percentage rates. The Commission also approved for public comment a consent agreement with three auto

dealerships and their principal resolving charges that they engaged in lease and credit advertising violations. In addition, the Commission approved a consent agreement with a homebuilder and credit companies resolving charges that their home financing promotions, made in both Chinese and English, violated the Truth in Lending Act. Finally, the Commission continued its litigation against a department store chain for allegedly making it unreasonably difficult for consumers to remove unauthorized charges from their store credit card bills.

Cases involving credit marketing scams also continued as part of the program's agenda for the fiscal year. The Commission filed a complaint against ten companies and four individuals for their roles in renting and selling lists of consumers' credit card numbers to direct marketing companies, who in turn billed consumers' accounts without authorization. The agreed-to orders ban these defendants from providing confidential credit card information to third parties and require them to pay \$292,000 in consumer redress. The Commission also resolved its first enforcement action involving the Information Superhighway, which targeted allegedly false claims made in the promotion of a credit repair program on an on-line computer service. The defendant agreed to a permanent injunction and to pay full consumer redress.

In addition to enforcement actions, the program engaged in a number of other activities to accomplish its mission. It organized on behalf of the Bureau a two-day workshop on Consumer Protection and the Global Information Infrastructure. The program also hosted a Credit Repair Summit with federal, state, and local law enforcement agencies, credit bureau representatives, and public interest groups to invigorate law enforcement and other efforts to combat credit repair fraud. Finally, the program continues to be an active participant in the Interagency Task Force on Fair Lending which has coordinated the federal response to lending discrimination.

**Consumer Protection
Enforcement**
(\$ in thousands)

<u>FY 1996</u>		<u>FY 1997</u>		<u>Difference</u>		<u>Percent</u>	
<u>Estimate</u>	<u>FTE</u>	<u>Estimate</u>	<u>FTE¹</u>	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>
57	\$4,517.7	57	\$4,687.1	0	+\$169.4	0%	+3.7%

¹FTE include: 38 for BCP, 3 for BE, and 16 for RO.

Introduction

The Commission issues and enforces administrative orders to resolve charges that firms had engaged in unlawful conduct and enforces numerous statutes and regulations that require important information to be provided to consumers. In fiscal year 1995, in this program area, the Commission obtained more than \$1.5 million in civil penalties, in addition to injunctive and other important relief, to resolve order and rule violations. Thus far in fiscal year 1996, more than \$3.5 million in penalties has been obtained to resolve such violations. One of the program's goals is to improve compliance with orders and rules and to deter additional violations by seeking significant civil penalties. At the same time, the program is committed to working cooperatively and non-punitively with companies, who acting in good faith, commit technical or inadvertent violations.

The Commission's administrative orders, which were issued to address a wide array of unfair or deceptive practices, govern the sales and marketing conduct of many major, national firms. The program monitors and enforces compliance with these administrative orders. For example, the program oversees ongoing consumer redress programs, such as cash reimbursement, product repair and replacement, contract rescission, and arbitration, to ensure that firms comply with their obligations as specified in the orders. The program also uses the expertise developed in enforcing administrative orders to obtain orders against other firms engaging in practices that are the same as or similar to those prohibited by prior Commission orders.

In addition, the program processes requests by firms under order to modify those orders on the basis of legal or factual changes or other grounds. When parties petition the Commission to modify or vacate Commission orders, the staff reviews the petitions and recommends appropriate action. Under a newly adopted rule, effective January 2, 1996, existing Commission administrative orders that are more than 20 years old will sunset, unless there has been a court-filed action to enforce the order during the last 20 years. The Commission adopted a rule change that permits the sunsetting to occur automatically, so the FTC and companies do not have to incur expenses to eliminate orders that may reflect outmoded policies and contain burdensome requirements of no value to consumers.

The statutes and rules being enforced require sellers to provide consumers with information they need to make informed choices. For example, the Care Labeling and Textile Rules require sellers to disclose care and fiber content information accurately on more than 10 billion garments annually so purchasers can make informed purchases (e.g., some consumers may decide not to purchase garments that can only be dry cleaned because of the costs) and care for their garments properly.

The program also is responsible for rulemaking and administrative activities related to its rule enforcement mission. For example, in fiscal year 1995, the program completed the last of its rulemaking activities that were required to implement FTC-related portions of the Energy Policy Act of 1992 (EPA 92). In May, the Commission issued a final rule requiring cost/benefit labels for alternative fueled vehicles and labels for non-liquid alternative fuels. These regulations join those previously issued, pursuant to another provision of EPA 92, that require fuel dispenser disclosures for liquid alternative fuels. Nearly 200,000 industry members, consisting of refiners, producers, distributors, and retailers, are covered by these rules. The regulations will assist consumers in making informed choices among vehicles that are powered by alternative fuels and correct fueling decisions at refueling stations. Overall, the labeling requirements for alternative fuels and alternative fueled vehicles are expected to promote consumer acceptance of these products, thereby increasing U.S. energy security and generating environmental benefits.

Pursuant to EPA 92, the Commission also issued efficiency disclosure requirements for plumbing, which became effective in October 1994, and lighting products, which became effective in May 1995. The lighting disclosure requirements are intended to focus consumers' attention on the energy costs of lighting and to assist them in purchasing lighting that meets their needs at the lowest cost. In addition, the Commission's 1994 amendments to the Appliance Labeling Rule, which requires EnergyGuides on major home appliances, mandate the introduction of improved EnergyGuides into the marketplace starting in fiscal year 1995. These new and improved EnergyGuides are expected to aid consumers in factoring energy efficiency into their purchasing decisions for white goods and heating and cooling products.

Another primary responsibility of the program is to implement the Commission's ongoing project to review all rules and guides every ten years. With statutorily-mandated rulemaking efforts completed, the program focused additional efforts on regulatory review efforts and responded aggressively to President Clinton's March 1995 memorandum urging agencies to streamline and eliminate unnecessary or obsolete regulations. As a result of intensified regulatory reform efforts, the Commission repealed 25% of its industry guides (which are administrative interpretations designed to aid industry members in complying with the general prohibition against unfair or deceptive practices) and published notices in the Federal Register proposing repeal of six, approximately 25%, of the FTC's trade regulation rules. Because of internal reforms, the rulemakings were completed in record time, early in fiscal year 1996, and the rules were repealed. In addition, the Commission reformed certain regulations. For example, the Commission deleted the requirement that warranty information on Buyers Guides on used cars always be posted in a side window and replaced it with a requirement that the information be conspicuously posted. Additional reform efforts are underway, and are expected to result in additional proposals to repeal or streamline other rules and industry guides.

Fiscal Year 1997 Budget Request

Program efforts will remain the same for fiscal years 1996 and 1997.

Fiscal Year 1996 Program Activities

The program will continue enforcing Commission rules and orders and reforming existing rules and guides. Because the Commission has given increased attention to health and safety claims made in connection with the advertising of food, nutritional supplements, weight loss products, over-the-counter drugs, and tobacco, a significant number of administrative orders have been issued in these areas. Pursuant to the Bureau's strategic plan to focus attention on health and safety issues, one of the program's areas of concentration will be to ensure compliance with these orders, and to recommend civil penalty enforcement actions when necessary.

Thus far, litigation against Dalhberg, the seller of the Miracle Ear hearing aid, has been resolved with a record-high consumer protection order enforcement civil penalty of \$2.75 million. This case involved allegedly false and unsubstantiated claims that Miracle Ear could filter out the background noise that is so problematic for hearing aid wearers. (In fiscal year 1995, a similar case against another leading hearing aid seller was resolved). An order violation involving allegedly deceptive cholesterol claims for egg products has been resolved with a \$100,000 civil penalty, and a case involving allegedly deceptive low-fat claims for frozen yogurt was resolved with an order and a \$150,000 disgorgement payment to the Treasury. In addition, with DOJ, the program is litigating a case involving allegedly false performance claims for an acne treatment product, where reliance on the product by severe acne sufferers could result in their not seeking other reliable treatments, and thus possibly being afflicted with severe scarring.

Further, at present, the program has several other ongoing major matters involving health and environmental issues. For example, staff is pursuing investigations or consent negotiations regarding allegations that: major retailers of nutritional products made false or deceptive health claims for various products; a company made false efficacy claims for its air cleaning equipment (purporting to remove allergens or noxious particles from the air); and a company made unsubstantiated efficacy claims for a pain reliever.

Another principal area of concern involves the economic well-being of consumers. Thus far, a case involving allegedly false and unsubstantiated claims (in violation of a prior order) for an expensive engine treatment was resolved with an \$888,000 civil penalty. (Sellers of other similar treatments also are under investigation). Other ongoing matters involve: a large loan company allegedly violating the Truth in Lending Act; a seller making alleged deceptive claims at workshops on government loan programs; a nationwide marketer of magazines engaging in allegedly fraudulent door-to-door sales practices; a marketer of business opportunities making allegedly deceptive claims in infomercials; a two-time recidivist making allegedly false promises regarding child modeling opportunities; and a major toy company that allegedly misrepresented how easily children could operate the toy.

Similarly, enforcement of the Care Labeling Rule will continue to be a high priority because consumers are financially harmed by care instructions that are inaccurate and cause damage when the items are cleaned as instructed. Thus far, one matter has been resolved with a \$50,000 civil penalty. Numerous other investigations are in progress.

In addition, enforcement of other rules continues. One mail order company's alleged failure to send proper delay notices and refunds ("rubber checks" were sent in many instances), as required by the Mail and Telephone Order Rule, has been resolved with a consent decree prohibiting further violations and requiring a \$100,000 civil penalty. As needed, actions will be brought to enforce other rules and laws where noncompliance causes financial or other significant injury. For example, consumers are harmed when they are sent unordered merchandise (in violation of the Unordered Merchandise statute) and the sender tricks or bullies recipients into paying for the merchandise. In other instances, business consumers may be tricked into placing orders because of misrepresentations. The program will be coordinating federal, state and other efforts to combat this type of fraud this year by bringing actions under the new Telemarketing Sales Rule.

Global issues, particularly the harmonization of labeling requirements, are receiving significant attention in fiscal year 1996. The Commission announced early in fiscal year 1996 that it

had tentatively decided to permit the use of symbols in lieu of words to provide care instructions on garments, which avoids the necessity of giving information in three languages in North American markets. Currently, the program is reviewing the comments the public filed in response to this proposal. The program also is partnering with business groups to develop strategies to promote consumer understanding of these symbols. In addition, to facilitate trade globally, efforts are underway to attempt to harmonize the symbol system developed for use in North America by the American Society of Testing and Materials with the system adopted by the International Standards Organization for use in Europe.

The Commission also recently published a notice soliciting comments on possible amendments to the Textile Rules that might ease labeling requirements and promote NAFTA goals by, for example, allowing abbreviations or symbols for required information that might be acceptable in all three countries. Similarly, efforts initiated in fiscal year 1995 to harmonize United States, Mexican, and Canadian energy use labeling requirements for white goods will be continued.

FTC standards for "Made in USA" and other country of origin marking statements and their impact on the global market will be reviewed at a public workshop on March 26 and 27. The purpose of the workshop is to have a dialogue with interested parties about the current standard and appropriate alternative standards. This dialogue, along with the written comments that were filed, consumer perception data and other research findings, will provide the Commission the basis for determining whether it should change its standard, and if so, how it should be changed.

The program also will continue regulatory reform initiatives, completing proceedings already begun to repeal or streamline regulations and guides, and targeting additional rules and guides for review. In January 1996, the Commission identified the additional rules and guides that would be reviewed in 1996. Although this is only the 5th year of the Commission's 10-year review plan, more than 60% of the Commission's rules and guides have been or are now being reviewed.

In addition, the program will devote resources to completing or developing other matters, such as finalizing liquidation of a

fraudulent land sales company, investigating cyberspace advertising by companies under order, and working with industry members to improve retail scanner accuracy (thus reducing overcharge incidents). Enforcement efforts will continue to be complemented with consumer and business education, informing companies on how to avoid engaging in violative conduct, and alerting consumers to their legal rights and how to avoid being victimized by deceptive practices. A major initiative will involve consumer and business education, in conjunction with DOE, on the new EnergyGuides. The proposed materials will educate retailers about the EnergyGuide and how to use it as a sales tool, and consumers about how to factor energy efficiency into their purchasing decisions.

Fiscal Year 1995 Program Activities

To promote compliance with Commission orders, the program, where appropriate, sought progressively higher civil penalties for order violations causing consumer injury or unjust enrichment of the violator. The program's administrative order enforcement efforts resulted in a consent decree providing for the fourth largest civil penalty in a consumer protection order enforcement matter to date. Specifically, the Commission obtained an order that includes an \$825,000 civil penalty to resolve allegations that one of the nation's largest sellers of hearing aids violated a prior Commission order.

An administrative consent order was obtained against a mail order company, providing for \$250,000 to be disgorged to the United States Treasury to resolve allegations concerning unsubstantiated claims for nutritional supplements. The products had been manufactured by a company that paid a \$2.4 million civil penalty in fiscal year 1994 for making similar unsubstantiated claims. Charges against a company that allegedly deceptively advertised various weight-loss products and supplements were resolved with a consent order providing for a \$45,000 civil penalty. Charges against a franchisor subject to an order and the Franchise rule were resolved with consent agreements with the company and its principals, and a total of \$320,000 in civil penalties.

The program spent considerable time reviewing compliance reports filed by respondents recently under order, investigating

claims made since those orders were issued, and requesting and analyzing supplemental compliance reports. The program also recommended, and the Commission granted, a petition to modify an order to remove now unnecessary restrictions on how the product is advertised.

Enforcement of existing rules and laws resulted in ten orders that prohibit future violations and impose nearly \$400,000 in civil penalties. Two of the orders involved prominent garment manufacturers who were charged with violating the Care Labeling Rule. Three cases that involved alleged violations of the Mail and Telephone Order Rule (by an upscale retailer/cataloger, a well-known infomercial company, and a specialty cataloger) were resolved with consent orders and a total of \$185,000 in civil penalties. Another matter, where the business allegedly sent unordered janitorial supplies to small businesses and nonprofit groups, was resolved with a final consent order, prohibiting such practices.

In addition, more than \$44,000 worth of checks sent to pay for merchandise that was not ordered were returned to the senders.

The program also completed a number of projects, including a Report to Congress on Federal-State relations, as required by the FTC Act Amendments of 1994, which demonstrated that the Commission successfully leverages its resources by working with state and local officials on many matters. Another project involved updating the 1993 NAAG/FTC Joint Enforcement Handbook, which facilitates joint or state actions to enforce rules that have a local impact. In addition, the program organized a project with state Attorneys General and state weights and measures authorities to investigate the accuracy of electronic price scanning devices, resulting in some states bringing actions where problems were uncovered.

The program also prepared the Commission's response to the President's directive that agencies review their regulations, create grassroots partnerships, revise how performance is measured, and use negotiated rulemaking proceedings when possible. The program spearheaded an initiative to accelerate the Commission's existing ten-year schedule of reviews of all rules and guides, resulting in proposals to repeal 25% of the FTC's trade regulation rules. The program also assembled data on

the President's other directives, and prepared the response that the Commission provided to the President.

Other regulatory initiatives involved relaxing existing requirements and completing statutory directives to issue rules. For example, the program proposed a rule, ultimately promulgated in fiscal year 1996, pursuant to the Energy Policy Act, that would permit sellers of recycled engine oil who meet certain industry standards to promote their products without disclosing they are recycled. The program also completed some amendments to the lamp labeling rules to make it easier for industry to comply with the rules, and issued an enforcement policy statement to provide the industry additional time it contended was needed to come into compliance with the new statutorily-mandated rules. As mentioned above, the rulemaking to issue required cost/benefit label requirements for vehicles powered by alternative fuels and for fuel dispensers was completed within the time specified by Congress. A survey of gasoline distributors to assess compliance with the Fuel Rating Rule was completed, and concluded that compliance overall is good (although a few formal law enforcement actions had been necessary). The Report also found that state laws that require gasoline to be tested periodically are extremely effective and advisable in states that do not have such laws.

Consumer Protection
Economic and Consumer Policy Analysis
 (\$ in thousands)

FY 1996		FY 1997		Difference		Percent Difference	
<u>Estimate</u>	<u>FTE</u>	<u>Estimate</u>	<u>FTE¹</u>	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>
7	\$546.4	7	\$571.1	0	+\$24.7	0%	+4.5%

¹FTE include 7 for BE.

Introduction

The goal of the Economic and Consumer Policy Analysis Program is the development and dissemination of historical and analytical information needed to devise sound consumer protection policy. The objectives of the program are to: (1) increase our understanding of the situations in which consumer protection actions will enhance consumer welfare, (2) increase our knowledge about the effects of government regulations that affect consumers, and (3) ensure that consumer interests are represented before various governmental and self-regulatory bodies.

To achieve these objectives, several related strategies will be employed. These strategies include: (1) providing original analyses of the effects of the Commission's consumer protection enforcement and rulemaking activities; (2) distilling evidence currently available in the literature concerning the effects of Commission programs and other government regulatory activities related to the consumer protection mission; (3) analyzing the effects on consumers of various nontrade government regulations; (4) providing, upon request, economic advice to the Commission in adjudicatory proceedings; and (5) reporting the results of our inquiries in the form of reports, testimony, invited commentary, and other appropriate means.

Fiscal Year 1997 Budget Request

Program efforts will remain the same for fiscal years 1996 and 1997.

Fiscal Year 1996 Program Activities

Through February of fiscal year 1996 the Bureau released one study, *Disentangling Regulatory Policy: The Effects of State Regulations on Trucking Rates*, which examines the effects of various regulatory regimes on the rates charged for truckload or less-than-truckload shipments. We hope to initiate one additional consumer protection study analyzing the way advertising claims affect the functioning of markets.

Fiscal Year 1995 Program Activities

During fiscal year 1995, the Bureau continued work on several projects including studies of: (1) the effects of advertising on the consumption of fats and cholesterol by Americans, (2) the content of advertising for oils and margarines, (3) airport slot trading and utilization at high density airports, and (4) the nature of the costs faced by local exchange carriers. The Bureau held in abeyance two other studies on which it expended no resources this period (cellular telephone rate regulation and airline price advertising). In addition, the Commission staff provided responses to five requests for comments on issues related to the consumer protection mission, including: telemarketing, marine pilot regulation, optometry, environmental advertising, and funeral-cemetery regulation.

**Consumer Protection
Program Management**
(\$ in thousands)

<u>FY 1996 Estimate</u>		<u>FY 1997 Estimate</u>		<u>Difference FY 1996/1997</u>		<u>Percent Difference</u>	
FTE	Amount	FTE ¹	Amount	FTE	Amount	FTE	Amount
33	\$3,135.5	33	\$3,237.2	0	+\$101.7	0%	+3.2%

¹FTE include: 28 for BCP, 4 for BE, and 1 for RO.

Introduction

The Consumer Protection Mission strives to maintain a well-functioning marketplace that allows consumers to make informed purchase choices. To this end, the Mission works to: increase the usefulness of advertising by ensuring that advertising is truthful and not misleading; reduce instances of fraudulent or deceptive sales and marketing practices; and prevent creditors from using unlawful practices in the granting of credit, the maintenance of credit information, the collection of debts, and the operation of credit systems. The Mission is also committed to educating consumers and businesses about their rights and responsibilities under FTC regulations.

The management and administrative activities of the Mission are designed to improve the effectiveness and efficiency of its substantive programs and to increase staff productivity. These activities include: monitoring and reviewing all substantive initiatives; managing human resources; providing administrative support to ensure that adequate resources are available; managing redress administration activities; and managing headquarters and regional office consumer and business education resources and activities. The program also manages the Consumer Complaint System which is responsible for responding to more than 25,000 letters a year.

The Redress Administration Office provides management and oversight of the activities related to the distribution of consumer redress funds, including cash management and claims

processing. The redress administration program involves approximately 100 accounts with a total balance of over \$17 million.

The Office of Consumer and Business Education plans, develops, and implements proactive mission-related campaigns targeted to both broad and segmented consumer and industry audiences. The purpose of this effort is to encourage informed consumer choice and competitive business practices in the marketplace. The Commission sees the Consumer and Business Education program as a cost-effective way of working to minimize consumer injury and obtain compliance with the law.

Fiscal Year 1997 Budget Request

Program efforts will remain the same for fiscal years 1996 and 1997.

Fiscal Year 1996 Program Activities

Emphasis will be placed on management initiatives aimed at identifying those strategies and processes that result in the highest payoff for consumers. The managers and administrators of the Mission will continue to provide support and guidance to staff in all programs, as well as, personnel in other Commission offices. The Consumer Complaint System will be monitored closely to assure that consumers are receiving timely and helpful responses to their letters. Redress administration management and oversight activities will continue. Consumer and business education will continue to be emphasized and coordinated with the law enforcement efforts of the Consumer Protection Mission. Consumer and business education materials will be reviewed and enhanced for

Fiscal Year 1995 Program Activities

The Office of Consumer and Business Education produced more than 40 new and revised consumer and business publications: 38 targeted consumers; seven targeted business; 18 were updates; and eight were in Spanish. The Office also completed a video promoting its publications and marketed it to cable stations. The video, *Get the Facts*, produced with the National Coalition for Consumer Education (NCCE), the National Funeral Directors

Association, and the National Futures Association encouraged consumers to get the facts before they buy and to call the FTC to get a *Best Sellers* catalog to select from its 140 free brochures.

In February 1995, the Office established ConsumerLine to distribute its 140 consumer publications on Internet. From February through September, ConsumerLine received approximately 50,000 "hits" (accesses to individual publications or publication categories). The Office also established World Wide Web pages for its ConsumerLine and for the new Telemarketing Rule. Further, it established a FAQ (Frequently Asked Questions) feature for its ConsumerLine, which provided a forum for FTC staff to answer consumers' online questions. This fiscal year, the Office distributed more than three million hard copies of FTC publications in response to requests. As a result of settlements in several cases, brochures were sent to consumers with mailings of redress checks.

The Office supported the law enforcement efforts of the consumer protection programs and also worked with other agencies and organizations on consumer protection related joint outreach programs. For example, it joined with the Advertising Practices Division, the American Association of Advertising Agencies, the National Association of Attorneys General (NAAG), and the Food and Drug Administration to present a national conference in April 1995 on *Preventing Fraudulent Advertising: A Shared Responsibility*.

The Office also participated in an expo with 60 other government agencies for Public Service Recognition Week, and distributed 14,000 agency publications. In addition, the Office did a Congressional Expo with the U.S. Office of Consumer Affairs and 36 other Federal Agencies and distributed publications to 500 staffers at the Cannon House Office Building. For the Town Meetings on investment fraud held in Dallas and Houston by the Chairman of the Securities and Exchange Commission (SEC), the Office worked with the FTC Dallas Regional Office to distribute 35 different publications on investment and telemarketing scams. Approximately 700 people attended each SEC meeting. The Office also provided the SEC with more than 3,000 publications on *Investing in Interactive TV Licenses* to include in letters to complainants.

Further, the Office worked with several organizations on *LifeSmarts*, a high school consumer game show. Staff helped write and review consumer questions and answers, and distributed hundreds of its brochures to schools to help prepare students for the shows. The Office also worked with the Consumer Literacy Consortium, a group of more than 20 private and public sector organizations headed by the Consumer Federation of America to write, produce, and market *66 Ways to Save Money*. The Office is distributing copies of the booklet and is also putting it on the FTC Internet *ConsumerLine*.

The Office of Consumer/Business Education was involved in the planning of two additional joint efforts. One is a middle-school education campaign with NAAG called *Read Between the Lines -- the Real Deal*. The campaign, to be released in the fall of 1995, will include distributing radio PSAs to youth-targeted stations, and distributing to youngsters activity booklets of games and puzzles about good buying choices.

The second planning effort was an international Consumer Education Expo and Forum, *New Strategies for Reaching the Global Consumer*, with the NCCE and about 15 other government and private sector organizations.

Other education projects and publications included: *Franchise radio PSAs with a toll-free consumer line; A Business Checklist for Direct Marketers; Consumer Reports: What Insurers Should Know about Using Them; Online Scams; Vatical Settlements; Attention all Shoppers: Make Sure the Scanned Price is Right; Investing in Interactive TV Licenses; and "Playing" by the Rule*, a graphic insert to *A Businessperson's Guide to the FTC's Mail or Telephone Order Merchandise Rule*. Revisions included: *Building a Better Credit Record; and Infomercials*.

**Commission Support 1/
Fiscal Year 1997 Budget Justification
(\$ in thousands)**

<u>Direct Support Organizations</u>	Fiscal Year 1996		Fiscal Year 1997	
	FTE	Amount	FTE	Amount
Commissioners	49	\$4,470	49	\$4,635
Office of the General Counsel	40	3,502	40	3,630
Office of the Secretary	15	937	15	972
Administrative Law Judges	4	338	4	350
Office of Information and Technology Mgt. 2/	20	9,254	30	9,873
Subtotal Direct MC & CP Support	137	\$18,601	138	\$19,200
<u>Indirect Support Organizations</u>				
Office of the Executive Director	7	\$679	7	\$704
Management Program 3/	73	21,367	72	21,877
Office of Information and Technology Mgt. 2/	32	1,565	32	1,981
Office of Legislative and Public Affairs	8	754	8	782
Office of Inspector General	5	472	5	489
Subtotal Indirect MC & CP Support	125	\$25,167	124	\$25,833
Total Support	262	\$43,668	262	\$45,033

1/ The resources shown for these organizations have been included in the Maintaining Competition and Consumer Protection justifications.

2/ The Office of Information and Technology Management provides support to our direct missions, as well as our support activities.

3/ Includes 4 reimbursable FTE.

Commissioners
(\$ in thousands)

<u>FY 1996</u>		<u>FY 1997</u>		<u>Difference</u>		<u>Percent</u>	
<u>Estimate</u>	<u>FTE</u>	<u>Estimate</u>	<u>FTE</u>	<u>FY 1996/1997</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>
49	\$4,469.9	49	\$4,634.9	0	+\$165.0	0%	+3.7%

Introduction

The Commissioners are responsible for ensuring that the Commission effectively and efficiently executes its Congressionally mandated responsibilities. They formulate Commission policy which guides and directs the staff's work. They also allocate the resources required to implement courses of action and monitor the Commission's progress in accomplishing stated goals.

The function of Policy Planning is to hold investigative hearings, and to research, develop and draft long-range policy recommendations to the Commission on a wide array of issues. The objective is to shape policy recommendations for use as guidance during Commission deliberations or as proposals for articulation as future enforcement policy. Recommendations will be fashioned through the development of sound legal and economic research. It will research and explore competition and consumer protection policy issues as they relate to the most effective and appropriate means for the Commission to carry out its legal mandates, while, at the same time, providing cost-effective services to the Commission's external customers.

Fiscal Year 1997 Budget Request

Program resources will remain the same for fiscal years 1996 and 1997. Policy Planning will undertake additional investigative hearings on antitrust and consumer protection topics that the Commission decides are appropriate for review and will prepare reports on those hearings, as well as recommendations to the Commission, if appropriate.

Fiscal Year 1996 Program Activities

Policy Planning is undertaking a review of certain aspects of federal antitrust and consumer protection policies to assess whether adjustments may be necessary in light of the increase in global competition and the changing nature of competition in innovation-driven industries. It has overseen investigative hearings to address these issues and is preparing a report and, if appropriate, recommendations for the Commission based on the record established at the hearings. Policy Planning will also undertake a review of any other policy matters that the Commission deems appropriate.

Office of the General Counsel
(\$ in thousands)

FY 1996 <u>Estimate</u>		FY 1997 <u>Estimate</u>		Difference FY 1996/1997		Percent Difference	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
40	\$3,501.7	40	\$3,629.7	0	+\$128.0	0%	+3.7%

Introduction

The General Counsel is the Commission's chief legal officer and adviser. The office's major functions are representing the Commission in court and providing legal counsel to the Commission, the operating bureaus, and other offices.

The FTC Act authorizes the Commission to represent itself, through its own attorneys, in a variety of actions in federal court. Thus, the office defends actions seeking judicial review of Commission cease and desist orders and trade regulation rules, enforces civil investigative demands and other compulsory process, handles the appellate phase of suits brought by the Commission for preliminary and permanent injunctive relief, and assists the bureaus in actions for injunctive relief in district court. It also cooperates with the Department of Justice in defending actions to enjoin agency proceedings, and furnishes advice and assistance in other litigation activities, including the preparation of amicus curiae briefs authorized by the Commission.

The office advises the Commission and the staff on issues of law and policy and helps assure Commission compliance with such statutes and regulations as the Administrative Procedure Act, the Government in the Sunshine Act, the Freedom of Information Act, the Civil Service Reform Act, the Ethics in Government Act, and the Commission's Rules of Practice. The office is responsible for proposing necessary amendments to the Rules and various portions of the Commission's Operating Manual. A project to develop comprehensive revisions to the Rules of Practice is presently underway, focusing first on the rules applicable to adjudicative proceedings and examining as well a range of other

possible improvements to the adjudicative process. The office also provides advice to the Commission on adjudicative matters and to the Commission and staff on issues concerning the agency's jurisdiction, statutory authority, and administration, including matters relating to regulatory agendas, personnel, contracting, budgeting, and tort claims.

The General Counsel's office prepares responses to formal Congressional requests for documentary information about Commission actions. It conducts or assists with briefings of Congressional staff members and prepares or assists in the preparation of testimony for Congressional hearings. It coordinates the Commission's relations with state Attorneys General and other state and local law enforcement agencies. The office provides opinions to Commissioners and staff concerning avoidance of conflicts of interest, decides applications by former employees for clearance to appear in Commission proceedings, and reviews and certifies financial disclosure reports. It conducts ethics training in accordance with the Office of Government Ethics annual training regulation. The office also decides Freedom of Information Act appeals; requests by state and federal law enforcement agencies for access to nonpublic documents; and requests for confidential treatment, in lieu of placement on the public record, of materials submitted to the Commission.

Fiscal Year 1997 Budget Request

Program efforts will remain the same for fiscal years 1996 and 1997.

Office of the Secretary
(\$ in thousands)

FY 1996 <u>Estimate</u>		FY 1997 <u>Estimate</u>		Difference <u>FY 1996/1997</u>		Percent <u>Difference</u>	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
15	\$937.5	15	\$972.5	0	+\$35.0	0t	+3.7t

Introduction

The Office of the Secretary (OS) is the custodian of critical Commission documents and records. Its three major functions are to implement the agency's voting procedures and create official records of its decisions; to review, validate, and serve all official documents; and to coordinate the preparation of responses to Congressional inquiries and correspondence. The Office is divided into two branches and a front office. The front office, including the Secretary and the Attorney Advisor, provides overall management throughout the Office of the Secretary; reviews and validates official Commission documents and correspondence and Congressional correspondence; and provides guidance to the Commission, Commission staff, and outside parties on procedural issues. The Commission Services Branch performs functions analogous to those of the clerk of a court, receiving filings from parties to formal and informal proceedings before the agency, and serving all official documents issued by the Commission and its Administrative Law Judges. That Branch is also responsible for creating official and staff minutes recording Commission deliberations and decisions; providing historical research and analysis to the Commission and to the staff; serving as intermediary between the Commission and the staff; and implementing the circulation and voting procedures by which the Commissioners make all official decisions. The Congressional Correspondence Branch receives all communications from Congress and, in consultation with the Office of Congressional Relations, coordinates the formulation of appropriate responses.

Fiscal Year 1997 Budget Request

Although we expect our overall workload to continue to increase as Commission law enforcement activity increases, OS expects to provide the same or an enhanced level of service to the Commission in fiscal year 1997 with no increase in FTE expenditures. There have been significant increases in a number of OS areas; for example, the number of Commissioner assignments tracked by OS, and the number of subpoenas and civil investigative demands issued by the Commission, increased significantly from fiscal year 1994 to fiscal year 1995. Increases in activity are likely in future years as well. OS has managed to keep pace with the increased level of agency activity through the use of contracts, student aides, overtime, and computer system enhancements, and plans to continue this strategy through fiscal year 1997.

Administrative Law Judges
(\$ in thousands)

FY 1996 <u>Estimate</u>		FY 1997 <u>Estimate</u>		Difference <u>FY 1996/1997</u>		Percent <u>Difference</u>	
FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
4	\$337.8	4	\$349.8	0	+\$12.0	0%	+3.6%

Introduction

Administrative Law Judges are officials to whom the Commission delegates its initial adjudicative fact-finding functions in conformity with applicable statutes, judicial precedent, Commission decisions and the agency's rules of practice. When the Commission issues a complaint, and no consent settlement is reached, the matter, except in injunction proceedings before federal courts, is referred to the Office of Administrative Law Judges for trial. The Administrative Law Judge assigned to the proceeding by the Office rules on virtually all matters arising in the course of the proceeding, including motions, discovery, and other pretrial questions, procedural questions, and all issues arising during the trial and prepares and files an initial decision.

The Office of Administrative Law Judges is also responsible for conducting rulemaking proceedings on behalf of the Commission. The presiding officer is responsible for the orderly conduct of the proceeding in accordance with the Commission's Rules of Practice. A recommended decision is made to the Commission based upon findings and conclusions as to all relevant and material evidence, and taking into account the report of the Commission's staff.

Fiscal Year 1997 Budget Request

Program efforts will remain the same for fiscal years 1996 and 1997.

Office of the Executive Director
 (\$ in thousands)

<u>FY 1996 Estimate</u>		<u>FY 1997 Estimate</u>		<u>Difference FY 1996/1997</u>		<u>Percent Difference</u>	
<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>
7	\$678.8	7	\$703.8	0	+\$25.0	0%	+3.7%

Introduction

This office provides central management for policy development and management and administrative support to Commission staff. Support to the Commission includes budget formulation and execution, program planning, management and organization analysis, evaluation of management information systems, and human resource management.

Fiscal Year 1997 Budget Request

Program efforts will remain the same for fiscal years 1996 and 1997.

Management Program
(\$ in thousands)

	FY 1996		FY 1997		Difference		Percent	
	Estimate	FTE ¹	Estimate	FTE	FY 1996/1997	FTE	Difference	FTE
	Amount		Amount			Amount		Amount
P&GS								
R01	36	\$1,545.0	36	\$1,600.0	0	+\$55.0	0%	+3.6%
WCB	--	15,387.1	--	15,766.1	--	+379.0	--	+2.5%
B&P	14	1,409.7	14	1,480.7	0	+71.0	0%	+5.0%
PERS								
R01	19	1,120.6	18	1,101.7	-1	-18.9	-5.3%	-1.7%
WCB	--	1,904.7	--	1,928.7	--	+24.0	--	+1.3%
Total	69	\$21,367.1	68	\$21,877.2	-1	+\$510.1	-1.4%	+2.4%

¹Does not include four reimbursable FTE.

Introduction

Procurement and General Services

The Procurement and General Services Division provides an effective contracting and procurement program which meets agency program needs and ensures that agency acquisition activities conform to Federal Acquisition Regulations; provides controls to ensure proper performance as described by contractual agreements; and implements procedures to ensure FTC responsiveness to external reporting requirements and to procurement performance program goals agreed upon with the Small Business Administration. This Division also manages space allocation in a manner that is responsive to the needs of the Commission while complying with mandatory Federal Property Management Regulations. It develops and maintains assets management controls to ensure effective planning, acquisition, utilization and disposition of agency property and supplies. It also maintains an in-house reproduction/graphics capability to meet the highly specialized, time-critical and frequently sensitive requirements of the Commission in a cost effective manner; and provides for additional reproduction support through the Government Printing

Office when requirements are routine and/or exceed FTC capacity. In addition, this Division is responsible for the administration of a portion of the Commission's General Operations Expenses. These are administrative costs that are incurred by all programs of the Commission. These expenses are comprised of space rental costs, postage, copier usage, other building expenses including equipment maintenance and supplies.

Budget and Finance

The Division of Budget and Finance is comprised of the Budget and Finance Branches. The Budget Branch fulfills responsibilities regarding formulation, execution, and presentation of Commission budgets that are responsive to the FTC, Office of Management and Budget, and Congress. The Finance Branch administers the Commission's financial management programs which include accountability for financial accounting, fund control and cash management to support program delivery and transaction tracking functions for receipts, collections, disbursements, payables, payroll, travel and property. The Division also administers the Federal Managers' Financial Integrity Act's internal controls and reporting program, and management's audit resolution activities.

Personnel

The Division of Personnel handles all human resource needs including recruitment, training, employee relations, awards, retirement and labor relations. Personnel is responsible for administering the Commission's performance management system, planning the Annual Chairman's Award Program and working with the Bureaus and Offices on adjusting human resource policies to meet OMB imposed reductions. Personnel is also responsible for a myriad of activities associated with the streamlining recommendations in the National Performance Review.

Fiscal Year 1996/1997 Program Activities

Budget and Finance/Personnel

In fiscal year 1996, the Commission expanded its use of client services provided by the Department of Interior's Administrative Service Center (ASC). The services now include

payroll, personnel, and voucher processing activities. The use of ASC's client services has resulted in the reallocation of seven FTE to other program priorities since fiscal year 1995. When completed, these services will streamline the financial processes into a single integrated financial management system, strengthening our ability to maintain the integrity of the data necessary for program execution.

Office of Information & Technology Management
(\$ in thousands)

	FY 1996		FY 1997		Difference		Percent	
	PTE	Amount	PTE	Amount	PTE	Amount	PTE	Amount
ROI	61	\$3,965.6	62	\$4,169.5	+1	+\$203.9	1.6%	+5.1%
WCB	--	7,183.3	--	7,484.3	--	+301.0	--	+4.2%
Total	61	\$11,148.9	62	\$11,653.8	+1	+\$504.9	1.6%	+4.5%

Introduction

The goal of the Office of Information and Technology Management (OITM) remains to continue to increase Commission productivity and effectiveness of program staff. This is accomplished by developing and enhancing information systems and services, and helping program staff to use those products as tools to improve the quality and quantity of their workload. There are three elements to our strategy for meeting OITM's goal:

1. providing reliable base systems and services;
2. providing responsive customer support; and
3. continuing the development of products and services begun in previous years.

Fiscal Year 1997 Budget Request

In 1997, OITM will continue to refine and expand upon the improvements in its operational structure and "customer" focus which resulted in, in fiscal year 1996, a consolidation of its three divisions into one organization. One important effort will be to use the "OITM Board of Directors," which is composed of senior officials from various agency operating organizations, to direct the focus of OITM efforts on those areas that are of most critical concern to the agency. The three specific strategies that OITM will use in fiscal year 1997 are continuations of efforts begun in fiscal year 1996. They include:

Providing Reliable Base Systems and Services: In addition to continuance and maintenance of program efforts begun in fiscal years 1995 and 1996, OITM will work towards completion of a project to move the remaining central, and critical, information systems off of an obsolete mini-computer and onto a modern network environment. Successful completion of that effort will eliminate maintenance costs for the obsolete equipment and greatly improve the responsiveness of the information systems.

Substantial expenditures in fiscal years 1995 and 1996 on modern equipment on the desks of Commission staff provided much improved productivity. To maintain that level of productivity, OITM will continue its program to replace desktop hardware as needed. Continued, rapid developments in the computer industry now dictate that OITM upgrade that desktop hardware approximately every three years.

In addition to replacement of the mini-computer and routine upgrades to desktop hardware, OITM will continue to maintain, and enhance where necessary, other systems for which it is responsible, including the Local Area Network (LAN), telephone and phonemail systems, communications with regional offices, facsimile services, local printers, and others. Those systems and services have greatly increased the productivity of the entire agency. However, because the agency relies on those systems, any interruption of service or weaknesses in their operation is dramatically felt by individual staff and the agency as a whole. The complexity of those systems and the fast-paced changes in computer technology means that just keeping those systems operating at basic levels requires considerable resources.

In addition to those technological systems, OITM will provide direct support to Commission staff and the public through training services; maintaining an extensive library collection and providing various types of library services; providing support for agency law enforcement investigations and litigations; establishing records management policies and procedures for both paper and electronic records; processing, storing, and retrieving the official records of the agency; providing information and documents to the public, both materials that have previously been made public and materials that are requested under the Freedom of Information Act; producing many

important publications, including the Commission's Annual Report, Operating and Administrative Manuals, FTC Decisions, and other publications.

Providing Responsive Customer Support: In fiscal year 1997, OITM will continue to make significant strides in improving the support to both Commission staff and the public through both enhancements to the use, quality, and responsiveness of the core systems and to the responsiveness and customer orientation of support services. The systems and services that fall into this category include those provided through the Helpdesk, including pc installation and repair; telephone "trees" used in the Public Reference Section and elsewhere in the Commission; and others.

Continuing the Development of Products and Services Begun in Previous Years: In fiscal years 1995 and 1996, OITM began several new, and important, initiatives designed to provide new or better systems and services. Although many of those systems or services have either been completed or sufficient progress made to place them now in our "base" category, some work remains on a few of those initiatives. The initiatives begun in previous years that will continue include:

MIS Replacement. In fiscal year 1995, after an intensive analysis of what the Commission needs from a system for assisting in managing the investigations, litigations, rulemaking proceedings, and projects, a commercial, off-the-shelf software package was selected. In fiscal year 1996, OITM is making initial modifications to that package and will replace much of the existing Management Information System (MIS) with the customized software package. In fiscal year 1997, the remaining functionality of the MIS, will be incorporated into the new system. In addition, new functionality designed to further improve management of the Commission's law enforcement and administrative efforts will also be available through the new system.

LANDOC. With the completion of the new MIS in fiscal year 1997, LANDOC, the Commission's document management system, it will be fully integrated with the operating processes of the agency. That will significantly reduce the number of copies of various documents needed to conduct agency business and LANDOC's search and retrieval capabilities will greatly improve the

research related productivity of Commission staff. Fiscal year 1997 goals for LAMDOC itself include developing and implementing an "image" storage and retrieval feature. That feature will permit the Commission to store pictures of documents, rather than the full electronic text of those documents. That feature will be especially useful, and cost effective, for older documents that have historical value, but for which manipulation of the text is not necessary.

Premerger Notification System. Final work will be completed in fiscal year 1997 to replace the existing Premerger Notification System. The new system will provide greater accounting and tracking of the receipt and transfer of fees paid by the public under the Hart-Scott-Rodino Premerger Notification Act, and will provide the law enforcement staffs of both the Commission and the Antitrust Division of the Department of Justice easier access to information needed to review the filings made under that statute.

Consumer Complaint System. Development of the replacement for the existing Consumer Complaint System will be completed and the new system will be installed during fiscal year 1997. That effort will build upon work begun in fiscal year 1995 and continued in fiscal year 1996. The resulting system will provide Commission staff with easier access to basic information about the problems and issues that are reported to the agency by members of the public. That information is very useful in determining how to allocate law enforcement resources.

Fiscal Year 1996 Program Activities

To successfully accomplish our legislated responsibilities, the Commission creates, collects, uses, shares, and disseminates information on a regular basis -- how we manage and use information has a significant impact on productivity. At the level set forth in the President's fiscal year 1996 budget, we will complete a major upgrade of the computer workstations used by all Commission staff, providing additional functionality to each individual. In addition, we will continue to replace or improve existing central computer systems, including the Management Information System (MIS), where initial customization of the commercial, off-the-shelf software selected in fiscal year 1995 will be implemented at least as a pilot; document management

system (LANDOC), where the collection of documents in the system will continue to be expanded and analysis completed to determine how to add an imaging feature; Premerger Notification System (Premerger), where analysis of the needs of various organizations within both the Commission and the Department of Justice will be completed; and Consumer Complaint System (CCS), where a "needs assessment" will be completed and development of a replacement system will begin. Those efforts will improve productivity of all Commission staff through the use of more modern technologies in day-to-day work, as well as in planning for the future.

Fiscal Year 1995 Program Activities

In fiscal year 1995 additional funds were available to accelerate upgrades and enhancements in several areas of the Commission's systems infrastructure. These included desktop workstations, central computer systems, and implementation training. In addition, OITM devoted substantial resources to maintain existing technologies; without maintenance and support information systems would not operate smoothly and effectiveness of these information tools would diminish.

Office of Legislative and Public Affairs
(\$ in thousands)

<u>FY 1996 Estimate</u>		<u>FY 1997 Estimate</u>		<u>Difference FY 1996/1997</u>		<u>Percent Difference</u>	
PTE	Amount	PTE	Amount	PTE	Amount	PTE	Amount
8	\$753.9	8	\$781.9	0	+\$28.0	0%	+3.7%

Introduction

The Office of Legislative and Public Affairs serves as a liaison between the Commission and the Congress and public. It advises the Commission on Congressional policies, procedures, interests and pending legislative initiatives. It serves as the central source of information for individual members of Congress, Committees of Congress, and the Congressional staff who have inquiries regarding proposed legislation, Commission activities, and individual constituent requests.

In the area of public affairs it is responsible for informing the news media, business and professional interests, and the public at large about the activities of the Commission. An additional function is to respond to media inquiries about Commission actions and policy.

Fiscal Year 1997 Budget Request

Program efforts will remain the same for fiscal years 1996 and 1997.

Office of Inspector General
(\$ in thousands)

<u>FY 1996 Estimate</u>		<u>FY 1997 Estimate</u>		<u>Difference FY 1996/1997</u>		<u>Percent Difference</u>	
<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>	<u>FTE</u>	<u>Amount</u>
5	\$472.7	5	\$489.7	0	+\$17.0	0%	+3.6%

Introduction

The Office of Inspector General (OIG) was established in fiscal 1989 in accordance with the IG Act of 1978, as amended, for the purpose of preventing and detecting fraud, waste and abuse in agency programs and operations. The OIG meets its mission responsibilities by conducting independent audits and investigations. Additionally, the Inspector General is charged with keeping both the agency head and Congress fully and currently informed about problems and deficiencies relating to the administration of Commission programs.

Fiscal Year 1997 Budget Request

The Inspector General is requesting a level budget for fiscal year 1997. As in fiscal years 1995 and 1996, four FTE will be allocated to fund full-time permanent staff. The remaining FTE will be employed to obtain the services of various expert consultants. OIG travel and equipment budgets are also projected to remain constant between fiscal years 1996 and 1997.

The above resource request will allow the OIG to conduct between four and six audits/inspections, close six to eight investigations and issue between one and two investigative alerts. This workload level is in keeping with prior years. Audit areas will cover both financial related and program areas. Selected reviews will be chosen based upon the criteria contained in the OIG's Strategic Plan issued at the close of fiscal year 1995.

As OIG investigations are generally reactive in nature the exact level of resources dedicated to this program area will depend on the number of allegations of wrongdoing received.

Proposed Appropriations Language**SALARIES AND EXPENSES**

For necessary expenses of the Federal Trade Commission, including uniforms or allowances therefor, as authorized by 5 U.S.C. 5901-5902; services as authorized by 5 U.S.C. 3109; hire of passenger motor vehicles; and not to exceed \$2,000 for official reception and representation expenses; \$93,819,000, of which not to exceed \$300,000 shall be available for use to contract with a person or persons for collection services in accordance with the terms of 31 U.S.C. 3718, as amended: Provided, That notwithstanding any other provision of law, not to exceed \$58,905,000 of offsetting collections derived from fees collected for premerger notification filings under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (15 U.S.C. 18(a)) shall be retained and used for necessary expenses in this appropriation, and shall remain available until expended: Provided further, That the sum herein appropriated from the General Fund shall be reduced as such offsetting collections are received during fiscal year 1997, so as to result in a final fiscal year 1997 appropriation from the General Fund estimated at not more than \$34,914,000, to remain available until expended: Provided further, That any fees received in excess of \$58,905,000 in fiscal year 1997 shall remain available until expended, but shall not be available for obligation until October 1, 1997: Provided further, That no funds shall be available for expenses authorized by section 151 of the Federal Deposit Insurance Corporation Improvement Act of 1991 (Public Law 102-242, 105 Stat. 2282-2285).

Note. --A regular 1996 appropriation for this account had not been enacted at the time this budget was prepared. The 1996 amounts included in this budget are based on the levels provided in three continuing resolutions: P.L. 104-91, P.L. 104-92, and P.L. 104-99.

Program and Financing (3 in millions)

Identification code 28-0100-0-1-378	1986 actual	1986 est.	1987 est.
Obligations by program activity:			
Direct program:			
00.01 Maintaining competition.....	2	—	—
00.02 Consumer protection.....	63	31	36
00.81 Total direct program.....	65	31	36
01.01 Reimbursable program.....	47	71	70
10.00 Total obligations.....	102	102	106
Budgetary resources available for obligation:			
21.40 Unobligated balance available, start of year; Uninvested balance.....	39	33	11
22.00 New budget authority (gross).....	86	80	94
23.90 Total budgetary resources available for obligation	135	113	106
23.88 New obligations.....	-102	-102	-106
24.40 Unobligated balance available, end of year; Uninvested balance.....	33	11	—
New budget authority (gross), detail:			
Current:			
40.00 Appropriation (definite).....	66	31	36
Permanent:			
Spending authority from offsetting collections:			
68.00 Offsetting collections (cash).....	80	80	86
68.45 Portion not available for obligation (limitation on obligations).....	-19	-11	—
68.90 Spending authority from offsetting collections (total).....	41	48	56
70.00 Total new budget authority (gross).....	96	80	94
Change in unpaid obligations:			
Unpaid obligations, start of year:			
72.40 Obligated balance; Appropriation.....	8	19	38
73.10 New obligations.....	102	102	106
73.20 Total outlays (gross).....	-91	-83	-94
73.40 Adjustments in unpaid accounts.....	1	—	—
Unpaid obligations, end of year:			
74.40 Obligated balance; Appropriation	19	38	49
Outlays (gross), detail:			
86.00 Outlays from new current authority.....	43	29	32
86.63 Outlays from current balances.....	—	11	2
86.07 Outlays from new permanent authority.....	41	45	54
86.66 Outlays from permanent balances.....	7	—	4
87.00 Total outlays (gross).....	91	85	94
Offsets:			
Against gross budget authority and outlays:			
Offsetting collections (cash) from:			
88.00 Federal sources.....	1	1	—
88.40 Non-Federal sources.....	56	56	56
88.90 Total offsetting collections (cash).....	56	56	56
Net budget authority and outlays:			
89.00 Budget authority.....	36	20	35
90.00 Outlays.....	31	23	36

A-2

Object Classification (\$ in millions)

Identification code	29-0100-0-1-376	1995 actual	1996 est.	1997 est.
Direct obligations: 1/				
Personnel compensation				
11.1	Full-time permanent	54	60	62
11.3	Other than full-time permanent	3	1	1
11.5	Other personnel compensation	1	1	1
11.9	Total personnel compensation	58	62	64
12.1	Civilian personnel benefits	11	12	13
21.0	Travel and transportation of persons	1	1	1
23.1	Rental payments to GSA	10	12	12
23.3	Communications, utilities, and miscellaneous charges	2	2	2
24.0	Printing and reproduction	1	--	--
25.1	Advisory and assistance services	2	2	2
25.2	Other services	3	3	3
25.3	Purchases of goods and services from Government accounts	3	2	2
26.4	Operation and maintenance of facilities	3	2	2
26.0	Supplies and materials	2	1	1
31.0	Equipment	4	1	1
99.0	Subtotal, direct obligations	100	100	103
99.0	Reimbursable obligations	1	1	--
90.0	Below reporting threshold	1	1	2
99.9	Total obligations	102	102	105

1/ Based on program level including appropriated and HSR fee income funding to represent the full FTC program requirements.

Personnel Summary

Identification code:	29-0100-0-1-378	FY 1986 actual	FY 1986 est.	FY 1987 est.
Direct:				
Total compensable workyears:				
1001	Full-time equivalent employment.....	811	902	927
1005	Full-time equivalent of overtime and holiday hours.....	3	3	3
Reimbursable:				
2001	Total compensable workyears: Full-time equivalent employment	433	677	682

UNITED STATES INTERNATIONAL TRADE COMMISSION

BUDGET
JUSTIFICATION

(S)



FISCAL YEAR 1997

GENERAL STATEMENT

Brief Overview of the Commission's role in International Affairs

The International Trade Commission (ITC) is an independent, nonpartisan, quasi-judicial agency that performs a unique role within the federal government. Since its establishment in 1916, the Commission has established a reputation for impartial and objective factfinding and quasi-judicial determinations.

The Commission's major responsibilities include: (1) conducting trade-related investigations under the Tariff Act of 1930, the Trade Act of 1974, the Trade Agreements Act of 1979, the Trade and Tariff Act of 1984, the Omnibus Trade and Competitiveness Act of 1988, the NAFTA Implementation Act, and the Uruguay Round Agreements Act; (2) providing the Congress and the President with independent, expert technical advice to assist in the development and implementation of U.S. international trade policy; (3) responding to requests for information from the Congress and the President on various matters affecting international trade; (4) maintaining the Harmonized Tariff Schedule of the United States; (5) providing technical assistance to eligible small businesses seeking remedies and benefits under the trade laws; and (6) performing other statutory responsibilities ranging from research and analysis to quasi-judicial functions on trade-related matters. To carry out these responsibilities, the Commission has to maintain a high degree of expertise and readiness in its work force.

The Commission's FY 1997 Request

- The budget request of the United States International Trade Commission (Commission) for fiscal year (FY) 1997 is for \$41,707,200. The Commission is requesting a funding level that would provide for 378 full-time permanent positions for FY 1997. As you may be aware, the Commission implemented a RIF of 34 persons on January 15, 1996. 378 FPTPs would merely allow the Commission to remain at the post-RIF level. The proposed budget for FY 1997 reflects a very modest increase over FY 1996 levels. I believe that the Commission's FY 97 request is moderate for a number of reasons.
- First, our requested appropriation is tailored to allow the Commission, as it is currently structured, to continue to operate at just below FY 95 levels. Although the Commission's FY 97 budget request of \$41,707,200 is \$1,707,200 or 4.1% above our FY 96 appropriation, approximately half of this amount provides funding for non-personnel expenditures at below FY 1995 levels. The other half maintains the Commission's workforce at the post-RIF level.
- Second, although there have been some fluctuations in the Commission's workload (i.e., flat-rolled steel cases) in recent years, the Commission's workload has remained relatively flat from 1991 on. Nonetheless, the Commission has already accomplished a

significant amount of streamlining and downsizing. For example, since FY 1992, the Commission has voluntarily sought to conserve resources by reducing staff from 472 full-time permanent positions to a post-RIF level of 378. In that regard, the Commission has achieved or surpassed OMB's recommended staffing levels for FY 96. I remain committed to continue the Commission's streamlining process.

- Third, as discussed above, the Commission expects to see some increase in its workload in FY 97 as a result of the Uruguay Round Agreements Act. The Commission has not, however, asked for a corresponding increase in resources. The Commission's requested FY 97 appropriation is merely sufficient to keep the Commission operating at below FY 95 levels.
- The Commission's FY 1996 request reflects the results of significant downsizing and streamlining efforts. The Commission intends to continue its streamlining efforts in FY 1995 and thereafter through technology investment and cost-savings initiatives. The Commission is committed to continue to do more with less.

Projecting the Commission's Future Workload

The Commission's investigative workload was low in FY 1995 but has increased fairly significantly during the first half of FY 1996, when, among others, the first safeguard investigation under the NAFTA Implementation Act was filed. We project a continuation of a moderate increase in workload during the rest of FY 1996 and during FY 1997. A substantial increase in workload will begin in FY 1998 when the Commission starts work on the sunset case reviews mandated by the Uruguay Round implementing legislation. The Commission also anticipates an increase in court litigation as parties seek clarification of new statutory terms.

The Commission also expects to receive requests to evaluate expansion of and various aspects of trade under the North American Free Trade Agreement (NAFTA) and other potential trade liberalization initiatives involving areas of the world such as the Asian-pacific region, Latin America, and the European Union.

The Commission has experienced a substantial increase in its Section 337 workload in recent months. Whereas ten Section 337 investigations were instituted during all of FY 95, eight new investigations have been instituted in the past four months based on the filing of new complaints, predominantly involving assertions of patent infringement by companies in the semiconductor industry. Much of the work required for these new investigations will extend into FY 97, and it is anticipated that the increased level of Section 337 filings will continue through the remainder of FY 96 and into FY 97.

The Commission's workload is not expected to increase again substantially until mid-1998 when the Commission will have to begin handling sunset review cases called for by the new GATT implementing legislation. During a transition period beginning in 1998, the Commission will be faced with conducting an injury review of all outstanding antidumping and countervailing duty orders as to which the domestic industry expresses interest. There are approximately 320 outstanding orders eligible for review in the transition period. To put this in perspective, the amount of work involved in each of these reviews will roughly correspond to that in a final injury investigation. In FY 95, the Commission completed approximately 38 final injury investigations, each being approximately 4 to 6 months in length.¹ Beginning in the year 2000, the Commission will be required to conduct a review of all five year old orders. To perform these new responsibilities, the Commission will likely have to increase its FTE base and non-personnel expenditures substantially by mid-1998.

The Impact of a Reduction in our Requested Appropriation

In the last four years, the Commission's work-force has decreased by approximately 100 employees. This represents a down-sizing of just over 20%. Approximately one third of that number represents a reduction in force that was initiated this past January. In addition, we have already eliminated all agency details². Should the Commission not receive its full FY 97 requested appropriation from Congress, we will make the appropriate adjustments. That may include an additional reduction in work force or significant changes to the manner in which the Commission currently conducts all of its studies and investigations. Such adjustments, if necessary, will likely impact on the Commission's work product. The majority of the Commission's principal activities are, however, controlled by legislation and there are limits to the structural changes the Commission can make without corresponding changes to our controlling statutes.

Statutory Investigations

The Commission instituted 183 statutory investigations in FY 1993, 132 in FY 1994, and 111 in FY 1995. We project that 107 investigations will be instituted during FY 1996 and FY 1997. The unusually high Title VII investigative caseloads in FY 1992 and FY 1993 resulted from the massive filing of a large number of multi-country cases involving flat-rolled steel products after the voluntary restraint agreements expired in March 1992.

¹ The amount of work involved in each of these reviews will roughly correspond to that in a final injury investigation. In FY 95, the Commission completed approximately 38 final injury investigations, each being approximately one year in length.

² In the past, the Commission provided 6 FTEs to USTR each year pursuant to a Memorandum of Understanding.

In FY 1995, Title VII petitions were filed with the Commission on a wide variety of products, honey, drawer slides, manganese sulfate, polyvinyl alcohol, light-walled rectangular pipe, bicycles, standard pipe, pasta, large printing presses, PVC and polystyrene framing stock, and clad steel pipe. The Commission also completed a number of other investigations that had been instituted during FY 1994. These included paper clips, pencils, siliconmanganese, saccharin, coumarin, stainless steel bar, fresh garlic, fresh-cut roses, carbon steel butt-weld pipe fittings, primary magnesium, stainless steel angles, disposable lighters, ferrovanadium, furfuryl alcohol, canned pineapple, carbon steel seamless pipes, oil country tubular goods, carbon steel pipe nipples, and wheel inserts. In the section 337 intellectual property area, most investigations involved high-technology products in the computer and pharmaceutical industries.

The URAA will, over time, lead to a very substantial and permanent increase in the Commission's antidumping and countervailing duty caseload under Title VII of the Tariff Act of 1930. Most significantly, the new Act requires the Commission to conduct "sunset" injury reviews of all outstanding dumping and countervailing duty orders every five years. During a three-year transition period beginning in mid-1998, the Commission must be prepared to conduct reviews of all outstanding orders (currently estimated at 320). In 2000, the Commission must be prepared on a permanent basis to review all orders in place for five years. Each review will require the expenditure of agency resources roughly equivalent to a final Title VII investigation. Moreover, each of these reviews will be subject to judicial or binational panel review and challenge in the WTO. Thus, these new review procedures will have the effect of permanently increasing the Commission's Title VII caseload.

Because it is important for policymakers to have an expert independent analysis of international trade issues, Section 332 research studies are one of the Commission's most important and demanding tasks. As international trade continues to be a large component of U.S. economic activity, the changing nature of world trade requires the Commission to continue developing expertise in subjects of emerging importance. Commission analysts must study global competitive conditions in order to assess properly what is happening to U.S. international trade.

During FY 1995 and FY 1996 to date the Commission has undertaken numerous studies requested by Congress and the President, including an assessment of U.S. interests in liberalization by the members of the Asia-Pacific Economic Cooperation forum (APEC); a study of U.S.-Africa trade; an examination of the commitments of foreign countries under the General Agreement on Trade in services (GATS); an analysis of the effects of U.S. antidumping and countervailing duty statutes; an analysis of the effect of Chile's accession to the NAFTA; several studies concerning U.S. rules of origin, both related to harmonization of such rules under the WTO and for modifications of such rules for the NAFTA; a probable effect study related to the Generalized System of Preferences (GSP); and several industry competitiveness studies, including analyses of several environmental technology industries. The Commission is likely to be asked by Congress and the President during FY 1997 to study areas such as economic reform and trade liberalization in Latin America, trans-Atlantic trade, U.S. export enhancement programs, simplification of the U.S. Tariff Schedule, and U.S. global competitiveness in a variety of industries and the probable effect of various proposed free-trade agreements. In addition, with the expansion of the WTO into services, the Commission anticipates an increase in the number of requests from Congress and the President for Commission section 332 factfinding investigations with respect to services trade. Rules of origin studies are likely to continue, as are evaluations of various aspects of trade under NAFTA, such as the probable economic effect of immediate or accelerated elimination of duties on imports from

Mexico.

Information and Assistance

In its report on the Trade Act of 1974, the Senate Committee on Finance emphasized that assistance to the Congress and other U.S. trade policymakers is one of the Commission's primary responsibilities. Among the ways the Commission fulfills this mandate is through its "trade monitoring" program. This program includes a variety of periodic reports that analyze significant trade shifts in commodities, track and report on major bilateral and multilateral trade policy developments, and highlight major developments that may affect the U.S. trade position. The Commission also provides detailed technical assistance to the President, Congress, and agencies administering the trade agreements program – primarily the United States Trade Representative (USTR), the Department of Commerce, and the Department of State.

The Commission also maintains several basic components of the federal government's trade information data base. The Commission has taken a leading role in using modern computer technology to make up-to-date trade data available, not only to Commission staff engaged in trade monitoring, but also to its investigators and researchers and to U.S. trade policy officials. The Commission provides this service to other federal agencies through the Trade Policy Staff Committee Information System, in conjunction with its support role to the USTR.

The Omnibus Trade and Competitiveness Act of 1988 established the Trade Remedy Assistance Office (TRAO) within the Commission to provide technical assistance to eligible small businesses seeking remedies and benefits under certain trade laws administered by the Commission and other federal agencies. The TRAO received 311 requests for information and assistance during FY 1995 from a range of sources, including small businesses and other business entities, trade associations, unions, Congress, academia, the media, and law firms. In FY 1995 the TRAO rendered technical assistance, including informal legal advice, to 12 certified small business entities. Three of these certified entities pursued trade remedies during on-going investigations before the Commission in FY 1995: Audible Alarm Devices for Divers, Investigation No. 337-TA-365; Certain Drawer Slides from China, Investigation No. 731-TA-723; and Manganese Sulfate from China, Investigation No. 731-TA-725.

Harmonized System and Other Nomenclature Activities

Commission representatives have been members of the U.S. delegation to the Harmonized System Committee (HSC) of the Customs Cooperation Council, now known as the World Customs Organization (WCO), since 1974. The Commission plays an essential role in maintaining the international Harmonized System (HS), and in reflecting changes to the HS in the Harmonized Tariff Schedule (HTS) of the United States. The Commission also maintains the necessary documentation for supporting U.S. positions in related negotiations under the WTO.

The 1988 Act designated the Commission, the Department of the Treasury, and the Department of Commerce as the three government agencies

responsible for formulating official U.S. positions on technical and procedural issues addressed by the HSC, as well as for representing the U.S. in the sessions of the HSC and its related committees. In this capacity, the Commission serves as the vice chair of the U.S. delegation to the HSC, and chairs the U.S. delegation to the HSC's Review Subcommittees.

The 1988 Act also replaced the Commission's responsibility for maintaining and publishing the Tariff Schedules of the United States Annotated with the responsibility for publishing the HTS. Furthermore, the 1988 Act directed the Commission to undertake new and additional responsibilities for (1) keeping the international HS under continuous review; (2) recommending changes in the HTS to the President so that the schedule conforms to amendments adopted by the WCO under the Harmonized System Convention; and (3) preparing technical proposals to ensure that the continuing development of the HS reflects the needs of the U.S. business community.

In addition, the Commission chairs the Committee for Statistical Annotation of the Tariff Schedules, also known as the 484 Committee. This committee is an interagency body that considers requests from other government agencies and from the trading community concerning statistical annotations, many of which are intended to improve the comparability between U.S. import and export data. The 484 Committee is also responsible for implementing a memorandum of understanding between the U.S. Government and the Government of Canada, whereby each country, through its import entry process, collects the export statistics of the other country.

Office of Inspector General

Pursuant to the Inspector General Act Amendments of 1988, the Commission established an independent Office of Inspector General in 1989. The Inspector General is responsible for directing and carrying out audits, inspections, and investigations of Commission programs and financial operations, and for reviewing proposed regulations and procedures with regard to their economy, efficiency, and effectiveness. During FY 1995 the Office of Inspector General conducted numerous investigations, inspections, and audits of Commission operations. Audits and inspections were conducted of the USITC financial statements and operations for fiscal years 1994 and 1993, compliance with the Federal Managers' Financial Integrity Act of 1982, travel expenses, imprest fund cash counts, lobbying activities, property inventories, HIV/AIDS education, use of printing and mailing forms, and selected telephone policies and usage. Investigations covered a wide range of topics and resulted in four referrals to the Department of Justice, and in the termination of an employee for misuse of government property.

Fewer audits and inspections are planned for FY 1996 due to reduced resources. Two audits began in FY 1995, on building security and local area network operations, are ongoing in FY 1996. Inspections scheduled for FY 1996 will be limited to compliance with the Federal Managers' Financial Integrity Act of 1982, and the Commission's response to its anticipated FY 1996 appropriation. Audits and inspections of financial and program areas will be scheduled for FY 1997 as resources allow.

FY 1997 BUDGET APPROPRIATION LANGUAGE

**INTERNATIONAL TRADE COMMISSION
For . . . Funds**

General and special funds:

SALARIES AND EXPENSES

For necessary expenses of the International Trade Commission, including hire of passenger motor vehicles and services as authorized by 5 U.S.C. 3109, and not to exceed \$2,500 for official reception and representation expenses, \$41,707,000, to remain available until expended.

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	(in thousands of dollars)
PT 1996 Appropriation.....	1/ \$44,866
Summary of Increases to Base and Built-In Changes:	
Compensation and Benefits	
Contribution for Voluntary Separation Incentive Payments (P.L. 103-226).....	39
Amortization of January 1996 locality pay increase costs.....	139
Within grade increases and promotions.....	173
Estimated cost of January 1997 pay increase.....	<u>488</u>
Total Increases to Compensation and Benefits.....	<u>9 618</u>
Non-Salary Increases:	
Travel	68
Communications, utilities, and miscellaneous charges.....	72
Printing and reproduction.....	1
Other services: external data services (165); information systems maintenance (56); other equipment maintenance (17); building maintenance (11); procurement services (146); security services (31); contractual mailbox services (37); training (32); audit and review services (28); information systems applications development (75). Supplies and materials.....	544
Equipment.....	33
Total Increases to Non-Salary Costs.....	<u>\$1,439</u>
Non-Salary Decreases:	
Transportation of things	(13)
Space rental.....	(296)
Other services: payroll services (-38), OPM investigations (-13). Leas ^d and structures.....	(37)
Total Decreases to Non-Salary Costs.....	<u>(376)</u>
Total Adjustments to Base.....	<u>\$1,162</u>
PT 1997 Appropriation Request.....	<u>\$44,867</u>

1/ The Commission's PT 1996 total funding level included an appropriation of \$44,866,000 and a carryover from PT 1995 of \$664,000, for a total funding availability of \$45,534,000. The Commission anticipates a carryover from PT 1996 of approximately \$38,000.

Total requirements, by program
(Dollar amounts in thousands)

Activity	FY 1995		FY 1996 1/		FY 1997	
	Actual	available funding	Actual	available funding	Actual	available funding
1. Public investigations and research studies:						
A. Import injury (Trade Act (TA) of 1974).....	1	0 122	1	0 136	1	0 136
B. Antidumping and countervailing duty (Title VII of the Tariff Act of 1930 and the Trade Agreements Act of 1979).....	75	7,281	63.5	6,664	63.5	6,664
C. Unfair import practices (section 337, Tariff Act of 1930, and section 603, TA of 1974).....	31	3,480	26	3,161	27	3,513
D. Probable economic effect of concessions or preferential duty-free treatment (TA of 1974).....	1	125	1	130	1	130
E. Under Section 333 of the Tariff Act of 1930.....	72	7,881	61	6,867	51	6,281
Subtotal.....	160	17,931	132.5	16,656	133.5	17,108
2. Technical information and assistance:						
A. Provided to the Legislative Branch.....	4	426	4	456	4	473
B. Provided to the Executive Branch and public.....	35	3,143	29	2,939	29	2,939
C. Relating to trade agreements activities.....	17	1,591	21	1,583	21	1,583
Subtotal.....	56	5,160	54	5,968	54	6,091
3. Recurring reports and services:						
A. Trade monitoring.....	20	1,938	16	1,718	19	2,036
B. Synthetic organic chemicals report.....	7	550	6	512	9	534
C. Summaries of trade and tariff information.....	17	1,822	14	1,784	16	1,934
D. Harmonized System and other nomenclature and classification activities.....	9	977	8	961	9	1,015
E. Other recurring reports and services.....	15	1,331	11	1,261	11	1,170
Subtotal.....	82	7,331	68	7,031	61	7,170
4. Assembling and analysing economic and technical information:						
A. Information resources management.....	32	2,846	27	2,617	27	2,696
B. Professional assembly and analysis of information.....	23	2,562	24	2,432	24	2,422
Subtotal.....	55	5,408	51	5,051	51	5,118
5. Administration.....	56	6,414	49	5,859	50	6,726
6. Executive Direction.....	18	4,306	21	3,953	21	3,971
7. Inspector General.....	1	150	2.5	311	2.5	350
Total	614	643,934	383	640,664	384	641,767

1/ A regular FY 1996 appropriation for the Commission had not been enacted at the time this budget request was prepared. The Commission's FY 1996 funding included an FY 96 appropriation amount of \$40,000,000 based on the level provided in the continuing resolution S.L. 104-39 of January 26, 1996, and a carry-over from FY 1995 of \$664,000, giving a total fund availability of \$40,664,000.

Summary of investigations instituted

Type of investigation	FY 1993 Actual	FY 1994 Actual	FY 1995 Actual	FY 1996 estimate	FY 1997 estimate
Import injury, sections 201 et seq., and 406, TA of 1974-----	0	1	1	2	2
Interference with agricultural programs, section 22, Agricultural Adjustment Act-----	1	2	0	0	0
Antidumping and countervailing duty, Title VII Tariff Act of 1930-----	184	104	92	78	78
Unfair import practices, section 337, Tariff Act of 1930, and section 603, TA of 1974-----	10	10	10	16	16
Probable economic effect of concessions or preferential duty-free treatment, TA of 1974-----	0	2	0	3	3
Investigations and research studies, section 332, Tariff Act of 1930-----	9	11	8	10	10
Investigations and research studies, section 1205, Omnibus Trade and Competitiveness Act of 1988-----	1	2	0	1	1
Total-----	193	132	111	107	107

ACTIVITY 1 - PUBLIC INVESTIGATIONS AND RESEARCH STUDIES

PROGRAM ANALYSIS
(Dollar amounts in thousands)

Activity	FY 1995	FY 1996	FY 1997
	actual	available funding	estimate
	Work-years	Work-years	Work-years
	Amount	Amount	Amount
1. Public investigations and research studies:			
A. Import injury.....	1 : \$123	1 : \$126	1 : \$136
B. Antidumping and countervailing duty.....	75 : 7,291	63.5 : 6,686	63.5 : 6,806
C. Unfair import practices.....	31 : 3,400	26 : 3,161	27 : 3,313
D. Probable economic effects of concessions.....	1 : 139	1 : 130	1 : 139
E. Under section 332, Tariff Act of 1930.....	72 : 7,085	61 : 6,547	61 : 6,709
Total public investigations and research studies.....	180 : 17,991	153.5 : 16,658	153.5 : 17,105

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Import Injury Investigations

These investigations are conducted pursuant to sections 202 (19 U.S.C. § 2252), 204 (19 U.S.C. § 2254) and 406 (19 U.S.C. § 2436) of the Trade Act of 1974, and sections 301-318 of the North American Free Trade Agreement Implementation Act (19 U.S.C. §§ 3351 et seq.). Under section 202, the U.S. global safeguard action law, the Commission determines whether domestic industries are eligible for import relief and, if so, recommends appropriate relief action to the President. Under section 204, the Commission reviews import relief actions imposed by the President under section 203, monitors industry adjustment efforts, and reports to the President on the probable economic effect of modifying, extending, or terminating the relief that is in effect. Section 406 of the Trade Act of 1974 authorizes investigations of market disruption caused by imports from communist countries. Under the NAFTA Implementation Act, the Commission conducts investigations with respect to whether, as a result of the reduction or elimination of a duty provided for under the NAFTA, a domestic industry is eligible to receive import relief and, if so, recommends to the President an appropriate relief action. When imports from a NAFTA country have been excluded from a global safeguard action, the Commission conducts investigations under the NAFTA Implementation Act to determine whether a surge in imports from a NAFTA country has occurred.

The Commission initiated one import-injury investigation during FY 1995 (a section 201 investigation on tomatoes). It estimates that two import-injury investigations will be initiated each year in FY 1996 and FY 1997.

For this activity, the Commission projects the use of 1 workyear and \$134,800 in FY 1997, compared to 1 workyear and \$136,000 in FY 1996.

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Investigations of Interference with Agricultural Programs

Under section 22 of the Agricultural Adjustment Act, the Commission conducts investigations at the request of the President to advise him as to whether imports are rendering or tending to render ineffective, or are materially interfering with certain programs of the Department of Agriculture. After receiving a Commission report, the President may impose fees or quantitative restrictions on the subject imports. The President may also request the Commission to conduct additional investigations regarding modification or termination of existing measures.

The Commission initiated no section 22 investigations during FY 1995, and none are anticipated in FY 1996 or FY 1997 (the URAA limits the use of section 22 to the very limited number of WTO members).

Antidumping and Countervailing Duty Investigations

Pursuant to subtitle A and B of title VII of the Tariff Act of 1930, the Department of Commerce is required to determine whether imported

merchandise is being sold in the United States at less than fair value (antidumping cases) or whether a subsidy is being provided for the manufacture, production, or exportation of merchandise imported into the United States (countervailing duty cases). The Commission is required to determine whether an industry in the United States is materially injured or threatened with material injury, or whether the establishment of an industry in the United States is materially retarded by reason of imports of the merchandise that is under investigation. Under current law, the Commission makes a preliminary determination under a "reasonable indication" standard within 45 days of the filing of the petition. If the Commission's preliminary determination is affirmative, the Department of Commerce must continue its investigation and make preliminary and final determinations concerning the alleged unfair trade practice. If the Department's final determination is affirmative, the Commission then has either 45 or 75 days from notification—depending on whether the Department's preliminary determination was affirmative or negative—to make a final injury determination. In addition, certain types of "review" investigations are provided for in subtitle C of the Act.

If an appeal is filed in court, or before a binational review panel under the NAFTA, contesting the Commission's final determination or its negative preliminary determination, the Office of General Counsel defends the Commission's determination. If a dispute is filed under the WTO or under residual GATT jurisdiction concerning a countervailing duty or antidumping determination, the Commission's Office of General Counsel provides technical support to the USTR in formulating and presenting the U.S. response.

A total of 92 antidumping and countervailing duty investigations were instituted in FY 1995, including 32 under section 753 of the Act which were immediately terminated because the domestic industry expressed no interest in continuing them (these were countervailing duty cases where no injury test had previously been afforded). The Commission projects a caseload of 75 antidumping and countervailing duty cases each year in FY 1996 and FY 1997, including the remaining 11 cases under section 753 for which the domestic industry has requested an injury investigation.

As noted earlier, the legislation implementing the WTO Uruguay Round antidumping and subsidies agreements will lead to a substantial and permanent increase in the Commission's antidumping and countervailing duty law caseload. The new legislation requires the Commission to conduct injury "sunset" review investigations at five-year intervals of industries benefitting from antidumping and countervailing duty orders, and to conduct about 320 review investigations, during a transition period of three years beginning in FY 1998, of antidumping and countervailing duty orders that were in effect on January 1, 1993.

For this activity, the Commission projects the use of 61.5 workyears and \$6,808,000 in FY 1997, compared to 63.5 workyears and \$6,684,000 in FY 1996.

Unfair Import Practice Investigations

Section 337 of the Tariff Act of 1930, as amended, provides for the Commission to investigate alleged unfair methods of competition and

unfair acts in the importation of articles into the United States, or in their sale. Most of these investigations involve allegations relating to infringement of United States patents, trademarks, and copyrights, and misappropriation of trade secrets.

Section 337 investigations are generally instituted after a private party files a complaint. Most phases of these investigations must be conducted in conformity with the provisions of the Administrative Procedure Act. The Commission is required to determine whether there has been a violation of Section 337 and, if so, the appropriate remedy to be entered. If the Commission finds a violation, it may issue an exclusion order barring the imported product from entry into the United States, and it may also direct a respondent to cease and desist from engaging in the unfair practices. The violation of a cease and desist order can be punished by civil penalties of up to \$100,000 a day or twice the domestic value of the articles entered or sold. The President may, for policy reasons, disapprove the Commission's exclusion and cease and desist orders within 60 days of their issuance. Effective January 1, 1995, the URAA amended Section 337 by repealing the statutory deadlines for completing Section 337 investigations. The Commission number now sets "target dates" for completing its investigations. The target dates that have been set in Section 337 investigations since January 1, 1995, range from twelve months (in most instances) to fifteen months. If a complaint includes a request for temporary relief, the Commission must render a decision on such relief within 90 days (or 150 days for more complicated cases) and may require complainants to post bonds. Commission determinations may be appealed to the United States Court of Appeals for the Federal Circuit.

Section 337 investigations usually involve complex factual and legal determinations. While the spectrum of products and intellectual property rights that have been the subject of Section 337 investigations is quite broad, most investigations involve high-technology products in the computer and pharmaceutical industries. The staff of the Commission's Office of Unfair Import Investigations (OUII) investigates the factual and legal basis for allegations presented in Section 337 complaints, and gathers evidence and represents the public interest in hearings before the Commission's two administrative law judges. In addition, resources are required in connection with appeals since the Commission is represented by its own attorneys in defending Commission decisions in section 337 investigations that are appealed to the United States Court of Appeals for the Federal Circuit. The Commission may also conduct enforcement, modification and advisory opinion proceedings relating to outstanding remedial orders.

The Commission's budget request (1) provides for continued demand for investigations under Section 337 of the Tariff Act of 1930 and (2) takes account of litigation, enforcement, procedural rulemaking, and other activities relating to these investigations.

During FY 1995 the Commission had 19 active Section 337 investigations underway, including 10 new investigations. In FY 1995 the Commission also conducted a formal enforcement proceeding based on allegations of violations of a cease and desist order issued by the Commission in a Section 337 investigation. In FY 1996 it is expected that 16 new Section 337 investigations will be instituted and that approximately 25 cases will be active during the year. In FY 1997 it is expected that the workload will remain at a similar level.

For this activity, the Commission projects the use of 27 workyears and \$3,313,000 in FY 1997, compared to 26 workyears and \$3,161,000 in FY 1996.

Investigations of Probable Economic Effect of Concessions or Preferential Duty-Free Treatment

Under the Trade Act of 1974, at the request of the President, the Commission must conduct investigations of articles which may be considered (1) in negotiations for modifications of duty or (2) for designation as eligible articles in connection with the GSP for developing countries. These investigations provide government trade officials with economic appraisals of the probable effects of the modification of U.S. tariffs. FY 1995 work in this area consisted only of a preliminary investigation (under Section 332) on the economic effects of Chile's possible accession to the NAFTA. Because the President did not receive "fast-track" negotiating authority during the year, a final Section 131 probable effects investigation was not requested. Due to the unknowns that exist regarding "fast-track" authority and the future of GSP, FY 1996 workloads are uncertain, but the potential exists for at least one investigation of the probable economic effect on U. S. industries and consumers of Chile's accession to the NAFTA, and investigations associated with the annual GSP review. A similar workload is expected in FY 1997.

For this activity the Commission projects the use of 1 workyear and \$139,000 in FY 1997, compared to 1 workyear and \$130,000 in FY 1996.

Investigations and Research Studies Under Section 332 of the Tariff Act of 1930

Section 332 of the Tariff Act of 1930 directs the Commission to make investigations and reports as requested by the President, the House Committee on Ways and Means, or the Senate Committee on Finance. The Commission is also authorized to self-initiate investigations and studies on trade matters.

Section 332 investigations are among the Commission's most important and demanding tasks. Policymakers need independent, expert analyses of international trade issues because of the many factors involved in matters of trade policy. These factors include: vigorous competition in the world market; disagreements among nations on appropriate government intervention in the market place; the spread of technology, which has accelerated the rate at which comparative advantages shift among industries and countries; and the broader scope of bilateral and multilateral trade negotiations resulting from efforts to expand trade in goods and services and to reach agreements on intellectual property protection and other non-tariff trade practices.

During FY 1995, the Commission instituted 8 new Section 332 investigations and had a total of 27 active Section 332 investigations. A number of these, including both one-time factfinding studies and continuing industry surveys, explored areas in which there was little available information or investigative precedent. During FY 1996 and FY 1997 the number of active Section 332 investigations is expected to remain fairly constant. With the implementation of the URAA, the Commission expects to receive additional requests under Section 332 to provide economic effects advice or other information related to the agreement, particularly in the area of services and in rules of origin. The Commission will likely

also receive requests to provide advice related to the NAFTA and various potential free-trade agreements.

Congressionally-requested studies completed during FY 1995 and FY 1996 to date include:

- Global Competitiveness of U.S. Environmental Technology Industries: Municipal and Industrial Water and Wastewater

Studies currently underway at the request of the Congress include:

- Global Competitiveness of U.S. Environmental Technology Industries: Air Pollution Equipment and services
- Country of Origin Marking Requirements

Recent studies completed for the President include:

- The Economic Effects of Antidumping and Countervailing Duty Orders and Suspensions Agreements
- Effects of the Arab League Beyond Israel on U. S. Business
- GSP Review: Thailand
- Lamb Meat: Competitive Conditions Affecting the U. S. and Foreign Lamb Industries
- General Agreement on Trade in Services: Examination of Major Trading Partners' Schedules of Commitments
- Chile: Probable Economic Effect on U. S. Imports, Industries, Consumers, and Exports of Admission to the NAFTA and Report on Services Trade
- U. S. - Africa Trade Flows and Effects of the Uruguay Round of Agreements and U. S. Trade and Development Policy
- Chemicals and Chemical Products: Probable Effects of Certain Modifications to NAFTA Rules of Origin Pertaining to Such Products
- Certain Miscellaneous Products: Probable Effects of Certain Modifications to the NAFTA Rules of Origin

Studies currently being conducted at the request of the President include:

- International Harmonization of Customs Rules of Origin

- U. S. Interests in APEC Trade Liberalization

For this activity the Commission projects the use of 61 workyears and \$6,709,000 in FY 1997, compared to 61 workyears and \$6,547,000 in FY 1996.

ACTIVITY 2 - TECHNICAL INFORMATION AND ASSISTANCE

PROGRAM ANALYSIS
 (Dollar amounts in thousands)

Activity	FY 1996 actual	FY 1996 available funding	FY 1997 estimate	
	Work- years	Amount	Work- years	Amount
2. Technical Information and assistance:				
A. Provided to the Legislative Branch.....	4	\$426	4	\$486
B. Provided to the Executive Branch and the public.....	39	3,162	39	3,089
C. Related to trade agreements activities.....	17	1,881	18	1,823
Total technical information and assistance.....	56	5,189	60	6,918

Providing Technical Information and Assistance to the Legislative Branch

Responding to requests for assistance from the legislative branch is one of the Commission's primary activities under the Tariff Act of 1930 (formal investigations requested by Congress are not included in this activity, but are discussed under Section 332 investigations). Congressional committees regularly call on the Commission for assistance in drafting legislation and for technical advice in the form of staff research, informal briefings, testimony at congressional hearings, and providing nomenclature and technical drafting assistance. During FY 1995 staff prepared reports to Congress on six miscellaneous tariff bills and responded to numerous letters and telephone inquiries from congressional offices.

In light of the recently implemented NAFTA and URAA legislation, and other pending bilateral and multilateral trade negotiations, the Commission expects the demand for assistance and advice on trade-related matters to continue for FY 1996 and FY 1997.

For this activity the Commission projects the use of 4 workyears and \$473,000 in FY 1997, compared to 4 workyears and \$456,000 in FY 1996.

Providing Technical Information and Assistance to the Executive Branch and the Public

The Commission is required to assist the President in matters related to the Commission's areas of expertise. It provides technical services on trade and economic matters to the USTR and participates in the work of the Interagency Trade Policy Staff Committee. The Commission also works closely with the Bureau of the Census, the Bureau of Labor Statistics, and the U.S. Customs Service on matters of product nomenclature, tariff classification, origin, and trade statistics. During FY 1995 Commission staff provided support to the USTR in a number of areas, including preparation for U.S.-Japan talks in connection with the section 301 auto parts investigation, an analysis of Chile's trade agreements with other Latin American partners, analysis and review of modeling results on Western Hemisphere integration and NAFTA parity for Caribbean Basin Initiative countries, legal drafting for all proceedings of the U.S.-Canada Free Trade Agreement and NAFTA dispute resolution panels, preparation for the WTO negotiations on financial services, informal technical analysis of the impact of liberalization within the Asia-Pacific Economic Cooperation forum, and analysis of possible sensitive industry areas concerning the U.S. proposal to extend the U.S.-Israel Free Trade Agreement to the West Bank and Gaza Strip.

The Commission often supplies information to the Departments of Commerce, Labor, and State regarding proposed legislation on various commodities. It also provides assistance on a daily basis to other agencies on such matters as commodity production, trade relations with other countries, trade laws and policies of the U.S. and foreign governments, trade and economic statistics, and product nomenclature and classification.

The Commission expects the demand for its technical information and assistance, especially in such areas as trade in international services, regional and bilateral trade relations (with increased attention to Eastern Europe, Mexico and other Latin American countries, and Asian trading partners), foreign investment, trade in high-technology products, agricultural commodities, chemicals, automobiles, and textiles to continue in FY 1996 and 1997.

The Commission has received a request from the President for a major study which will serve as the basis for the Commission's participation in the U.S. contribution to the work of the Technical Committee on Rules of Origin of the Customs Co-operation Council (COC), now known as World Customs Organization (WCO), as well as the Rules of Origin Committee of the World Trade Organization (WTO). In contributing to this effort, the Commission will seek to ensure that U.S. private sector interests are recognized and taken fully into consideration in the development of internationally harmonized rules of origin by the WTO.

For these activities the Commission projects the use of 29 workyears and \$2,892,000 in FY 1997.

Providing Technical Information and Assistance Relating to Trade Agreements

This activity involves supplying detailed technical information to the President and those organizations administering the trade agreements program.

Commission responsibilities include maintaining a data base containing trade and non-tariff information; preparing formal and informal reports and analyses in response to special requests; developing digests of information on articles of commerce; maintaining Offer Notes for trade negotiations and consolidated schedules of concessions under the WTO; providing technical advice to officials administering the trade agreements programs; submitting recommendations to the President on technical matters related to program policy; participating in the drafting of trade agreements; assisting in the drafting of Presidential proclamations modifying the HTS to implement U.S. trade policy decisions; preparing the final schedules relating to U.S. tariff concessions in the appropriate legal language; participating in the annual product review and competitive-use determinations with respect to the GSP; and providing technical support to the U.S. delegation to multilateral meetings in the WTO, particularly the Subsidies and Antidumping Committees. The expertise required for this work is developed and maintained largely through the exercise of the Commission's other functions, as virtually every area of the professional staff is drawn upon to provide this assistance.

During FY 1995, the Commission provided technical information and assistance relating to the trade agreements program to the USTR. Staff contributed technical advice and assistance to USTR in preparation for negotiations concerning 1995's accession to the NAFTA. Staff also contributed technical advice and assistance in preparing numerous presidential proclamations and USTR Federal Register notices dealing with the GSP and other trade agreement matters. Considerable staff time was spent responding to inquiries from government agencies involved with trade, trade associations,

law firms, and academics concerned with subjects related to the trade agreements program, especially on NAFTA and the Uruguay Round. In addition, the staff continually revised the Commission's automated trade data base to meet HTS requirements.

For this activity, the Commission projects the use of 15 workyears and \$1,553,000 in FY 1997, compared to 15 workyears and \$1,523,000 in FY 1996.

ACTIVITY 3 - RECURRING REPORTS AND SERVICES

PROGRAM ANALYSIS
(Dollar amounts in thousands)

Activity	FY 1995	FY 1996	FY 1997
	actual	available funding	estimate
	Work-years	Work-years	Work-years
	Amount	Amount	Amount
3. Recurring reports and services:			
A. Trade monitoring-----	20 : \$1,925	16 : \$1,715	19 : \$2,036
B. Synthetic organic chemicals reports-----	7 : 550	6 : 512	0 : 0
C. Industry and trade summaries-----	17 : 1,522	14 : 1,384	14 : 1,396
D. Harmonized System and other nomenclature activities-----	9 : 977	8 : 961	9 : 1,085
E. Other recurring reports and services-----	16 : 1,447	14 : 1,429	16 : 1,661
Total recurring reports and services-----	69 : 6,421	58 : 6,001	58 : 6,178

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Trade Monitoring

The Commission's trade monitoring program identifies and reports on international trade developments that may affect the United States. This activity also supports much of the Commission's other work by keeping commodity and foreign area specialists up to date on trade trends and emerging policy issues in their areas of responsibility. The program currently includes the following activities: tracking trade and trade policy developments in key U.S. trading partners, such as Canada, Mexico, the European Union, and Japan; monitoring fast-changing trade and economic developments in communist and former communist countries; reporting shifts in U.S. imports and exports of specific commodities; and monitoring trade patterns in more than 300 industries.

Section 163(b) of the Trade Act of 1974 requires the Commission to submit to the Congress an annual report on the operation of the trade agreements program of the United States. This report, entitled *The Year in Trade*, gives the Congress an independent account of the trade policy activities of the United States, "together with complementary information about trade-related developments with major U.S. trading partners and the activities of international trade organizations such as the WTO. The 1994 edition provides an in-depth review the implementation of the Uruguay Round package of multilateral trade agreements, including the establishment of the World Trade Organization and the passage of U.S. legislation implementing the Uruguay Round Agreements. The report also includes a comprehensive review of the first year of operation of NAFTA, actions taken by leaders of the Asia-Pacific Economic Cooperation forum, the historic Miami Summit of the Americas, detailed data on U.S. trade under the GSP program and the Caribbean Basin Initiative and the Andean Trade Preference Act, and a summary of actions taken under the provisions of U.S. trade laws. Trade relations with seven major partners—the European Union, Canada, Japan, Mexico, China, Taiwan, and Korea—are covered in detail. More than 2,000 copies of *The Year in Trade* are distributed to U.S. and foreign government officials, academics, libraries, trade associations, and U.S. embassies. In November 1993 the Commission began to distribute *The Year in Trade* through the Commerce Department's National Trade Databank CD-ROM.

Section 410 of the Trade Act of 1974 directs the Commission to monitor U.S. trade with non-market economy countries (NMEs)—including the People's Republic of China, the former communist countries of eastern Europe, and the successor states to the former Soviet Union—and to provide the Congress and the Trade Policy Committee with a quarterly report on this trade. The Commission operates a computer-based, import-monitoring system that scans imports of manufactured products from subject countries and identifies the industries with rapid growth in imports and significant levels of import penetration by these suppliers. The Commission's report is currently the only regularly released U.S. Government accounting of U.S. trade with these countries.

In FY 1995, the Commission issued the tenth of a series of required annual reports on the impact of the Caribbean Basin Initiative (CBI) on the United States economy, and completed its second annual report on the Andean Trade Preference Act.

The Commission's computerized commodity trade monitoring system permits rapid analyses and research on recent trends in U.S. trade, and assists in detecting unusual trade movements. The Commission system monitors import and export data for over 300 major industry groups. Industry

data profiles, including data on production and shipments, employment, and trade are maintained for the same industry groups. This system is a valuable research tool, providing trade data not readily or routinely available in the past.

The Commission is continuing the report series entitled U.S. Trade Shifts in Selected Industries initiated in FY 1981, and will expand coverage in FY 1996 to include a separate report on services. The report is a by-product of the normal trade monitoring activities at the Commission and provides brief analyses of significant shifts in the trade of major goods and services sectors.

For these activities the Commission projects the use of 19 workyears and \$2,036,000 in FY 1997, compared to 16 workyears and \$1,715,000 in FY 1996.

Synthetic Organic Chemicals Reports

The Commission has published both the annual and the quarterly reports on synthetic organic chemicals (SOC) on an annual basis since 1917 (the one exception being 1931). Since 1988 the reports have been conducted under Section 332(g) of the Tariff Act of 1930 at the request of the House Committee on Ways and Means. By a letter of October 17, 1995, the Committee on Ways and Means requested that the Commission terminate publication of the quarterly and annual SOC reports by October 1, 1996. Accordingly, the Commission published a final annual report in 1995 and will publish quarterly reports covering all quarters through June, 1996. The Commission will terminate the investigation effective October 1, 1996.

For this activity the Commission projects 6 workyears and \$512,000 will be used in FY 1996 only.

Industry and Trade Summaries

As an outgrowth of its ongoing responsibility for developing and maintaining technical tariff information, the Commission has periodically published Industry and Trade Summaries, as resources permit, for use as comprehensive reference sources by the Congress, other agencies, and the public. The summaries comprise a systematic and uniform source of information on domestic and foreign trade in, and customs treatment of, the articles enumerated in the HTS. Demand for many of the volumes is expected to be as high as in the past. Primary distribution is made through the Internet, with a limited number of hardcopy reports distributed within the federal government and to industry and the general public.

Each Summary encompasses one or more homogeneous commodities grouped on the basis of such characteristics as commodity composition, end use, customs classification, and availability of data on the producing industry. The depth of treatment given an individual commodity within a Summary depends on its importance and sensitivity in U.S. trade. In FY 1992 the Commission began publishing the first of a new series and has completed over 100 reports. The current series, for the first time, includes reports on selected service industries. Because of a reduction in personnel resources, the Commission will likely reduce expenditures on this program in future years.

For this activity the Commission projects the use of 14 workyears and \$1,396,000 in FY 1997, compared to 14 workyears and \$1,384,000 in FY 1996.

Harmonized System and Other Nomenclature and Classification Activities

The Commission's expertise in tariff drafting and analyses, customs law, and related matters is of great importance in the U.S. Government's development and implementation of trade policy. Commission representatives have participated as members of the U.S. delegation to the Harmonized System Committee (HSC) and related committees of the Customs Cooperation Council, now known as the World Customs Organization (WCO), since 1974.

In FY 1995, many of the Commission's efforts in this area centered around the Harmonized Tariff Schedule of the United States (HTSUS), which is based on the international Harmonized Commodity Description and Coding System, more commonly known as the Harmonized System (HS). The HS was developed between 1971 and 1983 at the WCO in Brussels, Belgium, by the HSC. The international HS was implemented on January 1, 1988. The United States became a contracting party to the HS Convention in October 1988, and implemented the HTS on January 1, 1989. As a contracting party to the Convention, the United States has full member status in the HSC.

The Omnibus Trade and Competitiveness Act of 1988 (the 1988 Act) designated the Commission, the Department of the Treasury, and the Department of Commerce as the three government agencies responsible for formulating official U.S. positions on technical and procedural issues addressed by the HSC, as well as for representing the United States in the semi-annual sessions of the HSC and its working party. During FY 1995, Commission representatives participated in the HSC and its Review Subcommittee.

Section 1205 of the 1988 Act directs the Commission to keep the HTS under continuous review and to recommend to the President any modifications to the HTS necessary to reflect amendments to the international HS adopted by the CCC. It is anticipated that Section 1205 investigations are likely to be conducted annually in the future.

The 1988 Act also replaced the Commission's responsibility for maintaining and publishing the Tariff Schedules of the United States Annotated with the responsibility for publishing the HTS. In FY 1996 the Commission will publish the 1997 and 1996 editions, respectively, of the HTS and will issue supplements, as necessary, to reflect legislated and proclaimed legal changes, and statistical changes.

Statistical annotations of the HTS and of the U.S. export schedule (Statistical Classification of Domestic and Foreign Commodities Exported from the United States, or Schedule B) are created, terminated, or modified by the Committee for Statistical Annotation of the Tariff Schedules, also known as the 484 Committee. The 484 Committee is an interagency body, chaired by the Commission, that considers requests from other government

agencies and the trading community regarding statistical annotations, many of which are intended to improve comparability between U.S. import and export data. In this connection, the 484 Committee is also responsible for implementing a memorandum of understanding between the governments of the United States and Canada, whereby each country collects, through its import entry process, the export statistics of the other country. The program, begun on January 1, 1990, ensures the publication of more complete and accurate export information than was formerly available, and provides cost savings to exporters and brokers and the government by eliminating export documentation requirements for shipments between the two countries. The 484 Committee oversees the consideration of Canadian proposals for new statistical annotations in the HTS to accommodate the collection of such statistics.

For this activity the Commission projects the use of 9 workyears and \$1,085,000 in FY 1997 compared to 8 workyears and \$961,000 in FY 1996.

Other Recurring Reports and Services

This activity includes preparation of statistical reports containing trade and/or production data and other types of information on specific commodities as required by Congressional request, statute, executive order, or presidential proclamation. Data on commodities are gathered through questionnaire surveys and through secondary data sources.

In FY 1995 the Commission published 16 series of recurring reports as noted below:

Recurring reports being prepared at the request of the Congress include:

- Synthetic Organic Chemicals: Quarterly and Annual Reports (This study will be terminated effective October 1, 1996, at the request of the House Committee on Ways and Means.)
- Rum: Annual Report on Selected Economic Indicators (This study was terminated effective June, 1995)
- Nonrubber Footwear: Quarterly Statistical Reports (This report has been converted to an annual basis at the request of the Senate Committee on Finance and will be terminated effective January 1, 2000.)
- U.S. Auto Industry: Monthly Reports (This study will be terminated effective January 1, 1998, at the request of the House Committee on Ways and Means.)
- Caribbean Basin Economic Recovery Act: Annual Report
- Ethyl Alcohol for Fuel Use: Determination of the Base Quantity of Imports
- Steel: Semi-Annual Monitoring Reports (This series terminated in April, 1993.)

- Monitoring of U.S. Imports of Tomatoes
- Monitoring of U.S. Imports of Peppers
- Economic Impact of the Andean Trade Preference Act

Recurring reports being prepared at the request of the President include:

- The Economic Effects of Significant U.S. Import Restraints
- GATS Services: Program to Maintain U.S. Schedule of Services Commitments
- U.S. - Africa Trade Flows and Effects of the Uruguay Round of Agreements and U.S. Trade and Development Policy

Recurring reports being prepared on the Commission's own motion include:

- Production Sharing under HTS items 9802.00.60 and .80: Annual Report
- Multifiber Agreement: Annual Report
- Trade Shifts in Selected Industries: Annual Reports (Manufacturing and Services Industries)

The Commission expects monitoring requests will continue to be made in areas of trade considered sensitive by the Congress or the President. The Commission has allocated sufficient resources to continue to provide adequate research and analyses. However, in all cases the Commission attempts to incorporate sunset provisions in such report series and to streamline production to the greatest extent feasible to minimize expenditures.

For this activity the Commission projects the use of 16 workyears and \$1,661,000 in FY 1997, compared to 14 workyears and \$1,429,000 in FY 1996.

ACTIVITY 4 - ASSEMBLING AND ANALYZING ECONOMIC AND TECHNICAL INFORMATION

PROGRAM ANALYSIS
(Dollar amounts in thousands)

Activity	FY 1995		FY 1996		FY 1997	
	actual	available funding			estimate	
	Work-years	Amount	Work-years	Amount	Work-years	Amount
4. Assembling and analysing economic and technical information:						
A. Information resources management-----	32	\$2,846	27	\$2,617	27	\$2,698
B. Professional assembly and analysis of information-----	28	2,649	24	2,487	24	2,527
Total assembling and analysing economic and technical information-----	60	5,495	51	5,104	51	5,225

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Assembling and Analyzing Economic and Technical Information

The Tariff Act of 1930, Trade Act of 1974, Trade Agreements Act of 1979, and the Omnibus Trade and Competitiveness Act of 1988 set forth specific areas of international trade in which staff expertise is required. To stay abreast of developments in international trade and to respond promptly when an investigation or study is instituted, or when requests for advice come from the Congress and the President, a significant amount of resources must be spent in managing information. The Commission depends on information gathering, processing and dissemination in all its key missions. Effective information management is therefore critical to the agency's success. This is even more the case in this era of streamlining and critical examination of agency performance. The Commission is counting on information technology to help close the gap between constrained resources and significant new program responsibilities.

During FY 1996 the Commission is implementing an electronic dockets system for all materials related to its Title VII and section 337 cases. This will save paper and costs, and improve the efficiency and breadth of legal analysis by making the entire record of cases more readily available to Commissioners and staff. For FY 1997 the Commission plans to extend the availability of the non-confidential portion of its case records to the parties and the public via the World-Wide Web. This will lower the costs to the parties of obtaining these materials, and should result in lower operating costs for the Commission as well.

During FY 1996 the Commission expects to complete the migration of its unique database of international trade and tariff information from the current mainframe service center to an in-house system based on more modern database technology. This should result in lower operating costs and better data quality for the Commission's reports, investigations, and analyses. Starting in FY 1996 the Commission will take over from the United States Trade Representative preparation of the United States submission of trade and tariff data for the World Trade Organization's Integrated Database (IDB). This task fits well into the Commission's role as a provider of technical support to the United States international trade policy community, and takes advantage of its investment in trade and tariff expertise. In FY 1997 the Commission will make its international trade and tariff database available to the public via the World-Wide Web, which should benefit business, academics, and others throughout the country. Depending on the level of demand this generates, the Commission may upgrade the server used to manipulate the database.

During FY 1996 the Commission officially launched its World-Wide Web Home Page (at <http://www.usitc.gov>). The Commission is gradually increasing the number of publications and other materials of wide interest that are available for free download or viewing via the Web, in order to improve the distribution of taxpayer-financed research while lowering printing and mailing costs. Currently, the Harmonized Tariff Schedule of the United States, Commission research reports, press releases, and Title VII opinions are on the USITC Home Page. During FY 1997 the Commission expects to add interactive access to trade and tariff data, as well as Title VII and section 337 nonconfidential case records. It also plans to add the card catalog of the agency's extensive international trade library, and search capability for Commission publications.

By FY 1997 the Commission's stock of personal computers (PCs) will be at the end of its useful life. Since there are substantial advantages

in lower maintenance and training costs to keeping a high degree of standardization in office equipment, the Commission plans to do a general replacement of PCs and file servers, at an estimated cost of between \$800,000 and \$900,000. The Commission may also need to modernize some of its local area network hardware that, for the most part, has been in place since the agency moved to its present location in 1988.

For this activity, the Commission projects the use of 27 workyears and \$2,698,000 in FY 1997, compared to 27 workyears and \$2,617,000 in FY 1996.

Professional Assembly and Analysis of Information

The Commission must be prepared at all times to speak with authority on various aspects of the nation's international trade activities and on a wide range of economic and legal trade and tariff matters. Beyond the collection, assembly, and processing of information described above, this requires a continuing program to develop and maintain the competence of the professional staff. In addition to keeping informed of statistical trends, the professional staff must maintain technical data on a large number of commodities, know and understand domestic and foreign production and product distribution patterns, and be familiar with foreign economic conditions and trade-related policies. They must also keep abreast of the conditions of competition between U. S. and foreign products, the competitive capabilities of domestic and foreign enterprises, and be able to translate this expertise into reports and papers based on sound financial, accounting, and economic principles, for use by trade policy officials. This expertise is critical to the fulfillment of the Commission's responsibilities.

This staff development is accomplished through general fieldwork, basic research, review of U. S. and foreign economic trade and business sources, contact with private industry officials, participation in industry-Government conferences, expansion of Government and business contacts, and development and review of Government information. Some of this work requires travel by Commission personnel to keep current on trade or industry trends.

For this activity the Commission projects the use of 24 workyears and \$2,527,000 in FY 1997, compared to 24 workyears and \$2,487,000 in FY 1996.

ACTIVITY 5 - ADMINISTRATION

PROGRAM ANALYSIS
(Dollar amounts in thousands)

Activity	FY 1995		FY 1996		FY 1997
	actual	available funding			estimate
	Work-years	Amount	Work-years	Amount	Work-years
5. Administration-----	50	\$4,414	40	\$3,859	40

This activity encompasses the Office of Administration, which is composed of the Office of Finance and Budget (OFB), the Office of Management Services, and the Office of Personnel. In addition to the work of employees assigned full-time to administrative duties, non-administrative employees may charge staff time to this activity for work involving Commission-wide administrative matters, such as participating in union activities, occupational health and safety matters, EEO activities, ranking and selecting panels, and data-processing activities related to administrative functions. For this reason the number of workyears charged to administration will differ from the number of employees assigned exclusively to administrative duties.

During late FY 1995, the Office of Administration was heavily involved in preparations for space reductions, including the relocation of staff, and planning for a Commission-wide reduction-in-force and furlough.

As a supplement to the Commission's Travel Direct Program, the use of the American Express ATM Program was implemented. Also, as part of the National Performance Review for improving financial management, the Office of Finance and Budget implemented EFT/direct deposit for vendor payments. In addition, the Commission increased the payment of employee salaries through EFT from 93% in FY 1994 to 96% in FY 1995.

For this activity, the Commission projects the use of 40 workyears and \$4,026,000 in FY 1997, compared to 40 workyears and \$3,859,000 in FY 1996.

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ACTIVITY 6 - EXECUTIVE DIRECTION

PROGRAM ANALYSIS
(Dollar amounts in thousands)

Activity	FY 1995		FY 1996		FY 1997
	actual		available		estimate
		funding			
	Work- years	: Amount:	Work- years	: Amount:	Work- years : Amount
6. Executive Direction-----	38	: \$4,306:	31	: \$3,893 :	31 : \$3,905

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800

This activity encompasses the work of the Commissioners and their assistants, and some work directly related to Commission-wide activities performed by other employees. Although the Commissioners devote most of their attention to the substantive work of the Commission rather than to administration, the cost of the Commissioners' offices is included in this activity.

To enable the Commissioners to cope with the volume and complexity of their responsibilities, each Commissioner is provided funding equivalent to four full-time permanent positions. Additional funding equivalent to one full-time permanent position is allocated to the Chairman's office to assist in carrying out the required administrative duties of the Commission. These administrative duties increase the workload in that office because primary responsibility for the administrative functions of the Commission are assigned to the Chairman.

For this activity, the Commission projects the use of 31 workyears and \$3,905,000 in FY 1997, compared to 31 workyears and \$3,893,000 in FY 1996.

ACTIVITY 7 - INSPECTOR GENERAL

PROGRAM ANALYSIS
(Dollar amounts in thousands)

Activity	FY 1995		FY 1996		FY 1997
	actual		available funding		estimate
	:	:	:	:	:
	Work- years	: Amount	Work- years	: Amount	Work- years
	:	:	:	:	:
7. Inspector General-----	1	\$158	2.5	\$311	2.5
	:	:	:	:	:
	:	:	:	:	:

The Office of Inspector General is responsible for directing and carrying out audits, inspections, and investigations of the Commission's programs and operations, and for reviewing and commenting on proposed legislation, regulations, and procedures regarding their economy, efficiency, and effectiveness. The activities and accomplishments of the Inspector General are included in semi-annual reports submitted to Congress in November and May of each year.

Major activities for the Office of Inspector General during FY 1995 included the following:

(1) conducting an audit of the USITC financial statements and operations for fiscal years 1994 and 1993, and initiating audits on building security and local area network operations;

(2) completing ten investigations involving allegations of racial discrimination, Privacy Act concerns, abuse of staff resources, use of unauthorized software on government computers, harassing telephone calls, distribution of an unofficial press release, use of a nonexistent title, and release of a confidential document (four of these investigations resulted in referrals to the Department of Justice, and one in the termination of an employee for misuse of government property); and

(3) issuing fourteen inspection reports on topics including conformance with the Federal Managers' Financial Integrity Act, travel expenditures and imprest funds, lobbying activities, property inventories, HIV/AIDS education, use of printing and mailing forms, and selected telephone policies and usage. The inspections of property inventories were conducted to follow up on a material internal control weakness identified in the property management system.

Fewer audits and inspections are planned for FY 1996 due to reduced resources. Two audits begun in FY 1995, on building security and local area network operations, are ongoing in FY 1996. Inspections scheduled for FY 1996 will be limited to compliance with the Federal Managers' Financial Integrity Act of 1982, and status reports on the Commission's response to its anticipated FY 1996 appropriation. Audits and inspections of financial and program areas will be scheduled for FY 1997 as resources allow.

For fiscal years 1996 and 1997 the Commission has allocated 2.5 full-time permanent positions to this activity. The Commission has included in its budget \$50,000 for contractual audit and review services. The FY 1996 budgeted resources were decreased by the elimination of an auditor position and .5 workyears for temporary assistance. The reduction of funds has been restored to \$50,000 in the FY 1997 budget request.

For this activity, the Commission projects the use of 2.5 workyears and \$350,000 in FY 1997, compared to 2.5 workyears and \$311,000 in FY 1996.

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UNITED STATES INTERNATIONAL TRADE COMMISSION

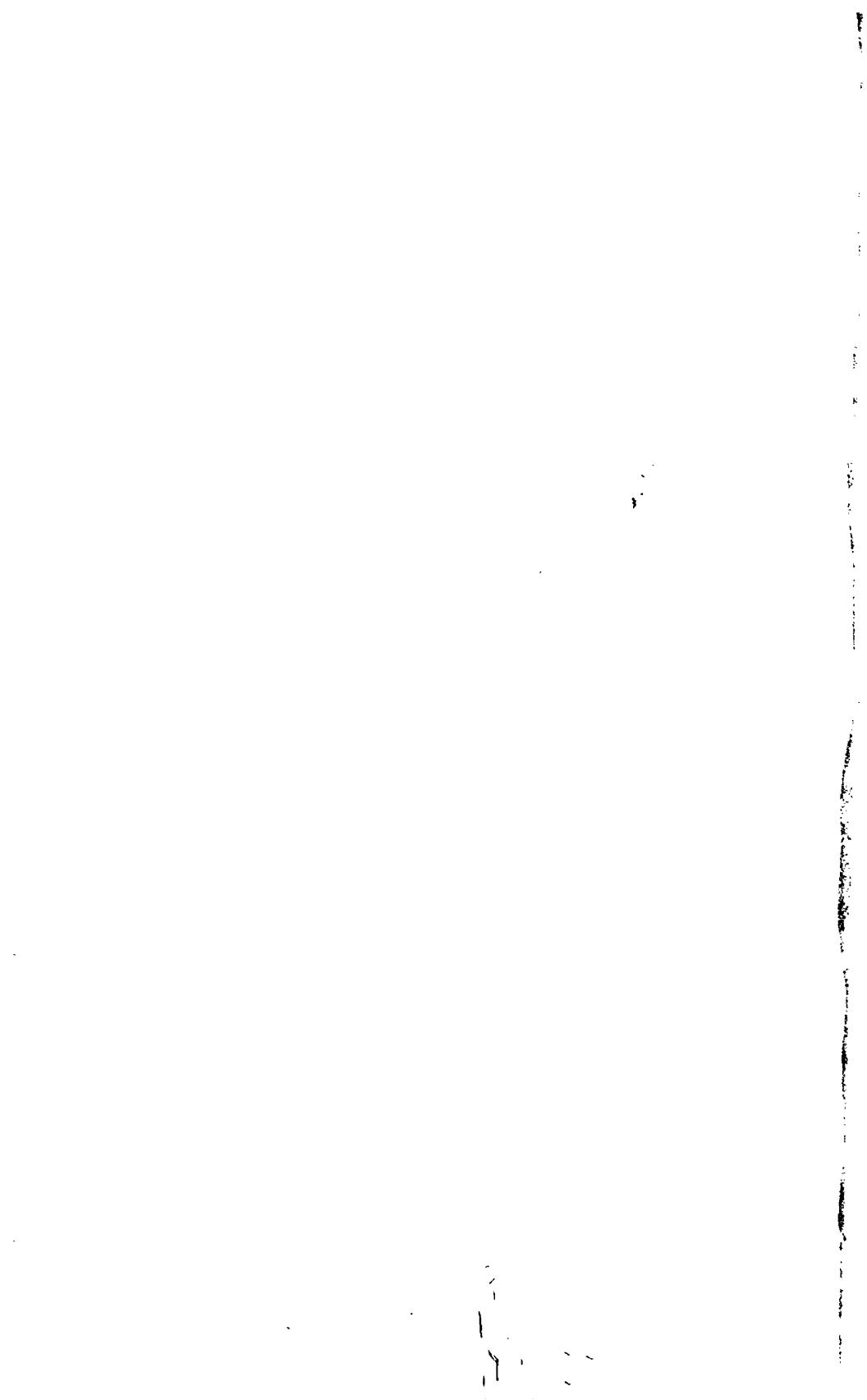
SALARIES AND EXPENSES

(in thousands of dollars)

Object Classification	FY 1995 Actual	FY 1996 1/			FY 1997 Estimate
		Carry-Over	Appropriation	Available Funding	
Personnel compensation -----	\$25,708	\$559	\$23,430	\$23,989	\$24,302
Personnel benefits -----	\$4,813	\$105	\$4,858	\$4,963	\$4,794
Travel and transportation of persons --	\$393		\$313	\$313	\$363
Transportation of things -----	\$8		\$5	\$5	\$8
Space rental -----	\$7,569		\$7,136	\$7,136	\$6,848
Communications, utilities and miscellaneous charges -----	\$946		\$767	\$767	\$865
Printing and reproduction -----	\$158		\$160	\$160	\$165
Other services -----	\$2,678		\$2,471	\$2,471	\$2,768
Supplies and materials -----	\$872		\$646	\$646	\$760
Equipment -----	\$789		\$215	\$215	\$835
Total obligations -----	\$43,935	\$666	\$40,000	\$40,664	\$41,707

1/ A regular FY 1996 appropriation for the Commission had not been enacted at the time this budget request was prepared. The Commission's FY 96 funding includes a FY 96 appropriation amount of \$40,000,000 based on the level provided in the continuing resolution P.L. 104-99 of January 26, 1996, and a carryover from FY 95 of \$664,000, giving a total fund availability of \$40,664,000.

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JAPAN-UNITED STATES FRIENDSHIP COMMISSION
APPROPRIATIONS REQUEST FOR
FISCAL YEAR 1997

Submitted to

United States House of Representatives

Committee on Appropriations

Subcommittee on Commerce

Justice, State, and Judiciary

NARRATIVE JUSTIFICATION

Policy Objectives Being Addressed

The Commission was created in 1975 to address the urgent need to improve communication, understanding and knowledge between the American and Japanese peoples, in order to strengthen the public attitudes that support this complex and important bilateral relationship. Events such as the recent auto parts negotiations, the Kodak/Fuji case or our security concerns in the wake of Okinawa provide examples of the sort of disagreements that arise from the increased contact and interdependency of these two peoples, each with its unique political, cultural, social and historical institutions. At heart in the impassioned and hotly rhetorical responses in the media, and among policy makers and opinion leaders in the two countries to that situation is the basic ignorance that marks each society's understanding of the other. The Commission uses its resources in selected areas not adequately served by other sources of private or public funds in either country to strengthen the underpinnings of public understanding on which the two governments can negotiate the often contentious problems of the relationship.

There can be no doubt that this historical mission of the Commission remains as valid now as when the Commission was first created. The emergence of Japan, however, as an economic force surpassed only by the United States has given the Commission a second mission, namely, helping Americans respond to the challenges and opportunities that this unanticipated development presents. Faced with a Japan that acts increasingly with an independent agenda, especially in East Asia, a region of the world that absorbs more and more of American foreign policy and strategic interests, US leaders in the public and private spheres must craft policy simultaneously to compete with Japan's economic challenge and engage it constructively on global problems.

This is a task for which the United States historically is ill-prepared. It is the Commission's purpose thus to help train a new generation of Americans who are equipped to study the contemporary Japanese political economy in its particulars, to provide them with the resources to carry out that goal, and to create the opportunities to transform their results into policies and actions equal to one of the truly great tasks now facing the United States. Our purpose in presenting our budget request for the 1997 fiscal year is to set forth how the Commission has shaped its programs at present to meet these needs.

Rationale for Federal Role

Private funds are not available in adequate amounts to support the long-term, in-depth educational or cultural programs required to deal with the Commission's historical mission, nor are such funds available to provide for the more immediate national interest vis-à-vis Japan as this becomes increasingly apparent. With the

emergence of the Japanese government as a major funder in the field of Japan-US training and research, it is appropriate and necessary that the United States government devote resources exclusively to the cultivation of the bilateral relationship, particularly in its interest in preserving the autonomy of public discussion on Japan. Historically, moreover, the yen and dollar funds that constitute the Friendship Trust Fund represent portions of the money the Japanese government paid to the United States in settlement of the post-World War II GARIBA account and in payment for certain facilities built by the United States during its occupation of Okinawa. In negotiating the settlement of these two issues, the United States agreed to use a portion of the payments received for educational and cultural exchanges between the two countries on an official basis.

Commission Objectives

1. To promote understanding and respect between the Japanese and American peoples by providing grants to support scholarly, cultural, artistic and public educational activities between Japan and the United States, as authorized by the Japan-United States Friendship Act (P.L. 94-118, as amended);
2. To help prepare Americans to better meet the challenges and opportunities presented by the emergence of Japan in international affairs by providing focused information on the Japanese political economy in its particulars and by training Americans in all spheres and communities to use such information in a purposeful way to meet these challenges and opportunities;
3. To use the influence and example of the Commission to encourage private organizations and individuals to develop programs that will carry out the Commission's purposes and to encourage other sources of funding in both countries to share the burden of support in a useful and constructive way.

Program Highlights

In fulfillment of its historical mandate, the Commission supports numerous programs of education and training. The Commission believes that American public understanding of Japan, as well as a more balanced relationship between Japan and the United States, requires the development and strengthening of the next generation of American specialists on Japan, trained to a high level of linguistic and disciplinary competence, and adequately represented in both the scholarly and non-academic professions.

The Commission has chosen to concentrate its efforts in two basic directions. Noting the critical lack of Japanese expertise in certain professional fields that are basic to America's relations with Japan, the Commission commits a sizable portion of its research and development funds to furthering professional education on Japan in graduate programs that train American lawyers, business people, journalists,

economists and engineers. In FY 1996, for example, the Commission supported the following program in this category:

Committee on Japanese Economic Studies at The University of Michigan, for a national fellowship program for the training of graduate students on the Japanese economy.

The MIT-Japan Program, for a fellowship and support program for graduate students in engineering and mid-career engineers to master Japanese language and gain deep familiarity with Japanese R&D practices and information channels.

As an extension of this first direction, the Commission wishes to assure the continued vitality and growth of basic national resources for the study of Japan. In its library support, the Commission supports projects and organizations that help organize acquisitions of research materials on a national scale and help expand access to research materials in both printed and electronic format. In its support for language training, the Commission supports those institutional activities that provide the greatest national or regional return. Examples of library support and language training for FY 1996 include, in that order:

The National Coordinating Committee on Japanese Library Resources, for a program to operate a national competition for support of acquisition of expensive multivolume research materials, for a program to plan for a national electronic database of all Japanese language research materials available in North America, for creating a site on the World Wide Web for Japanese library resources, and other activities; and

Inter-University Center for Japanese Language Studies in Yokohama, for advanced Japanese language training for American graduate students.

In another vein, for the past several years, the Commission has assumed an active role in supporting basic policy-oriented research on the contemporary Japanese political economy and on bilateral issues of critical importance to the United States. The Commission places high priority on the broad and effective dissemination of the results of research projects it supports.

Beginning in 1994, the Commission launched an initiative to craft its support for policy-oriented research around subjects of its own choosing, thus helping to produce a critical mass of research through the Commission's limited means. The 1994 competition on Japanese investment in Asia proved so successful that the Commission took the results one step further in organizing a conference at the Woodrow Wilson Center in Washington in February, 1996 to publicize them. RFP competition on the subject of the deregulation of the domestic Japanese economy and its impact on US trade with and investment in the country. Based on the success of

this first RFP, both in generating very high-quality research projects and in its ability to leverage the Commission's limited resources, the Commission announced a second RFP program in 1995 on the subject of regulation and deregulation of the Japanese domestic economy, an area that many see as pivotal in enhancing US access to the domestic Japanese market. Projects funded under this second RFP include:

Georgia Institute of Technology, for a project to investigate the relationship between deregulation and enhance trade opportunities through case studies of the health care and pension insurance markets;

The University of California at San Diego, for a study of the consequences of deregulation on corporate behavior in Japan, specifically on corporate financial arrangements, product market competition and corporate relations with the bureaucracies;

The University of California at Santa Cruz, for a study of the interplay of private and public interests affecting the outcomes of deregulatory efforts and to measure their effects on the market structure, especially price structure;

The University of Hawaii, for a study to produce a political model of deregulatory efforts in Japan that will analyze the interplay among the numerous interest groups working to preserve their interests, and the implications of this interplay for US business interests and policy;

The University of Washington, for a study to analyze regulation and deregulation across a broad array of electronics-related industries to assess the success or failure of historical regulatory policies and goals, the role of numerous domestic and foreign actors in shaping those policies, and the impact of technology on regulation.

In addition to policy research, the Commission believes that new and imaginative efforts are required to broaden understanding by the American public at large of current and future issues in the broad political and economic relationship between the two countries. Such understanding, and the opportunities for creating it, remain seriously underdeveloped when measured against the Japanese people's general knowledge of the United States. The Commission therefore supports projects along these lines from public affairs organizations, especially the national network of Japan America societies, and media groups promising a national or major regional impact in the United States.

In this field, the Commission places high priority on projects to provide Members of Congress and staff with focused study of Japan and to engage their Japanese counterparts in direct, frank and substantive discussion, so that both parties might come to a fuller understanding of the complexities and political dimensions of the outstanding bilateral issues. The Commission has supported a program of long

standing to send senior Congressional staff on an annual study tour to Japan through The Congressional Economic Leadership Institute. For Members of Congress themselves, the Commission provided funding for the following programs in FY 1996:

George Washington University, for an exchange of Members of Congress and the Japanese Diet organized by the US-Japan Economic Agenda; and

US Association of Former Members of Congress, to help the Association organize the Congressional Study Group on Japan, under the co-chairmanship of Senator William V. Roth and Representative Lee H. Hamilton, and co-vice chairmanship of Senator Max S. Baucus and Representative Thomas E. Petri.

Relationship to Other Programs

The Commission's efforts are unique. It is a leading factor in cultural and educational relations with Japan and the only federal agency active in promoting research focused exclusively on it. It is the chief instrument of the US government for training and maintaining a body of experts on Japan throughout American academic and professional institutions. The Commission's goal is to strengthen the national interest in our dealings with Japan. The Commission does not consider direct proposals from individuals for scholarships, fellowships, training, research or travel in the fashion of individual support programs funded by the USIA, Departments of Education and Commerce, or the NSF and NEH. The presence among its commissioners of senior officials from the Departments of State and Education, from the USIA and from the National Endowments for the Arts and the Humanities helps assure that Commission programs do not compete with or duplicate other federally-funded programs. The presence of private citizens from academe, foundations, the media, business and other professions helps assure that wherever possible the Commission's funds supplement, complement or play a catalytic role vis-à-vis funds from private sources.

In Japan, Commission funds are used primarily to support the activities of American students and researchers. In cases where costs are too great for a single agency, such as the Interuniversity Center for Japanese Language Study, the Commission cooperates with the Department of Education and other sources in providing sufficient support for annual operations. The Commission does not sponsor public affairs, teaching or student fellowship programs for Japanese citizens, which are the province of the US Information Agency and the Fulbright Program. It seeks professional evaluation of all proposals it receives in the arts from the NEA and similar evaluation from the NEH in the field of media support.

Explanation of Funding Levels

When the Congress appropriated the Japan-United States Friendship Trust Fund in 1975, it calculated that the annual interest that could be earned from investing the two endowments in United States and Japanese government obligations, with the dollar account worth \$18 million and the yen account worth approximately \$12.5 million at the exchange rate then in effect, would be sufficient to meet program and administrative requirements. To maintain its support of its programs, therefore, the Commission requests the amount of \$2,670,000 for budget authority for Fiscal Year -1997, representing the combined earnings in dollar value at current exchange rates of its Trust Fund. Seeking these funds poses no burden on the federal deficit.

The enabling legislation also permits the Commission to spend up to five percent of the original principal of the Fund in any given year if necessary. Beginning in Fiscal Year 1979, the Commission adopted the practice of drawing down on its principal, eventually eroding the Commission's Dollar Trust Fund to its current value of less than \$15 million. Given this erosion of principal, the historic downturn of interest rates and the effect of inflation, the Commission's earnings currently enjoy only twenty-five percent of the purchasing power they had in 1975.

In 1990 the Commission adopted a policy of no further drawdown on its principal. In that year the commissioners concluded that the national interest would best be served by providing for the long-term viability of the Commission, given the protracted and systemic nature of the issues that continue to beset the bilateral relationship. That policy has resulted in preservation of the Commission over the long term but radically decreased income available for grant-making purposes over the short term.

In the mid-1980s the Japanese government made several contributions to the Commission that are used as cash to enhance the Commission's current programs. According to the Commission's enabling legislation as amended, these funds may be spent by the Commission without regard to the appropriations process. Hence, the Commission does not include them in the budget authority it requests. Instead, they are reflected in the higher outlay authority for dollar expenditures in the 1997 request. In addition, the potential for continued fluctuation of the value of the dollar vis-à-vis the yen through 1997 makes it necessary to request higher outlay authority for foreign currency (yen) than the \$1.42 M projected in budget authority, the dollar value of projected 1997 interest earnings on the yen account at the current exchange rate.

Personnel Resources

The Commission manages its multimillion dollar, widespread program with a full-time equivalency (FTE) level of six (6). At present, full-time staff include an executive director, two program officers and an executive secretary. A series of part-time clerks and work-study students from local universities is hired through the fifth

FTE. The sixth FTE covers commissioner time (the 18 commissioners meeting twice a year to decide grant awards and formulate agency policy). The Commission does not foresee additional personnel needs.

Constraints

There are no constraints on the Commission's programs, other than understandably strong differences of opinion in the media and economic and political groups regarding issues involving US-Japan trade and investment, security relations, etc., which sometimes impinge upon the Commission.

The amounts of budget authority and outlays represented for each fiscal period are as follows:

	1995 Actual	1996 Estimated	1997 Estimated
Budget Authority (Appropriations)			
Domestic Program (Dollar Fund Interest)	\$1,247,000	\$1,247,000	\$1,250,000
Foreign Currency Program (Yen Fund Interest)	\$1,420,000	\$1,420,000	\$1,420,000
Total Budget Authority	<u>\$2,667,000</u>	<u>\$2,667,000</u>	<u>\$2,670,000</u>
Outlays			
Domestic Program	\$1,670,000	\$1,670,000	\$1,670,000
Foreign Currency Program	\$1,597,000	\$1,597,000	\$1,597,000
Total Outlays	<u>\$3,090,000</u>	<u>\$3,090,000</u>	<u>\$3,090,000</u>

Budget authority above represents actual interest earnings. Outlays represent two separate phenomena. By statute the Commission is allowed to accept gifts from outside the US government and to spend those gifts on programs without reference to the appropriations process, and in fact, the Commission has received such gifts, as noted above. The dollar outlay estimate for FY 1997 of \$1,670,000 reflects the \$420,000 the Commission projects it will spend in that fiscal year of its gift funds.

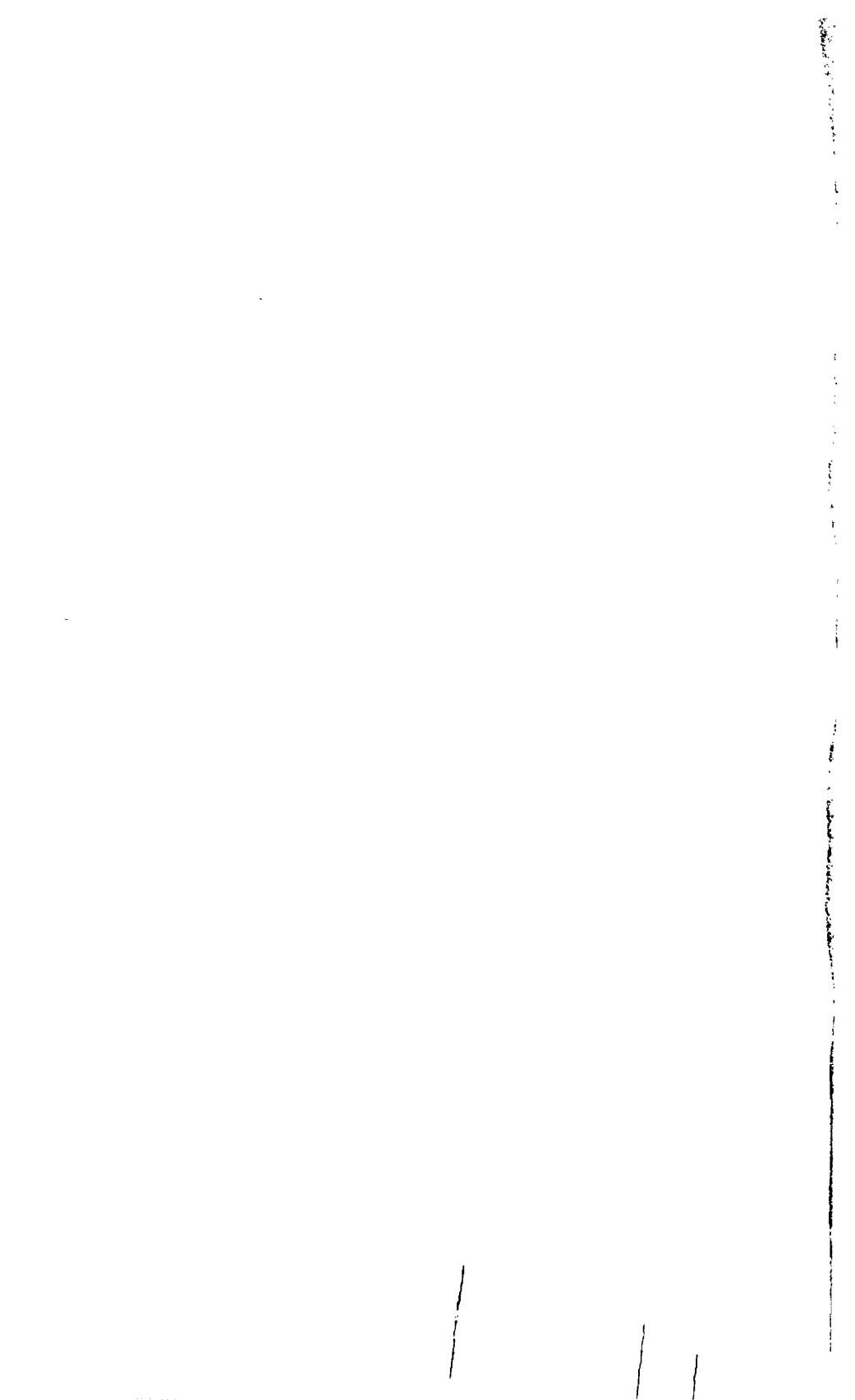
In its foreign currency request, the Commission is required to present its request in dollar value. Its foreign currency outlay estimate is \$177,000 higher than its budget request to account for the possibility that the exchange rate might continue to fluctuate during the course of the fiscal year.

Subject to decisions by the Commission on individual project proposals, outlays will be distributed as follows for Fiscal Year 1997 (in both currencies combined):

For Japanese Studies	\$1,200,000
For Policy-Oriented Research	\$ 610,000
For Public Affairs/Education	\$ 440,000
For American Studies	\$ 155,000
For the Arts	\$ 250,000
For Administration	<u>\$ 435,000</u>
TOTAL	\$3,090,000

A further breakdown of the above item Administration is as follows:

Salaries & benefits	294,940	Printing	7,210
Rent	34,660	Other services	61,800
Travel	21,240	Supplies	3,550
Communications	11,600		



April 17, 1996

**BUDGET REQUEST
FOR
FISCAL YEAR 1997**

**LEGAL SERVICES CORPORATION
750 FIRST STREET, N.E., 11th FLOOR
WASHINGTON, D.C. 20002-4250**

(473)

**LEGAL SERVICES CORPORATION
BUDGET REQUEST FOR FISCAL YEAR 1997**

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PART ONE: REQUEST FOR APPROPRIATION

The Legal Services Corporation seeks an appropriation of \$340,000,000 for FY 1997. In FY 1996, the Corporation has been operating at a level of \$278,000,000 pursuant to a series of Continuing Resolutions. The Corporation's appropriation for FY 1995 was \$415,000,000, of which \$15,000,000 was subsequently rescinded. For FY 1994, \$400,000,000 was appropriated.

The Corporation is a federally-chartered D.C. nonprofit corporation, created by Congress in 1974 in response to legislation suggested by President Nixon. The Corporation is governed by a bipartisan Board of Directors appointed by the President and confirmed by the Senate.

In FY 1997, the Corporation proposes to distribute 97 percent of its appropriation by grant to local legal services programs. Each grantee is an independent, nonprofit corporation governed by a local Board of Directors, the majority of whom are lawyers appointed by local bar associations and at least one-third of whom are individuals who were actually eligible for program services when they were appointed. Beginning in FY 1996, grants are awarded through a system of competition. Many local programs funded by LSC also receive funds from other sources, including state and local governments, the private bar, and other private contributors. LSC is funding approximately 280 local programs in FY 1996.

Only 3 percent of the Corporation's FY 1997 appropriation will be allocated to its centralized functions, primarily those of implementing the new competition-based system for awarding grants and monitoring to ensure that grantee programs comply with Congressional requirements for the use of funds.

The \$340,000,000 requested for FY 1997 will be allocated as follows:

- \$305,800,000 for general basic field services;
- \$11,300,000 for basic field services to migrants;
- \$7,900,000 for basic field services to Native Americans;
- \$5,500,000 for audits of grantee financial statements and compliance;
- \$9,500,000 to be allocated by the Board of Directors to management and administration and the Office of the Inspector General.

**LEGAL SERVICES CORPORATION
BUDGET REQUEST - FISCAL YEAR 1997**

	(1)	(2)	(3)
	FY 1996 REQUEST	HR 3076 LEVELS	FY 1997 REQUEST
L CLIENT SERVICES	\$427,914	\$386,000	\$336,000
A. PROGRAM SERVICES TO CLIENTS	416,773	394,000	358,000
1. Basic Field Programs	364,362	366,000	366,000
2. Migrant Programs and Components	14,363	—	11,000
3. Native American Programs and Components	8,782	—	7,500
4. National Support Programs	11,216	—	—
5. State Support Programs	12,632	—	—
6. Supplemental Field Programs	1,205	—	—
7. Regional Training Centers	204	—	—
8. Computer Assisted Legal Research Grants	289	—	—
9. Clerkingships	1,169	—	—
B. GRANTEE FINANCIAL & COMPLIANCE AUDITS	—	—	6,000
C. IMPROVED PERFORMANCE/SUFFICIENCY	11,245	—	—
1. Client Engagement	2,916	—	—
2. Law Schools	1,491	—	—
3. Board Initiatives	—	—	—
4. Elderly Services	1,000	—	—
5. Local Resource Development	1,000	—	—
6. Health and Technology	1,000	—	—
7. Audit Initiatives	1,000	—	—
8. Technical Assistance	200	—	—
9. U.S. Court of Veterans Appeals Funds	200	—	—
10. Disaster Response	200	—	—
D. CORPORATION MANAGEMENT & ADMINISTRATION	12,062	—	6,000
1. Management & Administration	—	6,000	—
2. Inspector General	—	1,000	—
3. Grantee Financial Audits Administered by the Inspector General	—	6,000	—
TOTAL	440,000	270,000	340,000

* H.R. 3076, the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 1996, was voted on December 19, 1995. The Legal Services Corporation has been operating under a series of Continuing Resolutions since October 1, 1995. H.R. 3019, the Omnibus FY 1996 Appropriation bill, which would fund LSC through the end of FY 1996, was passed by the House on March 7, 1996, by the Senate on March 21, 1996, and is currently the subject of a House-Senate conference committee. The House-passed version of H.R. 3019 would provide LSC with an overall appropriation of \$278,000,000, with \$25,000,000 for management and administration and \$7,000,000 for the Office of Inspector General (OIG), while the Senate version includes an overall appropriation of \$300,000,000, with \$7,500,000 for management and administration and \$1,500,000 for the OIG.

PART TWO: EXPLANATION OF REQUEST FOR APPROPRIATION

I. THE LEGAL SERVICES DELIVERY SYSTEM SHOULD BE PRESERVED.

The foundation of the Corporation's FY 1996 Budget Request is the belief that maintaining the basic delivery system created by Congress under the Legal Services Corporation Act is the best way to implement our nation's commitment to equal access to justice for low-income Americans. The legal services delivery system functions effectively and efficiently. In 1994, the most recent year for which final case statistics are available, local legal services programs provided assistance to approximately 1,900,000 clients, benefitting almost 5,000,000 individuals. Alternatives currently being considered by Congress, in contrast, would be wasteful and lack sufficient oversight. Modifications in the legal services delivery system have recently been implemented to address particular congressional concerns.

A. The legal services delivery system has been substantially modified in response to congressional concerns.

Within the past twelve months LSC's Board of Directors has made a number of significant changes in the structure of the legal services delivery system, either to implement legislative changes or in response to congressional suggestions. All of the changes are consistent with the expressed will of Congress.

In addition to those restrictions which have already been implemented, a number of proposed restrictions are pending in Congress. Most of these require changes in current law and thus cannot be carried out until they are enacted. LSC understands that those restrictions may become law prior to the end of FY 1996, and anticipates that they will be incorporated in the Corporation's regular FY 1997 appropriation in a manner that is consistent with their final form. LSC is committed to implementing congressional requirements fully and rapidly.

The changes which have already been implemented are:

1. Competition

On June 25, 1995, LSC's Board of Directors adopted a resolution directing LSC management to develop a system of competition in awarding LSC grants or contracts for legal assistance in order to ensure greater accountability and promote improvements in quality and efficiency among grantees. The resolution was based on legislative proposals which were eventually included in H.R. 2076, the Departments of Commerce, Justice, and State, the

Judiciary, and Related Agencies Appropriations Act, 1996, which required LSC to award FY 1996 grants on a competitive basis. Although the Conference Report was vetoed by the President, LSC has proceeded expeditiously with the implementation of the new system. A regulation governing the process has been published at 45 C.F.R. Part 1634.

The use of a competitive grant process to award all grants represents a major change in the LSC delivery system. Under the Legal Services Corporation Act recipients have a statutory and regulatory right to refunding in the absence of specified program deficiencies. The Corporation anticipates and supports final legislation for FY 1996 that requires a competitive process for all grant awards and does not include a right to refunding.

In August 1995, the Corporation made a broadly disseminated announcement of the availability of FY 1996 grant funds by providing notice in the Federal Register, newspapers and bar journals and notifying IOLTA programs, governors, and legal services programs directly. A Request for Proposals for the Provision of Civil Legal Services (RFP) in 363 service areas was released by LSC in October 1995 with a return date of November 1995. In response to that RFP, 294 proposal applications were received. In 41 service areas there was more than one applicant; in two service areas there was no applicant; and in the remaining 320 service areas there was just one applicant (including 19 service areas in which the current recipient did not apply).

Due to the lack of a final appropriation in January, 1996, all current LSC recipients who had applied for FY 1996 grants were refunded for the first three months of 1996. In the 19 service areas in which there were no applications from current recipients, LSC awarded 1996 grants to eight new entities which had submitted competitive proposals for funding. As of April 1, 1996, LSC has awarded grants pursuant to the system of competition to 301 programs for service areas for which there was only one applicant. These programs are receiving checks on a month-to-month basis until an FY 1996 appropriation is enacted. For the 41 service areas for which there is more than one applicant, the current recipient has been refunded for two months while LSC concludes its evaluation of the applications, including on-site capability assessments where appropriate. Final decisions for these areas will be announced in May.

LSC will begin the competitive grant process for 1997 funding later this spring.

2. Equalization and simplification of the delivery system

For the first time, LSC grants for basic field services have been made on a strict per capita basis for FY 1996, thus equalizing the funding level for all grantees, with a few exceptions specified in pending legislation.

Under past appropriations bills, LSC has been required to follow a specific funding formula in awarding grants. For historical reasons, service areas were funded at a variety of different levels in relation to their populations of individuals eligible for legal services. H.R. 2076 would have required LSC to replace this formula with equalized per capita funding. Although the provision has not yet become law, LSC has had flexibility under the FY 1996 Continuing Resolutions to fund all grantees on an equalized basis and has in fact done so.

LSC has also ceased to fund a number of categories of service providers which have been funded in the past: national support, state support, law school clinics, supplemental field programs, regional training centers, computer assisted legal research, and the Clearinghouse. LSC's Budget Request for FY 1997 includes only three categories of service areas: general basic field areas and areas consisting of two populations with special needs, Native Americans and migrants.

3. Grantee financial and compliance audits

LSC's Board of Directors has adopted a new Audit Guide developed by the Office of the Inspector General requiring all grantees to provide audited financial statements that comply with the requirements of OMB Circular No. A-133. LSC's Inspector General has developed and published a Compliance Supplement setting forth compliance requirements for use by auditors in conducting audits of FY 1995 grantees. During 1995 LSC assigned to the Office of the Inspector General full responsibility for LSC's audit function, including for the first time oversight of grantee audits. As a result of these new requirements, outside auditors and the Office of the Inspector General are playing an increased role in monitoring for compliance with congressional restrictions on the part of grantees. This is consistent with the will of Congress as expressed in H.R. 2076.

4. Timekeeping

On June 25, 1995, the LSC Board of Directors adopted a resolution directing management to develop a regulation requiring all grantees to maintain records of time spent on each case or matter. In doing so, the Board responded to congressional concerns that stricter accounting requirements were necessary to guarantee that LSC funds and private funds are not used, directly or indirectly, to support activities prohibited by the LSC Act or regulations. A final regulation setting forth the requirements has been published at 45 C.F.R. Part 1635.

5. Downsizing

In 1993, when the current Board took office, LSC's management and administration staff totalled 125, excluding the Office of the Inspector General (OIG). LSC's FY 1995

Budget Request called for a total of 108. As a result of the rescission of FY 1995 funds, that figure was reduced to 99. In August 1995, in response to indications that its management and administration budget would be significantly reduced for FY 1996, LSC announced a Reduction-in-Force (RIF) plan to further downsize its staff, with the exception of the OIG. The RIF produced a reduction in staff from a post-rescission level of 99 to 68, a cut of approximately one-third, bringing the level to just over one half of what it had been when the current Board took office.

	FY 1995 Post-Rescission	Current	Proposed 1997
Executive Office	15	9	9
General Counsel	8	4	5
Programmatic Staff	47	35	35
Comptroller	6	6	6
Admin. Services and Human Resources	17	9	10
Information Technology	6	5	5
TOTAL	99	68	70

LSC is currently engaged in a thorough review of its salary structure and personnel policies, which is being conducted with the participation of the federal Office of Personnel Management.

6. Drug-related evictions

On June 25, 1995, LSC's Board adopted a resolution prohibiting the use of LSC funds for the representation of individuals in evictions from public housing projects if they have been convicted of, or are being prosecuted for, the illegal sale or distribution of a controlled substance and if the eviction proceeding is brought by a public housing agency on the basis that the illegal drug activity of such person threatens the health or safety of other tenants residing in the public housing project or employees of the public housing agency. A regulation imposing the restriction has been published at 45 C.F.R. Part 1633.

B. The legal services delivery system represents the best way to provide legal services to the poor.

1. A federal legal services program is a national priority.

The Legal Services Corporation was created by Congress in 1974 with bipartisan sponsorship and the support of the Nixon Administration, after the American Bar Association and an independent commission established by President Nixon recommended the creation of a separate corporation as the most effective way to provide legal assistance to the poor.

In creating the Corporation, Congress determined that the federal government has an important interest in ensuring access to justice. The principle of "Equal Justice Under Law" is fundamental to our system of government, and all Americans have a stake in securing respect for the judicial system, which cannot be elicited unless it is both just and accessible to all citizens. People who are frustrated in their efforts to obtain access to the legal system to resolve their problems may lose respect for the rule of law. As President Nixon remarked in introducing the LSC Act in Congress in 1973, "Legal assistance for the poor is one of the most constructive ways to help them help themselves.... Justice is served far better and differences settled more rationally within the system than on the streets...."

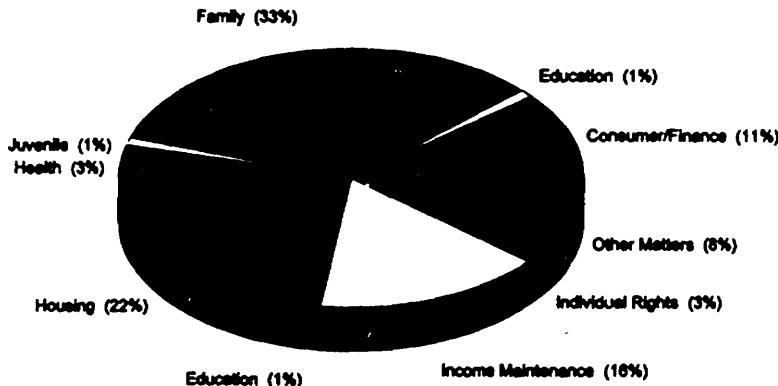
Congress recognized that federal funding was necessary to ensure that at least a minimum level of legal services would be available everywhere in the United States. While a few localities have a long and proud history of supporting legal services, states and most localities have shown little interest in the legal needs of the poor. In most areas little or no legal services were available to the poor before federal funding was initiated.

2. Legal services programs are doing the job Congress intended them to do: providing legal representation in the individual problems of the poor.

The vast majority of cases handled by local programs are non-controversial cases arising out of the individual problems of the poor.

LSC grantees closed 1,686,313 cases in 1994. The most common categories of cases were family, housing, income maintenance, consumer, health and employment. Case types frequently encountered included evictions, foreclosures, divorces, child custody and support, spousal abuse, child abuse or neglect, wage claims, consumer fraud and debt, and unemployment, disability, or other benefit claims. Although they are sometimes referred to as "routine," such cases often represent matters of crisis for individual clients and their families. The possible consequences may be as serious as the loss of a family's only source of income, homelessness, or the break-up of a family. Left unresolved, such problems can cost society far more than the cost of legal services to help address them.

Chart One
Legal Issues in 1994 Cases Closed



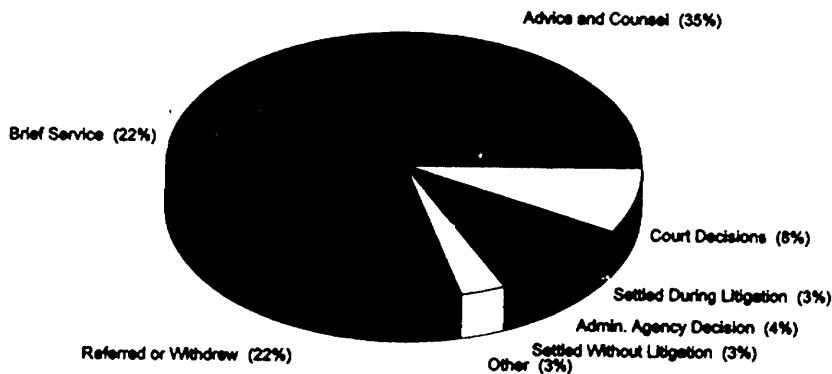
3. Legal services attorneys solve problems efficiently, without resort to unnecessary litigation.

At a time when Americans are concerned about the increasing litigiousness of our society, the legal services delivery system offers a model of efficient resolution of disputes and avoidance of unnecessary litigation.

Of almost 1.7 million cases closed by local programs in 1994, the vast majority were resolved through advice, brief services, administrative proceedings, or negotiated settlements. Only 142,134, or 8 percent of the total, were litigated and ended in a court decision.

Of the fraction of cases that were concluded by a court decision, two-thirds (68 percent) were family law cases in which court intervention was required under state law, such as divorces, protective orders, and child custody and support decisions. An additional 24 percent were housing, consumer finance, and juvenile cases.

Chart Two
Types of Services in 1994 Cases Closed



4. Modifications of the delivery system have addressed the concerns raised by critics of LSC.

The modifications of the LSC delivery system described above have addressed many of the concerns raised by critics of the program in the past. Implementation of competition in the awarding of grants eliminates the concern that "presumptive refunding" makes it too difficult to defund grantees when warranted by the circumstances. Requiring grantees to keep time records will ensure that LSC funds are not used directly or indirectly for prohibited purposes, and will document the amount of time spent on particular categories of cases. Increasing the role of outside auditors and the Office of the Inspector General in monitoring for compliance with federal restrictions addresses the allegation that LSC has not monitored grantees with sufficient rigor.

5. Alternatives to the current delivery system, as modified, would be wasteful and lack sufficient oversight.

Replacing the funding of local legal services programs through LSC with a block grant system, as proposed in a bill reported out by the House Judiciary Committee, would be more costly, increase the level of bureaucracy, and virtually eliminate federal oversight of the use of funds.

The delivery system funded through LSC already has the advantages that would be presented by a block grant system in that decisions about the allocation of legal services are made not by a bureaucracy in Washington but locally, by representatives of local bar associations, who make up the majority of the Board of Directors of every local Legal Services program. (In addition, one-third of every Board is made up of individuals eligible for services.) The fact that programs are locally controlled enables them to leverage federal funds by raising additional funds from state and local governments, the private bar, and other private sources. Services are provided not by government lawyers but by attorneys working in independent, private, nonprofit corporations. Legal Services attorneys work for salaries well below those of government attorneys, and even farther below those in private practice. At the end of 1994 the average entry-level salary for a Legal Services lawyer was \$25,293, in comparison to \$34,295 for entry-level attorneys in the Department of Justice (GS-11) and more than \$80,000 in Wall Street firms.

The Legal Services Corporation itself represents a national presence which is necessary to award grants and distribute federal funds and to ensure that grantees comply with federal restrictions. For the size of its appropriation, the Corporation's staff is extraordinarily small, but the role it plays is essential to ensure that congressional will is implemented. Replacing LSC with a block grant system would reduce the efficiency of the system by requiring the addition of a new layer of bureaucracy at the state level. At the same time, it would eliminate the centralized system of accountability now provided by LSC.

6. Elimination of the Legal Services Corporation would effectively bar most low-income Americans from access to justice.

There is little chance that the majority of states and municipalities, already hard pressed to meet current budgetary demands, would take on the additional obligation of providing legal services if federal funding were eliminated. If Congress shifts financial responsibility for many social programs to the states, competition for limited resources will be even more fierce.

In many regions of the country, especially in primarily poor and rural areas, it is likely that there will be little or no publicly funded legal services available to the poor.

The current delivery system involves private attorneys in the delivery of legal services

for the poor through *pro bono* programs. Basic field programs are required to devote an amount equal to one-eighth of their LSC grants to private attorney involvement. More than 130,000 lawyers are registered and participating as volunteer attorneys in organized *pro bono* programs. The number of *pro bono* volunteers continues to increase with the encouragement of the organized bar and the support of Legal Services programs, which provide essential training and support.

However, *pro bono* services from private attorneys cannot replace federally funded Legal Services. *Pro bono* services are now at an all-time high, primarily because of the efforts of the organized bar and the Corporation and its grantees to involve private attorneys in the delivery of legal services. In addition to those attorneys participating in programs sponsored by legal services, tens of thousands of others already provide *pro bono* services on their own. But even if the present level of *pro bono* services were doubled or tripled, they would fall far short of what would be necessary to replace services now being provided by Legal Services attorneys. Moreover, elimination of the Corporation would destroy the structure through which most *pro bono* services are provided. Again, the regions of the country that would be hit hardest would be poor and rural areas with few private attorneys.

II. AN APPROPRIATION OF \$340 MILLION IS NECESSARY TO MEET THE NEED FOR LEGAL SERVICES FOR THE POOR.

The Corporation understands that in a time of diminished resources all federal spending must be carefully scrutinized. Nevertheless, we believe that in light of the overwhelming need for legal services on the part of low-income Americans, an appropriation of \$340 million, including an adequate allocation for LSC's management and administration functions, is both necessary and appropriate. This figure represents a significant reduction below the FY 1995 post-rescission level of \$400 million.

A. The need for legal services far exceeds the available resources.

Approximately 38,000,000 Americans live in households whose income is below the poverty level, according to Department of Labor estimates. At least 11,000,000 additional individuals with incomes between 100 and 125 percent of the poverty level are potentially eligible for legal services. This means that one out of every seven Americans is potentially eligible for legal services.

Even in prior years when LSC funding was considerably higher than it has been in FY 1996, local legal services programs were able to meet only a small fraction of the demand for services. A survey of selected local Legal Services programs in the spring of 1993 revealed

that nearly half of all people who actually applied for assistance from local programs had to be turned away due to lack of program resources. As former Representative Guy Molinari stated when he testified before the House Appropriations Subcommittee on Commerce, Justice, State, and the Judiciary and Related Agencies, in support of an appropriation of \$525,000,000 requested for FY 1994 by the LSC Board of Directors appointed by President Bush: "We can argue about the amount of unmet need; but I don't think there is any dispute about the fact that there is a very substantial amount of people out there who are, in fact, in need of civil legal services."

During 1994, Corporation grantees provided legal services to approximately 1,900,000 clients and closed almost 1,700,000 matters. Serving these clients directly benefited nearly 5,000,000 people, most of them children living in poverty. Final statistics for 1995 are now being compiled.

Projected figures are not yet available for FY 1996, during which LSC funding has been reduced by approximately 30 percent, from \$400 million (post-rescission) in FY 1995 to an annualized level of \$278 million under a series of Continuing Resolutions. Nevertheless, it is clear that the reduction in funding has required LSC-funded programs to lay off attorneys, close neighborhood offices, and turn away clients in desperate need of services. In addition, there are indications that pending restrictions on the use of non-LSC funds are resulting in the loss of other sources of funding, including state and local governments. For FY 1997, LSC seeks a funding level which, while still inadequate to meet the need, will increase the number of clients who can be served. An appropriation of \$340 million would begin to mitigate the consequences of the 1996 cutbacks.

B. The centralized functions performed by LSC must be funded adequately for the delivery system to work efficiently and effectively.

LSC must have a management and administration capacity sufficient to carry out its various responsibilities. General executive responsibilities include the following: providing information, analysis, and policy recommendations to the Board of Directors; interpreting and implementing policy as set by the Board; government relations (including development of budget proposals; liaison with authorizing and appropriating committees; liaison with the executive branch and other government agencies; response to inquiries from Congress and public officials; reprogramming and other reports to Congress); production of the Annual Report and other publications; response to inquiries from press and public; cooperation with the Office of the Inspector General; drafting and publishing regulations; responding to litigation brought against LSC; responding to FOIA requests and complying with similar requirements; maintaining accounting systems and cash management; payroll; preparation of monthly grant checks; preparation of LSC's corporate tax returns and registration; development and enforcement of personnel and administrative policies; compensation and benefit administration; review of employee grievances; compliance with Equal Employment

Opportunity requirements; reprographics and mailing; maintenance of archives and library; property management; maintenance of information system and databases; and general administration.

LSC's principal programmatic functions are the implementation of congressional intent with regard to competition for grants and ensuring compliance with federal restrictions and other requirements.

1. Competition

LSC is fully committed to encouraging rigorous competition for grants. This will require a substantial investment of time on the part of LSC staff, beginning with the provision of assistance to potential new applicants. LSC must insure that general inquiries receive prompt, complete and positive responses. In some circumstances, it may be necessary for LSC to work closely with potential new applicants to ensure they are able to compete effectively for funding. After applications are submitted LSC will need to assist applicants by responding to general inquiries, reviewing proposals for compliance with technical requirements, and assisting in the correction of errors and submission of incomplete proposals.

For 1997 grants, LSC proposes to implement a two-tiered review process, which is standard practice in government and the private sector. Each application will be subjected to an independent review by outside evaluators as well as an internal review by LSC staff. For the outside process to be effective in promoting competition and ensuring the improved quality and effectiveness of applicants, LSC staff will need to devote appropriate efforts to recruit, select, train and coordinate the work of the outside evaluators.

The steps taken by the Corporation once a decision has been made to award a grant to a recipient will be key to the success of competition. It will be necessary for LSC staff to negotiate the terms, conditions, and expectations for the grant with each grantee. Matters that must be addressed include making arrangements for prior recipients to close out or transfer ongoing cases, ensuring that each grantee understands and complies with all congressional requirements and restrictions, and assuring that appropriate priority setting is undertaken by the recipient. LSC's prior experience with the start-up of new grantees has been that substantial LSC staff involvement is required for at least six months after the grant is awarded.

After the initial grants have been made, LSC will need to evaluate the operation of grantees for purposes of determining who is entitled to receive future grants. LSC will refine its performance measures for on-site assessments and reports necessary to inform the decision-making process. We anticipate that each grantee will be evaluated at least once every five years. In addition, we would expect to evaluate new applicants to assess their capacity to serve clients effectively.

During the competitive process, LSC will also need to continue to meet its responsibility to investigate complaints and to evaluate and act on requests for approvals and waivers required by our regulations. During the term of any grant made pursuant to competition, LSC will take such steps as may be necessary to require corrective action, to enforce sanctions or to terminate or suspend grants.

We have estimated that to perform these functions will require no less than 27 professional programmatic staff members, with an administrative support staff of at least eight, for a total of 35. Adequate funding for payment of outside evaluators and travel will also be necessary.

2. Compliance Monitoring

As noted above, LSC has already taken steps to strengthen the role of outside auditors and the Office of the Inspector General in monitoring grantees for compliance with federal requirements by requiring programs to conduct their annual audits pursuant to the requirements of OMB Circular No. A-133 and transferring audit oversight responsibility to the OIG. LSC is not currently conducting any on-site monitoring, pending clarification of congressional intent on this issue.

At the time that this Budget Request is being submitted, Congress has not yet determined whether the cost of the A-133 audits should be paid by grantees themselves or by the Office of the Inspector General. H.R. 2076 would have provided the OIG with funding to pay for program audits directly, while the Senate version of H.R. 3019, the Omnibus FY 1996 Appropriations Bill, assumes that programs will continue to pay the cost of their own audits as they have in the past. Consequently, we have listed a separate line item of \$5.5 million to cover the costs of the audits and their administration and oversight, rather than including this expense in management and administration or grants to the field. It is the LSC Board's intention to provide the bulk of this amount to field programs to pay for the cost of their audits, with the balance allocated to additional compliance monitoring and/or oversight of the audit process. Since we do not yet have experience with requiring all programs to conduct their audits according to these more rigorous standards or using such audits as the basis for monitoring compliance with programmatic requirements, the Board considers that some adjustment of this allocation may be necessary during the course of the fiscal year.

**LEGAL SERVICES CORPORATION
BUDGET IN BRIEF - FISCAL YEAR 1997**

(dollar in thousands)

	1996 Budget		1996 Estimate		1997 Estimate		Change from 1996 to 1997	
	Amount	Per Cent Point's	Amount	Per Cent Point's	Amount	Per Cent Point's	Amount	Per Cent Point's
L. CLIENT SERVICES								
Appropriations	362,410		364,361		330,000		64,140	
Funds Carried Forward from previous year	46,200		364,000		330,000		64,000	
Other Funds Available	1,434		475		—		(475)	
US Court of Veterans Appeals Funds	799		178		—		(178)	
AmeriCorps Funds	782		807		—		(807)	
Reclassifications	(13,216)		—		—		—	
A. PROGRAM SERVICES TO CLIENTS								
Appropriations	360,044		364,316		325,000		59,264	
Funds Carried Forward from previous year	46,200		364,000		325,000		59,000	
Other Funds Available	126		216		—		(316)	
Reclassifications	(11,722)		—		—		—	
B. GRANTEE FINANCIAL & COMPLIANCE AUDITS								
Appropriations	—		—		5,000		5,000	
C. IMPROVED PERFORMANCE/SELF-SUFFICIENCY								
Appropriations	3,375		1,836		—		(1,436)	
Funds Carried Forward from previous year	2,228		—		—		—	
US Court of Veterans Appeals Funds	1,167		100		—		(100)	
AmeriCorps Funds	782		178		—		(178)	
Adjustments	(1,494)		—		—		—	
Reclassifications	—		—		—		—	

**LEGAL SERVICES CORPORATION
BUDGET IN BRIEF - FISCAL YEAR 1997**

	(Millions in thousands)						Change from 1996 to 1997	
	1996 Budget		1996 Estimate		1997 Estimate			
	Amount	Per cent Per cent's	Amount	Per cent Per cent's	Amount	Per cent Per cent's		
I. CORPORATION MANAGEMENT & ADMINISTRATION	11,275		12,771		9,000		(3,271)	
Appropriations	12,000		12,000		9,000		(3,000)	
Funds Carried Forward from previous year	895		—		—		—	
Other Funds Available	566		300		—		(366)	
Appropriations Allocated to Fund Balance Deficit due to Lease Loss 1995 - Severance Cost 1996	(748)		(528)		—		220	
Resolutions	(1,784)		—		—		—	
TOTAL - REQUIREMENTS	493,896	100	279,122	83	346,000	86	66,878	
Appropriations	415,000	100	275,000	83	346,000	86	62,000	
Funds Carried Forward from previous year	1,048		471		—		(578)	
Other Funds Available	966		366		—		(366)	
US Court of Veterans Appeals Funds	796		178		—		(178)	
AmeriCorps Funds	732		667		—		(667)	
Appropriations Allocated to Lease Loss 1994 - Fund Bal. due to Deficit 1996	(748)		(528)		—		220	
Resolutions	(15,000)		—		—		—	

**LEGAL SERVICES CORPORATION
BUDGET SUMMARY - FISCAL YEARS 1985, 1986 AND 1987**

(dollars in thousands)

	<u>1986 Budget</u>	<u>1986 Estimate</u>	<u>1987 Estimate</u>	<u>Change 86 To 87</u>
CLIENT SERVICES	392,419	268,351	330,500	64,149
Appropriation	402,500	268,000	330,500	65,500
Funds Carried Forward from Previous Year	1,435	476	—	(476)
Other Funds Available	158	—	—	—
US Court of Veterans Appeals	790	178	—	(178)
AmeriCorps Funds	752	697	—	(697)
Recession	(13,216)	—	—	—
 CORPORATION MANAGEMENT & ADMINISTRATION	 11,276	 12,771	 9,500	 (3,271)
Appropriation	12,500	13,000	8,500	(3,500)
Funds Carried Forward from Previous Year	505	—	—	—
Other Funds Available	800	300	—	(900)
Appropriations Allocated to Fund Balance Deficit due to Lease Loss 1983 - Severance Cost 1986	(745)	(529)	—	529
Recession	(1,784)	—	—	—
 TOTAL - REQUIREMENTS	 403,695	 279,122	 340,000	 60,878
Appropriation	415,000	278,000	340,000	62,000
Funds Carried Forward from Previous Year	1,940	476	—	(476)
Other Funds Available	958	300	—	(300)
US Court of Veterans Appeals Funds	790	178	—	(178)
AmeriCorps Funds	752	697	—	(697)
Appropriations Allocated to Lease Loss 1984 - Fund Bal. due to Deficit 1986	(745)	(529)	—	529
Recession	(15,000)	—	—	—

LEGAL SERVICES CORPORATION
APPROPRIATION REQUEST IN RELATION TO FUNDS AVAILABLE
 (dollars in thousands)

	<u>POSN'S</u>	<u>AMOUNT</u>
1. Total Funds Available in Fiscal Year 1996		
Appropriation, FY 1996	83	278,000
Appropriated funds carried forward from FY 1996		476
Other Funds Available		300
US Court of Veterans Appeals Funds		178
AmeriCorps Funds		697
Appropriation Allocated to Deficit		(529)
Total available in FY 1996	<u>83</u>	<u>279,122</u>
2. Request for Fiscal Year 1996 - Summary of Changes		
Appropriation, FY 1996	129	440,000
Adjustments		—
FY 1996 Base		440,000
Adjustments to Base		—
Program Increase		—
Total appropriation requested for FY 1997	<u>129</u>	<u>440,000</u>
3. Total Funds Available in Fiscal Year 1997		
Requested Appropriation	86	340,000
Appropriated funds carried forward from previous fiscal year (1996, estimate)		—
Total available in FY 1997	<u>86</u>	<u>340,000</u>

**LEGAL SERVICES CORPORATION
PROGRAM AND FINANCING FOR FEDERAL APPROPRIATIONS
FISCAL YEARS 1986, 1986 and 1987**

(dollars in thousands)

	1986 Actual	1986 Estimate	1987 Estimate
I. Client Services			
A. Program Services to Clients	400,796	298,341	325,000
B. Grantee Financial & Compliance Audits	—	—	5,000
C. Improved Performance/Self-Sufficiency	4,000	—	—
Recission	(13,216)	—	—
II. Corporation Management & Administration			
Recission	13,000 (1,784)	12,771 —	9,000 —
Total program costs, funded	403,096	279,122	340,000
Change in Selected Resources			
Appropriated funds from prior years	(1,840)	(478)	—
Other Funds Available	(960)	(300)	—
US Court of Veterans Appeals Funds	(730)	(178)	—
AmeriCorps Funds	(762)	(997)	—
Appropriations Allocated to Lease Loss	746	529	—
Total obligations (object class 41)	400,000	278,000	340,000
Financing:			
Budget Authority (appropriation)	400,000	278,000	340,000
Relation of obligations to outlays:			
Obligations incurred, net	400,000	278,000	340,000
Obligated balance, start of year	68,526	68,466	46,000
Obligated balance, end of year	(68,466)	(46,000)	(61,000)
Outlays	400,000	298,466	328,000

Appropriation Language and Explanation of Language Changes

Proposed new material is underlined.
 [Material in brackets is deleted]

FISCAL YEAR 1997

LEGAL SERVICES CORPORATION

PAYMENT TO THE LEGAL SERVICES CORPORATION

For payment to the Legal Services Corporation to carry out the purposes of the Legal Services Corporation Act of 1974, as amended, [~~\$415,000,000~~] \$40,000,000, of which [~~\$350,700,000~~] \$305,800,000 is for basic field programs, [~~\$9,390,000~~] \$7,900,000 is for Native American [programs] funding, [~~\$13,830,000~~] \$11,300,000 is for migrant [programs] funding, [~~\$1,435,000~~ is for law school clinics, ~~\$1,305,000~~ is for supplemental field programs, \$870,000 is for regional training centers, \$10,800,000 is for national support, \$11,585,000 is for State support, \$785,000 is for client initiatives, \$1,145,000 is for the Clearinghouse, \$655,000 is for computer assisted legal research regional centers,] \$5,500,000 is for grantee financial and compliance audits, and [~~\$12,500,000~~ is for Corporation management and administration] \$9,500,000 is to be allocated between management and administration and the Office of Inspector General.

Administrative Provision: Legal Services Corporation

Sec [403(a)] 402. [Funds appropriated under this act to the Legal Services Corporation and distributed to each grantee funded in fiscal year 1995, pursuant to the number of poor people determined by the Bureau of the Census to be within its geographical area, shall be distributed in the following order.

- (1) Grants from the Legal Services Corporation and contracts entered into with the Legal Services Corporation under section 1006(a)(1) of the Legal Services Corporation Act, as amended, shall be maintained in fiscal year 1995 at not less than the annual level at which each grantee and contractor was funded in fiscal year 1994 pursuant to Public law 103-317
- (2) 50 percent of new basic field funds shall be awarded to grantees and contractors funded at the lowest levels per-poor-person (calculated for each grantee or contractor by dividing each such grantee or contractor's fiscal year 1994 grant level by the number of poor persons within its geographical area under the 1990 census) so as to fund the largest number of programs possible at an equal per-poor-person amount

(3) 50 percent of new basic field funds shall be allocated to grantees and contractors in an amount that is proportionate to the number of poor people in such grantee or contractor's service area as enumerated in the 1990 census.

(b)] None of the funds appropriated under this Act to the Legal Services Corporation shall be expended for any purpose prohibited or limited by or contrary to any of the provisions of --

(1) section 607 of Public Law 101-515, [and that all funds appropriated for the Legal Services Corporation shall be subject to the same terms and conditions as set forth in section 607 of Public Law 101-515,] except that the funding formulas and provisos 8, 13, 15, 17, 18, 20 and 22 shall not apply, and all references to "1991" in such section [607 of Public Law 101-515] shall be deemed to be ["1995"] "1997", unless subparagraph (2) applies, and

(2) authorizing legislation for fiscal year [1995] 1997 for the Legal Services Corporation that is enacted into law.

(Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Act, 1995.)

Explanation of Language Changes

A regular FY 1996 appropriation for the Legal Services Corporation had not been enacted at the time this Budget Request was prepared. Therefore, the language is identical with FY 1995 -- the last complete fiscal year for which an appropriation has been enacted for the Legal Services Corporation -- except that the line item totals reflect the details of this Budget Request and 1997 replaces [1995].

In addition, a proposal is made for amending the Administrative Provision related to the Legal Services Corporation's appropriation to reflect the fact that grants made with FY 1996 monies contained in various Continuing Resolutions have been (and will, it is anticipated, continue to be) distributed on the basis of an equal figure per individual in poverty for all geographic areas serviced by Legal Services Corporation grantees, not in the manner prescribed by FY 1995 law. This is consistent with the proposal contained in H R. 2076, the Departments of Commerce, Justice, and State, the Judiciary, and Related Agencies Act, 1996, which was vetoed by the President, as well as language contained in H R. 3019, the Omnibus FY 1996 Appropriation bill, which at the time this Budget Request was prepared was the subject of a House-Senate conference committee. A line item is included for grantee financial and compliance audits in anticipation of the enactment of H R. 3019 (or any subsequently enacted regular FY 1996 appropriations legislation). Both the House and Senate versions of H R. 3019 include provisions consistent with this request.

The use of FY 1995 language is in accordance with the appropriations request submitted by the Administration regarding the Legal Services Corporation. While it does not reflect the likely imposition of new restrictions and requirements in FY 1996 under H R. 3019 or any subsequently enacted regular FY 1996 appropriations legislation, the Legal Services

Corporation understands that those restrictions and requirements may be enacted into law in 1996 and is prepared to enforce and comply with them.

However, the Corporation is concerned that some of the newly proposed restrictions would unduly impose on the representation of clients and limit their access to the justice system. The Corporation is particularly concerned about the scope of restrictions that address participation in agency rulemaking, collection of attorneys' fees, and permitting programs to respond to requests from legislators and administrative officials. In addition, the Corporation considers that the proposed restrictions on non-LSC funds inappropriately impinge on the rights of states and private entities to determine how their own funds are to be used, and will result in the loss of additional sources of funding for legal services.

PART THREE: ACTIVITIES IN BRIEF

The Legal Services Corporation is a private, nonmembership, nonprofit corporation in the District of Columbia.

The Board of Directors of the Corporation is composed of 11 voting members who are appointed by the President of the United States with the advice and consent of the Senate. The current members of the Board were appointed by President Clinton and confirmed by the United States Senate on October 28, 1993. The Corporation Board is responsible for managing the affairs of the Corporation, providing oversight, setting general policy and promulgating regulations that govern the activities of the Corporation and its grantees.

The Chairman of the Board is elected from among the Corporation's Board members. The Board is currently composed of nine members who are attorneys and two non-lawyer members who were selected from the population of eligible clients.

The Board appoints the President of the Corporation. The President, in turn, directs the day-to-day operations and personnel of the Corporation, executes grants and contracts and, after consultation with the Board, appoints the Corporation's officers.

LEGAL SERVICES CORPORATION
ACTIVITIES IN BRIEF
(Amounts In Thousands)

	1990 Estimate		1990 Base		1991 Estimate		Inc. (+) or Dec. (-) 1991 Est. to 1991 Base	
	Amount	Per Cent Per Cent's	Amount	Per Cent Per Cent's	Amount	Per Cent Per Cent's	Amount	Per Cent Per Cent's
Total	\$79,122	03	\$71,000	03	\$40,000	00	\$2,000	01
Appropriations								
From Current Forecast	\$71,000	03	\$71,000	03	\$40,000	00	\$2,000	01
From Previous Year								
Other Funds Available	476		—		—		—	
US Court of Veterans Appeals Funds	300		—		—		—	
AmeriCorps Funds	173		—		—		—	
Appropriations Allocated to Fund Bal. due to Deficit 1990	967		—		—		—	
	(529)		—		—		—	

500

I. CLIENT SERVICES

Ninety-seven percent of all FY 1997 funds will be used to provide legal help to people living in poverty through locally controlled legal services recipients chosen in a competitive process, including \$5,500,000 to audit those recipients.

LEGAL SERVICES CORPORATION ACTIVITIES IN BRIEF (Dollars in thousands)							
	1996 Estimate		1996 Base		1997 Estimate		Inc. (+) or Dec. (-) 1997 Est. to 1997 Base
	Amount	Per Cent Point's	Amount	Per Cent Point's	Amount	Per Cent Point's	
I. CLIENT SERVICES							
Total	366,361		364,000		330,000		\$4,000
Appropriation Funds Carried Forward from Previous Year	364,000		364,000		330,000		\$4,000
US Court of Veterans Appeals Funds	476		—		—		—
AmeriCorps Funds	178		—		—		—
	567		—		—		—

A. Program Services to Clients

Legal assistance to eligible individuals is provided by locally controlled grantees selected according to a competition-based system. In 1997, the field programs will receive \$325,000,000 to provide basic field services to the general population of poor people, to Native Americans, and to migrants.

LEGAL SERVICES CORPORATION ACTIVITIES IN BSRP (Dollars in thousands)						
	1996 Estimate		1997 Base		Inc. (+) or Dec. (-) 1997 Est. to 1997 Base	
	Amount	Per Capita Per Capita	Amount	Per Capita Per Capita	Amount	Per Capita Per Capita
A. PROGRAM SERVICES TO CLIENTS						
Total	304,376		304,000		325,000	\$1,000
Appropriation From Current Forward From Previous Year	304,000		304,000		325,000	\$1,000
	316		—		—	—

1. General Basic Field Programs

The largest group of providers are the General basic field programs. They are the neighborhood offices and private bar delivery programs that exist in every state, county, congressional district and territory, as well as in the Commonwealth of Puerto Rico and the Federated States of Micronesia. These programs are administered by local Boards of Directors, a majority of whose members are appointed by local bar associations, and provide legal assistance to individuals pursuant to locally-determined priorities that respond to community conditions and needs. Pursuant to their local priorities, grantees hire staff, contract with local attorneys, and develop *pro bono* programs for the direct delivery of legal assistance to eligible clients.

Typically, recipient programs are staffed by full-time and part-time attorneys, paralegals, and support personnel, supplemented by private attorneys providing services on a *pro bono* or reduced fee basis. The Corporation requires that each basic field Legal Services program spend an amount equal to at least one-eighth of its annualized basic field grant award to encourage participation by private attorneys in the provision of legal assistance to poor individuals. See 45 C.F.R. Part 1614.

Eligibility is determined on a case by case basis, pursuant to grantee eligibility criteria established under parameters set forth in Corporation regulations. See 45 C.F.R. Part 1611. Each grantee establishes a maximum individual client income eligibility level which may not exceed 125 percent of the current official Federal Poverty Income Guidelines.

The Corporation seeks \$305,800,000 to provide basic field services for people in poverty in 1997, with additional amounts to provide basic field Services to Native Americans and migrants, as detailed below. The funds would be distributed on a strict per capita basis, with the few exceptions set forth in pending legislation.

LEGAL SERVICES CORPORATION
ACTIVITIES IN BRIEF
(MILLIONS IN THOUSANDS)

	1996 Estimate		1996 Base		1997 Estimate		Inc. (+) or Dec. (-) 1997 Est. in 1997 Base	
	Amount	Per Capita Poverty	Amount	Per Capita Poverty	Amount	Per Capita Poverty	Amount	Per Capita Poverty
1. Basic Field Programs								
Total	264,277		264,000		305,800		41,523	
Appropriation	264,000		264,000		305,800		41,800	
Funds Carried Forward from Previous Year	277		--		--		--	

2. Programs Providing Basic Field Services to Migrants

Corporation-supported Legal Services programs provide basic field services to migrant farmworkers and their families, focussing on the special legal needs of this vulnerable and frequently exploited group. Providing such services is difficult because these laborers live in remote areas and continuously migrate with the growing season's cycle. A 1980 analysis of the special legal needs and access difficulties of migrant farmworkers showed that the need for services far exceeded existing funding. Moreover, the number of agricultural laborers in the migrant stream has expanded markedly in the last two decades. The Corporation requests \$11,300,000 for FY 1997 with which to serve the 1,613,313 eligible migrant laborers and family members included in the 1990 census, through specialized migrant service areas in each state.

LEGAL SERVICES CORPORATION ACTIVITIES IN BRIEF (dollars in thousands)								
	1996 Estimate		1997 Base		1997 Estimate		Inc. (+) or Dec. (-) 1997 Est. to 1997 Base	
	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita
2. Migrant Programs and Components								
Total	30	—	—	—	11,300	—	11,300	—
Appropriation	—	—	—	—	11,300	—	11,300	—
Funds Carried Forward from Previous Year	30	—	—	—	—	—	—	—

3. Programs Providing Basic Field Services to Native Americans

Since its inception, the Corporation has had special responsibility for serving Native Americans. LSC programs provide basic field services to Native Americans throughout the country. Because of the location of many tribes in rural and isolated areas, language and cultural barriers, the peculiar nature of the law affecting Native Americans and a variety of other factors, the costs of service are high and existing programs are inadequately funded. Moreover, there are a number of tribes that are unrecognized or recently recognized that are not effectively served today. The Corporation seeks to maintain its legal assistance to Native Americans with an appropriation of \$7,900,000 in FY 1997.

**LEGAL SERVICES CORPORATION
ACTIVITIES IN BRIEF
(dollars in thousands)**

	1996 Estimate		1997 Base		1997 Estimate		Inc. (+) or Dec. (-) 1997 Est. to 1997 Base
	Amount	Per Capita's	Amount	Per Capita's	Amount	Per Capita's	
3. Native American Programs and Components							
Total	—	—	—	—	7,900	—	7,900
Appropriation	—	—	—	—	7,900	—	7,900
Funds Carried Forward From Previous Year	—	—	—	—	—	—	—

B. Grantee Financial and Compliance Audits

In FY 1996 LSC intends to implement congressional intent by basing its system for monitoring grantee compliance with federal requirements upon financial and compliance audits conducted by independent auditors pursuant to the requirements of OMB Circular No. A-133, with oversight by the Office of the Inspector General.

Congress has not yet made a final determination as to whether the cost of the A-133 audits should be paid by grantees themselves or by the Office of the Inspector General. Consequently, the costs of these audits and their administration and oversight have been listed as a separate line item rather than allocated either to management and administration or grants to the field. It is the LSC Board's intention to provide the bulk of this amount to field programs to pay for the cost of their audits, with the balance to be allocated to additional compliance monitoring and/or oversight of the audit process, as necessary.

**LEGAL SERVICES CORPORATION
ACTIVITIES IN BRIEF
(Dollars in Thousands)**

	1995 Estimate		1995 Base		1997 Estimate		Inc. (+) or Dec. (-) 1997 Est. to 1997 Base	
	Amount	Per Cent Point's	Amount	Per Cent Point's	Amount	Per Cent Point's	Amount	Per Cent Point's
B. GRANTEE FINANCIAL & COMPLIANCE AUDITS								
Total	—	—	—	—	\$,000	—	\$,000	—
Appropriation	—	—	—	—	\$,000	—	\$,000	—
Funds Carried Forward from Previous Year	—	—	—	—	—	—	—	—
C. IMPROVED PERFORMANCE/SELF-SUFFICIENCY								
Total	1,036	—	—	—	—	—	—	—
Appropriation	—	—	—	—	—	—	—	—
Funds Carried Forward from Previous Year	106	—	—	—	—	—	—	—
US Court of Veterans Appeals Funds	179	—	—	—	—	—	—	—
AmeriCorps Funds	677	—	—	—	—	—	—	—

II. CORPORATION MANAGEMENT AND ADMINISTRATION

LSC must have a management and administration capacity sufficient to carry out its various responsibilities. First, the Corporation must award grants pursuant to a competition-based system. Second, the Corporation must ensure that grantees comply with the goals of the Legal Services Corporation Act. Third, the Corporation receives and disburses funds to provide services to low-income individuals throughout the country.

The Corporation requests \$9,500,000 for management and administration in FY 1997, which is 2.8% of the total amount requested. The funds will be used to support the functions of the Corporation's central administration as well as to fund the activities of the Corporation's Office of Inspector General.

**LEGAL SERVICES CORPORATION
ACTIVITIES IN BRIEF
(Dollars In Thousands)**

	1996 Estimate		1996 Base		1997 Estimate		Inc. (+) or Dec. (-) 1997 Est. to 1997 Base	
	Amount	Per Capita's	Amount	Per Capita's	Amount	Per Capita's	Amount	Per Capita's
I. CORPORATION MANAGEMENT & ADMINISTRATION								
Total	12,771	\$3	13,000	\$3	9,000	\$6	(3,000)	\$3
Appropriation	13,000	\$3	13,000	\$3	9,000	\$6	(3,000)	\$3
Funds Carried Forward from Previous Year	—	—	—	—	—	—	—	—
Other Funds Available	300	—	—	—	—	—	—	—
Appropriations Allocated to Fund Bal. Deficit	(229)	—	—	—	—	—	—	—

1. Office of Program Evaluation, Analysis and Review (OPEAR) and Office of Program Services (OPS)

When its management and administration allocation for FY 1996 becomes final, LSC will review the structure of its programmatic offices in light of the responsibilities assigned to them by Congress. The two current programmatic offices, OPEAR and OPS, may be consolidated into one division.

LSC's programmatic offices will be responsible for implementing the new system of competitive grant-making, for assuring compliance with federal law and regulations, and for gathering information about grantee activities to provide to Congress. Responsibilities relating to competition include developing a Request for Proposals, undertaking advertising and outreach, conducting bidder's conferences, providing technical assistance, reviewing and scoring proposals, recruiting and training outside evaluators, conducting internal reviews and evaluations, as well as on-site visits when appropriate, negotiating and drafting grant conditions, determining the grant cycle, administering grants, and managing records. Responsibilities relating to compliance include investigating complaints, approving requests for waivers and subgrants, enforcing findings of non-compliance, and implementing new restrictions. Responsibilities relating to gathering information include monitoring transition cases and collecting caseload and client statistics.

2. Executive Office

The Executive Office is comprised of the President, Executive Vice President, and other staff responsible for the implementation of Board policy and oversight of the Corporation's operations. In addition, the Executive Office staff responds to congressional and Presidential requests for information and communications from the general public and the media and produces the Corporation's Annual Report.

3. Office of the General Counsel

The Office of the General Counsel serves as in-house counsel to the Corporation, providing legal advice to the Corporation's Board of Directors and President, as well as to various offices in the Corporation. The General Counsel also carries out traditional "lawyer" functions, including negotiating, drafting and reviewing legal instruments such as contracts, settlement agreements, releases, applications for funding, and grant documents, and representing the Corporation's interests in litigation, either directly or through retention and oversight of independent counsel.

4. Offices of the Comptroller, Administration and Human Resources/Equal Opportunity, and Information Technology

These departments provide essential financial, administrative and human resource support services for the Corporation. Their functions include managing the financial and administrative systems and information technology, assuring the integrity of Corporation accounts, providing financial reports to management, the Board, the President and the Congress, meeting Corporation personnel needs, developing employee relations policies and administering Corporation salary and benefits programs.

5. Office of the Inspector General

The Inspector General conducts audits, investigations and other evaluations of LSC and grant supported operations within the terms of the Inspector General Act. Through these activities, the Inspector General helps LSC and its grantees prevent or detect fraud, waste, abuse and mismanagement and assists management in identifying ways to promote economy, efficiency, and effectiveness in the activities and operations of LSC and its grantees. In FY 1995 the Inspector General assumed the functions of maintaining the Audit Guide and its Compliance Supplement and reviewing the annual audited financial statements submitted by recipients. In FY 1996 these audits will be performed pursuant to the requirements of OMB Circular No A-133.

PART FOUR: ADDITIONAL TABLES

**LEGAL SERVICES CORPORATION
APPROPRIATION EXPENSES BY ACTIVITY - FISCAL YEARS 1996 AND 1997**
(dollars in thousands)

	1996 Funds Carried Forward from 1996		H. R. 2078		1997 Base		1997 Request	
	Amount	Perm Pos'n's	Amount	Perm Pos'n's	Amount	Perm Pos'n's	Amount	Perm Pos'n's
Corporation Management & Administration	—		13,000	\$3	13,000	\$3	9,500	\$6
Other Funds Available	—		—		—		—	
Appropriations Allocated To Fund Balance	(629)		—		—		—	
SUBTOTAL	(629)		13,000	\$3	13,000	\$3	9,500	\$6
 Program Activities	 478		 268,000		 268,000		 330,800	
TOTAL	(63)		278,000		278,000		340,000	

**LEGAL SERVICES CORPORATION
EXPENSES FROM ALL SOURCES BY ACTIVITY AND OBJECT CLASS
FISCAL YEARS 1966 AND 1967**
(dollars in thousands)

OBJECT CLASS	CORPORATION MANAGEMENT & ADMINISTRATION		PROGRAM ACTIVITIES		TOTALS		CHANGE
	1966	1967	1966	1967	1966	1967	
Personnel Compensation	4,328	4,782	—	—	4,328	4,782	427
Employee Benefits	1,146	1,224	—	—	1,146	1,224	76
Other Personnel Services	136	36	—	—	136	36	(100)
Consulting	666	666	—	—	666	666	—
Travel and Transportation	466	479	—	—	466	479	(29)
Communications	136	136	—	—	136	136	—
Occupancy Costs	1,467	1,646	—	—	1,467	1,646	(12)
Printing and Reproduction	166	166	—	—	166	166	—
Other Operating Expenses	677	446	—	—	677	446	(137)
Capital Expenditures	36	36	—	—	36	36	—
Subtotal	8,271	8,900	—	—	8,271	8,900	229
Grants and Contracts	—	—	300,861	336,000	300,861	336,000	35,139
Total Expenses	8,271	8,900	300,861	336,000	278,122	346,000	67,878

Source of Funds		
Appropriation		278,000
Funds Carried Forward from Previous year	479	—
US Court of Veterans Appeals Funds	178	—
American?	667	—
Appropriations Allocated to Fund Balance Deficit	(629)	—
Other Funds Available	300	—
Total	278,122	346,000

**LEGAL SERVICES CORPORATION
SUMMARY STATEMENT OF SUPPORT, REVENUE AND EXPENSES**

AND OTHER CHANGES IN FUND BALANCES

(dollars in thousands)

	<u>1996 Actual</u>	<u>1996 Estimate</u>	<u>1997 Estimate</u>
Fund Balances at Beginning of Year			
Federal Appropriation	1,086	101	360
Other Sources	—	—	—
Total Fund Balances	1,086	101	360
Support and Revenue During the Period			
Federal Appropriation	400,000	278,000	340,000
Change in Deferred Revenue	(8)	188	—
Special Emergency Appropriation	—	—	—
US Court of Veterans Appeals	787	178	—
AmeriCorp Funds	713	687	—
Other Funds Available	880	300	—
Total Support and Revenue	402,321	279,334	340,000
Total Funds Available	403,406	279,436	340,360
Expenses During the Period			
Client Services:			
Grants and Contracts	301,876	298,380	330,800
Total Program Activities	301,876	298,380	330,800
Supporting Activities:			
Management and Administration	11,634	12,000	9,440
Property and Equipment	98	36	36
Total Supporting Activities	11,730	12,736	9,470
Total Expenses	403,306	279,086	330,870
Fund Balance at Close of Fiscal Year			
	101	360	360

**LEGAL SERVICES CORPORATION
STATEMENT OF SUPPORT, REVENUE AND EXPENSES AND OTHER CHANGES IN FUND BALANCES**

FISCAL YEAR 1986 ACTUAL

(dollars in thousands)

	<u>Undesignated</u>	<u>Designated</u>	<u>Total</u>
Fund Balance at Beginning of Year			
Federal Appropriation	(100)	1,284	1,084
Other Sources	—	—	—
Total Fund Balances	(100)	1,284	1,084
Support and Revenue During the Period			
Federal Appropriation	—	400,000	400,000
Change in Deferred Revenue	—	(9)	(9)
Special Emergency Appropriation	—	—	—
US Court of Veterans Appeals	—	787	787
AmeriCorp Funds	—	713	713
Other Funds Available	100	702	802
Total Support and Revenue	100	402,183	402,321
Total Funds Available	(11)	403,417	403,406
Expenses During the Period			
Client Services:			
Grants and Contracts	261	391,314	391,575
Total Program Activities	261	391,314	391,575
Supporting Activities:			
Corporation Management & Administration	—	11,634	11,634
Property and Equipment	—	96	96
Total Supporting Activities	—	11,730	11,730
Total Expenses	261	403,044	403,306
Fund Balance at Close of Fiscal Year	(272)	373	101

**LEGAL SERVICES CORPORATION
STATEMENT OF SUPPORT, REVENUE AND EXPENSES AND OTHER CHANGES IN FUND BALANCES**

FISCAL YEAR 1986 ESTIMATE			
	(dollars in thousands)		
	<u>Undesignated</u>	<u>Designated</u>	<u>Total</u>
Fund Balance at Beginning of Year			
Federal Appropriation	(272)	373	101
Other Sources	—	—	—
Total Fund Balances	(272)	373	101
Support and Revenue During the Period			
Federal Appropriation	—	278,000	278,000
Change in Deferred Revenue	—	188	188
Special Emergency Appropriation	—	—	—
US Court of Veterans Appeals Funds	—	178	178
AmeriCorp Funds	—	897	897
Other Sources	300	—	300
Total Support and Revenue	300	278,034	278,334
Total Funds Available	28	278,407	278,436
Expenses During the Period			
Client Services:			
Grants and Contracts	257	204,093	204,350
Total Client Services	257	204,093	204,350
Supporting Activities:			
Corporation Management & Administration	(229)	12,928	12,898
Property and Equipment	—	36	36
Total Supporting Activities	(229)	12,964	12,734
Total Expenses	28	279,067	279,096
Fund Balance at Close of Fiscal Year	—	380	380

**LEGAL SERVICES CORPORATION
STATEMENT OF SUPPORT, REVENUE AND EXPENSES AND OTHER CHANGES IN FUND BALANCES**

FISCAL YEAR 1997 ESTIMATE

(dollars in thousands)

	<u>Undesignated</u>	<u>Designated</u>	<u>Total</u>
Fund Balance at Beginning of Year			
Federal Appropriation	—	350	350
Other Sources	—	—	—
Total Fund Balances	—	350	350
Support and Revenue During the Period			
Federal Appropriation	—	340,000	340,000
Change in Deferred Revenue	—	—	—
Special Emergency Appropriation	—	—	—
US Court of Veterans Appeals	—	—	—
AmeriCorp Funds	—	—	—
Other Sources	—	—	—
Total Support and Revenue	—	340,000	340,000
Total Funds Available	—	340,350	340,350
Expenses During the Period			
Client Services:			
Grants and Contracts	—	330,500	330,500
Total Client Services	—	330,500	330,500
Supporting Activities:			
Corporation Management & Administration	—	9,440	9,440
Property and Equipment	—	30	30
Total Supporting Activities	—	9,470	9,470
Total Expenses	—	339,970	339,970
Fund Balance at Close of Fiscal Year	—	380	380

**LEGAL SERVICES CORPORATION
STAFF SALARIES – FISCAL YEARS 1996, 1996 and 1997**

SALARY RANGES	1995 Budget	1996 Budget		1997 Budget	
	Number of Positions	Change From 1995	Number of Positions	Change From 1996	Number of Positions
LSC LEVEL I \$11,830 - \$18,269	0	0	0	0	0
LSC LEVEL II \$15,771 - \$22,671	4	-3	1	2	3
LSC LEVEL III \$20,206 - \$27,796	12	-3	9	-2	7
LSC LEVEL IV \$24,806 - \$34,006	12	-2	10	-1	9
LSC LEVEL V \$31,060 - \$43,012	15	-4	11	3	14
LSC LEVEL VI \$38,279 - \$63,890	29	-9	20	-4	16
LSC LEVEL VII \$46,984 - \$86,835	12	-4	8	5	13
Unclass. Posn's.	24	—	24	—	24
TOTAL	106	-25	83	-3	86

**LEGAL SERVICES CORPORATION
STAFF POSITIONS - FISCAL YEARS 1995, 1996 AND 1997**

	1995 Budget		1996 Budget		1997 Budget	
	Number of Positions *	Change From 1995	Number of Positions *	Change From 1995	Number of Positions *	
OFFICE						
Executive Office	15	-6	9	0	9	
General Counsel	6	-2	4	1	8	
Administration & Human Resources/EO	17	-8	9	1	10	
Comptroller	8	0	8	0	8	
Information Technology	6	-1	5	0	5	
Competition and Enforcement	46	-11	36	0	36	
	<hr/> <u>96</u>	<hr/> <u>-28</u>	<hr/> <u>68</u>	<hr/> <u>2</u>	<hr/> <u>70</u>	
Inspector General	12	3	15	1	16	
TOTAL	<u>108</u>	<u>-28</u>	<u>83</u>	<u>3</u>	<u>86</u>	

* Full time equivalent



MARINE MAMMAL COMMISSION
ANNUAL ESTIMATE OF APPROPRIATION
FISCAL YEAR 1997

COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON THE DEPARTMENTS OF COMMERCE,
JUSTICE, AND STATE, THE JUDICIARY, AND RELATED AGENCIES
UNITED STATES HOUSE OF REPRESENTATIVES
18 APRIL 1996

(519)

MARINE MAMMAL COMMISSION
SALARIES AND EXPENSES

For necessary expenses of the Marine Mammal Commission as authorized by Title II of Public Law 92-522, as amended, [~~\$1,190,000~~] \$1,334,000.

MARINE MAMMAL COMMISSION
CONSULTING SERVICES - FY 1996

Pursuant to Public Law 96-304, § 307(a) and (b), this is to advise the Committee that the Marine Mammal Commission has budgeted no funds for consulting services in FY 1997. During FY 1996, to date, no money has been spent on consulting services. It is not anticipated that money will be spent on consulting services in either FY 96 or FY 97.

MISCELLANEOUS			
PROGRAM AND ACTIVITIES			
	10	12	12
10.00 Total obligations	1380	1190	1334
25.00 Unobligated balance expiring	1
40.00 Budget authority (appropriation)	1381	1190	1334
71.00 Total obligations	1376	1190	1334
72.40 Obligated balance, start of year, unpaid obligations; Treasury balance	241	283	209
74.40 Obligated balance, end of year, unpaid obligations; Treasury balance	283	209	235
77.00 Adjustments in expired accounts	-1
90.00 Outlays	1333	1264	1308
OBJECT CLASSIFICATION			
11.1 Full-time permanent	608	652	695
11.3 Other than full-time permanent	87	75	95
11.9 Total personnel compensation	695	727	790
12.1 Civilian personnel benefits	136	125	128
21.0 Travel and transportation of persons	67	22	59
23.1 Rental payments to GSA	104	100	102
23.3 Communications, utilities, and miscellaneous charges	49	39	38
24.0 Printing and reproduction	32	15	20
25.2 Other services	229	83	149
25.3 Purchase of goods and services from Government accounts	39	36	36
26.0 Supplies and materials	18	15	18
31.0 Equipment	12	28	3
99.9 Total obligations	1381	1190	1334

PERSONNEL STATUS			
1001 Total Compensable workyears: Full-time equivalent employment			
	10	12	12

Background

The Marine Mammal Protection Act was enacted in 1972 in response to growing concerns among scientists and the U.S. public about the status, health, and fate of marine mammals. If anything, it appears that people care more about these animals today than ever.

The Act set forth a national policy to prevent marine mammal species and population stocks from diminishing, as a result of human activities, beyond the point at which they cease to be significant functioning elements of the ecosystems of which they are a part. In the Act, Congress directed that the primary objective of marine mammal management should be to maintain the health and stability of the marine ecosystem and, when consistent with that primary objective, to obtain and maintain optimum sustainable populations of marine mammals. The use of marine mammals as flagship species to promote healthy ecosystems has had positive benefits for commercial and recreational fishermen, indigenous peoples dependent on marine mammals, other marine resource users, and the general public, as well as the marine mammals themselves.

The Marine Mammal Commission and its Committee of Scientific Advisors on Marine Mammals, created under Title II of the Marine Mammal Protection Act, are independent bodies charged with maintaining an overview of and providing advice on domestic and international actions to further the policies and provisions of the Act. Because of its independence and scientific expertise, the Commission is able to provide objective, science-based advice to both the Legislative and Executive branches on actions to achieve the objectives of the Act efficiently and economically. Because of its small size, the Commission has a degree of flexibility which enables it to evaluate and respond to unusual situations, such as the recent unexplained deaths of large numbers of manatees in southwest Florida and right whales off Georgia, more rapidly than the responsible regulatory agencies.

The Commission's reputation for objective, unbiased evaluations allows it to bring parties with very different views together to constructively address complicated, and often contentious, issues. Examples of situations in which representatives of local, state, and Federal governments, commercial interests, environmental interests, and the general public have been brought together successfully abound. Thanks to the Commission, governmental agencies at all levels, environmental organizations, business interests, and other groups started and continued their cooperative work on manatee protection. As this is written in mid-April, the Commission is leading consultations among the Fish and Wildlife Service, the Florida Department of Environmental Protection, the Department of

Agriculture's Animal and Plant Health Inspection Service, other groups, and independent scientists on actions needed to determine the cause or causes of the current catastrophically high number of manatee deaths in southwest Florida. The Commission is also facilitating extensive consultations among state and Federal agencies, the Department of Defense, private groups, and others to determine the cause or causes of abnormally high numbers of deaths of endangered right whales this year and prevent continuing mortality. On these and other matters, having the confidence of all parties enables the Commission to exert a beneficial influence by bringing people into constructive, non-confrontational discussion quickly.

Congress relies upon the Marine Mammal Commission for accurate, up-to-date information on domestic and international matters affecting the conservation of marine mammals, their habitats and ecosystems, and related issues which Congress may have to address. While the Commission provides much of the basic information in its annual reports to Congress, it also provides immediate advice as specific issues arise. For example, the Commission was intensively involved in developing guidelines for governing the take of marine mammals incidental to commercial fishing operations, and in providing reports to allow Congress to track progress in implementation of the plan it statutorily described.

On a routine basis, the Commission also provides Congress detailed analyses of controversial issues. A good example of the Commission's proactive approach to such issues is its report on sea lion predation on fish at Ballard Locks. Because this report was developed after intensive consultations with all involved groups, it provided an objective appraisal that found broad acceptance and served to lessen the tensions surrounding the issue. Internationally, the Commission recently demonstrated its leadership by forcing a careful consideration of potential impacts of expanded salt works in certain Baja California lagoons, the breeding and calving grounds for the gray whales which migrate along the West Coast of the United States and summer in the Arctic.

As noted, the independent status and small size of the Marine Mammal Commission allow it to move with speed to address issues with an efficiency and economy that other agencies cannot equal. In the past, the ability to do this has been enhanced because the Commission's annual appropriations have included funds to support a small research program. Under the program, a broad range of studies, most funded at less than \$5,000, have been supported to help identify and determine how best to reduce or mitigate threats to marine mammals and their habitats, particularly in areas under U.S. jurisdiction. Appendices B and C in the Commission's annual reports list the published results of those studies.

Small amounts of money have been used by the Commission as seed money to organize and start major multi-agency and international initiatives. One example is the Workshop to Assess Basic Principles for the Conservation of Wild Living Resources. In addition, the Commission often consults with other agencies to obtain multi-agency support for projects of mutual interest. For example, while the work was done by the Commission, most of the funding necessary to compile and publish The Marine Mammal Commission Compendium of Selected Treaties, International Agreements, and Other Relevant Documents on Marine Resources, Wildlife, and the Environment described in Chapter V of the Commission's 1995 Annual Report, was obtained from the Department of State, the National Marine Fisheries Service, and the Fish and Wildlife Service. The Compendium is an example of a Commission project that has saved the taxpayer many times its cost. It has allowed people in state and Federal resource agencies, the Department of State, the Department of Justice, and intergovernmental organizations to do their work more efficiently, more effectively, and more economically.

A brief description of Commission activities in the first five months of Fiscal Year 1996 follows.

Fiscal Year 1996 to Date

In the Marine Mammal Commission's budget justification before this Committee last year, the Commission said that, in Fiscal Year 1996, it would focus on: encouraging national and international efforts to implement the findings of the Commission-sponsored workshop and related studies concerning basic principles and procedures for conserving marine living resources; working with the National Marine Fisheries Service, the Fish and Wildlife Service, industry, and public-interest groups to effectively implement the Congressionally-mandated regime to govern marine mammal-fisheries interactions; fostering development of fishing gear and practices which will reduce the by-catch of marine mammals, sea turtles, seabirds, and non-target fish species; continuing to assess the direct and indirect effects of marine debris, low-frequency sounds, and other forms of ocean pollution on marine mammals; encouraging the responsible regulatory agencies to develop and implement recovery plans, conservation plans, and take-reduction plans for endangered, threatened, depleted, and strategic marine mammal species and stocks; improving the planning and coordination of both domestic and international marine mammal research and management programs; facilitating the work of the Animal and Plant Health Inspection Service to promote the humane care of captive marine mammals; and continuing to carry out and make known the results of its research and studies program. Funds available in Fiscal Year 1996 have not been adequate to meet these commitments fully.

A particularly disappointing result of our limited Fiscal Year 1996 funding was the need to cancel the Marine Mammal Commission's annual meeting, this year to have been held in Fairbanks, Alaska. Scheduled meeting discussions included: a broad range of issues related to polar bears, sea otters, walruses, and a variety of seals; cooperative arrangements with the Russian Federation on a number of matters, including the newly-formed Russian Marine Mammal Council; the health and productivity of the Bering Sea ecosystem; the status of efforts to implement conservation and recovery plans for a number of species and populations; and a variety of other issues. This meeting also was to have provided an important forum for discussing critical management issues among representatives of indigenous peoples of Alaska and elsewhere, Federal agencies, State agencies, Canada, and the Russian Federation. Because of the broad range of participation in Commission meetings, the inclusion of people representative of all views on an issue, and the comprehensive exchanges which result from careful meeting preparation, the meetings invariably result in the Commission's making formal recommendations to Federal agencies to anticipate, avoid, or resolve marine mammal-related conflicts.

The findings of the Commission-sponsored workshop on principles to conserve wild living resources will be published this spring in *Ecological Applications*. A companion background paper has been submitted to the National Technical Information Service for publication. The report of the Commission-sponsored assessment of international fisheries regimes was published in October 1995, and has been provided to the Department of State, the National Marine Fisheries Service, and others for use in updating and negotiating new fisheries conservation agreements. Currently, members of the Commission, the Committee of Scientific Advisors, the Commission's staff, and a number of invited experts are writing a textbook describing basic principles and issues regarding marine mammal biology and the conservation of marine mammals and the ecosystems of which they are a part. All of these activities derived primary support from pre-1996 appropriations.

The 1994 amendments to the Marine Mammal Protection Act established a new regime to govern marine mammal-fisheries interactions in U.S. waters. As noted earlier, the regime was based in part upon recommended guidelines developed by the Commission at the direction of Congress. Key elements of the new regime are the development of stock assessment reports, including calculations of the potential biological removal level for each marine mammal stock occurring in U.S. waters; designation of strategic stocks of marine mammals; and formation of take reduction teams to develop recommended plans for reducing the incidental mortality and serious injury of animals from strategic stocks to levels less than the calculated potential biological removal level. Thus far in Fiscal Year 1996, Commission

representatives have participated in two meetings of the first take-reduction team, a team charged with developing a recommended plan for reducing the incidental take of harbor porpoise in gillnet fisheries in the Gulf of Maine/Bay of Fundy. The Commission also has provided comments to the National Marine Fisheries Service on a standard form being developed to facilitate reporting of marine mammals caught and killed or injured incidental to commercial fishing operations in U.S. waters.

With regard to fostering development of fishing gear and practices to reduce the by-catch of marine mammals in fisheries, the Commission, in cooperation with the National Marine Fisheries Service, organized and held a workshop on 20-22 March 1996 to better determine how sound generators and reflectors might be used to prevent or reduce conflicts caused by marine mammal-fisheries interactions. The workshop involved representatives of the fishing industry, manufacturers of acoustic devices, and scientists from Australia, Canada, the Netherlands, New Zealand, the United Kingdom, and the United States. The workshop report, expected to be completed by mid-summer, will be provided to the National Marine Fisheries Service for use in developing policies and programs for using acoustic deterrents. Payment for this workshop was done with an interagency transfer from the National Marine Fisheries Service from Fiscal Year 1995 funds.

In its continuing efforts to address ocean pollution, the Commission will soon publish its "Bibliography on Physical and Chemical Constituents in the Marine Environment and Their Effects on Marine Mammals." The Commission had intended to develop a strategic plan in Fiscal Year 1996 to assess types and levels of pollutants present in marine mammals in the coastal waters of the United States and to determine whether the rates of marine mammal strandings and the levels of various pollutants present in stranded marine mammals might provide a cost-effective indicator of the status of coastal marine ecosystems. However, the Commission's Fiscal Year 1996 budget reduction prevented initiation of this project which was intended to serve as a basis for advising other Federal agencies, state and local governments, and intergovernmental organizations on actions needed to better determine the sources, fates, and effects of potentially harmful contaminants.

A major focus of Commission efforts in March and April has been the Florida manatee die-off. By mid-April 1996, more than 140 manatees had died just in southwest Florida over a six-week period from one or more undetermined causes. Statewide, nearly 10% of the estimated population of this endangered species has died since the 1st of January. Although only three-and-a-half months of 1996 have passed, this level of state-wide mortality (i.e., 240 manatees) exceeds all previous totals for an entire year since record keeping started in the mid-1970s. The previous

high for a full year was 206 animals. When the Commission first learned about the unusually high number of deaths, it immediately consulted with veterinarians, epidemiologists, toxicologists, and others who have participated in investigations of die-offs as well as with representatives of the relevant state and Federal regulatory agencies, to identify prompt actions necessary to determine the cause(s) of the unusual mortality event. On April 12th, the Commission followed up by organizing and chairing a consultation among those conducting the investigation with selected experts from throughout the country to identify what more should be done to determine the cause or causes of the event.

In late-February, the third dead right whale calf for 1996 was found off the coast of Georgia. This was significant because three deaths constitute almost 50% of recent annual calf production for this population, which numbers only about 300 and is the most endangered of all great whales worldwide. Because Naval gunnery and bombing activities had been carried out in the area and were considered possible causative factors in these and several other adult right whale deaths, the Commission immediately entered into consultations with the Navy. As a result, the Navy promptly took a number of responsive steps, such as making substantial changes in location and timing of activities, including certain NATO exercises, so as to reduce the risk to the right whales to a minimum.

With regard to planning and coordinating domestic and international marine mammal research and management programs, the Commission has consulted with Alaska Natives and provided advice to the Fish and Wildlife Service and the Department of State on negotiation of agreements between the Russian Federation and the United States, and between indigenous peoples of Alaska and Russia, to cooperatively conserve the polar bear and walrus populations that inhabit areas in the Bering and Chukchi Seas under the jurisdiction of the two countries.

While the Commission had also planned to do a comprehensive review in Fiscal Year 1996 of the marine mammal research programs being conducted and supported by the National Marine Fisheries Service and the Fish and Wildlife Service, funding reductions in Fiscal Year 1996 prevented the Commission from doing so. Likewise, decreased funding effectively terminated the Commission's research and studies program.

A complete report of the Commission's activities through 31 December 1995 is provided in the Commission's 1995 annual report to Congress.

Objectives for Fiscal Year 1997

The Commission will continue to meet its statutory responsibilities in Fiscal Year 1997 by:

- recommending to the Secretaries of Commerce, Interior, and State, and other Federal officials, actions needed to more effectively conserve marine mammals and their habitats;
- helping to plan and coordinate Federal, state, academic, and international research programs bearing upon the conservation of marine mammals to increase productivity and prevent wasteful, duplicative efforts;
- managing and publishing the results of its research and studies program to facilitate identification and resolution of problems affecting the conservation of marine mammals and their habitat;
- recommending to the Secretaries of Commerce and the Interior actions on requests for authorization to take marine mammals for public display, scientific research, and enhancement, and to take small numbers of marine mammals by harassment or other means incidental to activities other than commercial fishing;
- identifying and recommending to the Secretaries of Commerce and Interior actions necessary to fully implement the new regime for governing marine mammal-fisheries interactions and other aspects of the 1994 amendments to the Marine Mammal Protection Act;
- making recommendations to the Department of State and other agencies on United States' positions relative to international negotiations affecting marine mammals and, when appropriate, participating in those negotiations; and
- providing guidance to the Department of Agriculture's Animal and Plant Health Inspection Service on updating and implementing standards and guidelines for the care and maintenance of marine mammals in captivity.

While meeting its basic statutory obligations in Fiscal Year 1997, the Commission will focus on: continuing to encourage development and application of science-based ecosystem-oriented principles and programs for the conservation of marine living resources; continuing to emphasize issues of importance to indigenous peoples of Alaska so as to foster the development, for example, of strong and viable co-management programs; working with the National Marine Fisheries Service, the Fish and Wildlife Service, affected fisheries groups, and public interests groups to develop and implement take reduction plans for marine mammal stocks whose levels of human-caused mortality and injury are greater than the estimated potential biological removal level; continuing to assess and to foster ways of minimizing the direct and indirect effects of marine debris, low-frequency sounds, and other forms of ocean pollution on marine mammals; encouraging the responsible regulatory agencies to develop, update, and implement recovery plans and conservation plans for endangered, threatened, and depleted marine mammal species and stocks; improving the planning and coordination of domestic and international marine mammal research and management programs; and continuing to carry out and make known the results of its research and studies program.

Fiscal Year 1997 Estimate

The Marine Mammal Commission's Fiscal Year 1997 budget request of \$1,334,000 is adequate for the Commission to meet its policy advice and oversight responsibilities. It will allow for the support of a limited research and studies program to address certain priority research projects and for the annual meeting of the Commission to be held.

Office of United States Trade Representative

**CONGRESSIONAL
BUDGET SUBMISSION**

(S1)



Fiscal Year 1997

**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE**

532

**Salaries and Expenses
RESOURCE ESTIMATES, FISCAL YEAR 1997**

CONGRESSIONAL PRESENTATION

April 1996

**CONTACT: John Hopkins
395-5799**

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FY 1997 GENERAL STATEMENT

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Office of the United States Trade Representative

This request provides funds to support the mission of the Office of the United States Trade Representative (USTR) in FY 1997. That mission is the development, coordination, negotiation, enforcement and overall management of U.S. trade policy on behalf of the President. In FY 1997, USTR is requesting \$21,449,000 in budget authority and 164 full-time equivalent (FTE) positions. This represents an estimated increase of \$560,000 in budget authority from the FY 1996 conference level, but is a decrease of 2 FTE.

Since entering office in 1993 President Clinton has recognized -- and acted on -- four new realities which are shaping our world.

First, our nation's economic strength begins at home. The President's highest priority has been to restore the domestic economy. That meant enacting a deficit reduction plan and reducing the size and scope of government. At the same time the President is dedicated to giving American people the tools they need to prosper -- a decent education, safe streets, and a government that creates opportunity.

Second, globalization and interdependence of the economies of the world is here to stay. This is an inescapable truth of our time. The fact is a new business these days will use startup capital from New York and London, parts from one plant in the Midwest and one plant in Taiwan, and advertising from a firm based in Los Angeles. Then that business will try to sell its product around the world. The nations of the world are truly interdependent.

Third, in the post-Cold War world, trade has taken its place at the foreign policy table, alongside strategic and political concerns. Trade is the new connecting tissue between nations and has taken a place of prominence on the foreign policy agenda.

Finally, trade is more important than ever to the U.S. economy. In 1970, the value of trade equaled just 13 percent of the value of U.S. GDP. In 1995, that figure was an estimated 30 percent. Eleven million workers in this country owe their jobs to exports. On average, these jobs pay 13 to 17 percent more than non-trade jobs.

President Clinton has articulated and implemented a trade policy that responds to these realities. The goal consistently has been to achieve more opportunities to sell our goods and services in foreign markets. His means toward that goal have been to enter into agreements which open new markets to U.S. exports; monitor and enforce those agreements to ensure our trading partners live up to their obligations; and enforce our trade laws.

The President knows how much American workers and companies can achieve if they are playing by the same rule book as their competitors. That means that other countries must accept the responsibility of opening their markets if they want access to the opportunities of the U.S. market. The President's belief has always been this: if we can level the playing field, the American worker will do the rest.

Merchandise exports have grown a stunning 31 percent since President Clinton entered office. We have turned an important corner -- export growth in 1995 exceeded import growth. Last year we also hit an all time agricultural export record of \$56 billion -- that's a 22 percent increase over 1994's strong performance. Over the last three years, more than one million new jobs were created as a direct result of increased exports.

In three years, the Administration has concluded more than 180 agreements. Of these, 20 trade agreements have been concluded with Japan. In November 1995, the Council of Economic Advisors and the Treasury Department reported that in the goods sectors covered by these trade agreements, U.S. exports to Japan have grown by nearly 80 percent, nearly 2.5 times greater than growth in other U.S. exports to Japan. Exports to the dynamic economies in Asia (excluding Japan) and Latin America (excluding Mexico) have risen by 39 percent and 36 percent respectively in the last 2 years (1993 to 1995).

We cannot afford to turn our backs on the global economy as some would have us do. But we also cannot look the other way when our trading partners fail to live up to their obligations. We must build a trading system that links opportunities with responsibilities. Ensuring a level playing field is critical to building confidence in trade. The only way we will be able to maintain an open international trading system is if the citizens of the United States have confidence that trade is fair and works for the good of all people. The best way to build confidence in the trade agreements we negotiate is to enforce them -- and vigorous enforcement is critical to ensuring that we continue to get good agreements.

To build confidence in trade and continue our efforts to foster new job creation and higher standards of living, this Administration will continue to press trading partners to reduce barriers to U.S. exports of goods and services. At the same time we will vigorously monitor and enforce our trade agreements and trade laws, with the knowledge that the most important part of trade policy is what happens *after* an agreement is signed.

Having concluded the negotiations that resulted in the North American Free Trade Agreement (NAFTA) and the World Trade Organization (WTO) agreements, and having negotiated more than a hundred bilateral trade agreements aimed at opening foreign

markets, we are now down to the hard work of reaping the benefits of those trade agreements that we have negotiated over the past three years.

THE TRADE AGENDA

To capitalize on promising trade and investment opportunities around the world, the President's trade agenda builds on the Administration's major achievements to date, by focusing on implementation, enforcement and expansion of the trade agreements negotiated during the last three years.

Implementation

Our trade agreements are mere pieces of paper unless we pursue their dictates in a vigorous manner. A major priority will be to ensure that the members of the World Trade Organization are living up to the commitments they made during the Uruguay Round of multilateral negotiations. We will work through the many committees created under the WTO to ensure that new obligations are met and that our trading partners have put in place the laws, regulations and policies necessary to ensure compliance with the WTO agreements. We are already using the WTO dispute settlement process to press other countries to faithfully implement their WTO obligations, and we will continue to do so. We will also continue to press for implementation of Uruguay Round commitments through regional initiatives such as the Free Trade Area of the Americas (FTAA), the Asia-Pacific Economic Cooperation Forum (APEC), and the TransAtlantic Market Place (TRAMP).

The Uruguay Round Agreements

In 1996, further implementation of the Uruguay Round agreements will take place in the course of preparations for the WTO Ministerial Conference to be held in Singapore in December. This will be the first in a regular series of ministerial meetings to be held at least every two years. At the Singapore meeting, WTO members will review the status of implementation of the WTO agreements and identify areas in need of further negotiations.

Full implementation of the Uruguay Round agreements will further open markets to U.S. exports of goods and services in a number of ways. Foreign tariffs on industrial products will fall by more than one-third and non-tariff barriers will be significantly reduced or eliminated. New rules governing intellectual property rights will more fully protect products and services embodying America's creative and knowledge-related strengths, and for the first time trade rules covering such key areas such as agriculture and trade in services are enforceable.

NAFTA

We also assign a high priority to implementing the NAFTA, which has created the world's largest free trade area -- 380 million people with a combined GNP of over \$7 trillion. After two years of operation, NAFTA continues to demonstrate its value to the United States, especially in the face of Mexico's financial crisis. However, Mexico's economy is expected to return to positive growth in 1996, with forecasts predicting GDP increases of 2-3%, with higher growth for 1997 and 1998. Imports are also projected to grow over 20% this year, and since 74% of Mexico's imports in 1995 came from the United States, this will significantly benefit our exporters.

Despite the downturn in Mexico's economy, NAFTA implementation advanced on schedule. The third phase of tariff cuts was implemented by the three NAFTA parties on January 1, 1996, with the next phase to occur on January 1, 1997. Other implementation milestones for the coming year include implementation of work programs on medical-related standards for drivers (June 1, 1996) and road signs (January 1, 1997) and liberalization of cross-border bus services (January 1, 1997), as well as the first triennial review of NAFTA professional services implementation.

Implementation of the labor and environment provisions of the NAFTA and its side agreements will also move ahead in 1996. The first six environmental infrastructure projects for the U.S.-Mexico border have been approved by the Border Environment Cooperation Commission (BECC) with funding decisions by the North American Development Bank (NADBANK) expected this year. The North American Agreement on Labor Cooperation (NAALC) workplan for 1995-1996 includes cooperative studies on occupational safety and health, industrial relations and child labor.

Bilateral Agenda: Highlights

Japan: This Administration has placed a high priority on the challenge of building an equitable relationship with Japan and opening Japanese markets to competitive U.S. goods and services. The Clinton Administration's trade policy of achieving practical, market-based, "results-oriented" agreements has produced real results. Since this Administration took office, we have reached 20 trade agreements with Japan, 12 of which came under the context of the 1993 Framework Agreement. Among these were significant agreements in such areas as autos and auto parts, telecommunications, flat glass, insurance, medical technology, and apples.

These agreements already are paying dividends for U.S. companies. U.S. exports to Japan are up more than 34 percent in the last three years and are growing even faster than overall U.S. exports. In those sectors covered by recent trade agreements with Japan, exports have grown by more than 80 percent since the President took office and nearly 2.5 times faster than overall U.S. exports to Japan. With the growth of U.S. exports to Japan nearly five times as fast as the growth of imports from Japan during 1995, the U.S. trade

deficit with Japan during 1995 declined 9.7 percent.

This Administration believes that vigorous implementation of our agreements is critical. Each of the bilateral agreements we have negotiated with Japan is equipped with specific monitoring and review measures. While we are encouraged by the initial results of these bilateral agreements, much work remains. In the telecommunications sector, for example, foreign sales to Nippon Telephone and Telegraph (NTT), Japan's phone company, have been growing at a very slow pace. This lack of progress is occurring at a time when U.S. telecommunications suppliers are among the most competitive in the world.

Implementation of the Automotive Agreement with Japan will continue to be a top priority. The first semi-annual review of the Agreement will be prepared by the Administration's U.S.-Japan Automotive Agreement Compliance Group and issued in April 1995. Generally, the early results from the Agreement have been positive in terms of increased exports of U.S. vehicles and parts to Japan, deregulation of the Japanese replacement auto parts market, and increased purchases of parts by Japanese auto companies in the United States. Progress in recruiting new dealers by the Big Three, however, clearly has lagged behind the expected pace.

We plan a comprehensive review of the Automotive Agreement in September 1996. At that point, we will look for further deregulation of replacement auto parts and at the operation of the Japanese garage system, which continues to be a barrier to foreign parts imports. We also will address other market access issues as they arise, including semiconductors, film, deregulation, and competition policy. In all of these sectors, this Administration will continue to press Japan to enforce implementation of our current agreements and ensure increased access to Japan's market.

China: The Administration's 1996 trade agenda for China will continue the focus on market opening for goods and services and creation of a better and more fair trade and investment climate. While we have achieved significant changes in China's market, with significantly greater access for U.S. companies and far greater transparency, China's trade regime remains highly protectionist. Multiple, overlapping barriers, high tariffs, a VAT tariff surcharge, uneven application of trade rules, and the use of standards -- including phytosanitary standards -- as hindrances to trade all continue to impede market access for industrial and agricultural products.

As a result, on a bilateral basis, the Administration will concentrate on achieving full implementation of the 1995 Intellectual Property Rights Agreement, the 1992 Intellectual Property Rights Memorandum of Understanding, and the 1992 Market Access Agreements. Special emphasis will be devoted to enforcing the 1995 IPR Agreement, including suppression of piracy of computer software, audiovisual works, patented works and trademarks. On market access, we will focus particularly on resolution of remaining phytosanitary issues, including an end to unscientific barriers to market access for wheat from the Pacific Northwest and citrus fruit,

new barriers that have been created to replace old ones, and barriers specific to such key U.S. industries as computers and telecommunications. At the same time, USTR will continue to strive for market access in the services sectors -- especially insurance and value added telecommunications services.

Europe and the Mediterranean: The United States has numerous bilateral agreements with the European Union, primarily on issues of subsidization and market access. During 1996 we will continue to monitor implementation of agreements on aircraft subsidies, pasta subsidies, canned fruit subsidies, the implementation of the EU Third Country Meat Directive, the accession of Spain and Portugal to the EU, market access for wine, and market access for non-grain feed ingredients. We also will continue to seek improvements in the intellectual property regimes of countries in the region, particularly the EU, Turkey, Saudi Arabia, Egypt, Greece, Italy, Poland, Romania, Russia, and the United Arab Emirates.

Enforcement

Enforcement of both international trade agreements and U.S. trade laws underpins our approach to trade and continues to be central to our trade agenda. As the world's largest trading nation, it is in our interest to strengthen the rule of law and institutions. We have made it clear that promises are worth nothing without effective rules, dispute settlement procedures, and remedies.

To this end, in January 1996, USTR reassigned existing personnel and financial resources from within USTR to a Monitoring and Enforcement group devoted exclusively to monitoring implementation of U.S. trade laws and trade agreements, determining compliance by foreign governments with their trade agreement obligations, and pursuing actions necessary to enforce U.S. rights under those laws and agreements. This reassignment of existing resources will enable USTR to focus more coherently on enforcement issues by working closely with USTR's geographic and sectoral offices and with other executive branch agencies, especially the Departments of Agriculture and Commerce. Priority will be given to:

- promoting high dollar, high volume U.S. exports;
- supporting U.S. export industries, including high growth industries;
- eliminating barriers that adversely affect job creation and existing jobs, including high wage, high skill jobs;
- eliminating barriers that are widespread and that represent recurring patterns of export barriers covering many markets, especially the fastest growing and largest markets in the world; and
- keeping small and medium sized U.S. businesses competitive and expanding in the global marketplace.

Expansion

Enforcement efforts also create momentum for expanding existing trade agreements, and enlarging the scope of barriers that trade agreements now cover. An important aspect of our agenda is to build on the regional and multilateral agreements already reached, seeking higher levels of obligations. We also aim to expand the coverage of trade agreements to address practices that undermine the benefits achieved through stronger trade rules and market access commitments.

Regional Trade and Investment

Regional trade negotiations provide the forum for more innovative, comprehensive, and cooperative approaches to expanding trade and investment opportunities. A primary challenge is to continue building on the NAFTA, FTAA, APEC, and TransAtlantic Marketplace agreements to ensure that the United States can build on its strong existing trading relationships and fully tap into dynamically expanding regional markets, particularly in the Latin America and the Asia-Pacific regions. Our near-term aim in all of these regions will be to adopt a variety of tangible, practical measures designed to facilitate the free flow of trade and investment.

The Americas: U.S. exports to Latin America and the Caribbean (excluding Mexico) are growing about 20 percent a year, which is greater than the average increase for U.S. exports to the rest of the world. U.S. exports to the region (including Mexico) have increased from \$30 billion in the mid-1980s to \$96 billion in 1995. If trends continue, U.S. exports to Latin America will reach \$244 billion by 2010, greater than our combined exports to the E.U. and Japan (\$216 billion).

At the Summit of the Americas, held in Miami in December 1994, the 34 democratically elected leaders in the hemisphere made a commitment to achieve a "Free Trade Area of the Americas" (FTAA) by the year 2005. At the Miami Summit, the heads of state pledged to maximize market openness through high levels of discipline and to strive for balanced and comprehensive agreements in such areas as tariffs and non-tariff barriers, agriculture, subsidies, investment, intellectual property rights, government procurement, technical barriers to trade, safeguards, rules of origin, antidumping and countervailing duties, sanitary and phytosanitary standards and procedures, disputes resolution, and competition policy. At the first Western Hemisphere Trade Ministerial, hosted by the United States in Denver in June 1995, the 34 countries of the hemisphere began the preparatory process for the FTAA negotiations. The preparations for the negotiations of the FTAA continued at the recently concluded Cartagena Ministerial meeting.

The Asia-Pacific Economic Cooperation Forum (APEC): The Asia-Pacific region has the fastest growth in the world -- three times the rate of the established industrial countries. Over the past three decades, Asia's share of the world's G.P. has grown from 8 percent to more than 25 percent. By the year 2000, the East Asian economies will form the largest market in the world, surpassing Western

Europe and North America. The 18 economies that make up APEC account for more than half of the world's economic output and close to half of world trade. More U.S. goods and services flow to the dynamic economies of the Pacific Rim than to any other region in the world. Sixty three percent of U.S. merchandise exports go to other APEC members.

During their November 1994 meeting in Bogor, Indonesia, leaders of the APEC economies agreed to dismantle all barriers to free and open trade and investment in the region by the year 2020. They also agreed to expand APEC's trade and investment facilitation efforts.

At a meeting in Osaka, Japan in November 1995, APEC leaders adopted a detailed "Action Agenda" for implementing the Bogor goals of free and open trade and investment. The Action Agenda details steps to be taken in 15 issue areas, ranging from tariffs and non-tariff measures to government procurement and intellectual property rights. In each issue area, objectives, guidelines for individual actions, and steps the APEC economies will take collectively are outlined. Work on trade facilitation is also included, with active work programs in such areas as customs harmonization and alignment of standards.

The TransAtlantic Marketplace: In December 1995, the United States and the European Union announced the New TransAtlantic Agenda, an initiative that seeks to deepen U.S.-E.U. relations through specific joint actions to address global economic, political, humanitarian, and environmental challenges more effectively. One of the key aspects of the New TransAtlantic Agenda is the creation of a TransAtlantic Marketplace. Among the goals for the TransAtlantic Marketplace are cooperating to implement WTO agreements and expand participation in the WTO, exploring possible new tariff reductions (including an effort to eliminate tariffs on information technology products), starting work on new international rules for intellectual property rights and government procurement, and agreeing to work together at the OECD to conclude a Multilateral Agreement on Investment (MAI).

TransAtlantic Marketplace actions designed to enhance bilateral economic opportunities include launching a joint study on reducing remaining economic barriers, reinforcing efforts to resolve outstanding trade disputes, concluding an agreement to reduce regulatory burdens and harmonize standards, concluding an agreement on customs cooperation, expanding our ongoing Information Society Dialogue to spur innovation and ensure interconnectivity and interoperability, and establishing a joint working group on employment and labor-related issues.

USTR and other executive branch agencies will seek to implement these initiatives throughout 1996. President Clinton and the leaders of the E.U. will review progress under the TransAtlantic Agenda, including the TransAtlantic Marketplace, at the next U.S.-E.U. summit meeting in mid-1996.

Multilateral Negotiations

Another task is to achieve significant progress in sectors or areas in which the United States is particularly competitive. Some of these are the focus of activities left over from the Uruguay Round. Our major priorities are:

Market Access for Competitive Industries: We must ensure that rules are in place at national and international levels to ensure adequate market access for those sectors in which the United States is particularly competitive. As noted above, we are outstanding producers of capital goods and services required to integrate and modernize a national economy, from construction machinery to build ports and roads to a modern telecommunications system. We are also the world's leader in information and entertainment products -- music, film, software, databases, and multimedia works. We remain highly competitive in agriculture. We intend to focus our market-opening sectors on areas corresponding to our strengths.

Services: Most of the new high-wage jobs created in the last few years have been in the service sector. Service exports are already equivalent to nearly 40% of the value of our merchandise exports and are growing dynamically. Americans are very competitive in responding to and creating new demands for services in the world marketplace.

The Uruguay Round established a General Agreement on Trade in Services (GATS), the first multilateral agreement dealing with services. The GATS covers all service sectors and represents a major breakthrough in setting agreed trade rules for these sectors. A handful of critical sectors, including financial services, basic telecommunications, and maritime services, are the subject of extended negotiations because commitments in these areas were not adequate.

Intellectual Property Protection: To protect intellectual property rights is to build on two of America's greatest strengths. The first is our system of higher education, which is the best in the world. We have a competitive advantage in knowledge-intensive products and services. The second is the flexibility of our economy, which permits an entrepreneur to spin off new technology and build a new business around it more quickly in the United States than in other countries. These advantages are diminished if the intellectual property embedded in our exported goods and services is not secure. The Uruguay Round led to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), but we continue to seek higher standards and earlier implementation by developing countries.

Investment: In the new, globalized economy, gaining access to world markets often entails a combination of exporting from the United States, exporting from a subsidiary, and investing in the customer's own market. Investment can help a U.S. company acquire national

identity abroad, adapt its products and services to the customer's taste, keep tabs on competitors, and acquire a platform for further inroads into the regional market. A high proportion of trade is conducted by companies with subsidiaries abroad, reflecting the growth of investment. According to the Department of Commerce, multinational companies account for 63% of our exports.

One of the results of the Uruguay Round was an Agreement on Trade-Related Investment Measures (TRIMs), but we need to make more progress. Toward that end, in June 1995, the United States and its major trading partners in the Paris-based Organization for Economic Cooperation and Development (OECD) launched negotiations on a Multilateral Investment Agreement incorporating the highest possible investment standards.

The United States can sustain a credible drive for open investment policies abroad only if we continue to maintain an open investment climate at home. There are compelling domestic reasons for doing so in any event. Foreign investment is now an important part of the U.S. economy. At the start of the 1980s, less than 6% of U.S. industrial output derived from foreign-owned companies. That figure is now close to 20%. Approximately one tenth of American industrial workers are employed by foreign companies.

Standards: The Uruguay Round agreement on standards contains rules designed to ensure that standards are not used as trade barriers, but rather that they are based on objective, scientific criteria. The United States already meets this test. In 1996, we will continue to press for agreements on mutual recognition of standards. These agreements will facilitate market-driven economic integration, promote efficiency, and open up new markets for U.S. goods and services.

WTO Accessions: We will be working with China, Russia, Ukraine, Moldova, Belarus, Armenia, Saudi Arabia, Oman, and other countries on their terms of entry into the WTO.

Singapore Ministerial: The WTO will embark on a series of regular ministerial sessions to be held, according to the WTO Agreement, at least once every two years with the first meeting in Singapore, December 9-13, 1996. The purpose of such meetings is to assure regular, political level review of ministers in the operation of the WTO. The agenda will involve at least five major issue areas:

- Implementation of the Agreements;
- The WTO's "built in" agenda, including in areas where further negotiations were called for prior to the 1996 ministerial;
- The Committee on Trade and Environment's report and recommendations, as mandated by Ministers at Marrakesh;
- Possible trade liberalizing initiatives in the area of market access; and

• Issues to add to the WTO's Agenda

The last point is an important priority of the United States. Members have argued that the WTO must continue to look forward and continually add items to its agenda after the necessary consensus is developed by WTO Members. Among the most prominent of these issues are: the relationship of trade to internationally-recognized labor standards, foreign direct investment, competition policy, and anti-corruption efforts in international trade, particularly in the area of government procurement.

Generalized System of Preferences and Interim Trade Program: Under the provisions of the Generalized System of Preferences (GSP) program, duty-free access is granted to selected imports from more than 142 developing countries that meet certain worker rights and other criteria. The President's FY 1997 Budget proposes to reinstate this program and to apply program benefits retroactively to July 31, 1995, when it expired, and to extend the GSP program through September 30, 2000. The President's budget also proposes to provide expanded trade benefits mainly on textiles and apparel to Caribbean Basin countries who meet new eligibility criteria needed to prepare for a future free trade agreement with the U.S. The program is proposed to expire on September 30, 2001.

Trade remains vital to this nation's economic health. USTR is committed to meeting the challenges that lie ahead. This request for \$21,449,000 and 164 FTEs provides the resources needed to pursue these challenges.

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FY 1997 BUDGET JUSTIFICATION

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**Office of the United States Trade Representative
Salaries and Expenses**

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APPROPRIATION LANGUAGE

For necessary expenses of the Office of the United States Trade Representative, including the hire of passenger motor vehicles and the employment of experts and consultants as authorized by S U.S.C. 3109, \$21,449,000 of which \$2,500,000 shall remain available until expended: Provided, That not to exceed \$98,000 shall be available for official reception and representation expenses.

Note: A regular 1996 appropriation for this account had not been enacted at the time this budget was prepared. The 1996 amounts included in this budget are based on levels provided in three continuing resolutions: P.L. 104-91, P.L. 104-92, P.L. 104-99.

Summary of FY 1997 Budget Request

(in thousands of dollars)

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>96-97 Change</u>
Appropriation Request	20,889	20,889	21,449	560
Outlays (Gross)	22,614	21,970	21,903	- 67
FTE (Authorized level)	168	166	164	- 2
FTE Overtime	<u>3</u>	<u>2</u>	<u>2</u>	<u>0</u>
	<u>171</u>	<u>168</u>	<u>166</u>	<u>- 2</u>

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Program and Financing
 (In thousands of dollars)

Program by Activities:

	1995 Actual	1996 Estimate	1997 Request
Trade Coordination and Negotiation	18,920	19,269	19,360
Geneva Operations	2,122	2,229	2,089
Total Direct Program	21,042	21,498	21,449
Reimbursable Program	390	614	454
Total Obligations	21,432	22,112	21,903
Financing:			
Unobligated Balance SOY	- 399	- 609	0
Unobligated Balance EOY	609	0	0
Unobligated Balance, Expiring	161	0	0
Budget Authority (gross)	21,803	21,503	21,903

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Program and Financing
(In thousands of dollars)

	1995 Actual	1996 Estimate	1997 Estimate
Budget Authority:			
Current- Appropriation	20,889	20,889	21,449
Permanent- Spending authority from offsetting collections (new)	390	614	454
Outlays (net)	21,225	21,356	21,449

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SUMMARY OF OBLIGATIONS BY OBJECT CLASSIFICATIONS
 (in thousands of dollars)

	1995 Actual	1996 Estimate	1997 Estimate	96-97 Change
Personnel Compensation	11,600	11,774	11,591	- 183
Personnel Benefits: Civilian	2,509	2,569	2,566	- 3
Personnel Benefits: Former	20	0	0	0
Travel and Transportation of Persons	1,569	1,509	1,450	- 59
Transportation of Things	53	112	40	- 72
Rent - GSA	1,368	1,452	1,452	0
Communications, Utilities, and Miscellaneous	1,651	1,770	1,689	- 81
Printing and Reproduction	285	312	285	- 27
Other Services	1,654	1,906	2,225	319
Supplies and Materials	348	418	405	- 13
Equipment	375	290	200	- 90
 Total Obligations	 21,432	 22,112	 21,903	 -209
Less Reimbursements	(390)	(614)	(454)	160
 Net Obligations	 21,042	 21,498	 21,449	 - 49

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FY 1997 Budget Request
Summary of Financial Changes

FY 1996 Estimated Obligations	22,112,000
FY 1997 Estimated Obligations	21,903,000

USIR projects total obligations between FY 1996 and FY 1997 will decrease by \$209,000. The changes are summarized below. This section is followed by a more detailed discussion of the changes by object class.

<u>Increase or Decrease from 1996 - 1997</u>	<u>Amount of Change</u>
For lower compensation and benefit costs associated with lower staff levels partially offset by the impact of the government-wide general pay increase and higher employee compensation costs.....	\$ -186,000
For reduced travel and transportation costs.....	-131,000
Telecommunications, rents, leases and conference costs are projected to decrease.....	- 81,000
Other Services costs are projected to increase. This increase is the net effect of lower services costs offset by funds needed to rewire the Winder Building.....	319,000
Printing expenses are projected to decrease.....	- 27,000

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Office supplies and material costs are projected to decrease.....	- 13,000
Equipment purchases are projected to drop primarily in the non-computer area.....	- 90,000
<hr/>	
Total Obligation Change - FY 1997 versus FY 1996 Budget.....	-209,000

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OBJECT CLASS SUMMARY

Personnel Costs

	<u>1995</u>	<u>1996</u>	<u>1997</u>
Compensation	\$11,600,000	\$11,774,000	\$11,591,000
Benefits	<u>2,529,000</u>	<u>2,569,000</u>	<u>2,566,000</u>
	\$14,129,000	\$14,343,000	\$14,157,000

Personnel costs are projected to decrease by \$186,000 from FY 1996 to FY 1997. This net decrease results from projected increases of \$390,000 offset by reductions in several categories projected at \$576,000. The major areas of increase are: the annualization of the January 1996 general raise and locality pay increase (\$53,000); general pay increase scheduled for January 1997 (\$297,000); and increased compensation charges from the Department of Labor (\$40,000). These increases are offset by a cut of 2 FTE and lapsing 3 additional FTE through more restrictive hiring controls (-\$393,000); and by reducing Geneva contract staff, and by reducing employee overtime and awards (-\$183,000).

Travel

Travel costs are expected to decrease by \$59,000. This change is the net result of increased expenses from higher airfares and per diem rate costs, and from a geographical shift to more distant, more costly destinations (Asia and Latin America), offset by savings from tighter travel management, reduced number employees and from increased use of frequent flyer programs, increased use of videoconferencing, and more rigorous coordination and planning of trips.

Transportation

Transportation costs are expected to drop by \$72,000 in FY 1997. This decrease will result from a reduced number of employee transfers between Washington and Geneva. This request assumes only two employees will be reassigned between Washington and Geneva.

Rent, Communications, and Utilities (RCL)

RCU costs are expected to decrease by \$81,000. USTR expects to lower costs in several areas including: restructuring its security guard contract (-\$20,000); completing the lease-to-purchase agreements for copier machines (-\$25,000); realizing lower FTS costs associated with lower system unit charges resulting in lower per call charges for users (-\$10,000) and reducing funds made available for rental of equipment and space for conferences (-\$26,000).

Printing

Costs are estimated to decrease by \$27,000. This decrease will be achieved by a projected decrease in programmatic printing demands, and enhanced use of the Internet to publicize reports and make them available electronically.

Other Services

USTR projects its Other Services requirements at \$2,225,000, a net increase of \$319,000. The net increase in this category of expense reflects spending \$560,000 in new budget authority to rewire the Winder Building (USTR's Washington location). This expense is discussed in more detail under a separate heading. The remaining items of expense in this object class are projected to decline by \$241,000. These savings will be realized in the following areas: non-recurring expenses related to renovations at the Botanic Building (USTR's Geneva location) (-\$90,000); cutting back on computer site contractor support (-\$30,000) and for lower reimbursable services costs in the areas of conference support, training, and maintenance contracts (-\$121,000).

Supplies

Costs associated with general office supplies, copy paper and subscriptions are projected to decline by \$13,000. This savings will be achieved by reducing subscription costs.

Equipment

USTR expects to decrease equipment purchases from \$290,000 in FY 1996 to \$200,000 in FY 1997. This decrease of \$90,000 will be achieved by limiting purchases primarily tied to the computer area to replace LAN equipment and by minimizing general office equipment purchases.

Proposal for Rewiring the Winder Building

Proposal for Rewiring the Winder Building

I. Executive Summary

USTR is requesting \$560,000 to rewire the Winder Building. The Winder Building is USTR's headquarters location, and the Agency is the sole occupant. This project would replace the existing Category 3 (10 megabit copper wire) with Category 5 (fiber optic cable). The current wiring plant was installed some 30 years ago to support the telephone system. With the introduction of the USTR computer system and with the growth of applications on this system, that existing wiring plant is increasingly unable to support USTR's day-to-day communication and data needs.

USTR evaluated its computing and wiring requirements and examined the marketplace for replacing the outmoded copper wire. We estimate that rewiring with fiber will meet our computing needs for the next three decades, and will require an increase of \$560,000 to our budget.

II. Background

USTR has continuously upgraded its computing environment to support a growth in international trade responsibilities. In 1980, USTR installed a centralized Data General minicomputer system with direct connected terminals. Originally, the system was expected to handle some 70 users on a 12 - 15 hour per day basis. By 1989, the minicomputer had grown to handle over 300 USTR and inter-agency users, 24 hours a day, 7 days/week. By 1990, the minicomputer system proved to be unreliable with repeated failure of disks, disk controllers, and disk drives. By 1990 downtime, lost data and reliability problems left over 250 users with no reliable means of performing their jobs.

To remedy this problem, with the support of Congressional Appropriations Committees in 1991 USTR began to install a distributed Local Area Network (LAN) with a client server architecture and specific application servers. This installation eliminated USTR's dependence on a single minicomputer, added redundancy in processing power, and provided flexibility in moving to new technologies. The network was further enhanced in 1995, when all computers were upgraded to 486 workstations using compact disks, Internet and other sophisticated applications for worldwide data exchange.

By 1995, USTR had further expanded network applications to the point that the existing voice grade cable plant could no longer support network traffic. Agency personnel experienced substantial and disruptive computer lockups and failures when they used graphic applications, spread sheets and databases. In many instances these PC lockups were traced to above normal network utilization rates and the failure of the old voice grade wiring.

III. The Need to Replace the Outmoded Wiring Plant

The main problem with the twisted pair wiring now in the Winder Building is that it lacks the bandwidth needed for many of the communications and data management applications that USTR employees are just now beginning to use. These technologies include using the Internet and wide area networking communications (with other Federal agencies or organizations) to receive and send E-mail, economic databases, legal documents, reference materials or other information.

While Category 3 (copper) wiring transmits cleanly data traffic up to 10 megabits per second, USTR's current requirements approach the Category 5 level of 100 to 155 megabits per second. By trying to transmit both voice and data over a 10 megabit pipe, the copper wiring has become increasingly susceptible and users are now experiencing network disconnects and PC lockups on a daily basis. No further upgrades in software can be installed until this critical maintenance activity is completed.

Copper wiring has size and structural limitations that restrict the speed with which data can be transmitted, and it makes the data that is transmitted susceptible to interference from changes in voltage (i.e., spikes) and electrical noise. As USTR staff run more, new, complex applications (such as Windows Groupwise/Newsedge) through the existing wiring system, the copper wire will not be able to handle the bandwidth volume demands imposed by those new applications. From an employee perspective, these shortcomings are manifesting themselves through:

- slower processing performance, especially as more employees gain more experience with Internet. High-speed data transmissions are now limited because the data signal has to be repeated every few hundred feet or errors will occur. Eventually, logon waiting time could be delayed from 5 seconds to 15 seconds, transmission time could be delayed from 5 seconds to 20 seconds, and CD-ROM access from 5 seconds to 50 seconds; and
- "performance hits" and "network disconnects" where employees lose all files that they have been working on. USTR has enjoyed a near perfect record with continuous upgrades in software since 1992, which stands in stark contrast to the software upgrade problems associated with the previous Data General system. USTR will be unable to further upgrade network software unless we invest in replacement of the outdated wiring.

Copper wiring is also more susceptible security problems including unauthorized access.

IV. Actions Taken to Alleviate the Wiring Problem

To alleviate these problems temporarily, we have taken several actions including: installing faster Kalpana switches, installing a 100 megabit small computer room ring, along with planned upgrades such as a Bay Networks Switch 28115 and off loading computer staff from the main network segment.

These interim actions buy time but do not remove the permanent impediments that the existing wiring plant presents to successfully operating USTR's data and telecommunication systems in the future. Installing fiber optic cable will remove these obstacles and allow us to maintain the integrity of the system. It will allow staff to make maximum use of the Internet and Windows software applications. In addition, it will provide USTR with an infrastructure that will support operations well into the next century providing the capability to support emerging technologies such as multi-media and videoconferencing.

V. Basis for \$560,000 Budget Request

Our request involves the complete removal of Category 3 wiring and replacing it with Category 5 fiber. In developing our estimates, several vendors were contacted and all proposed removing the Ethernet 10BASE-T wiring (transmitting 10 megabits/second) with Category 5 fiber (transmitting 100 to 155 megabits/second), and combining data, voice, and video signals over a single fiber pair simultaneously and transparently. The unit of measurement for cost calculations was the station. Vendors estimated that USTR would need approximately 456 stations to support staff in approximately 114 rooms. (Each office station would provide 4 connections for voice, classified network access, unclassified network access and individual printing or faxing). On average, estimated labor and material costs were about \$140,000 and cable removal and rewiring of risers was about \$420,000. Total costs for the project were estimated to be approximately \$560,000.

VI. Consequences of Not Replacing the Wiring

If the copper wiring is not replaced, over time USTR's problems will worsen. It is expected that network communications will become susceptible to disruptions. Also, "productivity enhancements" such as multi-media user applications, desktop and video teleconferencing will not be installed because of their associated bandwidth requirements. USTR will also fail to keep up with other Federal agencies that now installing fiber to support future high speed communications technologies, such as Asynchronous Transfer Mode (ATM), Synchronous Optical Network (SONET), and Fibre Channel.

We estimate that lost time from computer system delays and lockups of only 20 minutes a day per employee would cost the agency over \$400,000 a year in lost productivity. Even using these modest estimates, we would recover the cost of the \$560,000 investment in wiring in a little more than one year.

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**OFFICE OF THE U.S. TRADE REPRESENTATIVE
FULL-TIME PERMANENT POSITIONS BY GRADE LEVEL
FY 1995-1997**

	1995	1996	1997
Executive Level I.....	1	1	1
Executive Level III.....	1	1	1
Subtotal.....	4	4	4
ES-6.....	10	10	10
ES-5.....	2	2	2
ES-4.....	2	3	3
ES-3.....	10	9	9
ES-2.....	3	3	3
ES-1.....	1	1	1
Subtotal.....	28	28	28
GS-15.....	51	51	50
GS-14.....	16	16	15
GS-13.....	5	5	5
GS-12.....	10	10	10
GS-11.....	3	3	3
GS-10.....	3	3	3
GS-9.....	22	22	22
GS-8.....	10	10	10
GS-7.....	2	2	2
GS-6.....	1	1	1
Subtotal.....	125	125	123
UNGRADED.....	2	2	2
Total, allocated permanent positions.....	159	159	157

OEO

ORGANIZATIONAL SUMMARY

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The Office of the U.S. Trade Representative is responsible for developing and coordinating U.S. international trade, commodity, and direct investment policy, and leading or directing negotiations with other countries on such matters. The U.S. Trade Representative is a Cabinet member who acts as the principal trade advisor, negotiator, and spokesperson for the President on trade and related investment matters. Through an interagency structure, the USTR coordinates trade policy, resolves agency disagreements, and frames issues for Presidential decision. "USTR" refers both to the agency and to the agency head, the U.S. Trade Representative. There are two offices, one in Washington, D.C. and one other in Geneva, Switzerland.

The agency provides trade policy leadership and negotiating expertise in its major areas of responsibility. Among these are the following: all matters within the World Trade Organization (WTO) including implementation of the Uruguay Round of multilateral trade negotiations; trade, commodity, and direct investment matters dealt with by international institutions such as the Organization for Economic Cooperation and Development (OECD) and the United Nations Conference on Trade Development (UNCTAD); export expansion policy; East-West trade; industrial and services trade policy; international commodity agreements and policy; bilateral and multilateral trade and investment issues; trade-related intellectual property protection issues; and import policy. The agency is organized to accommodate sectoral, regional, and functional policy perspectives which are integrated into the decision-making process, and coordinated externally with government agencies, the private sector, and foreign entities.

Interagency coordination is accomplished by USTR through the Trade Policy Review Group (TPRG) and the Trade Policy Staff Committee (TPSC). These groups, administered and chaired by USTR and composed of 17 Federal agencies and offices, make up the sub-cabinet mechanism for developing and coordinating positions on international trade issues.

The TPSC is the first line operating group, with representation at the senior civil servant level. The TPSC is supported by 60 subcommittees. If agreement is not reached in the TPSC, or if particularly significant policy questions are being considered, issues are taken up to the TPRG (Deputy USTR/Under Secretary level).

The final tier of the interagency trade policy mechanism is the National Economic Council (NEC), chaired by the President. The NEC Deputies committee considers decision memoranda from the TPRG, as well as particularly important or controversial trade-related issues.

The USTR also serves as Vice Chairman of the Overseas Private Investment Corporation (OPIC), is a non-voting member of the Export-Import Bank, and a member of the National Advisory Committee on International Monetary and Financial Policies.

The agency also has administrative responsibility for the Generalized System of Preferences (GSP) and Section 301 complaints against foreign unfair trade practices, as well as Section 337 and import relief cases under Section 201. Authority for this program expired July 31, 1995. The FY 1997 budget contains a proposal to restore the program retroactively to July 31, 1995 and extend it until September 30, 2000. The Omnibus Trade and Competitiveness Act of 1988 (Trade Act of 1988) transferred authority to the USTR to take action under Section 301, subject to the direction of the President.

The private sector advisory committees provide information and advice on U.S. negotiating objectives and bargaining positions before entering into trade agreements, on the operation of any trade agreement once entered into, and on other matters arising in connection with the development, implementation, and administration of U.S. trade policy.

The private sector advisory committee system consists of 33 advisory committees, with a total membership of approximately 1,000 advisors. The system is arranged in three tiers: the President's Advisory Committee for Trade and Negotiations (ACTPN); seven policy advisory committees; and 25 technical, sectoral and functional advisory committees. The President appoints 45 ACTPN members for two-year terms. The 1974 Trade Act Requires that membership broadly represent key economic sectors affected by trade. The committee considers trade policy issues in the context of the overall national interest.

The seven policy advisory committees are appointed by the USTR alone or in conjunction with other Cabinet officers. Those managed solely by USTR are the Investment and Services Policy Advisory Committee (IVSPAC), the Intergovernmental Policy Advisory Committee (IGPAC), and the Trade Advisory Committee on Africa (TACA). Those policy advisory committees managed jointly with the Departments, Commerce, Agriculture, Labor and the Environmental Protection Agency are the Industry Policy Advisory Committee (IPAC), Agricultural Policy Advisory Committee APAC), Labor Advisory Committee (LAC), and Trade and Environment Advisory Committee (TEPAC). Each committee provides advice based upon the perspectives of its specific sector or area.

The 25 sector, functional, and technical advisory committees are organized in two areas: industry and agriculture. Representatives are jointly appointed by the USTR and the Secretaries of Commerce and Agriculture, respectively. Each sectoral or technical committee represents a specific sector or commodity group (such as textiles or dairy products) and provides specific technical advice concerning the effect the trade policy decision may have on its sector. The three functional advisory committees provide cross-sectoral advice on customs, standards, and intellectual property issues.

In the Trade Act of 1974, Congress broadened and codified the Trade Representative's trade policy making and negotiating

functions and established close Congressional consultative, advisory, and oversight relationships with the agency. In the Trade Agreements Act of 1988, Congress further clarified USTR's leadership role in developing and coordinating trade policy and serving as the President's principal advisor on trade. Throughout the life of the agency, there has been close consultation between the USTR and the Congress. Five Members from each House are formally appointed under statute as official Congressional advisors on trade policy, and additional Members may be appointed as advisors on particular issues or negotiations. Liaison activities between the agency and Congress are extensive.

The Washington, D.C. office is structured according to four types of operations: Bilateral negotiations (Western Hemisphere, covering Canada, Mexico and Latin America, Europe and the Mediterranean, Japan and China, APEC, Asia and the Pacific, and Africa); Multilateral Affairs (World Trade Organization and OECD); Sectoral Activities (Industry, Agriculture, Textiles, Environment, Services, Investment and Intellectual Property); and General Support (General Counsel, Congressional Affairs, Public Affairs, Public Liaison and Intergovernmental Affairs, Chief Economist, and administrative support).

The Geneva Office is organized to cover general WTO affairs, Non-Tariff Agreements and Agricultural Policy and Commodity Policy and the Harmonized Code System. Special attention is given to textiles with one member of the staff designated as U.S. Representative to the Textiles Monitoring Body. The Geneva Deputy USTR is the U.S. Ambassador to the WTO and to the UNCTAD on commodity matters. The Geneva staff represents the United States' interests in negotiations, and in other contacts on trade and trade policy in both forums.

Fiscal Year 1995 Accomplishments

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FY 1995 Accomplishments

The Office of the United States Trade Representative concluded a number of agreements this past year, providing increased access for U.S. goods and services to foreign markets and increasing protection abroad for U.S. intellectual property and investments. Trade (exports plus imports) of goods and services (including investment earnings) has risen from \$132 billion in 1970 (equal to 13% of GDP) to an estimated \$2.2 trillion in 1995 (30.0% of GDP). In the last year alone, the volume of merchandise exports were up 14% and total trade has risen by \$300 billion (from 27.0% of GDP in 1992 to 1994's estimated 30.0%). U.S. jobs related to exports (of goods and services) have risen by over 50% in recent years to an estimated 11 million in 1995. Exports support higher paying U.S. jobs; such jobs pay wages 13% to 17% above U.S. national average wages.

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The following pages highlight accomplishments by geographical and sectoral areas for FY 1995.

WTO and Multilateral Affairs

- o Led effort multilaterally to enable Ecuador to accede to the WTO as of September 1995.
- o Successfully concluded bilateral negotiations in the context of WTO accession with Bulgaria, Ecuador, Mongolia, Panama, Qatar, St. Kitts, and Papua New Guinea for WTO accession, in line with U.S. objectives
- o Conducted WTO accession seminars
- o Successfully completed statutorily-mandated Title VII review of foreign government procurement practices
- o Successfully supported post-Uruguay round negotiations on financial services, movement of natural persons, maritime services and basic telecomm services

APEC Affairs

- o Developed first APEC-wide understanding on Investment with negotiation of the APEC Non-Binding Investment Principles to guide initial steps at investment liberalization in the region, as mandated by Leaders at the Seattle meeting

- o Planned and orchestrated six APEC seminars on UR implementation issues which were hosted by various APEC members.

Bilateral:

Asia and the Pacific

- o Concluded negotiations with Malaysia on a trade and investment framework agreement.
- o Concluded and signed the U.S.-Taiwan trade and investment framework agreement.

Japan/China

- o Successfully concluded negotiations with Japan on telecommunications, NTT procurement, insurance, glass and auto and auto parts.
- o Successfully concluded an agreement on intellectual property rights with China that provided American companies with greater market access and IPR protection.
- o Developed and coordinated an IPR training and assistance program for China with other government agencies and the private sector.

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Europe and the former Republics of the Soviet Union

- o Concluded interim agreement on EU enlargement, allowing \$4.5 billion of U.S. exports to continue unimpeded into the three new EU member states (Austria, Finland and Sweden).
- o Extended U.S. sanctions in government procurement and beef hormones disputes to the three new EU member states.

- o Obtained termination of the confiscatory intellectual property rights policy of the European Telecommunications Standards Institute.
- o Implemented U.S.-EU procurement memorandum of understanding.
- o Obtained Israel's commitment to end fiscal and procurement policies for automobiles that discriminate against U.S. cars
- o Put into place a comprehensive trade technical assistance program for Russia and Ukraine that will facilitate entry into the WTO on commercial terms.
- o Resolved major (\$100 million) cd piracy problem in Bulgaria by concluding an agreement on licensing review.
- o Negotiated a revised Commercial Space Launch Agreement with Russia.

Western Hemisphere

- o Negotiated the implementation of Brazil's 1973-94 Special commitment on patents, trademarks, trade secrets, semi-conductor lay-out designs and copyright, including incorporating this into the President's agenda during the 1995 Cardoso visit.
- o Negotiated Argentina's implementation of its 1989 commitment to address USG patent concerns, including addressing this matter in the context of Special 301.
- o Worked with El Salvador to implement its new copyright law to reduce substantially the production of pirated video and audio tapes.
- o Reversed Guatemala's food labeling regulations which were preventing some U.S. products from being sold.
- o Worked with Colombia to modify its postal decree to enable DHL improved access to that market.

- o Oversaw the implementation of the NAFTA Commission and its seven major committees, two advisory committees, and four subcommittees in coordination with other USTR offices as well as other Federal agencies.
- o Successfully defended U.S. trade rights by resolving disputes with Canada including: wheat exports, bilateral trade in softwood lumber, provincial restrictions on U.S. wine exports to Ontario and Country Music Television section 301 investigation.

Sectoral:

Agriculture

- o Ended Japan's 23-year phytosanitary ban on imports of U.S. apples. U.S. apple exports to Japan began in January 1995.
- o Negotiated voluntary restraint agreements (VRAs) with Australia and New Zealand, to insure that 1994 meat imports did not exceed the level which would require imposition of quotas.
- o Finalized sugar import regulations.

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Environment

- o Established the trade and Environment policy advisory committee.
- o Led U.S. delegation to six meetings of the WTO committee on Trade and Environment.

Services, Investment and Intellectual Property

- o Achieved commercial settlement permitting Country Music Television to return to the Canadian market and reach over four million more homes than it had before being expelled from the Canadian market.
- o Completed seven bilateral investment treaties with: Albania, Honduras, Nicaragua, Latvia, Mongolia and Uzbekistan.

Textile

- o Completed market access negotiations with India, Pakistan and Indonesia.
- o Completed consultations with China and Pakistan concerning major cases of quota circumvention (involving t-shirts and underwear with China and bed sheets with Pakistan).
- o Completed quota safeguard negotiations with the Dominican Republic, Colombia, El Salvador, Jamaica, Sri Lanka, Turkey, Indonesia and Hungary.
- o Completed negotiations on a new bilateral agreement with Romania, Sri Lanka, El Salvador, Guatemala and Bangladesh, and an anti-circumvention agreement with Honduras.

Industry

- o Renegotiated U.S.-PRC Memorandum of Agreement on Space Launch Services.
- o Renegotiated International Natural rubber Agreement.
- o Directed implementation of the 1991 U.S.-Japan Semiconductor Arrangement. Achieved foreign market share in Japanese market above the 20 percent foreseen in the agreement for the entire year.
- o Monitored and directed implementation of agreement with Japan to open its cellular telephone market.
- o Reached agreement with Korea ensuring non-discriminatory access for U.S. firms to Korean Telecom switch procurements and type approval based on non-distorting network protection standards.

GSP

- o Initiated the 1995 Annual GSP Review and considered 125 petitions requesting changes to the list of products that are eligible for the GSP program and considered requests to review worker rights or IPR practices in 20 GSP

beneficiaries.

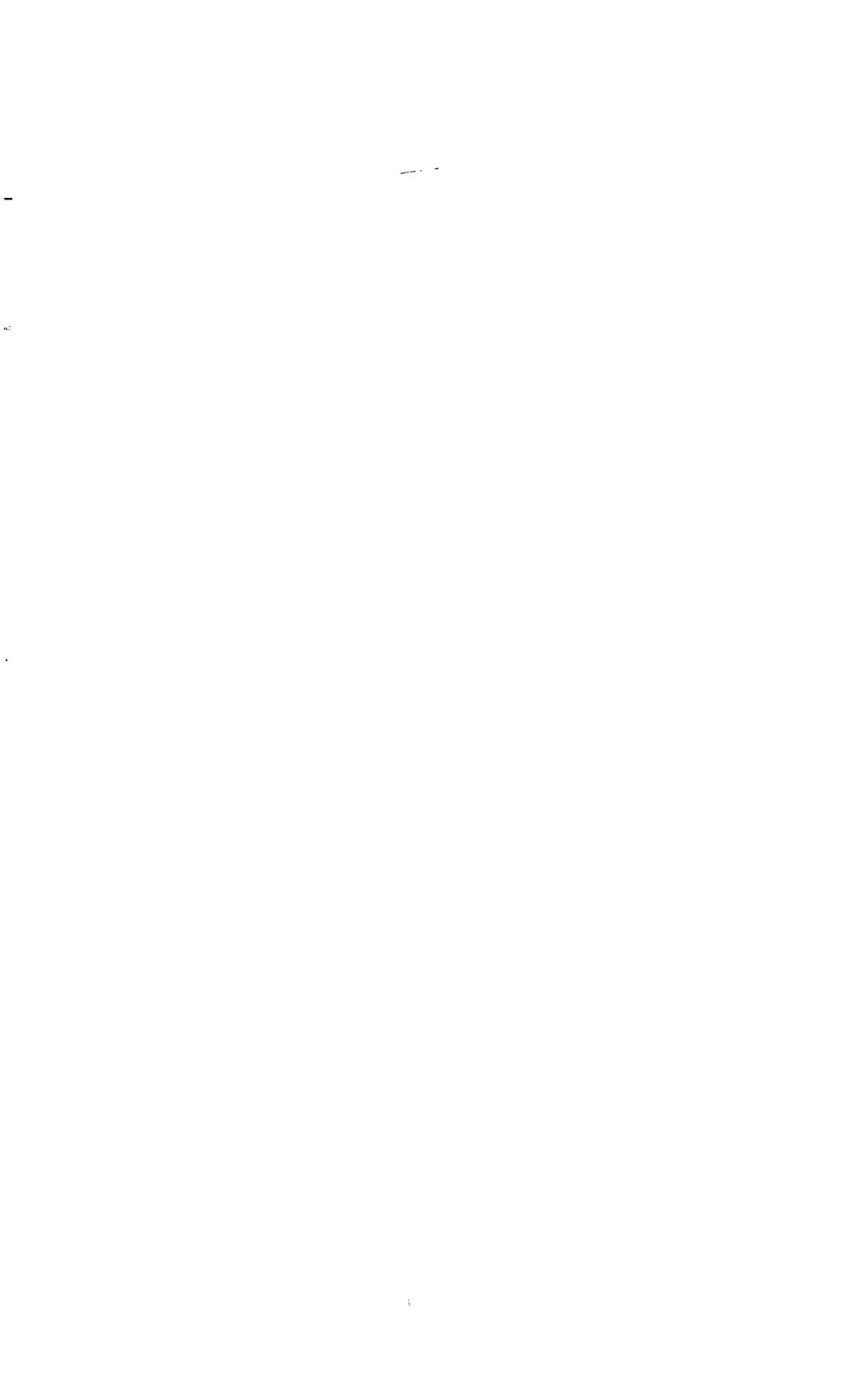
- o Initiated several GSP "eligibility reviews" that resulted in the President's designating the following as new beneficiaries of the GSP program: Armenia, Moldova, and the West Bank and Gaza Strip.
- o Secured interagency agreement to remove the Bahamas and Israel from the GSP program for having exceeded their per capita GNP limits in the G.I. statute.

Intergovernmental Affairs

- o Conducted NAFTA/WTO state implementation seminars in Minneapolis, Tallahassee, Denver and Seattle.
- o Coordinated state submission for NAFTA state reservation process.
- o Hosted advisory committee meetings for ACTPN, INSPAC, IGPAC and worked with Departments of Commerce, Labor and Defense to host other advisory committee meetings IPAC, ISACs, IFACs, DPACT and LAC.

Administration

- o Successfully installed gateways and "firewalls" for Internet and X.400 communication technologies to expand accessibility of external resources.
- o Implemented a comprehensive LAN Disaster Recovery Plan for Washington and Geneva facilities that involved the installation of mirrored servers.
- o Developed and installed the USTR secure network.
- o Prepared and published the National Trade Estimate Report on Foreign Trade Barriers, the USTR Annual Report and the President's Trade Policy Agenda.



OUNCE OF PREVENTION COUNCIL

Fiscal Year 1997 Budget

April 1996

(578)

**OUNCE OF PREVENTION COUNCIL
FY 1997 Budget Request**

MISSION AND LEGISLATIVE CHARGE

The Ounce of Prevention Council ("Council") was established in September 1994 as a part of the Violent Crime Control and Law Enforcement Act. The Council, composed of the Attorney General; Secretaries of Education, Health and Human Services, Housing and Urban Development, Labor, Agriculture, Treasury, Interior; and the Director of the Office of National Drug Control Policy, is the primary vehicle for ensuring a coordinated federal approach to promoting comprehensive, community-based crime prevention efforts. As authorized by statute, and consistent with his efforts to ensure good government, the President has named the Vice President to serve on the Council and act as its Chair.

The Council is charged with the following responsibilities:

- Coordinating any programs authorized under the Act as requested by Council members;
- Directing planning across agencies involved in crime prevention;
- Developing a comprehensive crime prevention catalog;
- Assisting communities and community-based organizations seeking information regarding crime prevention programs and integrated program service delivery; and
- Developing strategies for program integration and grant simplification.

In addition, the Council is authorized to make grants to support local, community-wide efforts to offer:

- summer and after-school education and recreation programs;
- efforts that provide mentoring, tutoring, and other participation by adult role models;
- initiatives designed to assist and promote employability and job placement; and
- prevention and treatment programs to reduce substance abuse, child abuse, and adolescent pregnancy.

ACCOMPLISHMENTS

PROGRAM COORDINATION. In addition to the broad programs created to address the need to strengthen law enforcement efforts, the Violent Crime Control and Law Enforcement Act of 1994 addressed two major prevention concerns. Title IV created a series of programs to respond to the increase in domestic violence and violence against women. Title III created nine major programs aimed at increasing services to youth and families at-risk: Community Schools (HHS), Family and Community Endeavor Schools (ED), Gang Resistance and Training [GREAT] Project (Treasury), Delinquent and At-Risk youth (DOJ), Urban Recreation for At-Risk Youth (DOJ), Crime Prevention Block Grants (DOJ), Local Partnership Act (HUD), Model Intensive Grants (DOJ), and the Ounce of Prevention Grants Program.

The Council is authorized to coordinate these programs at the request of Council Members. In FY 1997, the Council will facilitate this process by:

- reviewing and coordinating crime prevention grant programs;
- compiling and synthesizing drafted information on the purpose, eligibility, application, and evaluation of new programs; and
- compiling information on where (i.e., states, counties, cities) current prevention efforts are focused.

COORDINATED PLANNING. Equally important to the Council is the development of more efficient ways to coordinate key department efforts that support local programs designed to:

- > deliver technical assistance and training to communities, service providers, and community organizations;
- develop informational materials, conferences, and electronic databases; and
- evaluate programs and initiatives.

DEVELOPMENT OF A COMPREHENSIVE CATALOG. In FY 1995, the Council, as requested by Congress, has worked with federal agencies to produce, *Preventing Crime & Promoting Responsibility, 50 Programs That Help Communities Help Their Youth*. This comprehensive crime prevention program catalog

- describes the key strategies for reducing crime in communities and offers programmatic examples of each;
- describes effective community-wide crime prevention efforts, offers examples of

- communities attempting to implement such efforts, and documents the role that federal funding plays in these efforts;
- outlines the types of programs and evidence needed to support crime prevention efforts; and
 - describes the major federal grant programs available to support community crime prevention efforts.

The Council has distributed nearly 15,000 copies of the catalog and has aided thousands of communities throughout the country. This catalog is made available through nine federal clearinghouses and over 14 federally funded resource centers, assisting countless numbers of communities. In FY 1997, the Council intends to build upon the "best practices" component of the catalog and publish a manual providing more examples of local success and more specific approaches communities can take to reduce crime and violence.

COMMUNITY ASSISTANCE. The Council plays a key role in providing information and direct assistance to communities through:

- federal clearinghouses and federally funded resource centers;
- its issue forums, such as the Presidio Leadership Conference and White House Leadership Conference on Youth, Drug Use and Violence, both of which brought together government officials, private sector leaders, and others to discuss youth violence in the nation;
- direct technical assistance by phone and on-site visits along with distributing federal documents and information; and
- a newsletter, which provides a readership of nearly 4,500 with information pertaining to the Council and other federal, state and local prevention efforts.

PROGRAM INTEGRATION. The Council is conducting a thorough and deliberate assessment of federal prevention programs and resources. The intra-agency coordination that has already begun will be complemented by interagency program consolidation, coordination, and grant simplification.

Specifically, the various agencies that comprise the Council are continually working to identify bases for program integration. For example, seven agencies have come together to coordinate existing programs to reduce youth violence; three agencies are coordinating efforts to increase comprehensive services in schools; and three departments are preparing joint definitions of the best practices in mentoring to be used in their grant announcements.

GRANT DISTRIBUTION. In FY 1996, the Council, with an interagency agreement between the Department of Housing and Urban Development, announced the first recipients of its Ounce of Prevention grants. This grant program is designed to support community-based efforts to improve the coordination and integration of youth crime and violence prevention programs and initiatives including summer, after-school, recreation and job placement programs. The Council granted nearly \$1.2 million to nine communities throughout the country.

In FY 1997, the Council requests \$9 million for the Ounce of Prevention Council – half of what Congress originally authorized for FY 1997. This amount will continue to assist communities in promoting local crime prevention efforts and in strengthening and coordinating federal and local crime prevention programs and initiatives.

APPROPRIATION LANGUAGE

The President's 1997 budget requests \$9 million for the Ounce of Prevention Council:

For activities authorized by sections 30101 and 30102 of Public Law 103-322 (including administrative cost), \$9,000,000 to remain available until expended, which shall be derived from the Violent Crime Reduction Trust Fund, for the Ounce of Prevention Grant Program: Provided, That the Council may accept and use gifts and donations, both real and personal, for the purpose of aiding or facilitating the authorized activities of the Council, of which not to exceed \$5,000 may be used for official reception and representation expenses.

FY 1997 BUDGET AUTHORITY OVERVIEW

The estimated FY 1997 budget for the Council breaks down as follows (in thousands).

	FY 1995 Actual	FY 1996 Estimate	FY 1997 Request
Operations:			
Salaries and Expenses	5	476*	990*
Grants/Programs	-	3,019	8,010
Total	5	3,495	9,000
Staffing (FTE)	3	7	10**

*Please note that the difference in operations costs between the FY 1996 estimate and the FY 1997 request is a result of FY 1996 funding uncertainties. The FY 1997 budget includes the need for necessary administrative support for the larger grant program implementation.

**The number of 15 FTE, as shown in the FY 1997 Budget Appendix, is reduced to 10 FTE.

FY 1997 BUDGET REQUEST: NARRATIVE OVERVIEW

The Fiscal Year 1997 budget request for the Ounce of Prevention Council is \$9 million, an increase of \$7 million from FY 1996. Approximately \$2 million will be provided for grants, while less than \$1 million is requested for operations, including 10 FTE.

OPERATIONS

Staffing. The FY 1997 budget request asks for funding for 10 FTE. (The Council has reduced the projected staffing from 15 FTE, shown in the FY 1997 Budget, to 10 FTE.) The total salary allotment, with benefits, is \$754,000. In the FY 1996, the Council spent \$252,000, an increase of \$502,000. It should be noted, however, that due to continued funding uncertainties during the 1996 fiscal year, the Council purposefully limited hiring.

This staffing will respond to the requirements placed on the Council to coordinate planning and programs across the agencies, catalog crime prevention efforts, offer assistance to communities and community organizations, proactively streamline and simplify the grant process across agencies, and administer and evaluate grants made by the Council.

Travel. One of the primary functions of the Council is to interface with and provide assistance to communities. The FY 1997 budget reflects the Council's intent to continue to be proactive in the area of at-risk youth and crime prevention. The travel budget is \$20,000. This would allow:

- visits to communities by Council members and staff to provide technical assistance, to document local efforts, and to learn first-hand what communities want and need from the Federal Government; and
- staff and community visits to Council-sponsored conferences and events.

In FY 1996, due to funding uncertainties, travel has been carefully limited to \$11,000, a difference of \$9,000 from the requested FY 1997 amount.

GSA Rent/Communications/Utilities. The Council's office houses its staff; working space; and a conference room for meetings, forums, and events. In addition, staff resources and community needs are met through the use of its equipment and continued maintenance. An allotment of \$147,000 is requested, an increase of \$12,000 from FY 1996. This difference contemplates a full Council staff under complete operation.

Printing/Reproduction. The newsletter is a very important product of the Council. Currently, it has a readership of over 4,500 and continues to grow daily. The Council also continues to receive a steady flow of requests for other types of information from communities, a wide array of national organizations, members of Congress, and state and

local governments. The Council is committed to producing, reproducing and disseminating informational material on a range of prevention topics to an increasing number of individuals and groups. The requested budget for FY 1997 is \$37,000. In FY 1996, due to budget uncertainties, the Council limited its expenditures to \$12,000, a difference of \$25,000.

Contractual Services/Supplies/Materials. The maintenance of Council equipment requires contract services for computers and fax machines. Additionally, office supplies and research services are required to meet informational requests and provide technical assistance to a growing number of communities. The FY 1997 budget request is \$16,000 for these services and materials. In FY 1996, due to funding uncertainties, the Council limited its expenditures to \$6,000 for these expenditures, a difference of \$10,000.

GRANTS/PROGRAMS

The Council expects to distribute \$8 million in grants, an increase of \$6.5 million from FY 1996, to communities to support local efforts to prevent crime through strengthening and coordinating youth programs that focus on development, prevention, intervention or treatment. Applicants may be Indian Tribal government, cities, counties, other municipalities, school boards, colleges, private nonprofit entities, or consortia of eligible applicants. They must demonstrate a broad-based and inclusive planning process had been used. Grants will be made in consultation with Council agencies in a way that strengthens and complements, rather than duplicates, other agency-based grant programs.

SUMMARY TABLES OF PROGRAM AND FINANCING**SALARIES AND EXPENSES**
(\$ in thousands)

		FY 1995 Actual	FY 1996 CR Levels <u>with Addback</u>	FY 1997 Request
Program By Activities:				
00.01	Administrative Exp.		1,000	1,000
00.02	Grants	--	3,000	8,000
10.00	Total Obligations	--	4,000	9,000

**Budgetary Resources Available
for Obligation:**

21.40	Unobligated balance available, start of year: uninv. balance	--	1,495	--
22.00	New budget authority (gross)	1,500	2,000	9,000
23.90	Total budgetary resources avail. for obligation	1,500	3,495	9,000
23.95	New Obligations	5	-3,495	-9,000
24.40	Unobligated balance available, end of year: Uninvested balance	1,495	--	--

**New Budget Authority (gross),
detail:**

42.00	Transferred from other accounts	1,500	2,000	9,000
43.00	Appropriation	1,500	2,000	9,000

**Relation of obligations
to Outlay (Change in
unpaid obligations):**

72.40	Obligated balance, start of year	--	--	2,725
73.10	New Obligations	5	3,495	9,000
73.20	Total Outlays	5	-770	-3,310
74.40	Obligated balance, end of year	--	2,725	8,415

Outlays (gross), detail:

86.90	Outlays from new current authority	5	440	1,980
86.93	Outlays from current balances	--	330	1,330
87.00	Total outlays (gross)	5	770	3,310

Net budget authority and outlays:

89.00	Budget Authority	1,500	2,000	9,000
90.00	Outlays	5	770	3,310

SUMMARY TABLES OF PERSONNEL

PERSONNEL

	FY 1995 <u>Actual</u>	FY 1996 <u>Estimate</u>	FY 1997 <u>Request</u>
Total number of appropriated full-time permanent positions	3	7	10*
Total compensable workyears: full-time equivalent employment	3	7	10*
Full-time equivalent of overtime and holiday hours	--	--	--
Total Filled Permanent Positions at year-end	5	7	10*
Unfilled positions	2	0	0
<hr/>	<hr/>	<hr/>	<hr/>
Total appropriated perm. positions	3	7	10*

*The number of 15 FTE, as shown in the FY 1997 Budget Appendix, is reduced to 10 FTE.

SUMMARY TABLES BY OBJECT CLASS
 (\$ in thousands)

	FY 1995 Actual	FY 1996 Estimate	FY 1997 Request	Net Change
Personnel Compensation:				
11.1 Full-time permanent	--	200	598	(+) 398
11.9 Total personnel comp.	--	200	598	(+) 398
12.1 Civilian personnel Benefits	--	52	156	(+) 104
Total comp. & benefits		252*	754	(+) 502
21.0 Travel & Trans. of persons	--	11	20	(+) 9
22.0 Transportation of things	--	9	16	(+) 7
23.1 Rental payments to GSA	--	112	115	(+) 3
23.3 Comm., util., & misc. charges	--	23	32	(+) 9
24.0 Printing & reproduction	--	12	37	(+) 25
25.1 Consulting services	--	51	0	(-) 51
25.2 Other contractual services	5	3	4	(+) 1
26.0 Supplies & materials	--	3	12	(+) 9
41.0 Grants	--	3,019	8,010	(+) 4,991
99.0 Total Budget Authority	5	3,495	9,000	(+) 5,505

*Due to funding uncertainties during FY 1996 hiring has been limited.

U. S. Securities and Exchange Commission



**Budget Estimate
Fiscal 1997**

March 1996

(585)

Securities and Exchange Commission

Salaries and Expenses

1996 Proposed Appropriation

General Fund Appropriation	\$103,445,000
Offsetting Collections	184,293,000
Unobligated Balance, Prior Year	<u>9,667,000</u>
Total Funding	\$297,405,000
1997 Proposed Change	<u>10,784,000</u>
Requested Appropriated Funding	<u>\$308,189,000</u>

Appropriation Language

For necessary expenses for the Securities and Exchange Commission, including services as authorized by 5 U.S.C. 3109, the rental of space (to include multiple year leases) in the District of Columbia and elsewhere, and not to exceed \$3,000 for official reception and representation expenses, \$308,189,000 of which not to exceed \$10,000 may be used toward funding a permanent secretariat for the International Organization of Securities Commissions, and of which not to exceed \$100,000 shall be available for expenses for consultations and meetings hosted by the Commission with foreign governmental and other regulatory officials, members of their delegations, appropriate representatives and staff to exchange views concerning developments relating to securities matters, development and implementation of cooperation agreements concerning securities matters and provision of technical assistance for the development of foreign securities markets, such expenses to include necessary logistic and administrative expenses and the expenses of Commission staff and foreign invitees in attendance at such consultations and meetings including: (i) such incidental expenses as meals taken in the course of such attendance, (ii) any travel or transportation to or from such meetings, and (iii) any other related lodging or subsistence. If prior to enactment of this Act, legislation amending the Securities Exchange Act of 1934 (15 U.S.C. 78a et seq.) to establish a new fee system which reforms the funding structure of the Commission is enacted, the sum " \$308,189,000 " shall be deleted and replaced with " \$48,623,000 ", and the following language shall be added after " (iii) any other related lodging or subsistence: " Provided, That not to exceed \$48,623,000 from fees and annual charges received in fiscal year 1997 shall be credited to this appropriation as offsetting collections and be available until expended for necessary expenses under this head: Provided further, That the sum herein appropriated from the General Fund shall be reduced as such fees are deposited to this appropriation so as to

result in a final total fiscal year 1997 appropriation from the General Fund estimated at not more than \$0."

(60 Stat. 810; 5 U.S.C. 551-59, 601-12, 701-06, 1305, 3105, 3109, 3344, 5362, 7521; 11 U.S.C. 101-151326; 15 U.S.C. 77a-77bbbb, 78a-78kk, 78aaa-78lll, 79-79z-6, 80a-1-80a-64, 80b-1-80b-21; 44 U.S.C. 3501-3520; Pub. L. No. 96-433; Pub. L. No. 96-477; Pub. L. No. 97-303; Pub. L. No. 97-444; Pub. L. No. 104-67)

Note - A regular 1996 appropriation for this account had not been enacted at the time this budget was prepared. The 1996 amounts included in this budget are based on the levels provided in the three continuing resolutions: P.L. 104-91, P.L. 104-92, and P.L. 104-99.

Statutory Authority

The Securities and Exchange Commission (Commission or SEC) was created by the Securities Exchange Act of 1934 (1934 Act) as an independent, quasi-judicial agency. It administers a group of statutes in the area of securities and finance which seek to protect the investing public by providing full disclosure, regulating the nation's securities markets, and preventing and policing fraud and malpractice in the securities and financial markets. These statutes are, in addition to the 1934 Act, the Securities Act of 1933 (1933 Act), the Public Utility Holding Company Act of 1935 (PUHCA), the Trust Indenture Act of 1939, the Investment Company Act of 1940, and the Investment Advisers Act of 1940. By terms of Chapter 11 of the Bankruptcy Code, the Commission also participates in the federal courts in certain corporate reorganization proceedings in which there is a substantial public interest. The Securities Investor Protection Act of 1970 (SIPA) gives the Commission certain oversight and other responsibilities with respect to the Securities Investor Protection Corporation.

1. Securities Act of 1933. This act requires issuers of securities to provide investors with financial and other information concerning new and outstanding issues of securities which are offered for public sale by issuers, parties with a controlling interest in the issues, and others. This law also prohibits misrepresentation, deceit, and other fraudulent acts and practices in the offer and sale of securities.
2. Securities Exchange Act of 1934. This act requires certain issuers of publicly-traded securities to file registration applications, proxy materials, and annual and other reports with national securities exchanges and with the Commission. Persons directly or indirectly acquiring the beneficial ownership of more than five percent of any registered class of equity security must furnish reports containing certain information. Persons initiating, supporting, or opposing tender offers with respect to any registered class of equity security also are subject to the act and to Commission rules and regulations. The act details a regulatory and reporting pattern for securities transactions by directors, officers, and principal stockholders. Registration with the Commission also is required for self-regulatory organizations, including securities exchanges, national securities associations, and clearing agencies. Securities brokers and dealers engaged in interstate commerce are regulated by the Commission and by the self-regulatory organizations under the 1934 Act.

The Insider Trading Sanctions Act of 1984 (ITSA) made significant amendments to the 1934 Act. ITSA, for the first time, authorized the Commission to seek a civil penalty of up to three times the profit gained or loss avoided as a result of insider trading transactions. (Authority to obtain injunctive and other equitable relief against such conduct was not affected.) ITSA also expressly increased the maximum fine for a criminal violation of the 1934 Act from \$10,000 (established in 1934) to \$100,000. In addition, ITSA (1) prevented circumvention of existing prohibitions against insider trading by explicitly prohibiting unlawful conduct in derivative securities such as options, (2) added commodities law violations as a basis for statutory disqualification under the 1934 Act, (3) extended the Commission's authority to bring administrative proceedings to remedy violations of Section

14 of the 1934 Act, and (4) amended Section 15(c)(4) of the 1934 Act to clarify the Commission's authority to proceed administratively against officers or directors or other individuals who cause a failure to comply with Sections 12, 13, 14, or 15(d) of the Act, as well as against the issuer.

The Government Securities Act of 1986 (GSA), signed into law on October 28, 1986 (Pub. L. No. 99-571), amends the 1934 Act by requiring government securities brokers and dealers (other than registered brokers or dealers or financial institutions) to register with the Commission. Registered brokers and dealers and financial institutions must file a notice with their appropriate regulatory agencies. The GSA gives the Department of the Treasury (Treasury) specific rulemaking authority with respect to certain aspects of the government securities market. Generally, the Commission has inspection and enforcement authority over government securities brokers and dealers except for those institutions reporting to their appropriate regulatory agencies. The GSA was amended by the Government Securities Act Amendments of 1993, discussed below.

The Insider Trading and Securities Fraud Enforcement Act of 1988 (ITSFEA), signed into law on November 11, 1988 (Pub. L. No. 100-704), amended the 1934 Act to expand the scope of ITSA to make "controlling persons" liable, under certain circumstances, for the insider trading of their employees. ITSFEA also amended the 1934 Act to, among other things, (1) increase the maximum jail terms for most violations of the federal securities laws to 10 years and the maximum criminal fines to \$1 million for individuals and \$2.5 million for entities, (2) strengthen private rights of action related to insider trading, and (3) provide for bounties for insider trading informants. ITSFEA required brokers, dealers, and investment advisers to establish reasonable policies and procedures to prevent the misuse of material, nonpublic information by their firms and associated persons, and amended the 1934 Act to permit the Commission to conduct investigations and provide assistance to foreign securities authorities in connection with foreign securities violations.

The Securities Enforcement Remedies and Penny Stock Reform Act of 1990 (Remedies Act) was signed into law on October 15, 1990 (Pub. L. No. 101-429). The Remedies Act combined two separate pieces of legislation. One creates new judicial and administrative remedies for violations of the federal securities laws. The other provides the Commission with new regulatory and enforcement powers over the penny stock market. The Remedies Act amends the 1933 Act, the 1934 Act, the Investment Company Act, and the Investment Advisers Act to add new administrative remedies and to allow the Commission to seek broader relief in the federal courts. The Remedies Act authorizes the Commission to, among other things, (1) enter both permanent and temporary cease-and-desist orders for any violation of the federal securities laws, (2) seek court orders imposing civil money penalties for any violation of the federal securities laws, (3) enter orders in administrative proceedings requiring respondents to disgorge profits and render an accounting, and (4) impose civil money penalties in administrative proceedings against regulated persons. The civil money penalties available in administrative and civil proceedings may equal up to \$100,000 per violation or act or omission for a natural person and up to \$500,000 per violation for other persons, depending on the nature of the violation. The Remedies Act also authorizes the

federal district courts to bar or suspend a defendant in a Commission action from serving as an officer or director of a reporting company. Finally, the legislation contains a number of provisions designed to curb penny stock fraud.

The Market Reform Act of 1990 was signed into law on October 16, 1990 (Pub. L. No. 101-432). The Market Reform Act originated as a response to the October 1987 market break. It amends the 1934 Act to, among other things, (1) expand the authority of the Commission to adopt reporting rules for the purpose of monitoring the impact of large transactions upon the securities markets, (2) authorize the Commission to adopt record-keeping and reporting requirements for the purpose of assessing the risks posed to registered broker-dealers from activities of affiliates, (3) authorize the Commission to suspend trading for 90 calendar days during a market emergency, (4) direct the Commission to facilitate the establishment of coordinated facilities for clearance and settlement of transactions in securities, securities options, futures, and commodity options, and (5) empower the Commission to preempt state commercial law concerning the transfer and pledge of securities. The Market Reform Act also directs the Commission to establish an advisory committee under the Federal Advisory Committee Act to assess, among other things, the adequacy of state commercial laws. In addition, the Commission is authorized to adopt rules to prevent manipulation of price levels of the equity securities market. Finally, the Market Reform Act authorizes the Commission to prohibit or constrain, during periods of extraordinary market volatility, any trading practice in connection with the purchase or sale of equity securities that the Commission determines has previously contributed significantly to extraordinary levels of volatility, that have threatened the maintenance of fair and orderly markets, and is reasonably certain to engender such volatility levels if not prohibited or constrained.

The Government Securities Act Amendments of 1993 were signed into law on December 17, 1993, (Pub. L. No. 103-202). This legislation amended the GSA to, among other things (1) permanently reauthorize Treasury's rulemaking authority under the GSA, (2) authorize the Commission to obtain trade records, in machine readable form, for surveillance and enforcement purposes, (3) extend the Commission's antifraud authority under Section 15(c) of the 1934 Act to government securities brokers and dealers, (4) grant sales practice rulemaking authority with respect to government securities brokers and dealers to the NASD and the federal banking regulators, (5) direct the Commission to report annually on market transparency, and (6) adopt a variety of reforms to the Treasury auction process. Title III of this legislation, known as the "Limited Partnership Rollup Reform Act of 1993," contained provisions addressing abuses that have occurred in connection with limited partnership reorganizations into new, larger, corporate entities. Among other things, Title III makes it unlawful for any person to solicit any proxy, consent, or authorization concerning a rollup transaction, or to make any tender offer in furtherance of a rollup transaction, except in accordance with rules prescribed by the Commission. The Commission was required to have rules governing limited partnership rollup transactions effective by December 17, 1994.

The Unlisted Trading Privileges Act of 1994 (Pub. L. No. 103-390), signed into law on October 22, 1994, revised the application and approval process by which exchanges may obtain unlisted trading privileges in securities. Within 180 days from date of the legislation's

enactment, the Commission was required to undertake rulemaking to determine whether to require any delay in trading of initial public offerings pursuant to unlisted trading privileges.

3. Public Utility Holding Company Act of 1935. This law regulates holding companies controlling electric and gas utilities respecting: physical integration of public utility and related properties of holding company systems and simplification of financial and corporate structures of those systems; financing activities, acquisitions, and dispositions of securities and properties, accounting practices, and servicing arrangements of holding company systems; and the rights of persons affiliated with a public utility to acquire securities of other public utilities.

Title VII of the Energy Policy Act of 1992, signed into law on October 24, 1992 (Pub. L. No. 102-486), makes a number of amendments to PUHCA. First, in order to expedite the acquisition of wholesale power generators by utility companies, Title VII limits the Commission's jurisdiction over acquisitions of exempt wholesale generators (EWGs) by registered holding companies. However, the Commission retains jurisdiction to review the financings for such acquisitions, as well as certain business relationships between holding companies, EWGs, and other associated companies. Title VII requires the Commission to adopt rules setting standards for the approval of financing arrangements and to act on proposed financing arrangements for EWG acquisitions within 120 days from the date of application.

Second, Title VII of the Energy Policy Act establishes procedures for domestic holding companies to invest in foreign utilities. An exempt holding company may acquire and maintain interests in foreign utilities without condition or limitation, so long as the holding company provides the Commission with certification from all relevant State commissions of their authority and resources to protect ratepayers. A registered holding company may invest in foreign utilities without prior Commission approval. However, the Act also authorized the Commission to promulgate rules governing the acquisition of foreign utility company interests and gave it express authority over the issuance of securities by a registered holding company for the purpose of financing foreign acquisitions.

4. Trust Indenture Act of 1939. The Trust Indenture Act, as amended by Title IV of the Securities Acts Amendments of 1990, safeguards rights and interests of purchasers of debt securities issued under mortgage indentures and sold publicly.

5. Investment Company Act of 1940. This law requires investment companies to register with the Commission and subjects their activities to regulation by the Commission. Regulation of these entities includes oversight of the composition of boards of directors, capital structures, and transactions with affiliated persons. The Investment Company Act provides a number of protections for investors. Among other things, the act specifies that an investment adviser has a fiduciary duty with respect to the receipt of compensation from an investment company and provides that the Commission and shareholders may initiate legal action for court enforcement of this duty. The Investment Company Act also authorizes the Commission, in conjunction with the National Association of Securities Dealers, to regulate

charges levied in connection with sales of investment company shares. The Commission is empowered to promulgate rules dealing with problems such as insider trading in an investment company's portfolio securities, the establishment by investment companies of codes of ethics, and the plans developed by sponsors and other sellers to carry out their refund obligations. In addition, the Investment Company Act gives the Commission authority to institute administrative proceedings to bar persons who have violated the federal securities laws from the investment company business. The Small Business Investment Incentive Act, enacted in 1980, amended the Investment Company Act to remove certain inappropriate regulatory burdens on venture capital companies engaged in furnishing capital to small businesses.

6. Investment Advisers Act of 1940. Persons who, for compensation, engage in the business of advising others with respect to their security transactions generally must register with the Commission. The Investment Advisers Act prohibits certain kinds of fee arrangements, prohibits fraud, and requires disclosure of conflicts of interest on the part of the adviser. It also authorizes the Commission to require investment advisers to keep books and records, to provide for regular and periodic inspections of registered investment advisers, to deny or revoke registration of investment advisers, and to prohibit fraudulent, deceptive, and manipulative practices by investment advisers by rule or regulation. The Investment Advisers Act provides for disciplinary controls over investment advisers that are similar to the provisions in the 1934 Act relating to disciplinary controls over broker-dealers.

7. Bankruptcy Code. Chapter 11 provides a comprehensive procedure for the rehabilitation of financially distressed companies. The Commission participates in selected bankruptcy cases to protect the interests of public investors.

8. The Securities Investor Protection Act of 1970. This law created the Securities Investor Protection Corporation (SIPC), which provides protection for the funds of customers of broker-dealers in the event of liquidation. The Commission is required to review and approve proposed changes to the bylaws and rules of SIPC and may require SIPC to adopt, amend, or repeal any SIPC bylaw or rule. In addition, the Commission may make loans to SIPC in the event of a shortfall in the SIPC fund used to pay customer claims. The Commission may participate in any proceeding brought by SIPC for the protection of customers and, in the event that SIPC refuses to commit funds or otherwise act for the protection of customers, the Commission may seek a court order requiring SIPC to discharge its obligations. Finally, the Commission may examine SIPC, require SIPC to submit such reports and records as the Commission considers necessary, and submit comments to be transmitted with SIPC's annual report to the President and Congress.

9. Securities Acts Amendments of 1990. These acts, signed into law on November 15, 1990 (Pub. L. No. 101-550), consist of four titles. Title I authorized the Commission's appropriations for fiscal years 1990 and 1991 and grants the Commission independent leasing authority. Title II, discussed further below, gives the Commission additional authority to improve coordination of international enforcement efforts. Title III closes gaps in current

law with respect to providing information to shareholders. Title IV streamlines and modernizes the Trust Indenture Act of 1939.

Title II, the International Securities Enforcement Cooperation Act of 1990 (ISECA), contains several provisions which give the Commission additional authority to improve coordination of international enforcement efforts. Title II: (1) amends the 1934 Act to enable the Commission to maintain the confidentiality of certain foreign records now required to be disclosed pursuant to the Freedom of Information Act; (2) makes clear the rulemaking authority of the Commission to provide foreign and domestic securities officials with access to certain non-public information if the person receiving such information provides assurances of confidentiality deemed appropriate by the Commission; and (3) authorizes the Commission and the self-regulatory organizations (SROs) to censure, revoke the registration of, or impose employment restrictions upon a securities professional who is found by a foreign court or foreign securities authority to have engaged in illegal or improper conduct. In addition, Title II authorizes the SROs, subject to Commission oversight, to prohibit any person who has been convicted of any felony from becoming a member of an SRO or associating with a member or to place conditions upon such membership or association. Finally, Title II authorizes the Commission to accept reimbursement for expenses incurred in providing assistance to a foreign securities authority.

10. Private Securities Litigation Reform Act of 1995. This legislation was enacted over a Presidential veto on December 22, 1995 (Pub. L. 104-67). It alters the way in which private actions are conducted under the securities laws, the consequences of liability in those actions, and the standards for such liability. Although the Act applies to private lawsuits, it may indirectly affect the Commission's enforcement program, since private actions have long served as a "necessary supplement" to the Commission's own enforcement activities, and as the primary vehicle for compensating defrauded investors. Moreover, in addition to addressing the conduct of private securities litigation, the Act: (i) creates a statutory "safe harbor" for forward-looking statements (this section gives the Commission authority to provide certain exemptions from provisions of the 1933 and 1934 Acts); (ii) clarifies the availability in Commission actions under the 1934 Act of liability for "knowingly": aiding and abetting; and (iii) requires the Commission, within 180 days of enactment of the Act, to determine whether senior citizens and qualified retirement plans require greater protection against securities fraud than is available under the Act and, if so, to submit to Congress a report containing recommendations as to the protection of such investors.

Positions and Cost Data for 1995 - 1997

	1995 Actual		1996 Estimate		1997 Request	
	Positions	Cost	Positions	Cost	Positions	Cost
Wall Streetovers						
Corporation Finances	342		342		342	
Filings & Information Services	84		79		79	
FOIA/Freedom Act	18		18		18	
Civil Enforcement	24		24		24	
Regional Offices	33		4		4	
File Support	62		62		62	
Subtotal	560		529		529	
Prevention and Suppression of Fraud						
Enforcement	349		349		349	
International Affairs	21		21		21	
Secretary	4		4		4	
Investor Education and Assistance	24		24		24	
Regional Offices	535		535		535	
Subtotal	923		923		923	
Regulation of Securities Markets						
Market Regulation	156		156		156	
Compliance Inspections and Exams	50		56		56	
Filings & Information Services	20		15		15	
Regional Offices	210		210		210	
Subtotal	437		437		437	
Investment Management Regulation						
Investment Management	157		157		157	
Compliance Inspections and Exams	28		33		33	
Filings & Information Services	20		20		20	
Regional Offices	344		364		364	
File Support	17		17		17	
Subtotal	566		591		591	
Legal and Economic Services						
General Counsel	128		128		128	
Administrative Law Judges	7		8		8	
Economic Analysis	18		23		23	
Municipal Securities	7		7		7	
Regional Offices	13		13		13	
Subtotal	173		179		179	
Program Directors						
Executive Staff	42		42		42	
Secretary	21		21		21	
Public Affairs	7		8		8	
Executive Director	17		16		16	
Equal Employment Opportunity	14		13		13	
Administrative & Personnel Mgmt.	122		135		135	
Comptroller	36		36		36	
Information Technology	91		90		90	
Inspector General	6		9		9	
Subtotal	368		370		370	
Headquarters Total	1,904		1,913		1,913	
Regional Office Total	1,135		1,126		1,126	
Total - Authorized	3,039		3,039		3,039	
Permanent Annual Salary Rate	\$169,284,234		\$174,978,000			
Less: Salaries (Lapses)	(374) (\$16,940,344)		(251) (\$9,713,000)		(251) (\$9,924,000)	
Cost of Permanent Staff Years	2,655	\$152,243,490	2,788	\$163,265,000	2,888	\$170,547,000
Cost of Temporary Staff Years	40	\$761,792	9	\$176,000	9	\$176,000
Overtime and Holiday Pay		\$744,305		\$869,000		\$869,000
Other - Awards		\$2,125,286		\$2,126,000		\$2,126,000
Total Cost of Salaries and Staff Years	2,705	\$155,975,475	2,797	\$166,696,000	2,797	\$173,680,000
Other Expenses						
Personnel Benefits	\$34,547,606		\$37,269,000		\$36,571,000	
Travel and Transportation of Persons	\$6,443,528		\$7,368,000		\$7,401,000	
Transportation of Things	\$133,662		\$152,000		\$153,000	
Communications and Rental	\$31,835,692		\$32,462,000		\$32,452,000	
Printing and Reproduction	\$1,996,552		\$2,378,000		\$2,452,000	
Other Services	\$35,683,131		\$36,520,000		\$41,375,000	
Supplies and Materials	\$7,039,309		\$8,354,000		\$7,256,000	
Equipment	\$10,947,833		\$4,464,000		\$4,509,000	
Claims and Indemnities	\$151,809		\$0		\$0	
Subtotal Other Expenses	\$128,779,122		\$128,957,000		\$134,369,000	
Total Expenses		\$284,754,595		\$297,403,000		\$308,189,000
Unobligated Balance Available 1/		\$23,527,890		\$0		\$0
Total Funding		\$308,282,475		\$297,403,000		\$308,189,000

1/ Language in the Conference agreement on the 1996 Commerce, Justice, and State Appropriations Bill applies \$9,467,000 of the unobligated balance to the Securities and Exchange Commission's fiscal 1996 funding. Other committed funds in the unobligated balance include \$82,735 received as an advance for reimbursable services from the Agency for International Development, and \$9,400,000 approved in a prior reprogramming for the SEC's continuing Strategic Automation Modernization project (SAM). Total SAM funds include \$3,900,000 to be spent in fiscal 1996 and \$5,700,000 in fiscal 1997. Of the remaining unobligated balance, \$3,280,342 were apportioned in fiscal 1996 for the SEC's use during two continuing resolution funding gaps, and \$897,603 remain uncommitted.

Summary of Changes

The Commission's 1997 budget request of \$308,189,000 provides for an increase of \$10,784,000 over the agency's 1996 budget authority of \$297,405,000. The following table itemizes the requested changes.

	<u>1997 Request</u>		
	Staff Positions	Years	\$ (000)
1996 Total Appropriated Funding	3,039	2,797	\$297,405
1997 Base Changes			
1. Mandatory salary and personnel benefits	-	-	\$3,483
2. 1997 general pay raise	-	-	3,201
3. Inflation and contractual price changes	-	-	1,677
Total Base Changes	=	=	\$8,361
1997 Program Changes			
1. Non-personnel support	-	--	\$ 2,095
2. Automated data processing:			
a. Electronic filing redesign	-	-	2,029
b. Other ADP initiatives	=	=	(1,701)
Total Program Changes	=	=	\$ 2,423
Total Base and Program Changes	=	=	\$10,784
1997 Total Appropriation Request	3,039	2,797	\$308,189

Narrative Explanation of Changes

1997 Base Changes:

1. Mandatory salary and personnel benefits. Mandatory salary costs include \$2,037,000 for within-grade increases (see 5 U.S.C. 5335) and \$1,291,000 to fully fund the fiscal 1996 cost-of-living pay raise of 2.54%.

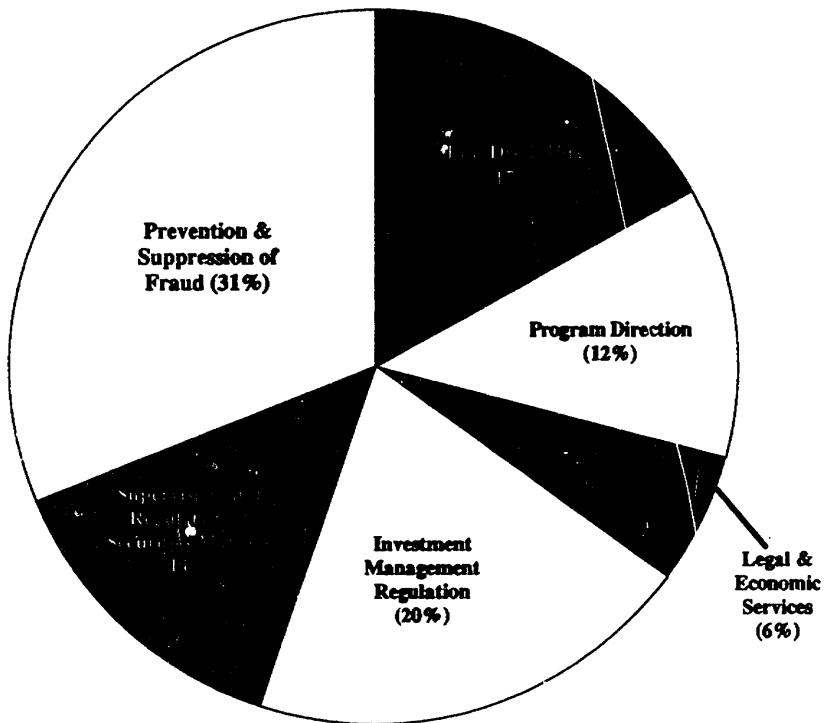
Mandatory personnel benefits include increased employer contributions of \$112,000 for employee-selected health benefit plans at rates renegotiated annually by the Office of Personnel Management pursuant to 5 U.S.C. 8902 and \$43,000 in mandatory benefits to former Commission employees based on a statement of cost from the Department of Labor for billed benefits and other payments to present and former Commission employees made from the government-wide Employees Compensation Fund.

2. 1997 general pay raise. The requested \$3,201,000 will fund a January 1997 cost-of-living pay raise of 2.1%.
3. Inflation and contractual price changes. This item includes \$1,677,000 in cost increases based on a GNP deflator of 3.2% estimated by the Office of Management and Budget.

1997 Program Changes:

1. Non-personnel support. This item includes \$2,095,000 in non-personnel support costs as follows:
 - \$95,000 for building security features and additional guard service; and
 - \$2,000,000 for an increase to the litigation support contracts.
- 2.a. Automated data processing - Electronic filing redesign. This item covers the transition costs associated with the recompetition of the current EDGAR contract.
- 2.b. Automated data processing - Other initiatives. This item reflects a decrease of \$2,200,000 in the appropriated costs associated with the Strategic Automation Modernization initiative and an increase of \$499,000 for specialized microcomputer training.

Fiscal 1997 Positions by Program



Full Disclosure**Executive Summary**

<u>Organization</u>	1995 Actual	1996 Estimate	1997 Request
Corporation Finance	316	315	315
Filings and Information Services	74	67	67
FOIA/Privacy Act	16	16	16
Chief Accountant	20	21	21
Regional Offices	37	27	4
Filer Support	.58	.57	.57
Total Staff Years	521	503	486
Cost: Salaries and Benefits (\$000)	\$35,412	\$36,373	\$35,141
Non-Personnel Expenses (\$000)	22,247	21,276	22,870
Total Program Cost (\$000)	\$57,659	\$57,649	\$58,011

This program strives to assure that investors are provided with material information and to inhibit fraud in the public offering, trading, voting, and tendering of securities. It also endeavors to streamline, simplify, and thereby reduce the cost of registration and reporting requirements for domestic and foreign issuers, where consistent with investor protection.

Review of Filings: Staffing will remain at the 1996 level. Review levels will reflect the transfer of regional office small business filings to the home office. The transfer will result in greater efficiencies in the processing of these filings, while ensuring that access to the public capital markets is not delayed and financing schedules are not interrupted. In connection with the transfer, the needs of small business issuers will be met by providing a small business liaison in each regional office, creating a special small business review unit at headquarters, and adding a small business area to the SEC's home page on the Internet. The staff expects to complete 12% fewer reporting issuer reviews than in 1996 (2,955 vs. 3,345) as a result of the continuing focus on implementing the significant rulemaking agenda and the increase in initial public offering reviews resulting from the transfer.

Rulemaking and Interpretive Advice: Staffing will remain at the 1996 level. The staff will continue its work on projects designed to implement the recommendations of the Advisory Committee on the Capital Formation and Regulatory Processes and the Commission's internal Task Force on Disclosure Simplification relating to the re-examination of 1933 and 1934 Act rules and regulations to eliminate or change rules that have outlived their usefulness and streamline remaining disclosures. The Task Force report has recommended elimination or amendment of approximately one-quarter of the program's rules and one-half of the program's forms and schedules.

Full Disclosure**Mission**

The program's mission is to assure that investors are provided with material information and to prevent fraud and misrepresentation in the public offering, trading, voting, and tendering of securities. The program's primary authority derives from two statutes—the Securities Act of 1933 (1933 Act) and the Securities Exchange Act of 1934 (1934 Act). The 1933 Act requires issuers to disclose current and historic business and financial information when publicly offering their securities. The 1934 Act requires issuers to file periodic reports with the Commission and to make certain disclosures in proxy solicitations, tender offers, and ownership reports. The program is administered by the Division of Corporation Finance (Division), and the Offices of Filings and Information Services, Chief Accountant, and Information Technology. Information services, such as responding to requests from the public for information in Commission files, are provided by the Freedom of Information Act/Privacy Act branch.

The program accomplishes its mission through the following activities:

Review of Filings: Filings by issuers reporting under the 1934 Act are reviewed by the Division on a selected basis to encourage and enhance compliance with disclosure and accounting requirements. These reviews are referred to as reporting issuer reviews. A reporting issuer review may be accomplished through the full review of (1) a transactional filing, such as a repeat issuer 1933 Act registration statement or a merger proxy statement or (2) an annual report and subsequent periodic reports and proxy statements. A reporting issuer review also may be accomplished through a full financial review, which consists of an in-depth accounting analysis of an issuer's financial statements and management's discussion and analysis or business plan disclosure. The staff reviews all initial public offerings (IPOs) and 1934 Act registration statements by issuers not subject to the reporting requirements at the time of filing. In addition, all tender offers, going-private transactions, and contested proxy statements are reviewed. Where appropriate, matters are referred to the enforcement staff for possible action.

The Division separates its workload into four categories: (1) full review, (2) full financial review, (3) monitor for one or more specific items in a filing, and (4) no review. As a result of a review or monitor, the staff may issue comments to filers to elicit better compliance with applicable disclosure requirements. Filers that amend filings to address identified deficiencies may avert the possibility of costly investor litigation or Commission enforcement action. The comment process deters fraud and facilitates investor access to information necessary to make informed investment decisions and thus enhances the efficiency of the capital markets.

Rulemaking and Interpretive Advice: Rulemaking is undertaken to protect investors, facilitate capital formation, improve and simplify disclosure, establish uniform requirements, and eliminate unnecessary regulation. The objective is to define regulatory requirements on a cost-effective basis. Interpretive and accounting advice is provided through (1) no-action and interpretive letters, (2) interpretive releases, (3) responses to telephone inquiries, and (4) exemptive orders.

Regional Office Disclosure: IPOs, related post-effective amendments of small business issuers, and Regulation A exemptive filings previously received and reviewed in the regional offices will be reviewed in the headquarters office beginning in 1997. The transfer will result in greater efficiencies in the processing of these filings, while ensuring that access to the public capital markets is not delayed and financing schedules are not interrupted. Each regional office will have staff assigned to assist small issuers by directing their questions and concerns to the proper Commission office and to follow-up as needed to ensure that good service was provided. The regional office public reference rooms also will continue to provide investor access to public information necessary to make informed investment decisions.

Document Receipt and Distribution: The staff assists filers with the non-technical requirements and transmission of electronic documents submitted to the Commission, including filings under the 1933 and 1934 Acts. The staff also assists with the receipt, processing, and distribution of paper documents for press, public, and Commission use. In this regard, the staff (1) examines paper filings for acceptance or rejection, (2) calculates filing fees, (3) extracts data for entry into Commission database systems, and (4) prepares paper documents for microfilming. The staff also examines beneficial ownership reports for completeness and technical compliance with the form requirements.

Public Reference: A library of corporate filings, Commission releases, and other public documents is maintained for use by the public. Assistance is provided to the public in locating and obtaining information from this library and the agency's electronic filing system.

Information Services: The provisions of the Freedom of Information Act of 1966 (FOIA), Privacy Act of 1974 (Privacy Act), and Government in the Sunshine Act of 1966 (Sunshine Act) are applied to requests from the public for information contained in Commission files to determine what information may be released. The staff is required by statute to respond within a 10 business-day period although complex FOIA requests that involve large quantities of records are held in abeyance and processed under a first-in/first-out (FIFO) system. The agency's confidential treatment rules are applied to requests for certain information, and assistance is provided to the Office of Legislative Affairs in responding to congressional requests for information.

Accounting Policy: Accounting policy is established to enhance the relevance and reliability of financial reporting and to improve the professional performance of public company auditors to help ensure the fair presentation of financial statements used by investors in making investment decisions. These objectives are achieved through (1) rulemaking initiatives that supplement accounting standards, (2) oversight of private sector activities, (3) discussions with issuers and accountants on complex accounting issues, and (4) staff participation in Commission enforcement investigations and proceedings involving auditing and financial reporting problems.

Filer Support: The Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system is designed to increase the efficiency and fairness of the securities markets for the benefit of investors, filers, and the economy by accelerating the processing, dissemination, and analysis of time-sensitive information filed with the Commission. EDGAR automates the receipt, processing, and dissemination of documents filed with the Commission and provides comprehensive automation capabilities for the full disclosure activities.

Program Environment

The program operates in a securities market where in 1995, over \$823 billion in securities were filed for registration, including over \$122 billion for IPOs. This compares to 1994, during which over \$814 billion in securities were filed for registration, including over \$116 billion for IPOs. Common stock offerings of nearly \$400 billion filed for registration in 1995 (compared to \$330 billion in 1994) reflected a substantial increase in merger activity, as well as a modest increase in stock offerings.

Financing levels and other activities depend on prevailing economic conditions, and the uncertain economic environment makes projections extremely difficult. While total workload projections for transactional filings in 1996 and 1997 have been held to 1995 levels, the transfer of IPO transactional filings from the regions to the headquarters without the concomitant increase in staff needed to absorb these filings will result in a reduced number of reporting issuer reviews in 1997. Workload projections also do not reflect the possible effects of statutory and regulatory changes. In addition, reporting issuer review levels for 1996 and 1997 are predicated on the Division being able to successfully recruit and retain accountants and attorneys.

Increased volatility in interest and currency exchange rates have resulted in fundamental changes in the financial markets. To meet the challenges posed by these changes, a broad range of commercial and industrial companies, as well as financial intermediaries such as banks and insurance companies, are turning to increasingly more diverse and complex financial instruments including structured notes and derivative securities. Investors must be fully informed about the extent of issuers' involvement with these financial instruments.

and the risks associated with their use. Similarly, where these types of financial instruments are being offered in public securities offerings, the risks associated with investing in such securities must be fully and fairly disclosed to potential investors.

Foreign companies' participation in the United States markets continues to grow. In 1995, 118 foreign companies from 28 countries entered the United States public markets for the first time. By the end of 1995, almost \$41 billion in securities had been registered for sale in public offerings by foreign companies and a total of 709 foreign companies from 43 countries were filing periodic reports with the Commission.

In the rulemaking area, the Commission addressed and facilitated the use of electronic media to deliver disclosure documents by issuing an interpretive release providing guidance and a degree of certainty to issuers that use electronic media to deliver or transmit information to investors. Technical amendments to Commission rules that currently are premised on the distribution of paper documents are being drafted.

In addition, the staff will be working on the adoption of initiatives to raise the total assets threshold for 1934 Act registration, reduce the holding period requirements in Rule 144 under the 1933 Act, and exempt from federal registration small offerings that are exempt under a California law.

Broad-based initiatives are also being considered that may result in substantial revisions to the registration and disclosure processes. In 1995, the Commission established an Advisory Committee on the Capital Formation and Regulatory Processes, reflecting the Commission's continuing efforts to minimize regulatory burdens while maximizing investor protection. The Committee is considering fundamental issues relating to the regulatory framework governing the capital formation process, such as whether Commission rules should provide for registration of companies rather than securities.

The internal Task Force on Disclosure Simplification (Task Force) completed a "top to bottom" review of all forms and disclosure requirements relating to securities offerings and disclosure obligations of public companies. The purpose of the review was to streamline and simplify regulations, including the elimination of any requirements that have outlived their usefulness. The Task Force's report and recommendations were considered by the Commission on March 5, 1996.

The Commission annually receives and processes more than 12 million pages of information from over 15,000 corporate, investment company, and individual filers. The EDGAR system is automating the receipt and processing of most of this information. The operational EDGAR system opened in January 1992 for test filings, and mandated electronic filing began in April 1993. With the successful completion in June 1994 of a

congressionally mandated six-month test of the EDGAR system by the first four groups of mandated filers, the Commission approved phase-in of all remaining domestic filers beginning in January 1995. Mandated phase-in will be completed during May 1996.

As a result of mandated electronic filing, the agency's document receipt and distribution activities are changing to reflect more electronic, rather than paper, filing of the nearly one-half million documents received by the Commission. Non-technical assistance to issuers and agents submitting filings is increasing as the staff responds to requests for, among other things, interpretation of filer manual instructions and identification and elimination of submission errors that interfere with electronic filing receipt and acceptance. Preliminary examination and classification of paper filings is declining and computer update, delinquency program, and quality assurance functions are being maintained.

There is a substantial public awareness of, and demand for, market-sensitive information. With the conversion to electronic filing, most public filings with the Commission are immediately available in an electronic format. The staff will instruct visitors in use of the public reference room computer terminals and provide assistance in identifying source documents and obtaining printouts of relevant material. In September 1995, the Commission instituted its own Internet Web site, which makes available to the public all EDGAR filings as well as Commission announcements, releases containing proposed and adopted rule changes, and other matters of interest to the investing public. Microfiche and paper copies of current material also will be made available and an historic library of documents will be maintained in microfiche.

An independent accounting profession and rigorous accounting standards facilitate capital formation by providing reliability and objectivity to financial reporting. The integrity of financial reporting by public companies is constantly being reviewed, modified, and improved through Commission rulemaking, private sector standard-setting (conducted principally by the Financial Accounting Standards Board (FASB) under Commission oversight), the peer review program of the American Institute of Certified Public Accountants, state licensing programs, and civil litigation. The staff also undertakes projects designed to simplify and streamline financial statement disclosure requirements, actively participates in initiatives by international accounting bodies to establish appropriate international standards that might be considered for use in multinational offerings, and reviews modifications to international auditing guidelines.

1995 Program Evaluation

Review of Filings: The staff completed 3,930 reporting issuer reviews, 16% more than the 3,400 reporting issuer reviews completed in 1994. The reporting issuer reviews were

accomplished through 2,345 full reviews and 1,585 full financial reviews. The documents fully reviewed consisted of 815 (26%) repeat issuer 1933 Act registration statements, 100 (34%) repeat issuer 1933 Act post-effective amendments with new audited financial statements, 1,930 (15%) annual reports, and 225 (94%) going-private and merger proxy statements. The number of documents reviewed exceeds the number of reporting issuer full reviews because more than one document filed by the same issuer received a full review during the year. The staff also reviewed 805 IPO 1933 Act and 200 new issuer 1934 Act registration statements, compared to 1,167 and 215 registration statements, respectively, in the prior year.

Staff reviews produce substantial results, including material changes to the financial disclosures in filings. In 1995, 50 companies were required to amend filings to restate their financial statements; approximately 46 (92%) of these restatements resulted in changes to reported income of more than 10%. Some examples of the results of the staff's review are as follows:

- An issuer carried a 20% investment in the common stock of another company on its balance sheet at a cost of \$37.4 million. After the other company completed a public offering of common stock at \$6.50 per share, the staff questioned the disparity in the issuer's carrying value and the current market value of the common stock investment. As a result of the staff's comment, the issuer recorded an unrealized loss on its investment of \$24.2 million (\$15.5 million after taxes), reducing its nine months' income by 17% from \$90.1 million to \$74.6 million.
- An insurance broker entered into a portfolio transfer agreement with an unrelated insurance company and reduced its loan loss reserves by \$2 million. The staff questioned whether the reduction was appropriate since the transfer did not relieve the company of all liabilities on the portfolio. As a result of the staff's comments, the issuer's year-end income statement was restated to reflect a loss of approximately \$64,000 in lieu of a profit of approximately \$2 million.
- In connection with resolving staff comments relating to a transaction in which an issuer transferred assets to its parent and then leased the assets back, the issuer's independent auditors determined that they could no longer rely on management's representations and withdrew their audit opinion. The issuer engaged new auditors, re-structured the organization of the consolidated group, and refiled financial statements which reduced shareholders' equity from a positive balance of \$12 million to a deficit of \$15 million and increased liabilities by approximately \$100 million.

Reviews during the year resulted in 89 referrals to the enforcement staff. Investigations or other actions have been initiated as a result of 64 of these referrals.

Rulemaking and Interpretive Advice: The staff undertook 40 projects, including the following:

- proposed and adopted rules to implement two solutions to prospectus delivery timing issues arising in connection with the change to the trade date plus three days settlement standard (known as T+3);
- issued an interpretive release and related rule proposals addressing the use of electronic media to deliver or transmit to investors information under the federal securities laws; and
- published, in June 1995, a series of initiatives to streamline disclosure, facilitate capital raising, and deter abusive practices. The initiatives included:
 - (1) proposals to allow abbreviated financial statements in documents delivered to security holders and a solicitation of comments on other possible approaches to streamlining the annual report to shareholders;
 - (2) proposals to move certain executive compensation disclosure from proxy statements to annual reports on Form 10-K and put most director compensation disclosure into tabular form;
 - (3) a proposed new exemption under Section 3(b) of the 1933 Act for certain limited issues that qualify for a recently adopted California state exemption from qualification requirements;
 - (4) a proposal to raise the 1934 Act reporting threshold under Section 12(g) by increasing the asset test that subjects a company to registration from \$5 million to \$10 million;
 - (5) a proposal to shorten the holding periods in Rule 144 for securities purchased in private placements;
 - (6) a proposal to allow companies to "test the waters" prior to making a registered initial public offering;

- (7) proposals to streamline disclosure requirements relating to significant business acquisitions and to require quarterly reporting of unregistered equity sales; and
- (8) an interpretive release addressing problematic practices under Regulation S.

Other projects completed during the year include: (1) proposals to improve and simplify the Section 16 regulatory scheme governing the reporting of certain insider holdings and transactions, as well as the recovery of short-swing profits; (2) amendments to streamline financial statement disclosure requirements for foreign and domestic issuers; (3) proposals to enhance disclosure with respect to legal proceedings involving management, significant shareholders, and others; (4) public hearings on the safe harbors from liability for disclosure of "forward looking" information; (5) rules to further implement the EDGAR system; (6) proposals to provide exemptive relief and simplify filing requirements for debt securities to be listed on a national exchange; and (7) rules to implement the Rollup Reform Act of 1993.

The Commission hosted two conferences: the SEC/NASAA Conference under Section 19(c) of the 1933 Act and the fourteenth annual SEC Government-Business Forum on Small Business Capital Formation.

The staff responded to requests for interpretive advice concerning, among other things, new financing methods and novel securities; small business financings; shareholder proposals; proxy rules; and beneficial ownership reporting requirements of officers, directors, and principal shareholders. In this regard, the staff processed 950 no-action and interpretive letters and 800 pieces of general legal correspondence, and responded to 45,500 telephone inquiries on legal matters. The staff also responded to 475 written and 10,360 telephone inquiries concerning accounting matters, increases of 12% and 18%, respectively, over 1994.

Regional Office Disclosure: The staff reviewed 145 small business issuer registration statements and 115 post-effective amendments. The staff also reviewed 69 Regulation A offering statements and 22 Regulation A post-qualification amendments.

Document Receipt and Distribution: The staff received and processed 392,675 documents filed in paper. The staff responded to an increased number of telephone calls requesting assistance with electronic filing. The staff also filed 531,000 pieces of microfiche and reproduced 125,950 pieces of microfiche in response to 5,010 requests. Fee collection, quality control, and delinquency program activities were maintained.

Public Reference: The staff responded to 81,350 telephone inquiries and 7,070 written requests for documents. A total of 488,180 pieces of microfiche were added to the microfiche library and 390,450 paper documents were received and processed. The staff also assisted 28,070 visitors in the headquarters public reference room.

Information Services: The initial response time on FOIA, Sunshine Act, and Privacy Act requests was within statutory time limits and processing of complex FIFO cases began within two months after receipt. The staff received and processed 2,430 FOIA requests and appeals and 8,300 confidential treatment requests and appeals, increases of 6% and 46%, respectively, over 1994.

Accounting Policy: The staff was involved in 21 projects to prepare rule amendments and staff bulletins. Through the FASB's Emerging Issues Task Force, the staff continued to publicize its views on the proper accounting for restructuring charges in order to narrow the divergent practices in public companies' financial statements. Staff accounting bulletins were issued expressing the staff's views on the appropriate period in which gain or loss should be recognized on early extinguishment of debt and on the appropriate financial reporting of discontinued operations. An interpretive release was issued to clarify the Commission's position relating to recognition of default on collateral dependent loans. The staff assisted in 160 investigations involving auditing and financial matters, advised 730 issuers and accountants on complex accounting matters, and participated with the FASB and accounting profession in oversight of standard setting projects.

Filer Support: On December 19, 1994, the Commission authorized the publication of the staff's report on the congressionally-mandated six-month test period and issued a release authorizing full implementation of the EDGAR system. Phase-in of additional filers to the EDGAR system recommenced on January 30, 1995 and proceeded as outlined in a revised phase-in schedule. A technology conference was held in August 1995 to solicit public input on how to improve the EDGAR system. In September 1995, the Commission instituted its own Internet Web site which makes available all EDGAR filings as well as other matters of interest to the investing public. This initiative to facilitate the dissemination of EDGAR filings is the first of a series of EDGAR improvements envisioned by the Commission. The contract for the current EDGAR system will expire in January 1997. Work on the recompetition of the contract was initiated.

1996 Appropriation

Review of Filings: Assuming IPO 1933 Act and repeat issuer 1933 Act registration statements remain at 1995 levels, the staff will complete 3,345 reporting issuer reviews, 15% less than in 1995. The level of reporting issuer and transactional filing reviews are

directly related to the number of accountants in the Division. The expected decline in reporting issuer reviews is due to the four month hiring freeze that prevented the Division from maintaining prior levels of accountants and the redeployment of staff years from the review of filings to rulemaking.

The reporting issuer reviews will be accomplished through 2,345 full reviews and 1,000 full financial reviews. The documents fully reviewed will consist of 815 (26%) repeat issuer 1933 Act registration statements, 100 (34%) repeat issuer 1933 Act post-effective amendments with new audited financial statements, 1,930 (15%) annual reports, and 225 (94%) going-private and merger proxy statements. The number of documents reviewed will exceed the number of reporting issuer full reviews because more than one document filed by the same issuer will receive a full review during the year. The staff also will review 805 IPO 1933 Act and 200 new issuer 1934 Act registration statements.

Rulemaking and Interpretive Advice: The staff will complete substantial rulemaking initiatives during 1996. Action will be taken with respect to several 1995 proposals that were designed to simplify disclosure requirements and to reduce regulatory burdens for smaller companies. The staff will focus on reducing regulatory burdens for officers, directors, and large shareholders of public companies. This will be accomplished through action on earlier proposals relating to streamlining the Section 16 regulatory scheme for reporting of insider holdings and transactions and recovery of short-swing profits.

The staff will analyze comments received in response to rule amendments proposed in December 1995 that would supplement disclosures currently required by generally accepted accounting principles and Commission rules with respect to derivative financial instruments. Rules providing safe harbor protection for certain forward-looking information that would be required by the proposed derivatives disclosure also will be considered. The staff will prepare a recommendation concerning the proposed rules and provide interpretive guidance as appropriate.

In addition to these specific proposals, there are significant, broad reviews that could result in substantial rulemaking initiatives. For example, the Advisory Committee on the Capital Formation and Regulatory Processes is considering fundamental issues relating to the capital formation process, including whether a company registration system should be implemented. If the Commission determines to proceed with this system through revisions to its rules, substantial resources will be devoted to preparing the extensive rulemaking necessary to implement such proposals.

The staff also will work on another important initiative during the year, implementation of the Task Force report's recommendations. The recommendations of the Task Force are expected to result in dozens of rule proposals. The staff will review existing rules,

prepare the Task Force report, draft rules, and review public comments with respect to the proposed changes.

The staff will process 950 no-action and interpretive letters, and respond to 800 pieces of general legal correspondence and 45,500 telephone inquiries on legal matters. Replies will be made to 475 written and 10,360 telephone inquiries concerning accounting matters.

Regional Office Disclosure: The staff will review 145 small business issuer registration statements and 115 post-effective amendments. The staff also will review 70 Regulation A offering statements and 25 Regulation A post-qualification amendments.

Document Receipt and Distribution: The number of paper documents received, indexed, and distributed by the staff will decline as a result of the increase in the number of electronic filers. However, additional assistance to electronic filers will be provided to, among other things, interpret filer manual instructions and facilitate acceptance of filings by resolving electronic submission errors. Quality control functions and fee collection and delinquency program activities will be enhanced. The staff will process 587,650 pieces of microfiche, 202,500 beneficial ownership reports, and 37,500 restricted securities reports.

Public Reference: The library of Commission documents will be maintained for public availability. The staff will assist 28,100 visitors and respond to 600 formal requests for certifications of filings and 7,000 written requests for documents. The staff also will respond to 82,000 telephone inquiries.

Information Services: The initial response time on FOIA, Sunshine Act, and Privacy Act requests will be within statutory time limits, and initiation of work on complex FIFO cases is expected to remain at the two-month level. The staff will process 2,450 FOIA requests and 8,400 confidential treatment requests.

Accounting Policy: The staff's oversight of the establishment and implementation of major FASB projects will continue. The staff will respond on a timely basis to developments in standard-setting initiatives at the FASB, including its long-term project to develop an accounting model for derivatives and other financial instruments, and other projects of the AICPA. The staff will conduct a review of duplicative or outdated accounting rules, in connection with the Task Force on Disclosure Simplification. The staff also will prepare proposed rules on disclosures of derivative products, analyze comments received on the proposal, and prepare any final implementing rules. Approximately 20 rule amendments and staff bulletins will be prepared. In addition, the

staff will participate in 160 investigations involving auditing and financial matters and take an active role in initiatives in the international accounting and auditing areas.

Filer Support: Mandated phase-in of all domestic filers to the EDGAR system will be completed. The staff will review the proposals received in response to the recompetition of the EDGAR contract. The staff also will provide essential technical, operational, and procedural support; assist filers experiencing technical difficulties; and respond to questions regarding equipment and software.

1997 Program Request

Review of Filings: Headquarters' staffing will remain at the 1996 level. Review levels will reflect the transfer of regional office small business filings to the home office. The transfer will result in greater efficiencies in the processing of these filings, while ensuring that access to the public capital markets is not delayed and financing schedules are not interrupted. A new small business offering review unit will be established in the Division (staffed through reassignment of existing personnel) to provide expertise in dealing with small businesses and addressing small business capital raising concerns.

The staff will complete 12% fewer reporting issuer reviews than in 1996 (2,955 vs. 3,345) as a result of a shift in resources to the review of the transferred IPO filings, which require more average staff time than reporting issuer filing reviews. The number of reporting issuer reviews assumes that the decline in the level of accountants in the Division due to the hiring freeze has been eliminated and that staff resources redeployed to rulemaking in 1996 will continue to be devoted to rulemaking projects in 1997. The total number of reporting issuer and IPO reviews (approximately 4,100) will provide an adequate program presence in the disclosure and accounting arena that will promote efficient capital allocation, act as a deterrent to financial fraud, and avert the possibility of costly investor litigation.

The 2,955 reporting issuer reviews will be accomplished through 1,455 full reviews and 1,500 full financial reviews. The documents fully reviewed will consist of 815 (26%) repeat issuer 1933 Act registration statements, 215 (49%) repeat issuer 1933 Act post-effective amendments with new audited financial statements, 650 (5%) annual reports, and 225 (94%) going-private and merger proxy statements. The number of documents reviewed will exceed the number of reporting issuer full reviews because more than one document filed by the same issuer will receive a full review during the year. The staff also will review 950 IPO 1933 Act registration statements, 200 new issuer 1934 Act registration statements, and 70 Regulation A offering circulars.

Rulemaking and Interpretive Advice: Staffing will remain at the 1996 level. The staff will continue its work on projects designed to implement the recommendations of the Advisory Committee and the Task Force relating to the re-examination of 1933 and 1934 Act rules and regulations to eliminate or change rules that have outlived their usefulness.

The staff will process 950 no-action and interpretive letters, and respond to 800 pieces of general legal correspondence and 45,500 telephone inquiries on legal matters. Replies will be made to 475 written and 10,360 telephone inquiries concerning accounting matters.

Regional Office Disclosure: The review of filings functions previously performed in the regions will be transferred to the home office. However, each regional office will have assigned staff to assist small issuers by directing their questions and concerns to the appropriate Commission office and to follow-up as needed to ensure that good service is provided. In addition, a special page on the SEC's Website will be devoted to small companies' needs and interests. The regional office public reference rooms will continue to provide investor access to public information necessary to make informed investment decisions.

Document Receipt and Distribution: Staffing will remain at the 1996 level. With the completion of the final phase-in of EDGAR filers in 1996, filer assistance to electronic filers will increase and operations associated with the receipt and filing of paper documents will continue to decline. The staff will index and disseminate documents filed in paper in a timely manner and maintain quality assurance and delinquency program activities.

Public Reference: Staffing will remain at the 1996 level. Response times on incoming telephone calls and requests for general assistance will be improved. Assistance provided to the public for accessing and retrieving electronic filings will be increased. The staff will continue to maintain the microfiche library, respond to 35,000 requests for microfiche and 82,000 telephone inquiries, and provide assistance to 28,100 visitors in the headquarters' public reference room.

Information Services: Staffing will remain at the 1996 level. The staff will process 2,500 FOIA requests and appeals and 8,500 confidential treatment requests and appeals, increases of 2% and 1%, respectively, over 1996. The staff also will keep pace with the increasingly more sophisticated requests that impact the Commission's FIFO system of processing. The staff will maintain the two-month waiting period for requesters seeking access to large volumes of material.

Accounting Policy: Staffing will remain at the 1996 level. The staff will participate in 160 investigations involving auditing and financial reporting matters and the development

of 20 rulemaking amendments and staff bulletins. The staff will continue to selectively monitor the effectiveness of FASB standard-setting projects, including major projects concerning derivatives and other financial instruments. The staff will respond promptly to issuers and accountants on complex accounting issues and continue to actively participate in the financial services and international accounting areas.

Filer Support: Staffing will remain at the 1996 level. The current EDGAR contract will expire in January 1997. A new contractor will be selected after a full and open competition. The staff will continue to provide essential technical, operational, and procedural support to EDGAR filers.

**Full Disclosure
Reporting Issuer Reviews**

<u>Activity</u>	<u>1995 Actual</u>	<u>1996 Estimate</u>	<u>1997 Request</u>
Number of Reporting Issuers Filing Reviews			
Full Reviews 1/	3,070	3,070	1,905
Full Financial Reviews 2/	1,585	1,000	1,500
Total Reporting Issuer Reviews	3,930	3,345	2,955
Number of Issuers Filing Annual Reports (Reporting Issuers)	12,775	12,800	12,825
Reporting Issuer Review Percentage	31%	26%	23%
Reporting Issuer Review Staff Years	99	93	83

Set forth on the following pages are the filings reviewed in 1995 and to be reviewed in 1996 and 1997 to achieve the above levels of reporting issuer reviews. The total number of filings by reporting issuers shown as reviewed exceeds the number set forth above because it is likely that more than one document filed by an issuer will be reviewed, and an issuer's annual report may be reviewed in connection with a repeat issuer 1933 Act registration or merger proxy registration statement. The following tables also reflect reviews of other filings, e.g., IPO 1933 and new issuer 1934 Act registration statements, tender offer schedules, and contested solicitations, that warrant examination.

- 1/ A full review involves an in-depth examination of the accounting, financial, and legal aspects of an issuer's filings. The review may be undertaken in the context of a transactional filing or as a review of the issuer's annual report and subsequent periodic reports. The review process involves the examination of initial filings and amendments. It also involves appropriate research, conferences with issuers' representatives, and examination of supplemental information. Most types of documents are screened to determine if they will be selected for review.
- 2/ A full financial review involves an in-depth accounting analysis of an issuer's financial statements and management's discussion and analysis or business plan disclosure.

**Full Disclosure
Workload Data¹**

<u>Activity</u>	<u>1995 Actual</u>	<u>1996 Estimate</u>	<u>1997 Request</u>
<u>Review of Filings</u>			
Reporting Issuer Filing Reviews			
Repeat Issuer 1933 Act Filings:			
Registration Statements			
Filed	3,160	3,160	3,160
Full Reviews	815	815	815
Monitored 3/	700	700	700
Post-Effective Amendments			
Filed 4/	290	290	435
Full Reviews 5/	100	100	215
Monitored	165	165	165
Going-Private/Merger Proxy Statements			
Filed	240	240	240
Full Reviews	225	225	225
Annual Reports			
Filed	12,775	12,800	12,825
Reviewed	3,515	2,930	2,150
Full 6/	1,930	1,930	650
Full Financial	1,585	1,000	1,500
Monitored	90	90	90

3/ Certain filings are monitored for specific disclosure items.

4/ Includes post-effective amendments with new financial statements only. An additional 1,050 amendments were filed without new financial statements. The estimate for 1997 includes 125 filings and 115 reviews of amendments transferred from the regional offices.

5/ Full reviews of post-effective amendments are included only if the filings contain new audited financial statements.

6/ Includes for 1995, 585 filings reviewed in connection with the review of other filings.

<u>Activity</u>	<u>1995 Actual</u>	<u>1996 Estimate</u>	<u>1997 Request</u>
Review of Filings (continued)			
Quarterly & Current Reports			
Filed	54,240	54,240	54,240
Full Reviews	2,220	2,000	900
Monitored	7,060	7,060	5,500
Staff Years-- Reporting Issuer Reviews	99	93	83
IPO 1933 Act Registration Statements 7/			
Filed	850	855	1,000
Full Reviews	805	805	950
Regulation A Offering Circulars 7/	0	0	70
Staff Years-- IPO 1933 Act Reviews	46	46	56
Other Filing Reviews			
1934 Act Registration Statements:			
New Issuer 8/			
Filed	225	225	225
Full Reviews	200	200	200
Repeat Issuer			
Filed	1,380	1,380	1,380
Reviewed/Monitored	700	700	700
Proxy Material			
Contested Solicitation			
Filed and Full Reviews	59	59	59

7/ All IPO 1933 Act registration statements are reviewed, although some reviews are completed in the succeeding year. The figure for 1997 includes the review of 145 registration statements and 70 Regulation A offering circulars transferred from the regional offices.

8/ All new issuer 1934 Act registration statements are reviewed, although some reviews are completed in the succeeding year.

<u>Activity</u>	<u>1995 Actual</u>	<u>1996 Estimate</u>	<u>1997 Request</u>
<u>Review of Filings (continued)</u>			
Other Proxy Statements			
Filed	1,625	1,625	1,625
Full Reviews 9/	400	400	400
Monitored	110	110	110
1934 Act Schedules:			
Tender Offer Schedules			
Filed and Full Reviews 10/	500	500	500
Going-Private Schedules			
Filed and Full Reviews	77	77	77
Staff Years -- Other Filing Reviews	21	21	21
Staff Years -- Other Activities			
EDGAR Training/Filer Support	4	4	4
Other Review Activities 11/	3	3	3
Clerical Assistance	23	23	23
Administrative Matters 12/	67	67	67
Staff Years	263	257	257
<u>Rulemaking and Interpretive Advice</u>			
Rulemaking and Other Projects	40	40	40
General Advice and Coordination:			
Telephone Calls			
Legal	45,500	45,500	45,500
Accounting	10,360	10,360	10,360

9/ Includes for 1995 the review of executive compensation committee report disclosure and related data in 85 definitive and draft filings resulting from recently adopted proxy rule revisions.

10/Includes schedules filed for issuer tender offers.

11/Includes such matters as review of trust indenture and exemptive filings and time spent at securities bar and other meetings.

12/Includes leave, training, planning and coordination, and quality control. Staff years are projected on the basis of a fixed percentage of review of filings staff years.

<u>Activity</u>	<u>1995 Actual</u>	<u>1996 Estimate</u>	<u>1997 Request</u>
<u>Rulemaking and Interpretive Advice (continued)</u>			
FOIA, Confidential Treatment, and Other Matters	1,150	1,150	1,150
Written Responses:			
No-Action/Interpretive Letters	950	950	950
Exemptive Applications	350	350	350
Correspondence			
Legal	800	800	800
Accounting	475	475	475
Staff Years	53	58	58
<u>Regional Office Disclosure</u>			
Regulation A:			
Offering Statements			
Filed and Full Reviews 13/	69	70	0
Post-Qualification Amendments			
Filed and Reviewed 13/	22	25	0
Small Business:			
Registration Statements			
Filed and Full Reviews 13/	145	145	0
Post-Effective Amendments 14/			
Filed 13/	125	125	0
Full Reviews 13/	115	115	0

13/Includes reviews of small business Forms SB-1 and SB-2. The 1997 figure reflects the transfer of the review of registration statements and Regulation A offering circulars to the home office.

14/Full reviews are counted only if the post-effective amendments include new audited financial statements.

<u>Activity</u>	<u>1995 Actual</u>	<u>1996 Estimate</u>	<u>1997 Request</u>
Regional Office Disclosure (continued)			
Staff Years--Regional Review			
Activities 15/	30	23	0
Staff Years--Public Reference	7	4	4
Staff Years -	37	27	4
Document Receipt and Distribution 16/			
1933 Act Filings:			
Registration Statements and Amendments	35,820	42,420	47,330
1934 Act Filings:			
Registration Statements and Amendments	2,920	3,400	3,570
Proxy Material	3,290	2,710	2,040
Annual Reports and Amendments	17,750	16,530	17,040
Quarterly Reports and Amendments	38,360	37,790	38,500
Current Reports and Amendments	30,080	30,420	32,830
Ownership Reports and Amendments	202,200	202,500	202,800
Restricted Security Reports and Amendments	37,470	37,500	37,700
1933 & 1934 Act--Miscellaneous Filings:			
Documents and Amendments	95,550	109,460	116,430
Microfiche Processing:			
Received and Filed	531,000	587,650	627,265
Requests Received and Processed	5,010	3,560	1,035
Microfiche Reproduced	125,950	103,420	80,890
Staff Years	50	45	45

15/In 1995, the staff responded to 13,145 telephone calls and 3,580 written inquiries on review activities and other matters.

16/In 1995, 392,675 paper and 70,765 electronic documents were filed with the Commission. The number of documents filed in paper will continue to decline in 1996 and 1997 as additional filers will be required to file electronically. By the end of 1996, nearly all 1933 and 1934 Act registration statements and amendments; 1934 Act proxy material and annual, quarterly, and current reports and amendments; and 1933 and 1934 Act miscellaneous reports and amendments will be filed electronically.

<u>Activity</u>	1995 <u>Actual</u>	1996 <u>Estimate</u>	1997 <u>Request</u>
<u>Public Reference</u>			
Documents Received and Filed	390,450	393,000	393,000
Microfiche Received and Filed	488,180	490,000	490,000
Visitors	28,070	28,100	28,100
Requests for Documents	7,070	7,000	7,000
Certifications	590	600	600
Telephone Inquiries	81,350	82,000	82,000
Microfiche Requests	35,750	35,000	35,000
Staff Years	24	22	22
<u>Information Services</u>			
FOIA Requests and Appeals	2,430	2,450	2,500
Privacy Act Requests and Appeals	12	15	15
Sunshine Act Requests	42	45	45
Confidential Treatment Requests and Appeals	8,300	8,400	8,500
Congressional Requests	250	250	250
Staff Years	16	16	16
<u>Accounting Policy</u>			
Rulemaking Amendments & Staff Bulletins	21	20	20
Oversight of Private Sector Standards and Registrant Contacts	730	730	730
Participation in Investigations	160	160	160
Staff Years	20	21	21
<u>Filer Support</u>			
Staff Years	58	57	57
Total Staff Years	521	503	480

Prevention and Suppression of Fraud

Executive Summary

<u>Organization</u>	1995 Actual	1996 Estimate	1997 Request
Enforcement	310	320	320
International Affairs	19	20	20
Secretary	5	3	3
Investor Assistance	21	23	23
Regional Offices	509	503	503
Total Staff Years	864	869	869
Cost:			
Salaries and Benefits (\$000)	\$64,596	\$66,224	\$68,376
Non-Personnel Expenses (\$000)	22,415	20,779	32,880
Total Program Cost (\$000)	\$94,011	\$97,003	\$101,256

The primary mission of the SEC is enforcement of the federal securities laws. These laws regulate, among other things, initial offerings of securities, periodic reporting by companies with registered securities, mergers and acquisitions, securities trading, and the activities of regulated entities such as exchanges, broker-dealers, transfer agents, investment companies, and investment advisers. The fast-paced and dramatic market events during the past decade have created fertile opportunities for fraud and abuse. The enforcement program must keep pace with the market to ensure that the Commission continues to maintain its outstanding record of effective law enforcement.

Staffing for the program will remain at the 1996 levels.

Intelligence Analysis: The staff will continue to develop important leads, to improve public awareness, and to educate investors. The staff will respond to 52,000 investor complaints and inquiries, and open 1,350 Matters Under Inquiry (MUIs).

Investigations: The Commission will continue to open and pursue investigations in traditional areas as well as newer types of fraudulent activities such as unregistered offerings over the Internet. Approximately 475 investigations will be opened.

Proceedings: The Commission will maintain its ability to commit resources to protracted litigation, an essential element in maintaining a credible law enforcement program, and to seek emergency relief to freeze assets or to halt ongoing market manipulations. The staff will institute 290 administrative proceedings and 195 civil proceedings.

International Affairs: The staff will continue to respond to foreign requests for assistance and improve the SEC's access to evidence located abroad. The staff will handle 495 foreign requests for legal assistance and 250 SEC requests for foreign assistance.

Prevention and Suppression of Fraud

Mission

The primary mission of the SEC is enforcement of the federal securities laws. These laws regulate, among other things, initial offerings of securities, periodic reporting by companies with registered securities, mergers and acquisitions, securities trading, and the activities of regulated entities such as exchanges, broker-dealers, transfer agents, investment companies, and investment advisers. The Commission prosecutes violations of these laws through the Prevention and Suppression of Fraud program, which is administered by the Division of Enforcement and the regional offices, and the Offices of International Affairs, the Secretary, and Investor Education and Assistance.

The program's principal legislative mandates are the Securities Act of 1933, the Securities Exchange Act of 1934, the Investment Company Act of 1940, and the Investment Advisers Act of 1940. Each law contains explicit authority for the agency to conduct investigations and prosecute violations of the securities laws by bringing enforcement actions in a federal court or instituting administrative proceedings before the Commission. As amended by the Securities Enforcement Remedies and Penny Stock Reform Act of 1990 (Remedies Act), those statutes also empower the Commission to seek civil monetary penalties for all violations.

The program accomplishes its mission through the following activities:

Intelligence Analysis: The initial phase of enforcement work requires the evaluation of information from diverse sources that may indicate past or imminent violations of the federal securities laws. For example, special surveillance units at the exchanges and at the SEC monitor market trading and make inquiries into unusual trading patterns. Periodic and cause examinations of regulated entities and review of issuer filings also are important sources of information concerning possible violations. Furthermore, the staff obtains invaluable leads from members of the public; between 17% and 20% of the investigations each year have resulted, at least in part, from investor complaints. In order to determine whether an investigation should be initiated, the staff may open a Matter Under Inquiry (MUI) and spend up to 80 hours collecting and analyzing information before making a final decision to open an investigation. In addition, the Office of Investor Education and Assistance has instituted a program to educate investors to recognize and avoid fraudulent investments.

Investigations: Once the staff determines that a matter warrants further inquiry, an investigation is opened to determine whether a violation has occurred and whether enforcement action is appropriate. If witnesses and others are willing to provide information voluntarily, an investigation may be conducted on an informal basis. The Commission also may order a formal investigation to compel testimony or the production of documents. Investigations vary considerably in scope and complexity. Often, investigations involve

untangling novel and complex schemes, sifting through thousands of documents, and questioning a substantial number of witnesses to determine what occurred, whether the law was violated, and who is legally responsible for the violation.

Proceedings: After completing an investigation, the staff organizes the evidence and determines whether to recommend that the Commission institute an enforcement proceeding. The Commission may choose to (1) commence an injunctive action in a U.S. district court, (2) institute an administrative proceeding, and/or (3) refer the matter to the Department of Justice for criminal prosecution. An injunctive action is undertaken to obtain a court order prohibiting the defendant from committing any further violations of the law. The Commission may, among other things, obtain an order requiring the defendant to disgorge any money obtained from the defendant's wrongdoing and to establish a fund to return the disgorged money to injured investors. The Commission may seek an order freezing assets or appointing a receiver or trustee to conserve funds in which investors may have an interest. The Commission is authorized to seek civil penalties in insider trading cases up to three times the profit gained or loss avoided as a result of a violation. In addition, the Commission is empowered to seek civil penalties in federal court for any other violation of the securities laws that occurred after the Remedies Act was adopted. In egregious cases involving fraud, the Commission may obtain an order barring a person from serving as a corporate officer or director.

As a result of the Remedies Act, the Commission has the power to institute administrative proceedings against any person for any violation of the securities laws. At the conclusion of the proceeding, the Commission may order the person to cease and desist from any violations. The Commission also may prohibit any future violations and require that the respondent abide by certain procedures designed to prevent future violations. The Commission may order the respondent to account for and disgorge any money obtained from the wrongdoing.

In administrative proceedings against regulated entities and their associated persons, the Commission has the authority to enter an order which, among other things, may bar an individual from the securities industry permanently or for a limited period of time or revoke a firm's registration. The Commission also may require a firm to abide by specified procedures to prevent future violations of the law. In addition to these more traditional sanctions, the Remedies Act authorizes the Commission to impose fines and disgorgement upon regulated entities and associated persons in its administrative proceedings.

Finally, to address specific types of securities law violations, the Commission may institute administrative proceedings (1) to suspend or refuse to permit a securities offering from becoming effective; (2) to revoke or suspend the on-going registration of securities; (3) to order issuers and associated persons to comply with reporting and other requirements; and (4) to suspend or revoke privileges of accountants, attorneys, and other professionals to practice before the Commission.

International Affairs: The Office of International Affairs (OIA) has primary responsibility for negotiating and implementing information-sharing arrangements with foreign countries and for developing legislative and other initiatives to facilitate international cooperation. OIA coordinates and assists in making requests for assistance to, and responding to requests for assistance from, foreign authorities. OIA also addresses other international issues that arise in litigated matters, such as effecting service of process abroad, gathering foreign-based evidence under various international conventions, freezing assets located abroad, and enforcing judgments obtained by the Commission in the United States against foreign parties. In addition, the staff operates in a consultative role regarding the significant ongoing international programs and initiatives of the SEC's other divisions and offices. OIA is responsible for the SEC's technical assistance programs for countries with emerging securities markets and provides technical assistance to other federal agencies regarding trade-related issues relevant to the regulation of securities markets in the United States.

The overriding objective of OIA's activity is to minimize the extent to which international borders can be used to escape detection and prosecution of fraudulent securities activities. The office uses its specialized knowledge of foreign regulatory systems and international law to assist in SEC investigations involving international elements as well as international issues that arise in litigated matters.

Program Environment

During the last decade, the securities industry experienced tremendous change and growth in virtually every area under the Commission's jurisdiction. The volume of securities both offered and traded increased, the trend towards global securities markets accelerated, and the financial services industry grew in size and diversity. These fast-paced and dramatic market events have created fertile opportunities for fraud and abuse. The enforcement program must keep pace with market events to ensure that the Commission continues to maintain its outstanding record of effective law enforcement.

As more activity overseas affects domestic capital markets, the number of cases that require gathering evidence overseas continues to increase. The message must be clear that violations of the U.S. federal securities laws will not escape detection whether they originate in the United States or abroad. Investor confidence and participation in the marketplace will be jeopardized if investors do not perceive that law enforcement resources are adequate to respond to violations of the federal securities laws. U.S. Attorneys' offices, state agencies, and self-regulatory organizations (SROs) from around the country continue to seek Commission assistance for securities-related criminal investigations and prosecutions.

The agency has undertaken several initiatives to improve public awareness and to educate investors to recognize and avoid fraudulent investments. An informed investor is more likely to avoid securities fraud. To the extent that informed investors provide market-driven

solutions to problems in the securities industry, the need for regulatory or legislative solutions diminishes.

In recent years, the Commission has made the judgment that a more effective law enforcement program requires a greater emphasis on obtaining stronger sanctions in its cases. A court order prohibiting future violations may be effective in certain cases. However, such a court order alone may not fully serve the purposes of specific and general deterrence or remedy the harm done. Defendants also must be required to surrender the proceeds from wrongdoing and securities professionals must be required to leave the securities industry for a period of time, when appropriate, to safeguard the public interest.

Since October 15, 1990, the effective date of the Remedies Act, the Commission has been able to seek substantial monetary penalties in civil cases involving any conduct that violates the securities laws. The Commission believes that the insistence on stronger sanctions has enhanced significantly the deterrent value of its law enforcement efforts. Over \$2.1 billion in disgorgement and penalties has been collected since 1987. Money collected goes primarily to defrauded investors or the U.S. Treasury--not to the SEC.

The impact of the Commission's more aggressive approach on the day-to-day operation of this program has been significant. Since the Commission has increased the stakes in its cases, more defendants are choosing to litigate. A growing number of defendants are demanding jury trials in cases seeking penalties. Such trials involve a substantial investment of resources. Even to the extent that a defendant wishes to avoid litigation, negotiations over the appropriate relief tend to be more difficult and protracted. In addition to the increased emphasis on tougher sanctions and monetary relief, the Commission also invests substantial resources in pursuing emergency orders, such as asset freezes, to ensure that all available assets are preserved for disgorgement and penalties pending a final adjudication by a court.

Streamlining initiatives, such as expediting authorization for formal orders and for subpoena enforcement, have improved the program's effectiveness. Other initiatives are needed to ensure sufficient support for the Commission's demanding investigatory and litigation caseload. In major investigations, the staff may receive thousands of documents from dozens of different sources and these documents may be used in taking testimony from over 100 witnesses. Document management thus consumes a major part of staff time on cases. This can affect the progress of the case and even the final results. The SEC continues to explore the use of optical imaging and data coding to inventory and control case documents, as well as increased efficiencies in copying documents for investigation and litigation purposes. The agency also has plans underway for other technological improvements, including replacement of its current antiquated, case-tracking system. It is critical that the Commission implement these improvements in order to remain competitive with opposing counsel and to continue the SEC's outstanding law enforcement record.

The growing internationalization of the securities markets is increasingly affecting U.S. markets. While this trend provides new opportunities for investment and capital formation, it also creates new challenges for securities regulators. To maintain the integrity of their domestic securities markets, regulators must (1) work together to learn about each others' markets and regulatory structures, (2) facilitate cross-border offerings and other activities while maintaining their ability to detect and prohibit securities fraud, (3) cooperate in enforcement matters, and (4) assist regulators of emerging securities markets in developing systems that enable them to protect investors. The SEC has made a concerted effort to develop formal and informal relationships with foreign regulators, both bilaterally and multilaterally, that will promote international cooperation and consultation on these and other critical securities issues.

1995 Program Evaluation

Intelligence Analysis: The staff responded to 42,575 complaints and inquiries, a 10% increase over 1994. Over 2,900 complaints were referred to the Division of Enforcement, other SEC divisions, self-regulatory agencies, and other regulatory entities. Major sources of enforcement leads also included referrals from other divisions, SROs, and news reports. The staff opened 1,337 MUIs.

Investigations: Increasingly complex transactions and protracted negotiations with defendants over appropriate relief prior to the filing of an enforcement action extended the average life of an investigation to two years and nine months from an average two years in 1987. The staff opened 436 investigations. Approximately 66% of open investigations involved potential fraud. Some of the specific subject areas of open investigations included, among others, insider trading (21%), broker-dealer violations (21%), market manipulation (14%), and accounting problems (15%).

Proceedings: The Commission's civil actions and administrative proceedings involved a range of violative conduct. Among other things, the Commission brought charges of registration violations, financial fraud, and insider trading and pursued substantial cases against regulated entities. The staff filed 195 civil actions and instituted 291 administrative proceedings.

The Commission filed an injunctive action in SEC v. Bennett, alleging a massive fraud by the Foundation for New Era Philanthropy. Hundreds of not-for-profit organizations, such as churches, charities, and universities, were defrauded out of more than \$117 million in 1995 alone. As part of the scheme, individuals and organizations were induced to invest on representations that, in six months, they would double their investment in a fund in which anonymous wealthy benefactors supplied matching amounts. New Era's president, John C. Bennett, Jr., consented to the entry of a preliminary injunction, an asset freeze, and an accounting.

The Commission continues to commit substantial resources to the prosecution of major, contested litigation. Following a non-jury trial, Robert E. Brennan and First Jersey Securities were found to have defrauded thousands of customers by over-reaching sales practices or by controlling the prices at which penny stocks the firm marketed were bought and sold. In SEC v. First Jersey Securities, Inc., the defendants were permanently enjoined and ordered to pay \$22.3 million representing illegal profits and \$49.2 million in prejudgment interest. The court authorized the appointment of a special agent to determine whether additional violations were committed.

An injunction also was entered after a non-jury trial of Stratton Oakmont, in which the Commission alleged that the firm had violated a Commission order entered in administrative proceedings in 1994, SEC v. Stratton Oakmont, Inc. The Commission's order, to which Stratton Oakmont consented, found that the firm had engaged in high pressure, boiler room activities and required Stratton Oakmont to retain an independent consultant to review its operations and recommend appropriate sales practices. Stratton refused to make any of the changes recommended by the consultant and, hence, was in violation of the order.

As a result of the Commission's legal action against Prudential Securities in late 1993, alleging that the firm defrauded investors in the offer and sale of limited partnerships and failed reasonably to supervise its sales personnel, \$900 million has been paid to 137,000 investors. SEC v. Prudential Securities, Inc.

The Commission filed several cases involving transactions in government and municipal securities. In SEC v. Steinhardt Management Co. and Caxton Corp., the Commission alleged that the defendants manipulated the price of U.S. Treasury notes. The defendants controlled the market in certain notes, and effected a "short squeeze" that resulted in illegal profits totalling at least \$35 million. The defendants consented to the entry of injunctions and orders requiring the payment of a total of \$76 million, representing disgorgement, civil penalties, and civil asset forfeitures in the Commission's action and an action filed by the Department of Justice.

The Commission alleged that Preston Bynum, an employee of a municipal securities underwriter, arranged for Terry D. Busbee, an elected public official of Florida's Escambia County Utilities Authority, to receive four bank loans totalling \$36,700, the repayment of approximately \$27,000 on three of the loans, and the direct payment of approximately \$3,500. This came at a time when Busbee had an important role in selecting the underwriter for municipal securities issued by the Authority, and in fact participated in the selection of Bynum's employer. The SEC v. Busbee case is pending.

In SEC v. Nicholas A. Rudi, the Commission alleged the payment of more than \$200,000 in kickbacks to a financial adviser in connection with an offering of debt securities by New Jersey's Camden County Municipal Utilities Authority. Three individuals have settled this action; the litigation against Rudi is continuing.

Insider trading violations were alleged in SEC v. Woodward, an action against an attorney formerly associated with the law firm of Cravath, Swaine & Moore. Richard W. Woodward caused his brother, John Woodward, and a friend to purchase securities in advance of possible merger or acquisition announcements by twelve issuers that were either Cravath clients or possible merger partners of Cravath clients. Transactions in these securities resulted in total profits of approximately \$933,000. The Woodwards' consented to the entry of injunctions and orders requiring them to disgorge a total of \$110,000. In a related criminal case, the brothers entered guilty pleas to a one-count felony charging conspiracy to engage in the insider trading scheme.

An insider trading case with an international aspect was filed against one U.S. and three U.K. residents. In SEC v. Morris, the Commission's complaint alleged that Gerard Murphy and Jeffrey Morris received information from a personal friend of an outside director of Hilton Hotels Corporation concerning the hiring of an investment banker to advise on "strategic alternatives," including possible sale of the company. Telephone records supplied by U.K. authorities provided critical information for tracing the flow of information from the secretary of a Hilton director to the U.K. traders. The Commission collected full disgorgement of \$425,625 along with penalties totalling over \$260,000.

In SEC v. Malavasi, The SEC sued the Secretary to the Board of Directors of an Italian manufacturing company based on his purchases of the shares of U.S. Shoe Corp prior to the announcement of the Italian company's unsolicited tender offer for the U.S. issuer. The SEC received substantial assistance from the Italian securities regulatory authority, primarily through their provision of bank documents identifying the beneficial owners of accounts through which suspicious trading took place. Malavasi consented to an injunction and paid full disgorgement and a penalty.

International Affairs: The staff consulted with and assisted other SEC divisions and offices in developing regulatory initiatives that allowed the SEC to leverage its resources and fulfill its mandate to protect U.S. investors. These efforts were reflected in: (1) highly successful international enforcement efforts; (2) regulatory changes that facilitated cross-border offerings of securities and oversight of foreign market professionals operating in U.S. markets; (3) participation in the work of international securities organizations; and (4) the provision of technical assistance to emerging markets, which established a foundation for acceptance of U.S. style market structure by other jurisdictions that result in enhanced investor protection.

New information-sharing agreements were entered into with three South African authorities: the Financial Services Board, which regulates financial markets and brokerage institutions; the Securities Regulation Panel, which oversees corporate takeovers and mergers, and administers insider trading laws; and the Office for Banks, which supervises the nation's banks.

The staff continued to provide foreign regulators with short-term and long-term advisers and training. Four major events included: (1) the fifth annual International Institute for Securities Market Development, an intensive two-week training program for securities regulators from emerging markets that drew 96 representatives from 53 countries; (2) the first International Training Institute for Securities Enforcement and Market Oversight, which was attended by 85 delegates from 45 countries; (3) several specially designed training programs for securities personnel from Central and Eastern European countries; and (4) initiation of a new U.S. Agency for International Development (AID) funded technical assistance program for the Russian Federation and the newly-independent states of the former Soviet Union.

The staff handled 456 foreign requests for SEC assistance and 230 SEC requests for foreign assistance, increases of 19% and 2% over 1994. Of the 456 requests received by the SEC, 337 were for enforcement assistance and 119 were for technical assistance. SEC requests for foreign assistance are primarily related to enforcement matters, not technical assistance.

1996 Appropriation

Intelligence Analysis: The staff will seek out and analyze potential leads from a wide range of possible sources. The staff will process 47,000 investor complaints and inquiries, an increase of approximately 10% over 1995 and will open 1,350 MUIs. Over 3,200 complaints will be referred to the Division of Enforcement, other SEC divisions, self-regulatory agencies, and other regulatory entities.

Investigations: An estimated 475 investigations will be initiated in 1996. The staff will investigate a broad spectrum of illegal activity that may involve, for example, securities law violations by major broker-dealers, violations connected with municipal bond underwritings, insider trading, and financial fraud. As the size and importance to the economy of investment companies and investment advisers continues to increase, the staff anticipates an increase in investigations in this area. Although the staff will continue to deploy its resources in traditional program areas, it will maintain the flexibility to target specific areas to respond to developments in the securities markets. The staff also will continue work on plans for replacing its current outdated case-tracking system.

Proceedings: An estimated 290 administrative proceedings and 195 civil proceedings will be instituted. The Commission's continued emphasis on ensuring that it obtains substantial relief in its cases, as well as its use of the authority to obtain penalties, will likely prolong the duration of settlement discussions.

International Affairs: The staff will continue proactively to devise improved strategies for sharing regulatory enforcement information with the SEC's foreign counterparts. On a practical level this involves assisting the Division of Enforcement in formulating new ways of attacking cross-border fraud; working with the Division of Corporation Finance and the

Office of the Chief Accountant in the SEC's efforts to increase cross-border listings and encourage adoption of international disclosure and financial reporting standards; working with the Division of Market Regulation to develop international risk-based capital and market oversight standards, including arrangements for sharing trade data necessary to monitor securities activity in different markets; and working with the Division of Investment Management and Office of Compliance Inspections and Examinations to address regulatory and inspection issues raised by the cross-border activities of foreign broker-dealers, investment advisers, and investment companies.

The staff will work on 475 foreign requests for legal assistance and 240 SEC requests for foreign legal assistance, increases of 4% each over 1995. Foreign assistance will reflect 350 requests for enforcement assistance and 125 requests for technical assistance.

1997 Program Request

Staffing for the program will remain at the 1996 level.

Intelligence Analysis: Important leads will be developed on a timely basis. The staff will continue its efforts to improve public awareness and to educate investors. The staff will respond to 52,000 investor complaints and inquiries and open 1,350 MUIs.

Investigations: The Commission will continue to open and pursue investigations in traditional areas as well as newer types of fraudulent activities, such as prime bank and telecommunication technology ventures, and fraudulent and unregistered offerings using new communications technologies such as the Internet. Approximately 475 investigations will be opened.

Proceedings: The Commission will maintain its ability to commit resources to protracted litigation, an essential element in maintaining a credible law enforcement program, and to seek emergency relief to freeze assets or to halt ongoing market manipulations. The staff will institute 290 administrative proceedings and 195 civil proceedings.

International Affairs: The staff will continue to respond to foreign requests for assistance and improve the SEC's ability to obtain access to evidence located abroad. Also, the staff's representation of the SEC's interests at meetings of international organizations will allow the SEC to respond more effectively to international enforcement issues, and to have a more active presence with respect to other international programs. The staff will handle 495 foreign requests for legal assistance and 250 SEC requests for foreign assistance. Foreign assistance will reflect 365 requests for enforcement assistance and 130 requests for technical assistance.

Prevention and Suppression of Fraud

It is difficult to draw conclusions and make comparisons concerning the fraud program using workload data. The amount of resources necessary to conduct an investigation or an enforcement action varies based on many factors, including the complexity of the facts, the underlying legal issues, the number of investors and defendants involved, the degree of cooperation provided by the subjects of the investigation, and the willingness of defendants and respondents to enter into settlements that avoid protracted litigation. These factors affect the ratio of resources expended to the benefits that may be obtained in a particular case. It is important to note that the principal benefit of the fraud program—the deterrence of violative conduct—cannot be quantified because there is no reliable basis for estimating the amount of violative conduct and the harm to investors that might have occurred but for the Commission's enforcement program.

Workload Data

<u>Activity</u>	1995 Actual	1996 Estimate	1997 Request
<u>Intelligence Analysis</u>			
Investors Complaints and Inquiries	42,575	47,000	52,000
MUIs Opened	1,337	1,350	1,350
Staff Years	182	183	183
<u>Investigations</u>			
Pending at Beginning of Year	1,426	1,533	1,533
Opened	436	475	475
Closed	(329)	(475)	(475)
Pending at End of Year	1,533	1,533	1,533
Staff Years	465	467	467
<u>Proceedings</u>			
Administrative:			
Pending at Beginning of Year	79	100	100
Opened	291	290	290
Closed	(270)	(290)	(290)
Pending at End of Year	100	100	100

<u>Activity</u>	1995 <u>Actual</u>	1996 <u>Estimate</u>	1997 <u>Request</u>
<u>Proceedings (continued)</u>			
Civil Litigation			
Pending at Beginning of Year	499	567	567
Opened	195	195	195
Closed	(127)	(195)	(195)
Pending at End of Year	567	567	567
Staff Years	198	199	199
<u>International Affairs</u>			
Foreign Requests for SEC Legal Assistance 1/	456	475	495
SEC Requests for Foreign Legal Assistance	230	240	250
Staff Years	19	20	20
Total Staff Years	864	869	869

1/ Foreign requests for SEC assistance include both enforcement and technical assistance requests. The 1996 estimate includes 350 enforcement requests and 125 for technical assistance; for 1997, the estimates increase to 365 enforcement and 130 technical assistance requests.

Supervision and Regulation of Securities Markets

Executive Summary

<u>Organization</u>	<u>1995 Actual</u>	<u>1996 Estimate</u>	<u>1997 Request</u>
Market Regulation	146	130	130
Compliance Inspections and Examinations	20	52	53
Filings and Information Services	14	15	15
Regional Offices	170	198	198
Total Staff Years	350	395	396
Cost:			
Salaries and Benefits (\$000)	\$24,987	\$28,324	\$29,349
Non-Personnel Expenses (\$000)	14,574	10,450	10,446
Total Program Cost (\$000)	\$39,561	\$38,774	\$39,795

The program maintains fair, orderly, and efficient markets, primarily by supervising and regulating the major market participants. The SEC relies on and encourages securities industry regulation through self-regulatory organizations (SROs), subject to Commission oversight.

Market Compliance: There will be an increase of one staff year in this activity. The SRO inspection program will continue to improve due to the incorporation of new guiding principles in 1996. The staff will conduct approximately 50 SRO program inspections. As necessary, resources will be shifted to focus on problem areas. Approximately 350 SRO member oversight and 350 broker-dealer cause examinations also will be conducted.

Securities Filings Supervision: Staffing will remain at the 1996 level. Appropriate resources will be devoted to significant projects involving investor protection, international securities markets, developments in the municipal securities and derivatives markets, and the reduction of burdens on regulated entities. Approximately 550 interpretive and exemptive requests will be processed. Additionally, the staff will analyze approximately 1,120 risk assessment reports and 450 proposed enforcement actions.

Market Supervision: Staffing will remain at the 1996 level. Approximately 610 SRO proposed rule changes will be reviewed. The staff will continue to furnish guidance in connection with the *Market 2000* study. Efforts to combat sales practice abuses will increase.

Registration: Staffing will remain at the 1996 level. A total of 890 broker-dealer registration statements and 14,390 amendments will be reviewed. Data received via the redesigned Central Registration Depository system will be reviewed for interface with SEC systems.

Supervision and Regulation of Securities Markets

Mission

The program's mission is to maintain fair, orderly, and efficient markets. This mission is accomplished primarily by supervising and regulating the major market participants—exchanges, national securities associations, brokers and dealers, clearing agencies, transfer agents, and securities information processors. As envisioned by the Securities Exchange Act of 1934 (1934 Act), which provides the principal statutory authority for the Commission's market activities, the Commission relies on self-regulation of the securities industry as the primary method of ensuring fair dealing and investor protection. The Commission directly regulates the markets where Commission rulemaking is more effective than self-regulation. Self-regulation is conducted by self-regulatory organizations (SROs), which currently consist of 8 active registered exchanges, the National Association of Securities Dealers (NASD), 15 registered clearing agencies, the Municipal Securities Rulemaking Board (MSRB), and the Securities Investor Protection Corporation (SIPC). The SEC supervises all SRO operations through review of their rules and inspection of their activities.

Market Compliance: The principal market compliance goals are to ensure that SROs operate effectively and according to their rules; that the SROs maintain effective programs to oversee their members' compliance; and that broker-dealers and transfer agents comply with operational, financial, sales, and trading practices standards. These goals are achieved by (1) maintaining close contact with the SROs and other regulators worldwide; (2) conducting on-site inspections of SRO compliance, market surveillance, and clearance programs; and (3) completing cause and oversight examinations of SRO members and inspections of transfer agents. The staff also designs and implements strategies to monitor market activities and reviews SRO disciplinary actions and other proceedings.

Securities Firm Supervision: The principal securities firm supervision goals are to monitor the conduct and financial condition of securities firms (and their affiliates) and to guide their activities and ensure their financial liquidity where necessary to protect investors and the markets. These goals are achieved by obtaining financial information regarding securities firms and their affiliates; adopting, revising, or interpreting rules affecting securities firms' activities and financial responsibility; and reviewing issuer registration statements and Commission enforcement proceedings. Areas of supervision include municipal securities and securities firm registration, sales and trading practices in connection with a distribution of securities, cross-border trading, financial responsibility, and reporting. They also include underwriters' role in disclosure practices regarding municipal securities. Another important responsibility is developing and implementing the Commission's risk assessment program to assess the risks to a registered broker-dealer of the activities of affiliated companies. Also

included are oversight of SIPC and review of requests to permit the re-entry into the securities business of statutorily disqualified persons. Furthermore, this activity includes responsibility for international market issues and participation in international organizations, such as the International Organization of Securities Commissions (IOSCO) on market issues.

Market Supervision: The principal market supervision goals are to oversee securities market activities, maintain fair and efficient markets, and increase competition in the markets. These goals are achieved by reviewing SRO rule changes for consistency with the investor protection and other goals of the 1934 Act, monitoring market activity and responding to emergencies, and reviewing market automation standards. The Commission adopts new regulations directly when the SROs cannot respond appropriately to regulatory needs or changing market conditions. The Commission also modifies or eliminates existing rules when needed. The staff responds to requests from securities professionals, issuers, and other regulators for exemptive relief or interpretive advice relating to market operations. In addition, the staff monitors market activity, including the derivative markets, and responds to market emergencies. The staff provides guidance and reviews securities industry proposals to link the securities trading markets and their clearance and settlement facilities into safe and efficient national systems, as envisioned in the 1934 Act. The SEC also facilitates the interaction of these systems with foreign markets, futures markets, and clearing organizations. In addition, the SEC gathers information with respect to the operation of automated trading systems and reviews SRO automated systems in order to minimize the likelihood of a market disruption from a system failure.

Registration: The staff examines registration applications, amendments, and other filings of brokers, dealers, and transfer agents. Also, pertinent data are extracted from all filings to update agency databases for use by federal, state, and local government authorities, as well as by SROs, SEC staff, and the public.

Program Environment

In recent years, the rapid growth in the size and diversity of the financial services industry has intensified in all segments of the securities industry, including the development of global trading markets for securities, the level of risk undertaken by broker-dealers, and the pace of technological innovation in all primary phases of market operations. Sophisticated trading technologies and financial products, including derivative products, have contributed greatly to the unprecedented changes and innovations in the nation's securities markets. For example, exchange trading of multiple types of derivative instruments has expanded, and the use of over-the-counter (OTC) derivatives has proliferated. At the same time, technological advances have made it possible to display and execute orders in volumes that were unheard of ten years ago. Moreover, the cross-border diversification and the technological advances that have made increased international trading volumes feasible have required SEC staff to continually expand their understanding of foreign markets and regulatory systems, and

develop much higher levels of coordination with foreign regulatory authorities. This is highlighted by the equity market capitalization in 1995—\$7.98 trillion in the U.S. markets and \$16.48 trillion worldwide. These changes require that the agency reassess the current regulatory structure to ensure that it is appropriate and necessary for the existing environment.

In 1995, the Commission consolidated its examination and inspection programs into the Office of Compliance Inspections and Examinations (OCIE). The responsibility for these activities was previously divided between the Divisions of Market Regulation and Investment Management. The Commission created OCIE to streamline the examination process by consolidating the management of the programs; reducing duplication; and improving coordination with the regional office examination staff, the Division of Enforcement, and other regulatory agencies. The office will offer a higher quality of training for examiners, better use of resources, and improved planning of examination strategies.

Overall, market activity and complexity increased sharply during the past several years. For example, between 1986 and 1995, trading volume for the exchanges and Nasdaq increased 168% from 77.3 billion to 207.4 billion. Moreover, the trend toward global securities markets accelerated during the same period. The value of foreign trading in U.S. stocks grew from \$277.5 billion annually to approximately \$877.6 billion, a 216% increase, and U.S. trading in foreign stocks expanded from \$100.2 billion to approximately \$723.5820 billion, a 622% increase.

In calendar year 1995, the Commission supervised over 8,500 broker-dealers with 58,119 branch offices and over 505,600 registered representatives. The capital and customer assets controlled by the securities firms have increased rapidly year by year. The scope of the agency's regulatory concerns also has broadened because many financial institutions, such as banks and thrift institutions, recently have expanded the range of their securities activities.

Additionally, the program continues to have significant responsibility for implementing the Market Reform Act of 1990 and the Government Securities Act Amendments of 1993. For example, the Market Reform Act authorizes the SEC, among other new powers, to undertake two significant initiatives: (1) the large trader reporting and monitoring system to obtain timely information and assess the market impacts of large trader activities and (2) the risk assessment system to evaluate the risks to broker-dealers resulting from the financial activities of certain of their affiliates including the use of derivatives. Under the Government Securities Act Amendments, the Commission is required to work with the NASD to develop rules applicable to government securities activities.

1995 Program Evaluation

Market Compliance: The staff conducted 48 SRO program inspections focusing on, among other things, sales practices programs, financial and operational programs, arbitration programs, listing programs, and SRO surveillance and regulatory compliance programs. The staff also conducted 393 SRO member oversight examinations and 269 broker-dealer cause examinations. These activities reflect an increase of 45%, a decline of 18%, and an increase of 33%, respectively, over 1994. The decline in SRO member oversight examinations is attributable to more focused cause examinations and increased preliminary reviews of broker-dealers' books and records, and the initiation and completion of several special examinations.

The staff conducted a major review of its SRO inspection activity. New guiding principles for SRO inspections were developed that will streamline and enhance the effectiveness of the inspection process. The most important principles are as follows:

- expedite the inspection process by meeting, and exceeding wherever possible, a goal of four months from start of field work to Commission consideration of inspection report;
- monitor industry trends and SRO activities to target inspections;
- ensure inspections cover new rules and new program developments;
- coordinate work of various SRO inspection teams to ensure consistent reviews and recommendations regarding similar programs;
- develop a program for tracking and regular follow-up with SROs between inspections concerning recommendations to improve their programs; and
- conduct quarterly meetings with major SROs and semiannual meetings with the regional exchanges to follow-up on inspection recommendations and discuss important areas of mutual interest.

A comprehensive review of the guidelines and modules used in the broker-dealer examination program also was undertaken to enhance efficiencies, increase coordination, and ensure inclusion of critical current areas of concern. The staff developed new examination modules, including modules covering internal controls and MSRB Rule G-37, and began a program of joint and coordinated examinations of broker-dealers and investment company activities. In addition, to maximize resources, SEC examination staff worked with examination staff from the SROs and the states on a joint regulatory sales practice examination sweep of 347 registered representatives of small and medium-sized firms.

Securities Firm Supervision: The staff undertook significant initiatives to better protect investors and the operation of the markets in a cost-effective manner. For example, through the Derivatives Policy Group (DPG), the staff worked with the largest securities firms, which agreed to provide substantial new information on their unregulated derivatives affiliates. The financial information contained in 1,130 risk assessment reports was reviewed, as well as information regarding derivative activities of broker-dealer affiliates. The staff also conducted reviews of certain firms that present concerns regarding risk to counterparties and customer exposure, including those arising from derivative and highly leveraged activities, in order to monitor the stability of the market. In addition, the Commission enhanced confirmation disclosure to investors with the adoption of Rule 10b-10, and provided a mechanism for generating and disseminating pricing and other secondary market information in the municipal securities market through amendment of Rule 15c2-12.

The staff devoted substantial attention to new derivative products, including developing appropriate responses to issues raised by new derivatives activities. The staff also monitored hedge funds activities and continued to review the role of hedge funds in different markets. Also, in response to requests from the securities industry, the staff began an evaluation of how to lessen, where appropriate, existing burdens on regulated entities, including developing approaches to reform existing margin requirements.

The staff issued 53 SEC rule proposals and interpretive releases, a 29% increase over 1994. Many of these reduced burdens on market participants while maintaining effective supervision. The staff also continued to review the agency's financial responsibility rules to adapt them to changing conditions and trading practice rules prohibiting manipulation in offering securities. The staff worked with the SROs to strengthen the administration of the more than 7,000 arbitration cases filed annually. Additionally, the staff analyzed 448 proposed enforcement actions, a 37% increase over 1994.

Market Supervision: The staff emphasized improving the operation of the markets, while at the same time expediting the approval of SRO rule changes. The staff implemented procedures to simplify the publication and approval of SRO rule changes, as well as eliminate unnecessary Commission rules. A total of 609 SRO rule proposals were reviewed and published in the *Federal Register*, 37% more than in 1994.

The staff continued to review SRO actions implementing the recommendations of the *Market 2000* study. The staff also continued to work with the securities industry to develop price transparency in the debt markets, including the municipal securities market where a program was developed to make available prices for municipal bond trades. The Commission approved proposals by the New York Stock Exchange, NASD, and American Stock Exchange to implement minimum shareholder voting rights standards. The Commission also worked with the SROs and broker-dealer firms to develop the first continuing education program for registered brokers.

A total of 14 SEC rule proposals and interpretive releases were issued. Notably, the Commission adopted rules to require enhanced disclosure of payment for order flow arrangements and proposed other broader order handling disclosure rules that could significantly strengthen customer protection in the equity markets. The staff oversaw implementation of the three-day settlement standard and worked on an initiative to convert the payment system for securities transactions from a next day funds settlement system to a same day funds settlement system. The staff reviewed 96 automated trading system reports and conducted 10 on-site reviews of SROs' automated systems. As a result of these major projects, the staff prepared approximately 369 pieces of correspondence, a 277% increase over 1994.

Registration: The staff continued to process broker-dealer applications and amendments on the NASD's Central Registration Depository (CRD) system. A total of 970 broker-dealer registration statements were reviewed. The staff also reviewed 14,605 amendments and processed 6,881 financial reports. Additionally, the staff continued to work with the NASD to redesign the CRD system.

1996 Appropriation

Continuing changes in the securities markets, such as the proliferation of new securities products, the technological revolutions in market systems, and the increased competition from other market participants will have a direct impact on the program's direction. Also, in the next few years the staff will need to continue focusing on the increasing regulatory issues of the markets for government, municipal, and other debt securities, as well as for derivative products. Special attention will be given to weighing the growing sophistication of the products offered against the desire to simplify regulations.

Market Compliance: The staff will incorporate its new guiding principles into the SRO inspection program. Approximately 50 SRO program inspections will be conducted. New areas of focus will include arbitration programs, programs that establish guidelines such as minimum levels of capital for listing and trading securities issues in a particular market, and the enforcement of new rules. Two new systems will be incorporated into the SRO inspection process (1) to speed up and further streamline the inspection process and (2) to ensure that SRO actions are responsive to recommendations in inspection reports. Resources will be shifted away from routine oversight examinations to focus more on problem areas, based upon an assessment of "risk factors." Approximately 350 broker-dealer cause and 350 SRO member oversight examinations will be conducted, an increase of 30% and a decline of 11% from 1995. The staff will continue to improve the examination process by conducting more focused examinations and designing examinations to address regulatory concerns raised by recent enforcement cases, new rulemaking, and legislation.

Securities Firm Supervision: The staff will develop approximately 45 SEC rule proposals and interpretive releases. Initiatives to promote investor and market protection, and to reduce burdens on regulated entities, will continue to be pursued. In this regard, the staff will move forward with proposals for margin reform and build on the voluntary enhanced risk information supplied by the DPG in addressing issues involving the activities of major derivatives dealers. The staff will continue to review the agency's financial responsibility rules. In the international area, the staff will continue (1) to address issues concerning cross-border trading, (2) to participate in training programs for emerging markets, (3) to provide bilateral assistance for foreign market development, and (4) to participate in multilateral organizations. The staff will complete revisions of the trading practices passive market making, short sale, and other anti-manipulation rules. The staff also will continue to analyze issues regarding broker-dealer compensation practices, as well as monitor the effectiveness of the Commission's new rules requiring enhanced disclosure of payment for order flow. In addition, the staff will evaluate bank securities activities and, when requested, provide technical assistance to Congressional committees in the area of financial services reform. The staff will process 550 interpretive and exemptive requests and analyze 450 proposed enforcement actions. Additionally, the staff will analyze 1,120 risk assessment reports.

Market Supervision: The staff will review approximately 610 SRO proposed rule changes. The staff will continue to monitor the derivatives market; to review efforts to improve the quality of the markets, especially the Nasdaq market to better provide execution of customer orders; and to analyze the municipal, government, and debt markets for areas where improvement is needed, including methods to increase transparency in the debt markets. The staff will continue to address automation issues identified in the *Market 2000* study, including assessing the impact of automated trading systems on the securities markets through review and analysis of reports regarding broker-dealer trading systems. The staff also will continue to work on the conversion to a same-day funds payment system for corporate and municipal securities transactions. The staff will begin to develop rules regarding the operation of international exchanges, clearing agencies, and depositories within the U.S. and the speed and efficiency of domestic and international clearance and settlement. The staff will continue to evaluate and streamline national market system rules and plans. The staff will review 130 interpretive and exemptive requests and analyze 150 broker-dealer automated trading system reports, increases of 4% and 56% respectively over 1995. Approximately 10 on-site automation reviews of SRO systems will be conducted.

Registration: The staff will review approximately 890 broker-dealer applications, 14,390 amendments, and 6,885 financial reports. The staff will continue to work with the NASD to redesign the CRD system. It is anticipated that the redesigned CRD system will be tested and available for the phase-in of registrants.

1997 Program Request

Market Compliance: With the addition of one staff year, the SRO inspection program will continue to improve due to the incorporation of new guiding principles in 1996. The staff will conduct approximately 50 SRO program inspections. As necessary, resources will be shifted to focus on problem areas. The staff also will conduct focused examinations to address regulatory concerns raised by enforcement cases, new rulemaking, and legislation. In certain limited circumstances, examination resources will be combined with those of the SROs and states to conduct examinations sweeps. Approximately 350 SRO member oversight examinations and 350 broker-dealer cause examinations will be conducted, the same levels as in 1996.

Securities Firm Supervision: Staffing will remain at the 1996 level. The staff will continue to devote appropriate resources to significant projects involving investor protection, securities firm oversight and financial responsibility, international securities markets, developments in the municipal securities and derivatives markets, and the reduction of burdens on regulated entities. The staff will process approximately 550 interpretive and exemptive requests. Additionally, the staff will analyze approximately 1,120 risk assessment reports and 450 proposed enforcement actions.

Market Supervision: Staffing will remain at the 1996 level. Approximately 610 SRO proposed rule changes will be reviewed. The staff will continue to furnish guidance in connection with the *Market 2000* study and respond to market structure developments. Efforts to combat sales practice abuses by unethical broker-dealers will increase. The staff will review new products and continue to work with the DPG on initiatives related to the derivatives markets. The staff also will continue to work to advance investor protection initiatives such as customer order execution standards in the OTC and exchange markets, and will continue efforts to foster competition in the markets. The staff will process 130 interpretive and exemptive requests and analyze 150 automated trading system reports. Approximately 10 on-site automation reviews of SRO systems will be conducted.

Registration: Staffing will remain at the 1996 level. The staff will review approximately 890 broker-dealer registration statements, 14,390 amendments, and 6,885 financial reports. All broker-dealer requests for withdrawal or cancellation will be processed. Data received via the redesigned CRD system will be reviewed for interface with SEC systems, and the Commission's databases will be updated in a timely manner.

Supervision and Regulation of Securities Markets
Workload Data

<u>Activity</u>	<u>1995 Actual</u>	<u>1996 Estimate</u>	<u>1997 Request</u>
<u>Market Compliance</u>			
SRO Program Inspections	48	50	50
SRO Member Oversight Examinations	393	350	350
Transfer Agent Inspections	187	195	195
Broker-Dealer Cause Examinations	269	350	350
Staff Years	212	250	251
<u>Securities Firm Supervision</u>			
SEC Rule Proposals and Interpretive Releases	53	45	45
Interpretive and Exemptive Request Correspondence	592	550	550
Analysis of Registration Statements Referred by Corporation Finance	240	245	245
Analysis of Proposed Enforcement Actions	448	450	450
Analyses and Reports	103	75	75
Re-entry Applications	41	55	55
Analysis of Risk Assessment Reports 1/	1,130	1,120	1,120
Policy Papers 2/	63	75	75
Congressional, Governmental, Industry, and Public Correspondence	398	400	400
Staff Years	63	67	67
<u>Market Supervision</u>			
SRO Proposed Rule Changes	609	610	610
SEC Rule Proposals and Interpretive Releases	14	15	15

1/ Voluntary filing of reports began in 1993.

2/ Policy papers include preparation of congressional testimony.

<u>Activity</u>	<u>1995 Actual</u>	<u>1996 Estimate</u>	<u>1997 Request</u>
<u>Market Supervision (continued)</u>			
Interpretive and Exemptive Request			
Correspondence 3/	125	130	130
ARP Reviews 4/	10	10	10
Automated Trading System Analysis 5/	96	150	150
Analyses and Reports	21	15	15
Congressional, Governmental, Industry and Public Correspondence	369	380	380
Staff Years	61	63	63
<u>Registration</u>			
Brokers and Dealers:			
Registration Applications Filed and Reviewed	970	890	890
Amendments Filed	14,605	14,390	14,390
Financial Reports Filed	6,881	6,885	6,885
Registrations Withdrawn or Cancelled	1,645	1,550	1,550
Transfer Agents:			
Registration Applications Filed and Reviewed	52	45	45
Amendments Filed	239	240	240
Annual Reports Filed	1,190	1,200	1,200
Staff Years	14	15	15
Total Staff Years	350	395	396

3/ Interpretive and exemptive correspondence was previously reported with general correspondence.

4/ Automation policy reviews (ARP) were previously reported as part of SRO program inspections.

5/ Recently, the Commission adopted Rule 17a-23 to establish recordkeeping and reporting requirements for brokers and dealers that operate automated trading systems. Effective June 1, 1995, these broker-dealers were required to report system activity to the Commission.

Investment Management Regulation

Executive Summary

Organization	1995 Actual	1996 Estimate	1997 Request
Investment Management	153	142	142
Compliance Inspections and Examinations	8	29	31
Filings and Information Services	18	18	18
Regional Offices	242	302	322
Filer Support	15	15	15
Total Staff Years	436	506	528
 Cost:			
Salaries and Benefits (\$000)	\$31,350	\$37,129	\$40,644
Non-Personnel Expenses (\$000)	14,329	15,228	15,616
Total Program Cost (\$000)	\$45,679	\$52,357	\$56,260

The Investment Management Regulation program strives to minimize the financial risk to investors from fraud, mismanagement, self-dealing, and misleading or incomplete disclosure in the investment company and investment adviser segments of the financial services industry, without imposing unnecessary costs and burdens on regulated entities.

Disclosure: Staffing will remain at the 1996 level. Initiatives designed to provide mutual fund investors with clearer and more understandable information about their investments will continue. The filings reviewed will consist of 1,730 (70%) new portfolios, 2,170 (14%) existing portfolios filed on post-effective amendments, and 665 (85%) proxy statements.

Inspections: There will be an increase of 22 staff years in this activity. The investment company examiners hired during 1995 will have completed their training and will function fully as experienced examiners. With a 6% increase in the number of complexes inspected and the total number of complexes remaining level, the average frequency of inspections will be close to one inspection every other year. In addition, the staff will complete 1,300 investment adviser inspections, including approximately 1,000 inspections of discretionary money managers. The remainder of the inspections will focus on financial planners and non-discretionary money managers examined on a joint basis with examiners from the states. With minimal growth anticipated in the number of investment advisers, the average time between inspections will decrease from 9.5 years to approximately 8.7 years for discretionary managers. The 38 investment adviser examiners hired by reallocating existing resources during 1996 should complete their training during 1997 and add marginally to the inspections completed. The full effect of these additional staff will be evident during 1998 when it is anticipated the inspection cycle for discretionary managers should approach one exam every five years.

Investment Management Regulation

Mission

The Investment Management Regulation program oversees the regulation of investment companies and investment advisers under two companion statutes, the Investment Company Act of 1940 (Investment Company Act) and the Investment Advisers Act of 1940 (Investment Advisers Act), and administers the Public Utility Holding Company Act of 1935 (PUHCA). The program's mission is to minimize the financial risks to investors from fraud, mismanagement, self-dealing, and misleading or incomplete disclosure in the investment company and investment adviser segments of the financial services industry, without imposing unnecessary costs and burdens on regulated entities. The program is administered by the Division of Investment Management, the Office of Compliance Inspections and Examinations, the regional offices, the Office of Filings and Information Services, and the Office of Information Technology.

The program accomplishes its mission through the following activities:

Disclosure: Disclosure documents filed by investment companies and investment advisers are reviewed for compliance with the Investment Company Act, the Investment Advisers Act, the Securities Act of 1933, and the Securities Exchange Act of 1934. Investment company disclosure documents include initial registration statements and annual amendments, proxy statements, periodic financial reports, and semi-annual reports filed on Form N-SAR. The review process enhances investor protection by seeking to ensure that an entity's policies, procedures, and risks are presented fully and fairly and proposed activities are consistent with the law.

Interpretive Advice and Rulemaking: Activities include providing interpretive advice to the public and to inspection and enforcement staff; responding to the need to adapt the regulatory structure to changing circumstances by developing rules for certain activities and operations of investment companies; and analyzing the financial, accounting, and economic effect of no-action requests, exemptive applications, proposed rules, and legislation. These activities enhance investor protection and reduce burdens and costs to the financial services industry. Law enforcement matters involving investment management entities are reviewed to ensure consistency with SEC regulations and policies. Risk analyses of mutual funds are conducted to assist the disclosure and inspection programs in selecting funds to review and inspect. Statistics on investment companies and advisers are maintained to provide staff in the disclosure and inspection activities with current information on registrants.

Exemptive Relief: The staff responds to requests from investment companies and investment advisers for exemptive relief from statutory requirements and develops and proposes rules to codify exemptive requests of wide applicability. This activity allows for the introduction of innovative products and services by registrants consistent with investor protection.

Public Utility: The program administers PUHCA, which requires interstate holding companies to register with the SEC if they have subsidiaries engaged in generating, transmitting, or distributing electric energy or are engaged in the retail distribution of gas. Regulated companies must seek Commission authorization to issue securities; to enter into affiliate transactions; to acquire utility securities, utility assets, or interests in other businesses. The staff oversees financial, affiliate and other activities through examination of annual and periodic reports, and monitors exempt companies to ensure that continuing exemption is warranted. The staff also provides no-action and interpretive relief to the industry and the public and undertakes rulemaking.

Inspections: An investment company, which is usually managed by an investment adviser, invests shareholder capital in accordance with policies described in its prospectus. An investment adviser provides advice to investors for a fee according to terms described in registration material filed with the SEC. Investment companies and investment advisers are inspected to evaluate compliance with statutory provisions, to evaluate the adequacy of internal controls maintained to guide daily activities, and to assess the accuracy of disclosures made to investors, particularly disclosures made in registration statements. Periodic inspections deter abuses and reduce the risk of loss to investors. When appropriate, a letter identifying deficiencies and requesting corrective action is sent to the registrant in order to resolve problems and avoid costly private litigation and Commission enforcement action. In egregious cases, the inspection report is referred to the Division of Enforcement for further consideration.

Filer Support: The Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system is designed to increase the efficiency and fairness of the securities markets for the benefit of investors, filers, and the economy by accelerating the processing, dissemination, and analysis of time-sensitive information filed with the SEC. EDGAR automates the receipt, processing, and dissemination of documents filed with the SEC and provides comprehensive automation capabilities for the disclosure functions of the agency.

Program Environment

Investment Company Industry: The introduction of new products and services by existing investment company sponsors and the continued entry of new entities, notably banks and other depository institutions, resulted in the addition of 1,583 investment company portfolios during 1995, bringing the total at the end of 1995 to 23,139 portfolios. These portfolios are managed or sponsored by 969 investment company complexes or families. The assets under management by these portfolios total over \$3 trillion. Since the end of 1993, total assets under management by investment companies have exceeded commercial bank deposits. Investment companies currently have approximately 124 million shareholder accounts.

Open-end management investment companies, commonly known as mutual funds, have grown steadily over the past few years. Over 30 million U.S. households, representing about

31% of total households, now own mutual funds. At the end of 1995, mutual fund assets totalled approximately \$2.7 trillion, which exceeded bank deposits for the first time. During 1995, stock fund assets crossed the \$1 trillion mark as a result of favorable market conditions and strong cash inflows. Money market fund assets increased more than \$60 billion in 1995, and now exceed \$700 billion. Bond fund assets remained relatively unchanged from 1994, although fluctuations in interest rates did result in assets falling during the first half of the year and then increasing during the second half.

Mutual funds are obtaining an increasing portion of their assets from retirement plans, including defined contribution employee benefit plans. Approximately one-third of fund industry assets and net cash inflows now come from retirement plans. As mutual funds attract more retirement plan participants and other new investors who may be relatively unfamiliar with the securities market, there is an increasing need to make fund communications more understandable for the typical investors. A number of the Investment Management Regulation program's initiatives over the past year were designed to improve fund disclosure documents. Those initiatives included:

- **Profile Prospectus.** The Commission, working with the Investment Company Institute (ICI) and the North American Securities Administrators Association (NASAA), launched a pilot project to allow funds to use a "profile prospectus"—a mutual fund prospectus that contains a short summary of key fund features. The ICI, NASAA, and the Commission are testing the utility of profile prospectuses. The Commission will use this experience to develop better disclosure rules for investment companies.
- **Money Market Fund Prospectuses.** The Commission proposed rule amendments that would promote the use of shorter, simpler, and more informative money market fund prospectuses. These prospectuses could be as short as four pages.
- **401(k) Prospectuses.** The Commission staff worked on new rules that would permit mutual fund prospectuses to be tailored to meet the needs of persons who invest in funds through defined contribution plans and other retirement plans.
- **Improved Risk Disclosure.** In March 1995, the Commission issued a concept release and a separate, short-form notice that was specially designed to encourage comments from individual investors on ways to improve mutual fund risk disclosure. Approximately 3,700 people responded using the new form. The staff is evaluating these comments, as well as comments on the full concept release, and will present recommendations to the Commission.

Investment Advisory Industry: Assets under management by investment advisers increased 10% in 1995 from 1994, reaching approximately \$10.6 trillion. Investment advisers registered with the Commission totalled 22,000 at the end of 1995. Although the number of investment advisers has increased a moderate 10% since the end of 1993, there has been

a considerable amount of turnover in the adviser population. For example, in 1995 over 3,000 advisers registered with the Commission for the first time and over 2,000 terminated their registrations.

In the past, investment advisers were used mainly by wealthy, more sophisticated investors and institutions that were often able to look after their own interests in dealing with advisers. Recently, an increasing number of investors with relatively small amounts to invest have started to use the services provided by investment advisers. As the use of defined contribution plans has grown and bank customers seek higher returns through funds, investors are looking increasingly to investment advisers for assistance in making decisions about how to invest their savings.

Public Utility Industry: The staff oversees the activities of 15 registered and 153 exempt holding companies, with total assets in excess of \$483 billion. The utility industry in the United States is currently undergoing unprecedented changes from a regulated monopolistic structure to a competitive market-driven industry. The growing emphasis on a global economy has resulted in public utility holding companies, both exempt and registered, seeking to participate in the privatization efforts of foreign governments. The Energy Policy Act of 1992 encourages the growth of competitive energy markets, both in the United States and through investments in foreign utility operations. As the industry continues to evolve, the Commission is faced increasingly with novel and unprecedented issues as it seeks to streamline and simplify regulation under PUHCA. To address these issues, the Commission staff undertook a comprehensive study of PUHCA in 1995 to consider how a federal holding company statute might best serve the public interest and the interest of investors and consumers as we approach the next century. On June 20, 1995, the staff completed its report, which identifies both legislative and administrative proposals to modernize PUHCA. On August 4 and October 13, 1995, the Commission presented to the House Telecommunications and Commerce Committee its recommendations, which include conditional repeal of PUHCA. Until Congress takes action on repeal, the program will seek to eliminate or streamline federal regulation of public utility holding companies to accommodate the evolving utility industry and other regulatory and market forces.

Filer Support: The Commission annually receives and processes approximately 12 million pages of information from 15,000 corporate and investment company filers. Most of these documents are currently received in paper, although the EDGAR system will automate the receipt and processing of most of this paper. The operational EDGAR system opened in January 1992 for test filings, and mandated electronic filing began in April 1993. With the successful completion in June 1994 of the congressionally-mandated six-month test of the EDGAR system by the first four groups of mandated filers, the Commission approved phase-in of all remaining filers beginning in January 1995. Mandatory phase-in will be completed during May 1996. The staff provides essential technical, operational, and procedural assistance to filers and agency personnel. Specifically, filer support personnel answer thousands of questions, assist filers experiencing problems, and provide timely assistance to

filers and SEC personnel with procedural or technical questions regarding equipment and software.

1995 Program Evaluation

Disclosure: The Commission launched a number of initiatives designed to provide mutual fund investors with clearer and more understandable information about their investments and to shorten and simplify mutual fund prospectuses. Examples include the profile prospectus, a proposed short-form prospectus for money market funds, and a concept release on ways to improve risk disclosure.

The staff began a number of initiatives to streamline and accelerate the disclosure review process. In particular, the staff sought to eliminate duplication and reduce delays by re-evaluating the types of comments made, and eliminating comments of minor importance. These initiatives were designed to enable the staff to make the review process more efficient and tailor review procedures to the needs of the situation. For example, fund groups attempting to simplify their prospectus format were encouraged to furnish a prototype document that would enable the staff to provide a single set of comments covering a large number of funds.

The total number of investment company filings received remained approximately the same as in 1994 (27,790) but the total number reviewed increased 5% to 8,774. The staff reviewed 68% of the 2,321 new portfolios filed (however, more than 90% of new open-end and closed-end portfolios were reviewed), 84% of the 711 proxy statements filed, 50% of the 9,500 annual and periodic reports filed, and 12% of the 15,258 post-effective amendments filed with the Commission. The post-effective amendments included 378 registration statements filed in connection with fund mergers, which are among the most complex filings made by investment companies. Increased merger activity by investment companies resulted in a 36% increase in the number of merger registration statements filed, all of which were reviewed. Additionally, the staff received and processed 3,241 investment adviser registration applications, 14,797 amended applications from investment advisers, and 14,510 annual reports of investment advisers.

Interpretive Advice and Rulemaking: The staff responded to 747 interpretive and no-action requests, an increase of 11% over 1994. The staff issued eight rule proposals and recommended final action on two rules. These new rules were designed to simplify the investment company regulatory structure while maintaining investor protection. For example, the investment company proxy rules were revised to simplify required disclosures and remove outdated requirements. The staff reviewed 159 enforcement cases and completed 61 risk analyses of bond and money market funds. In addition, the staff completed 104 special projects in 1995, an increase of 3% over 1994.

Exemptive Relief: The staff closed 483 requests for exemptive relief. The number of exemptive requests closed decreased 6% from 514 in 1994 primarily because a rule was adopted that precluded the need for mutual funds to file exemptive applications for multiple class funds. The staff issued three rule proposals and recommended final action on a rule that permits funds to impose contingent deferred sales loads without the need to seek individual exemptions from the Commission. This rule should decrease the amount of time and expense needed to create fund structures that give investors greater choice in the way they pay certain costs of investing in mutual funds.

Public Utility: The staff responded to 4,400 no-action letters and oral interpretive requests and issued 357 notices and orders, increases of 17% and 5% over 1994. The staff inspected 10 service companies and special purpose corporations, a 67% increase over 1994. The staff also examined 890 annual and periodic reports, a decline of 41% from 1994. This decline is attributed to rules adopted in 1994 that modernized outdated filing requirements under PUHCA. Additionally, the staff processed 193 applications filed by registered and exempt holding companies.

Inspections: In 1995, the Commission consolidated its examination and inspection activities into the Office of Compliance Inspections and Examinations (OCIE). The responsibility for these activities previously was divided between the Divisions of Market Regulation and Investment Management. The Commission created OCIE to streamline the examination process by consolidating management activities; reducing duplication; and improving coordination with the regional office examination staff, the Division of Enforcement, and other regulatory agencies. The office will offer a higher quality of training for examiners, better use of resources, and improved planning of examination strategies.

During 1995, an additional 50 investment company examiners were hired, primarily in the regional offices. Resources were devoted to enhancing the training programs for these new examiners.

The staff completed inspections of 348 investment company complexes with assets of \$1.1 trillion, a 282% increase over the assets under management by complexes inspected in 1994. Based on the 969 complexes in existence, this represents an average inspection frequency of once every 2.8 years. Included in these examinations were inspections of 25 complexes among the 50 largest; 284 medium and small fund complexes; and 39 sponsors of variable insurance products, unit investment trusts, and business development companies. The total assets of the complexes inspected represent about 37% of the investment company industry's assets. Almost 14% of the inspections were "for cause." The staff also examined 25 fund administrators that provided administrative services to 345 fund complexes.

The staff improved the way in which insurance company separate accounts are inspected by creating specialized teams of examiners located both at headquarters and in several regional offices. Because of the complexities inherent in variable insurance products, the creation of

specialized teams of examiners that will focus exclusively on examinations of separate accounts should result in more productive examinations.

The staff completed inspections of 1,075 investment advisers with assets under management of \$367 billion, increases of 12% and 67%, respectively, over 1994. Almost 16% of the inspections were "for cause." In an effort to maximize efficiency consistent with current budgetary constraints, the Commission instituted a new approach in examining investment advisers. The approach divides the pool of registered advisers into two groups: higher risk and lower risk. The higher risk group includes 8,400 advisers having custody or discretionary management authority. Under the new approach, the examination staff in the regions was given responsibility for examinations of the higher risk advisers and completed 893 inspections, reducing the inspection cycle for higher risk advisers to once every 8 to 10 years. In addition, inspections of the remaining 13,200 advisers became the responsibility of the examination staff at headquarters. Inspections of these advisers, who are primarily financial planners and non-discretionary money managers, are conducted in geographically-targeted sweeps by Commission staff in conjunction with examiners from state securities commissions. The staff conducted four such sweeps (this new approach for conducting adviser inspections was in effect for only the last half of the year). During the entire year, the staff conducted 182 examinations of financial planners and non-discretionary advisers.

Filer Support: On December 19, 1994, the Commission authorized the publication of the staff's report on the congressionally-mandated six-month test period and issued a release authorizing full implementation of the EDGAR system. Phase-in of additional filers to the EDGAR system recommenced on January 30, 1995 and proceeded as outlined in a revised phase-in schedule. A technology conference was held in August 1995 to solicit input on how to improve the EDGAR system. On August 27, 1995, the Chairman announced the agency's plans to make its electronic database of corporate information widely available to the public through the Internet. On September 28, 1995, the Commission instituted its Internet World Wide Website, which includes EDGAR filings. These initiatives are the first of a series of EDGAR improvements envisioned by the Commission. The contract for the current EDGAR system will expire in January 1997. Work on the recompetition of the contract was initiated.

1996 Appropriation

Disclosure: A continuing effort to streamline the disclosure review process will enable the staff to review a greater number of filings. The staff will receive a total of 28,705 filings. Of these, the staff will review 1,700 new portfolios, 2,050 existing portfolios 660 proxy statements, and 5,000 annual and periodic reports, increases of 8%, 10%, 11%, and 5%, respectively, over 1995. In addition, the staff will receive and process 3,490 applications for registration, 16,660 amendments, and 15,840 annual reports filed by investment advisers, increases of 8%, 13%, and 9%, respectively, over 1995. Withdrawals and cancellations will decrease slightly to 1,950, or 8% from 1996.

Interpretive Advice and Rulemaking: The staff will respond to 765 interpretive and no-action requests and will issue 5 rule proposals and recommend final action on 6 rules. Rulemaking activity will continue to focus on efforts to simplify the regulatory structure and provide mutual fund investors with clearer and more understandable information. The staff also will review 175 enforcement cases and complete 65 risk analyses of mutual funds. Additionally, the staff will complete 120 special projects and respond to 16,000 telephone inquiries, increases of 15% and 2% over 1995.

Exemptive Relief: The staff will close 500 requests for exemptive relief and will issue 6 rule proposals and recommend final action on 6 rules. The staff will continue its focus on facilitating the introduction of innovative products and services while maintaining investor protection.

Public Utility: The staff will issue four rules, most of which will substantially reduce the requirements for application under PUHCA. Consequently, the staff will receive 145 applications, 12% fewer than in 1995, and process 150 applications, 22% fewer than in 1995. The number of oral and written interpretive and no-action responses will decline 15% to 3,750, and the number of notices and orders will decline 17% to 295. Inspections of service companies and special purpose corporations will increase 40% over 1995 to 14.

Inspections: The 50 new investment company examiners hired in 1995 will continue training by participating in examinations with experienced examiners. The staff will complete inspections of approximately 400 fund complexes, a 15% increase over 1995. Included among the complexes examined will be at least 20 complexes among the 50 largest; 355 medium and smaller fund complexes; and 25 sponsors of variable insurance products, unit investment trusts, and business development companies. The average inspection cycle will be approximately 2.4 years, which is approaching a frequency that should provide cost-effective oversight of the investment company industry. The staff also will examine 20 fund administrators.

The reallocation of existing resources within the agency will result in the hiring of 38 new investment adviser examiners during 1996. The staff will complete approximately 1,150 inspections of investment advisers, a 7% increase over 1995 as a result of the new approach to conducting such examinations. There will be about 875 inspections of higher risk, discretionary money managers and 275 inspections of financial planners and non-discretionary money managers. Geographically-targeted sweeps of advisers in this second group will be conducted on a joint basis by examiners from headquarters and the states and will occur approximately every six weeks in different geographical locations.

In conducting all inspections, the staff will analyze the internal control environment and systems used by registrants to identify areas in which registrants' controls and operations are weakest and then structure the scope and focus of examinations to concentrate on these potentially troublesome areas and activities. By focusing examiner attention during

inspections on potential problem areas rather than reviewing all activities conducted by registrants, the examination staff will have a greater chance of finding serious deficiencies that could harm investors if left uncorrected.

Filer Support: Phase-in of the remaining investment company filers to the EDGAR system will be completed. The staff will review the proposals received in response to the recompetition of the EDGAR contract. The staff also will provide essential technical, operational, and procedural support; assist filers experiencing technical difficulties; and respond to questions regarding equipment and software.

1997 Program Request

Disclosure: Staffing will remain at the 1996 level. Initiatives to provide mutual fund investors with clearer and more understandable information about their investments will continue. The staff will receive approximately 29,540 investment company filings, of which 9,815 will be reviewed. The filings reviewed will consist of 1,730 (70%) new portfolios, 2,170 (14%) existing portfolios filed on post-effective amendments, and 665 (85%) proxy statements. In addition, the staff will receive and process 3,840 applications for registration by investment advisers, 18,330 amendments, and 17,425 annual reports by investment advisers, increases of 10% each over 1996. The number of withdrawal and cancellation notices will increase slightly over 1996 to 2,000.

Interpretive Advice and Rulemaking: Staffing will remain at the 1996 level. The staff will respond to 775 interpretive and no-action requests, issue 5 new rule proposals, and recommend final action on 5 rule proposals. The staff also will review 175 enforcement cases and complete 75 risk analyses of mutual funds. The 15% increase in risk analysis is attributable to the staff's increased use of external databases. Additionally, the staff will complete 125 special projects and respond to 16,000 telephone inquiries.

Exemptive Relief: Staffing will remain at the 1996 level. The staff will close 510 requests for exemptive relief, and will issue 3 rule proposals and recommend final action on 3 rules.

Public Utility: Staffing will remain at the 1996 level. The staff will process 110 applications, a 27% decrease from 1996, as a result of deregulation under PUHCA in 1996. The staff will issue four rules to further modernize PUHCA. The staff will handle approximately 3,700 interpretive and no-action requests and 220 notices and orders. Greater attention will be given to inquiries concerning affiliate transactions and the auditing of service company books and records. The staff will inspect 14 service companies and special purpose corporations.

Inspections: There will be an increase of 22 staff years in the activity to reflect the annualization of investment advisers examiners hired in 1996. Also, the last of the

investment company examiners hired during 1995 will have completed their training and will be fully functioning as experienced examiners.

At least 425 investment company complexes will be examined, a 6% increase over 1996. With the total number of complexes either remaining level or shrinking slightly, the average frequency of inspection will be close to one inspection every other year. At this frequency, the investment company inspection program will provide cost-effective oversight of the investment company industry. The staff will continue to structure its examinations to focus on those activities of each complex that appear to have the weakest or most deficient control environment or operating procedures so as to focus maximum attention to those areas most likely to cause harm to investors. The staff also will examine 20 fund administrators.

The staff will complete approximately 1,300 investment adviser inspections, 13% more than in 1996. Approximately 1,000 inspections will focus on discretionary money managers while the remainder will focus on financial planners and non-discretionary money managers examined on a joint basis with examiners from the states during geographically-targeted sweeps. With minimal growth anticipated in the number of discretionary money managers and financial planners, the average time between inspections will decrease to approximately 8.7 years for discretionary managers. The new examiners hired during 1996 should complete their training during the year and add marginally to the inspections completed. The full effect of these additional staff will be evident during 1998 when it is anticipated the inspection cycle for discretionary managers should approach once every five years.

Filer Support: The current EDGAR contract will expire in January 1997. A new contractor will be selected after a full and open competition. The staff also will continue to provide essential technical, operational, and procedural support to EDGAR filers.

Investment Management Regulation

<u>Industry Statistics 1/</u>	<u>1995 Actual</u>	<u>1996 Estimate</u>	<u>1997 Request</u>
Investment Companies:			
Number	4,530	4,900	5,000
Portfolios	22,486	23,139	23,800
Assets (\$ trillions)	2.5	3.1	3.2
Shareholder Accounts (millions)	98	124	125
Investment Advisers:			
Number	21,600	22,000	22,500
Assets under management (\$ trillions)	9.6	10.6	10.7

Workload Data

<u>Activity</u>	<u>1995 Actual</u>	<u>1996 Estimate</u>	<u>1997 Request</u>
Disclosure			
Investment Company Filings:			
New Portfolios Filed On Registration Statements	2,321	2,450	2,480
New Portfolio Disclosures Reviewed 2/ Existing Portfolios Filed on Post-Effective Amendments	1,570	1,700	1,730
Existing Portfolio Disclosures Reviewed 3/	15,258	15,475	15,775
	1,899	2,050	2,170

1/ Industry statistics are reported as of the beginning of the year while workload indicators are reported as of the end of the year.

2/ Includes open-end, closed-end, and unit investment trust (UIT) portfolios. Over 90% of open-end and closed-end portfolios are reviewed. UIT portfolios, because of their repetitive nature, generally are not reviewed.

3/ Includes registration statements for 378 investment company portfolios seeking shareholder approval to merge with another portfolio.

<u>Activity</u>	<u>1995 Actual</u>	<u>1996 Estimate</u>	<u>1997 Request</u>
<u>Disclosure (continued)</u>			
Proxy Statements Filed	711	780	785
Proxy Statements Reviewed	595	660	665
Annual and Periodic Reports Filed	9,500	10,000	10,500
Annual and Periodic Reports			
Partially Reviewed 4/	4,750	5,000	5,250
Special Projects	48	50	55
Telephone Inquiries	12,268	13,000	13,500
Staff Years	46	46	46
Investment Adviser Filings Received and Processed:			
Applications for Registration	3,241	3,490	3,840
Amendments	14,797	16,660	18,330
Annual Reports	14,510	15,840	17,425
Withdrawals/Cancellations	2,122	1,950	2,000
Staff Years	12	12	12
Staff Years	58	58	58
<u>Interpretive Advice and Rulemaking</u>			
Interpretive and No-action Responses	747	765	775
Responses to Shareholder Letters	115	120	125
Rule Proposals Issued	8	5	5
Final Action on Rule Proposals			
Recommended	2	6	5

^{4/} Two N-SARs are filed annually by most investment companies. The second filing includes, as an attachment, an auditor's report on internal control that is reviewed by the staff. No other data are reviewed.

<u>Activity</u>	<u>1995 Actual</u>	<u>1996 Estimate</u>	<u>1997 Request</u>
<u>Interpretive Advice and Rulemaking (continued)</u>			
Enforcement Cases Reviewed 5/	159	175	175
Risk Analyses 6/	61	65	75
Special Projects 7/	104	120	125
Telephone Inquiries	15,675	16,000	16,000
Staff Years	48	49	49
<u>Exemptive Relief</u>			
Exemptive Relief Requests Concluded	483	500	510
Administrative Proceedings Conducted	0	1	1
Rule Proposals Issued	3	6	3
Final Action on Rule Proposals			
Recommended	1	6	3
Special Projects	46	45	45
Telephone Inquiries	753	800	800
Staff Years	30	31	31
<u>Public Utility</u>			
Applications Received	164	145	110
Applications Processed	193	150	110
Annual and Periodic Reports Received and Reviewed	890	1,110	1,300
No-action Letters and Oral Interpretive Responses	4,400	3,750	3,700

5/ Enforcement cases involving investment management entities are reviewed to ensure consistency with SEC regulations.

6/ Risk analyses of mutual funds are conducted to identify funds for possible review and/or inspection.

7/ Special projects now include projects completed by the financial analysis unit.

<u>Activity</u>	<u>1995 Actual</u>	<u>1996 Estimate</u>	<u>1997 Request</u>
<u>Public Utility (continued)</u>			
Notices and Orders	357	295	220
Rulemaking and Special Projects	0	4	4
Service Company/Special Purpose Corporation Inspections	10	14	14
Staff Years	23	22	22
<u>Inspections</u>			
Investment Companies:			
Total Fund Complexes Inspected	348	400	425
Largest Complexes	25	20	20
Other Complexes and Funds	284	355	380
Variable Products, UITs, and BDCs	39	25	25
Fund Administrators Inspected	25	20	20
Deficiencies Identified	4,486	5,000	5,100
Total Assets of Funds Inspected (\$ billions)	1,146	1,000	1,000
Investment Advisers:			
Total Advisers Inspected	1,075	1,150	1,300
Discretionary Managers	893	875	1,000
Financial Planners & Non-Discretionary Managers	182	275	300
Deficiencies Identified	12,962	13,000	14,000
Total Assets of Advisers Inspected (\$ billions)	867	925	1,000
Staff Years 8/	262	331	353

8/ In order to reflect the efforts of the Office of Compliance Inspections and Examinations to coordinate inspections activities between the investment company and adviser staffs, separate staff year numbers for investment company and investment adviser inspections are no longer being used.

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<u>Activity</u>	<u>1995 Actual</u>	<u>1996 Estimate</u>	<u>1997 Request</u>
<u>Filer Support</u>			
Staff Years	15	15	15
Total Staff Years	436	506	528

Legal and Economic Services

Executive Summary

Organization	1995 Actual	1996 Estimate	1997 Request
General Counsel	118	118	118
Administrative Law Judges	6	8	8
Economic Analysis	15	22	22
Municipal Securities	2	7	7
Regional Offices	14	13	13
Total Staff Years	155	168	168
 Cost: Salaries and Benefits (\$000)	 \$13,374	 \$14,394	 \$14,862
Non-Personnel Expenses (\$000)	4,358	4,901	4,915
Total Program Cost (\$000)	\$17,732	\$19,295	\$19,777

This program provides legal, adjudicatory, economic analysis, and municipal securities expertise to the Commission and staff on a wide variety of matters. It is administered by the Office of General Counsel with the regional offices, and the Offices of Administrative Law Judges, Economic Analysis, and Municipal Securities. Staffing will remain at the 1996 levels.

General Counsel: The staff will provide advice on legal and regulatory policy issues for the Commission to address critical issues. The staff will prepare congressional testimony; provide technical assistance with respect to pending legislation; represent the Commission in litigation before district courts and other bodies, in appeals in enforcement cases, and in cases seeking review of Commission orders; and focus resources on managing the growing inventory of pending litigation.

Administrative Law Judges: The Commission will institute and order public hearings in 55 proceedings.

Economic Analysis: The staff will provide the Commission and the operating divisions with the advice and technical and analytical support necessary to understand and evaluate the economic effects of Commission regulatory policy. The staff will provide support to the Commission's enforcement efforts by applying economic and statistical tools to issues such as materiality and disgorgement.

Municipal Securities: The staff will provide expertise and technical assistance to the Commission and municipal securities industry in developing, reviewing, implementing, and enforcing rules and practices in the municipal markets aimed at increasing disclosure, transparency, and safety and soundness. The staff will assist the enforcement programs of the Commission and the National Association of Securities Dealers.

Legal and Economic Services**Mission**

This program furnishes legal, adjudicatory, economic analysis, and municipal securities expertise to the Commission and staff on a wide variety of matters. The program consists of four major activities—general counsel, including corporate reorganization conducted in conjunction with the regional offices, administrative law judges, economic analysis, and municipal securities. It is administered by the Office of General Counsel with the regional offices, and the Offices of Administrative Law Judges, Economic Analysis, and Municipal Securities.

General Counsel: This program provides a range of legal services to the Commission concerning its law enforcement, regulatory, and legislative activities, including: (1) representation of the Commission in appellate courts in civil litigation involving the securities laws, including Commission enforcement actions, challenges to rulemaking proposals, and challenges to disciplinary sanctions imposed by self-regulatory organizations on securities industry professionals; (2) representation in private litigation when the Commission appears as *amicus curiae* or "friend of the court," to address important issues affecting the Commission or securities laws, and representation in corporate reorganizations and municipal bankruptcy to protect investors; (3) representation in actions filed against the Commission arising out of enforcement investigations and other actions where the Commission is a defendant; (4) preparation of congressional testimony, advice to the Commission, and comments concerning proposed legislation affecting the Commission's work; (5) advice to the Commission concerning issues arising from its law enforcement and regulatory activities; (6) assistance in the development of consistent regulatory approaches that promote investor protection in a cost-effective manner; (7) advice to the Commission and preparation of draft opinions and orders on appeals from decisions in administrative proceedings and self-regulatory organizations (SRO) decisions; (8) advice to the Commission and its staff regarding federal ethics laws and regulations; and (9) advice to the Commission regarding compliance with statutes and rules applicable to the Commission's procurement, contracting, financial, personnel, and related administrative activities.

Administrative Law Judges: Pursuant to the Administrative Procedure Act and the federal securities laws, administrative law judges preside at evidentiary hearings where the Commission has determined that public hearings are appropriate, in the public interest, and for the protection of public investors. The hearings are conducted in a manner similar to non-jury trials in the federal district courts.

Economic Analysis: The staff has primary responsibility for providing the Commission, and the operating divisions with the technical and analytical support necessary to understand and evaluate the economic effects of Commission regulatory policy. The staff plays a major role in the Commission's enforcement efforts by applying economic and statistical tools to issues such as materiality and disgorgement. In addition to Commission and program support, the staff institutes and develops projects and initiatives designed to expand the Commission's understanding of capital markets. Specifically, the staff assists the Commission with (1) establishing regulatory policy by analyzing economic and technological developments affecting securities markets, issuers, and market participants; (2) evaluating the impact of proposed Commission actions on the structure and operation of the securities industry, securities markets, and the regulatory system; and (3) developing statistical data and economic analyses related to domestic and international capital markets. The staff also analyzes rule proposals to assess (1) their potential effects on small entities, as required by the Regulatory Flexibility Act (RFA) and Section 502 of the Small Business Investment Incentive Act, both enacted in 1980, and (2) their impact on competition within the securities industry and among competing securities markets, as required by the 1975 amendments to the Securities Exchange Act of 1934.

Municipal Securities: The Office of Municipal Securities serves as a clearing house and point of coordination for the Commission's municipal securities activities. It operates as a consultant and as a facilitator, assisting municipal bond initiatives throughout the Commission and working towards assuring a full understanding of Commission policy decisions relating to municipal securities. The staff provides assistance in legislative matters and in the development of major Commission initiatives in the municipal bond area. The staff also works directly with the municipal finance community to educate state and local officials with respect to risk management issues.

Program Environment:

General Counsel: Increased enforcement and regulatory demands on the agency have placed correspondingly greater demands on the staff. These demands stem from dramatic changes in market structure and rapid innovation in financial products, resulting in a substantial increase in the number, complexity, and importance of the relevant legal and policy issues. This environment poses special challenges for the staff in developing regulatory approaches that promote investor protection in a flexible and cost-effective manner. Significant areas of concern include the rapid expansion of trading in derivative products, developments in the municipal securities markets, and the rapid expansion of bank-sponsored securities activities. The staff will provide technical assistance to Congress on developing legislative initiatives in some of these areas, as well as initiatives addressing broad based reform of the federal securities laws, including pre-emption of state securities laws, small business activities, and other matters addressed by Congress.

Between 1990 and 1995, the number of litigation cases opened rose 85%. Additionally, the number of pending cases has increased 158% during the same time period, because the courts, not the Commission, control the pace at which cases are resolved. Increased enforcement activity has resulted in significant increases in actions filed against the Commission. These cases include court actions against the Commission by the subjects of enforcement proceedings, challenges to Commission investigative subpoenas under the Right to Financial Privacy Act of 1978, requests for disclosure of documents directed at the agency by litigants in private securities actions, and requests to void or modify existing injunctions. The staff also defended an increased number of employee-related actions filed under Title VII of the Civil Rights Act of 1964, as amended.

The appellate workload has increased as the Commission's enforcement powers have been enhanced in the Securities Enforcement Remedies and Penny Stock Reform Act of 1990. The successful resolution of appellate cases is critical to the Commission's mission because the decisions of the courts of appeals and of the Supreme Court are important to the effectiveness of the Commission's enforcement and regulatory programs and to its ability to assure an adequate level of investor protection. Many matters of great importance—such as a large part of the insider trading law, the definition of a security, and the scope of registration requirements—have been developed through a series of appellate cases in which the staff represented the Commission.

Appeals from decisions in Commission administrative proceedings represent a higher percentage of the Commission's adjudication docket than in prior years because, among other reasons, recent amendments to the federal securities laws have given the Commission's administrative law judges enhanced administrative enforcement powers. Contested administrative proceedings typically feature more extensive records and raise more complex issues of analysis than do appeals from SRO decisions.

Administrative Law Judges: In June 1995, the Commission adopted new Rules of Practice governing the conduct of administrative proceedings. All cases instituted prior to June 1995 remain subject to the old Rules of Practice. Significant substantive and procedural changes for the administrative law judges include: authority to hold respondents in default and issue orders on summary disposition; responsibility for administering disgorged funds; encouraging prehearing conferences in every case; and establishing guidelines for the timely completion of proceedings.

Economic Analysis: Many events in the marketplace, government, and industry have given rise to issues that benefit from an economic perspective. For example, the Commission is concerned with the public's understanding of risks associated with mutual funds and the significant growth in bank-sponsored mutual funds. The continuing development of derivative securities raises important economic and regulatory questions

that need to be addressed. Also, the economic, regulatory, and institutional changes in the foreign securities markets present both challenges and opportunities for the U.S. securities markets and the Commission. Consequently, the growth of the industry and the increasing complexity of securities violations have made financial and statistical analysis an important part of the Commission's regulation and enforcement programs.

Municipal Securities: The Office of Municipal Securities was established in 1995 to respond to municipal securities issues on all levels. The concentration of Commission resources on the municipal securities markets, particularly in the enforcement area, has increased demands on staff for advice on municipal market practices and assistance in rulemaking implementation. Recent issues include the bankruptcy of Orange County, California, and possible defaults resulting from that bankruptcy; the implementation of new disclosure rules, including the municipal securities disclosure rule (Rule 15c2-12) under the Securities Exchange Act of 1934; and an emphasis on compliance investigations and examinations and enforcement matters involving municipal securities.

1995 Program Evaluation

General Counsel: The staff represented the Commission in appeals in enforcement cases and in cases seeking review of Commission orders, many of which were entered in administrative proceedings against securities industry professionals who violated the securities laws. It maintained an active role representing the Commission as *amicus curiae* in private litigation raising significant issues under the securities laws. The staff opened 343 litigation cases, a 1% increase over 1994, and closed 221 cases, a 19% increase over 1994. Cases pending increased 27% to 569. A litigation analysis unit was established with existing staff to assist the courts in assessing private fraud claims brought against issuers. This unit evaluated the private fraud claims, securities class action settlements, and other aspects of such litigation brought to its attention and, where appropriate, assisted district courts in identifying meritless positions.

The staff streamlined the Commission's administrative proceedings and strove to comply with the time guidelines for completion of adjudicatory decisions recently adopted by the Commission, while maintaining the quality and clarity of opinions and orders drafted for the Commission. New adjudicatory matters received increased 98% over 1994's level to 95. The staff completed 14% more adjudicatory matters than were completed in 1994, and 37 cases were pending at year-end.

The staff represented the Commission and staff members in actions before district courts and administrative bodies where the Commission and staff members were sued, including actions arising out of enforcement and regulatory activities, personnel matters, and the Commission's procurement and contracting activities. In addition, the staff provided the

Commission with advisory services related to the Administrative Procedure Act and other administrative statutes with which the Commission was obligated to comply and which provided rights of action against the Commission.

The staff advised the Commission on legislative matters, working closely with other Commission staff on 17 congressional testimonies and also providing technical assistance to Congress. Regulatory and legislative initiatives addressed such critical issues as the regulation of derivatives and municipal securities, bank-sponsored securities activities, and litigation reform. The staff responded to more than 80 congressional and other requests.

The ethics staff continued to provide the Commission and its employees advice and counseling under federal ethics statutes and new regulations, and to propose new agency-specific and supplemental ethics regulations.

The staff's participation in selected bankruptcy reorganization cases included filing briefs on significant legal issues affecting public investors; issuing comment letters on and, when necessary, filing objections to disclosure statements for reorganization plans filed in public company Chapter 11 cases; and pursuing securities registration and enforcement matters, including illegal sales of securities by Chapter 11 debtors. Together with the Office of Municipal Securities, the staff monitored the Orange County bankruptcy proceedings in order to protect bondholders. In addition, the staff provided assistance to the Commission's law enforcement program where defendants sought the protection of the bankruptcy laws to avoid the consequences of a Commission law enforcement proceeding. The staff reviewed 92 disclosure statements of large public companies and provided comments on 75 statements, decreases of 16% and 5% from 1994.

Administrative Law Judges: The Commission instituted and ordered public hearings in 66 administrative proceedings, and the judges disposed of 67 proceedings. Of those dispositions, 18 were by initial decisions, 47 were cancelled prior to hearing, and 2 proceedings were cancelled after hearing. The number of proceedings pending disposition remained at 55.

Economic Analysis: The staff continued to provide analysis and advice on the impact of Commission policy and regulation on the nation's financial markets. The staff conducted survey research, in cooperation with the Division of Investment Management (IM), aimed at learning what individual investors understand about financial products. This research led to the Profile Prospectus focus-group program that IM currently is conducting with several mutual fund families to evaluate the response of individual investors to simplified disclosures. The staff also provided IM with extensive statistical analysis of risk measures in support of a concept release on mutual fund risk disclosure. The staff provided extensive statistical analysis for the Commission's Advisory Committee on

Capital Formation and Regulatory Processes, which is considering company registration versus the registration of transactions. In addition, the staff provided advice and a variety of statistical analyses related to market structure issues including exchanges specialists' profitability and market participation, the effects of preferred order flow and related pilot programs, market fragmentation, payment for order flow, and soft dollar practices. The staff provided technical assistance to the Division of Enforcement on numerous cases involving insider trading, fraudulent financial reporting, investment adviser fraud, and other securities law violations.

The staff advised the Commission and operating divisions on 310 regulatory and enforcement issues and policies, and provided 62 RFA analyses and certifications. The staff produced 35 Commission memoranda, reports, and publications, and provided 360 written and 1,650 oral responses to advisory memoranda and data inquiries.

Municipal Securities: Together with the Office of General Counsel, the staff monitored the Orange County bankruptcy proceedings in order to protect the integrity of the municipal securities market. The staff assisted the Division of Enforcement in the investigation of municipal securities cases and continued to work with dealers, issuers, bond counselors, and investors to improve disclosure practices in the municipal market by promoting a greater understanding of the application of the anti-fraud rules to the municipal market, as well as the disclosure requirements of Rule 15c2-12. The staff advised the Commission on matters relating to municipal securities and worked closely with other Commission staff on congressional testimony and in providing technical assistance to Congress on matters relating to municipal securities. Additionally, the staff worked with other Commission staff on matters relating to municipal securities, including rulemaking and the activities of the Municipal Securities Rulemaking Board (MSRB).

1996 Activity Statement

General Counsel: The staff will provide advice on legal and regulatory policy issues for the Commission on a selective basis trying to address the most critical issues only. The staff will continue to prepare congressional testimony, but will reduce its provision of technical assistance with respect to pending legislation. The staff will complete 80 adjudicatory matters, consistent with the number completed in 1995. The staff will continue to represent the Commission in appeals in enforcement cases and in cases seeking review of Commission orders. Fewer resources will be allocated to the *amicus curiae* program. The staff will focus on its growing inventory of pending litigation. The number of litigation cases pending, however, will increase to 699 at the end of 1996, an increase of 23% over 1995. The staff will respond to approximately 1,000 ethics counseling inquiries. The staff will represent the Commission in fewer issues of significance to public investors in bankruptcy reorganization cases.

Administrative Law Judges: The Commission will institute and order public hearings in 55 proceedings. The judges will dispose of 55 proceedings, issuing 20 initial decisions. In addition, 33 proceedings will be cancelled prior to hearing and 2 proceedings will be cancelled after hearing. At year-end, the number of proceedings pending disposition will remain at 55.

Economic Analysis: The additional staff will be used to enhance coordination with and support for the Commission's enforcement program, and to provide in-depth analysis of regulatory proposals. The staff will conduct research and analysis focused on such issues as mutual fund risk disclosures, the capital formation process, market structure, and trading practices. The staff will review 85 rules and provide economic advice on 400 regulatory and enforcement issues and policies, a 29% increase over 1995. The staff also will produce 35 Commission memoranda, reports, and publications, and provide 465 written and 2,100 oral responses to advisory memoranda and data inquiries.

Municipal Securities: The staff will continue to provide assistance to the Commission and the municipal securities industry in developing, implementing, and enforcing rules and practices in the municipal market aimed at increasing disclosure, transparency, and safety and soundness. The staff will assist the enforcement programs of the Commission and the National Association of Securities Dealers (NASD), consult in the review of proposed rules and rule modifications promulgated by the MSRB, and provide expertise to other Commission staff and to the municipal securities industry in a variety of municipal matters. Together with the Office of General Counsel, the staff will continue to monitor the Orange County bankruptcy proceedings in order to protect the investors and integrity of the municipal securities market. The staff will advise the Commission on matters relating to municipal securities and will work closely with other Commission staff on congressional testimony and in providing technical assistance to Congress on matters relating to municipal securities.

1997 Program Request

General Counsel: The staff will provide advice on legal and regulatory policy issues for the Commission on a selective basis trying to address the most critical issues only. The staff will continue to prepare congressional testimony, to provide technical assistance with respect to pending legislation, and to represent the Commission in appeals in enforcement cases and in cases seeking review of Commission orders. The staff will receive and complete 80 adjudicatory matters. The staff will focus resources on managing its growing inventory of pending litigation. While the number of litigation cases opened and closed will remain the same as in 1996, the number of litigation cases pending will increase 19% to 829 from 699. The staff will respond to approximately 1,000 ethics

counseling inquiries. The staff will continue to represent the Commission in bankruptcy reorganization cases at the 1996 levels.

Administrative Law Judges: The Commission will institute and order public hearings in 55 proceedings. The judges will dispose of 55 proceedings, issuing 20 initial decisions. In addition, 33 proceedings will be cancelled prior to hearing and 2 proceedings will be cancelled after hearing. The number of proceedings pending disposition will remain at 55.

Economic Analysis: The staff will provide the Commission and the operating divisions with technical and analytical support necessary to understand and evaluate the economic effects of Commission regulatory policy. The staff will provide support to the Commissions's enforcement efforts by applying economic and statistical tools to issues such as materiality and disgorgement. The staff will review 85 rules and provide economic advice on 400 regulatory and enforcement issues and policies. The staff also will produce 35 Commission memoranda, reports, and publications, and provide 465 written and 2,100 oral responses to advisory memoranda and data inquiries.

Municipal Securities: The staff will continue to assist the enforcement efforts of the Commission and the NASD, consult in the review of proposed rules and rule modifications promulgated by the MSRB, and provide expertise to other Commission staff and to the securities industry in a variety of municipal matters. The staff will analyze 60 enforcement memoranda, prepare 10 advisory memoranda on enforcement matters and provide technical assistance on rulemaking and interpretation to the other SEC programs in 95 instances. In addition, the staff will work closely with other Commission staff on congressional testimony and in providing technical assistance to Congress on numerous matters relating to municipal securities.

Legal and Economic Services
Workload Data

<u>Activity</u>	1995 Actual	1996 Estimate	1997 Request
<u>General Counsel</u>			
Litigation Case Inventory:			
Pending Beginning of Year	447	569	699
Opened	343	380	380
Closed	(221)	(250)	(250)
Pending End of Year	569	699	829
Adjudicatory Matters Inventory:			
Pending Beginning of Year	24	37	37
Received 1/	95	80	80
Completed 2/	(82)	(80)	(80)
Pending End of Year	37	37	37
Legislation:			
Testimony	17	20	20
Comments to Congress and Others	'81	70	70
Drafting & Technical Assistance	59	45	45
Legislative Analysis	74	65	65
Congressional Access Requests and Other	61	50	50
Advisory Services:			
SEC Statutes			
Analysis of Enforcement Memoranda	1,014	1,100	1,100
Advisory Memoranda on Enforcement			
Matters	63	65	65

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- 1/ In 1995, the Opinions Case Inventory was renamed the Adjudicatory Matters Inventory and was expanded beyond appeals to include substantive motions filed with the Commission, therefore the inventory increased substantially from 1994.
- 2/ Staff work on an appeal or a substantive motion is completed when a draft memorandum and draft opinion or order are submitted to the Commission.

<u>Activity</u>	<u>1995 Actual</u>	<u>1996 Estimate</u>	<u>1997 Request</u>
<u>General Counsel (continued)</u>			
Non-SEC Statutes			
FOIA -- Internal Appeals	41	45	45
Ethics Counseling Inquiries 3/	972	1,000	1,000
Personnel Matters	31	30	30
Procurement Matters	62	65	65
Other	82	100	100
Corporate Reorganization:			
Petitions Involving Public Investor Interest	83	65	65
Chapter 11 Cases: Appearances			
Pending Beginning of Year	160	95	100
Filed	13	25	25
Closed	(78)	(20)	(20)
Pending End of Year	95	100	105
Chapter 11 Cases: Monitored			
Pending Beginning of Year	181	150	165
Filed	70	60	60
Closed	(101)	(45)	(45)
Pending End of Year	150	165	180
Disclosure Statement Reviews	92	110	110
Disclosure Statements Commented On	75	80	80
Staff Years	132	131	131
<u>Administrative Law Judges</u>			
Proceedings Inventory:			
Pending Disposition Beginning of Year 4/	56	55	55
Ordered for Hearing	66	55	55

3/ In prior budget submissions Ethics Counseling inquiries were called Conduct-Related Matters.

4/ The inventory at the beginning of 1995 has been adjusted from 55 to 56.

<u>Activity</u>	<u>1995 Actual</u>	<u>1996 Estimate</u>	<u>1997 Request</u>
<u>Administrative Law Judges (continued)</u>			
Disposed			
Cancelled Before Hearing	(47)	(33)	(33)
Cancelled After Hearing 5/	(2)	(2)	(2)
Initial Decision Issued	(18)	(20)	(20)
Pending Disposition End of Year	55	55	55
Staff Years	6	8	8
<u>Economic Analysis</u>			
Rule Reviews	85	85	85
Economic Advice on Regulatory and Enforcement Issues and Policy	310	400	400
RFA Analysis and Certifications	62	60	60
Commission Memoranda, Reports, and Publications	35	35	35
<u>Advisory Memoranda and Data Inquiries:</u>			
Written Responses	360	465	465
Oral Responses	1650	2100	2100
Staff Years	15	22	22
<u>Municipal Securities</u>			
Technical Assistance on Rulemaking and Interpretation	48	95	95
Legislation:			
Testimony	5	10	10
Comments to Congress and Others	15	30	30
Drafting, Analysis, and Technical Assistance	10	20	20

5/ Includes summary disposition where no initial decision was written.

<u>Activity</u>	<u>1995 Actual</u>	<u>1996 Estimate</u>	<u>1997 Request</u>
Municipal Securities (continued)			
Advisory Services:			
Analysis of Enforcement Memoranda	30	60	60
Advisory Memoranda on Enforcement	5	10	10
Staff Years	2	7	7
Total Staff Years	155	168	163

Program Direction**Executive Summary**

<u>Organization</u>	1995 Actual	1996 Estimate	1997 Request
Executive Staff	28	36	36
Secretary	20	20	20
Public Affairs, Policy Evaluation and Research	10	8	8
Executive Director	11	12	12
Equal Employment Opportunity	13	12	12
Administrative and Personnel Management	124	127	127
Comptroller	35	35	35
Information Technology	89	88	88
Inspector General	<u>9</u>	<u>9</u>	<u>9</u>
Total Staff Years	339	347	347
Cost: Salaries and Benefits (\$000)	\$20,805	\$23,263	\$24,019
Non-Personnel Expenses (\$000)	<u>9,308</u>	<u>9,064</u>	<u>9,071</u>
Total Program Cost (\$000)	\$30,113	\$32,327	\$33,090

The goals of Program Direction are to formulate and communicate policy, to manage agency resources to enable the Commission to fulfill its statutory responsibilities, and to support the operating divisions and offices so they may perform their missions and activities efficiently and effectively. Staffing will remain at the 1996 levels.

Policy Management: The Commission will continue to play a pivotal role in protecting investors and their capital invested in the nation's securities markets. Critical functions such as Commission meetings, preparation of the agency's budget request and annual report, and information dissemination to the press will be performed, and efforts to analyze the efficiency and effectiveness of the agency's divisions and offices and to implement directives resulting from the National Performance Review and the Government Performance and Results Act will continue.

Administrative Support: The administrative support offices will continue activities to modernize procurement, personnel, and financial management activities; to maintain the multi-year computer modernization program; and to enhance the electronic dissemination of information to the public.

Audits and Investigations: The Office of the Inspector General will continue to provide audit coverage of Commission programs based on its strategic audit plans.

Program Direction

Mission

The goals of Program Direction are to formulate and communicate policy, to manage agency resources to enable the Commission to fulfill its statutory responsibilities, and to support the operating divisions and offices so they may perform their missions and activities efficiently and effectively. These goals are pursued through three major activities--policy management, administrative support, and audits and investigations.

Policy Management: The executive staff is comprised of the Chairman and Commissioners, their staffs, and the Office of Legislative Affairs. They develop overall agency policy and provide advice on the wide array of legal, financial, legislative, and economic issues encountered in the administration of the federal securities laws. The staff develops recommendations on rule proposals, enforcement actions, legislative initiatives, and other matters that require decisions or actions by the Commission. The Commission votes on these matters at regularly scheduled meetings. In addition, the Commission acts on matters not requiring joint deliberation through its *seriatim* voting process in which each Commissioner votes sequentially on the staff's written recommendations. The executive staff also drafts testimony, speeches, and official agency statements. The Office of Legislative Affairs is responsible for congressional liaison including coordinating responses to congressional requests for documents, technical assistance, and other information.

The Office of the Secretary schedules Commission meetings, prepares and maintains records of Commission actions, and reviews documents submitted to the Commission for action. Specific activities include (1) reviewing all official orders, releases, and other documents approved by the Commission or by the staff pursuant to delegated authority; (2) publishing official documents and releases of Commission actions in the *Federal Register* and the *SEC Docket*; (3) monitoring compliance with the Regulatory Flexibility Act of 1980; (4) tracking compliance with the Government in the Sunshine Act; (5) receiving and processing documents and maintaining original records pertaining to administrative proceedings; and (6) receiving requests for confidential treatment and comment letters on rule proposals. The office also operates the headquarters and regional libraries.

The Office of Public Affairs, Policy Evaluation and Research administers the internal and external Commission information programs and coordinates Commission media and public relations and the foreign visitors program. Additionally, the office monitors press coverage of issues related to the Commission, the securities industry, and the financial markets and provides research support in regulatory and enforcement policy areas.

The Office of the Executive Director is responsible for policy formulation and implementation of the management and administrative functions of the agency. The staff formulates budget and authorization strategies, supervises the allocation and utilization of agency resources, promotes management controls and financial integrity, manages the administrative support offices, and oversees the development and implementation of the agency's automated information systems. In addition, the Executive Director's staff and subordinate offices oversee agency-wide compliance with federal requirements enacted by the Congress and imposed by the Office of Management and Budget (OMB), the General Accounting Office (GAO), and the Office of Personnel Management. The staff also coordinates the agency's compliance with, and response to actions under, the National Performance Review (NPR) and the Government Performance and Results Act (GPRA).

The Office of Equal Employment Opportunity (EEO) is responsible for (1) ensuring agency compliance with EEO regulatory requirements with regard to all employees and applicants, (2) administering the agency's EEO complaint processing and investigative procedures, (3) developing the agency's affirmative employment plan and evaluating the agency's affirmative employment practices and procedures, and (4) disseminating information on EEO-related agency policies and procedures. The staff develops and recommends policies designed to promote equal opportunity in all aspects of the agency's recruitment, selection, training, advancement, compensation, and supervision of employees.

Administrative Support: The Office of Administrative and Personnel Management develops and administers programs to manage the agency's workforce and facilities, including the regional and district offices, and provides a wide range of support services. Personnel-related services include recruitment, staffing, employee compensation and benefits, training, position management and classification, employee relations, counseling, personnel security, disciplinary actions, performance management, employee recognition, and maintenance of official employee records. Support services include procurement and contracting, property accountability, contract and lease administration, telecommunications management, issuance of supplies, space acquisition and management, mail receipt and distribution, publications, printing, and desktop publishing. The staff conducts safety programs, plans emergency preparedness, and is responsible for physical security.

The Office of the Comptroller is responsible for the financial management and budget functions of the agency. The staff assists the Office of the Executive Director in formulating budget and authorization submissions and monitors the utilization of agency resources. Specific activities include cash management, financial management, administrative accounting, payroll, voucher audit, and budget justification and execution.

The staff also functions as the liaison on accounting and budget issues with the Congress, the Department of Treasury, OMB, and GAO.

The Office of Information Technology (OIT) is responsible for automated data processing and information resources management, which include (1) operating and maintaining computer and data communications network hardware and software, (2) enhancing existing information systems, (3) developing new information systems, (4) providing user information services, (5) ensuring information security and integrity, and (6) operating and maintaining a major federal Internet site for dissemination of investor information, including electronic filings.

Audits and Investigations: The Office of the Inspector General (IG) audits agency operations and investigates allegations of staff misconduct. The IG makes recommendations to promote the efficiency and effectiveness of Commission programs and activities and to prevent fraud in their implementation. In addition, the IG keeps the Chairman and the Congress fully informed of its activities, maintains relationships with the federal inspector general community, and complies with applicable government standards.

Program Environment

Policy Management: The agency plays a pivotal role in protecting the capital invested in the nation's securities markets which have experienced dramatic growth in recent years. The high profile and significance of the many issues impacting the financial markets have fueled a greater interest in the agency from the Congress, the press, and other government agencies. These issues include derivative products, oversight of investment advisers, abusive sales practices, broker compensation, "plain English" mutual fund prospectuses and risk disclosure, investor education, the increasing participation of banks in the securities markets, disclosure in the municipal market, and the promotion of international competitiveness of U.S. markets. The workload of the offices supporting the policy management activity is increasing in direct relationship to enhanced public interest and legislative activity in the securities field.

Due to the numerous legislative and regulatory mandates placed upon the Commission, management of the agency has become more challenging and complex. Between 1990 and 1995, funding for the agency increased 78% and staffing increased 27%. As a result, additional responsibilities have been placed on the Executive Director's staff and the support offices to establish new budgetary practices, enhance agency productivity, implement effective management control systems, and control administrative costs.

The NPR led by Vice President Gore resulted in recommendations dealing with issues such as strategic planning, improving the efficiency and effectiveness of operations, measuring performance, and servicing the customer. The staff in the Office of the Executive Director and the support offices coordinates and implements the agency's response to Executive orders and other directives issued in connection with the NPR.

The workload faced by the Office of Equal Employment Opportunity has increased due to expanded remedies incorporated into federal employment law in 1991 and Equal Employment Opportunity Commission (EEOC) changes in the *Federal Sector Equal Employment Opportunity Regulations*, 29 C.F.R. 1614. The staff will continue to analyze agency recruitment programs and to make recommendations to improve the agency's efforts to recruit qualified applicants. The staff also will continue to provide input into the development of EEO training programs for agency staff.

Administrative Support: Technological improvements have had a significant impact on the operations of the administrative support offices. While OIT's workload has increased substantially due to its efforts to modernize the agency's automation systems, other support offices have been able to use automated systems to improve their efficiency. Without those improvements, they would not have been able to support adequately the 27% agency-wide staffing increase between 1990 and 1995.

Advances in computer technology combined with the agency's increased program responsibilities continue to create demand for technological support and automation tools within the agency. Under the agency's strategic automation modernization initiative (SAM), the staff is improving the agency's computer infrastructure and operations, replacing obsolete application programs, eliminating duplicative systems, expanding user access to information, improving public access to SEC information, and providing modern tools to enable the program staff to accomplish more efficiently and effectively the mission of the agency. The use of imaging technology in various applications is being explored. Systems targeted for modernization and development include litigation and investigation case tracking, correspondence management, and various analytical systems for managing securities data.

Fundamental changes to personnel programs and administrative support systems continue to be made as a result of recommendations made in the NPR, as well as the resulting regulatory changes, and require significant efforts in program redesign and implementation. For example, following the 1994 designation of the agency's personnel program as a reinvention lab, internal focus groups were formed to make recommendations to redesign agency personnel programs and policies, such as recruitment and staffing procedures, alternate work schedules, flexiplace, and performance management. Implementation of recommendations have begun and will

continue. A multi-year plan to streamline personnel and administrative systems and modernize equipment will continue in order to use staff resources more efficiently and to improve operations.

The Comptroller staff continues to review and to improve cash management, internal controls, time and attendance procedures, travel management, and automated financial systems to support both agency management and program activities as well as government-wide initiatives such as the Federal Managers' Financial Integrity Act, the Prompt Payment Act, and the GPRA.

Audits and Investigations: Fundamental changes to IG operations are currently underway to respond to recommendations from the Congress, OMB, GAO, and NPR. For example, the IG has broadened significantly the scope of its audits to include more evaluations of Commission programs. It also is implementing a strategic audit plan based on audit risk within the agency.

1995 Program Evaluation

Policy Management: The complexity of the issues before the Commission continued to increase, including "plain English" mutual fund prospectuses and risk disclosure, disclosure in the municipal securities markets, promotion of international competitiveness of U.S. markets, proposals to permit companies to "test the waters" prior to a formal public offering, among others. The Commission held 55 meetings, considered 240 calendar items, and processed 1,027 *separatim* actions.

The staff of the Office of the Secretary processed 15,500 official orders, 4,704 *Federal Register* pages, and 2,300 correspondence/confidential filings, increases of 3%, 47%, and 5%, respectively, over 1994. The 6,640 public comment letters received represented a 121% increase over 1994, mainly due to the approximately 3,700 responses received on the Commission's release on mutual fund risk disclosure. The library circulated 29,500 materials and handled 7,600 research requests, increases of 2% and 3% over 1994. A 48% decrease in the number of items cataloged was due to the previous automation of the library's card catalog.

The Office of Public Affairs, Policy Evaluation and Research handled 776 foreign visitors, a 24% increase over 1994, and provided 262 press releases and briefings, an 81% increase over 1994. The staff responded to 50,000 telephone inquiries and 1,000 written inquiries, decreases of 17% and 33%, from 1994. The staff believes that this efficiency is due to Internet dissemination of press releases and briefings, which has enabled the staff to streamline media liaison, news monitoring, and information dissemination activities.

The staff of the Office of the Executive Director maintained efforts in the areas of management controls, financial integrity, and audit follow-up requirements. Preparation of the agency's budget request, annual report, and briefing materials for the executive staff received high priority. Efforts to analyze the efficiency and effectiveness of operating divisions and support offices and to coordinate and implement the agency's response to Executive orders and other directives resulting from the NPR and the GPRA were maintained.

The staff of the Office of Equal Employment Opportunity disseminated EEO information to employees and applicants, periodically published a newsletter for supervisors, supported the agency's special emphasis programs, conducted an affirmative employment audit in one agency office, and provided three training and instructional initiatives.

Administrative Support: The Office of Administrative and Personnel Management handled increases in workload related to agency-wide staffing as well as the changing regulatory environment. For example, 15,403 personnel actions and 526 recruitment actions were processed, increases of 11% and 6% over 1994. Efforts to streamline and reinvent personnel programs continued as a result of the NPR. Based on focus group recommendations, new policies on alternate work schedules and flexiplace were implemented in January 1995 to assist employees in balancing work and family demands. Similarly, internal merit promotion procedures were streamlined based on input from the focus group on staffing. Training activity nearly doubled with mandatory HIV/AIDS training for all employees and SEC-mandated training for supervisors and managers. The streamlining of internal operations continued with the implementation of the first phase of the new automated Personnel Resource System (PRS), the review and selection of off-the-shelf automated training system software, and the establishment of a centralized photocopy center. Property transactions associated with the new electronic property management system increased 31% over 1994 to 14,575, due to the initial inventory and reconciliation processes.

To support agency-wide program activities, the Office of the Comptroller processed 18,883 payroll actions and 105,153 electronic fund transfers, increases of 41% and 5% over 1994. The installation of a new time and attendance system eliminated duplicate data entry and provided internal control calculations to reduce errors, improve service, and improve processing time. A LAN-based travel management system was successfully piloted in a major SEC division, and plans call for the system's expansion to other major divisions in the near future. The staff achieved a 56% reduction in the agency's outstanding travel advance balances, from \$133,923 to \$58,483. Additionally, a host-to-host link with the U.S. Treasury was implemented to expedite and simplify the biweekly transfer of employee paycheck and related allotment data.

The Office of Information Technology continued to implement the SAM initiative improving the agency's computer infrastructure and operations, expanding user access to information, and providing greater public access to SEC information. An enhanced time and attendance system was implemented, and a decision was made to purchase an off-the-shelf paperless procurement system. The staff provided ongoing maintenance and support to existing mainframe and microcomputer-based applications and continued to maintain functionality of the Local Area Network/Wide Area Network (LAN/WAN). Expansion of shared files and data storage, and hardware/software upgrades continued. The staff handled 5% increases over 1994 in LAN users (2,825) and requests for user services (10,800), while storing 305 gigabytes of mainframe information, a 24% increase over 1994. LAN-shared storage increased 25% to 50 gigabytes. On September 28, 1995, the SEC's World Wide Web Internet site (<http://www.sec.gov>) was opened to provide information and electronic filings to the investing public. During the first month of operation the facility received more than 2 million accesses and 45 gigabytes of information were downloaded.

Audits and Investigations: The staff of the Office of the Inspector General issued 13 audit reports, 6 reports on management issues identified in the course of investigations, and 4 audit memoranda. All of these reports made formal recommendations for improving Commission operations. The IG also conducted investigations of allegations of staff and contractor misconduct.

1996 Appropriation

Policy Management: The Commission and executive staff will continue to address issues to enhance investor protection, to simplify disclosure requirements, and to promote capital formation. The Commission will hold 65 meetings, consider 300 calendar items, and process approximately 1,050 seriatim actions.

The Office of the Secretary will process 4,000 pages for publication in the *Federal Register*, 2,300 correspondence/confidential filings, 3,700 releases, and 15,500 official orders. Approximately 4,000 public comment letters are expected to be received and processed, a 40% decrease from 1995. Library use (103,500), materials circulated (29,500), and items cataloged (4,900) will remain at the 1995 levels.

The staff in the Office of Public Affairs, Policy Evaluation and Research will handle 275 press releases and briefings, respond to 1,500 written inquiries, and handle 1,020 foreign visitors, increases of 5%, 50%, and 31%, respectively, over 1995. Due to increased use of electronic dissemination, paper copy dissemination of the *SEC News Digest* will decrease 29% from 1995 to approximately 250 copies.

The Office of the Executive Director will maintain ongoing compliance and management responsibilities; conduct special projects; and coordinate the preparation of the agency's budget request, authorization request, briefing materials for the executive staff, and annual report. The emphasis on improving the effectiveness and efficiency of agency operations will continue.

The staff of the Office of Equal Employment Opportunity will continue to fulfill regulatory responsibilities by conducting EEO counseling and investigations, disseminating EEO information to employees and applicants, providing alternative dispute resolution services for disputes in both the counseling and formal complaint processing stages, and supporting agency special emphasis programs. The staff will provide input to and participate in recruitment initiatives. In addition, the staff will provide 15 training and instructional initiatives (in headquarters and the regional offices) and conduct affirmative employment reviews in 3 agency offices.

Administrative Support: Due to the budget uncertainty of fiscal 1996 and the resulting spending constraints, the Office of Administrative and Personnel Management (OAPM) will handle 13,700 personnel actions, 450 recruitment actions, and 3,200 training sessions and will issue 17 studies, reviews, and policies, decreases of 11%, 14%, 41%, and 19%, respectively, from 1995. However, the modernization of office systems will continue with implementation of an automated procurement system to support all phases of the federal acquisition process, and a new supply management system to track supplies and improve the efficiency of the inventory process will be developed. The second phase of PRS is scheduled to be implemented, enabling the on-line review and processing of requests for personnel actions. As part of the internal regulations reduction, an overhaul of the *Personnel Operating Policies and Procedures Manual (POPP'S)* will be initiated, including simplifying the numbering system and rewriting policies to reduce their length and make them more user-friendly. Property transactions will decrease 66% to 5,000 due to the completion of the re-coding of existing equipment.

The staff of the Office of the Comptroller will process an estimated 19,525 payroll actions and 108,730 electronic fund transfers, increases of 3% each over 1995. Due to the influx of investment company examiners hired in 1995, the number of travel vouchers received will increase 3% to 10,700. Pending travel invoices will remain at the 1995 level while pending miscellaneous invoices will be reduced 26%. Emphasis will be placed on increasing agency-wide the availability of financial data. The agency's central accounting system will be modified to interface more effectively with other administrative financial systems (*i.e.*, procurement, personnel, property, and fees) to improve the availability of accurate, on-line accounting data to organization managers throughout the agency.

The Office of Information Technology will maintain ongoing operations and support increased data communications requirements and the agency-wide use of microcomputers and the LAN/WAN. As part of the agency's SAM initiative, replacements and/or enhancements to aging mainframe software applications will be developed. In addition, correspondence management tracking will be implemented. Work will progress on the consolidation of document control systems, the development of graphical user interface systems, and the implementation of client/server architecture. Emphasis will be placed on updating microcomputers and the LAN systems as well as enhancing network capacity and stability. The staff will support 2,825 LAN users and handle 10,800 requests for service. LAN-shared storage will increase 300% to 200 gigabytes. Priorities for 1996 include the enhancement and expansion of the SEC's World Wide Web Internet site and the recompetition of the agency's Electronic Data Gathering, Analysis, and Retrieval (EDGAR) system contract.

Audit and Investigations: The Office of the Inspector General will open and complete 22 audits, providing coverage of key Commission programs based on strategic plans and risk assessments previously developed. The strategic plans provide a balance among audits of programs, automated data processing, financial, and administrative areas. The IG will continue to investigate allegations of staff and contractor misconduct.

1997 Program Request

Policy Management: The Commission will continue to play a pivotal role in protecting investors and their capital invested in the nation's securities markets. It is anticipated that the Commission and executive staff will continue to address issues such as risk disclosure for mutual funds, derivative products, abusive sales practices, and oversight of investment advisers, among others. The Commission will hold 65 meetings, consider 300 calendar items, and process approximately 1,050 seriatim actions.

The Office of the Secretary will process 4,000 *Federal Register* pages, 2,300 correspondence/confidential filings, 3,700 releases, 15,500 official orders, and 4,000 public comment letters. The library will circulate 29,500 materials, handle 7,600 research requests, and catalog 4,900 items.

The staff of the Office of Public Affairs, Policy Evaluation and Research will continue to focus on the increased utilization of automated systems for information dissemination to the press via an electronic bulletin board and/or Internet facilities. The staff will handle 325 press releases and briefings and 1,050 foreign visitors, increases of 18% and 3% over 1996.

The Office of the Executive Director will maintain ongoing compliance and management responsibilities; conduct special projects; and coordinate the preparation of the agency's budget request, annual report, and briefing materials for the executive staff. Efforts to analyze the efficiency and effectiveness of operating divisions and support offices and to coordinate and implement the agency's response to Executive orders and other directives resulting from the NPR and the GPRA also will be maintained.

The Office of Equal Employment Opportunity will continue to fulfill regulatory responsibilities by conducting EEO counseling and investigations, providing EEO training, disseminating EEO information to employees and applicants, and supporting agency special emphasis programs. The EEO Office will provide alternative dispute resolution services to address disputes both in counseling and the formal investigative stage. Specific emphasis will be placed on improving training and supervision of EEO collateral duty staff and EEO training of supervisors and managers. The staff will provide input to and participate in recruitment initiatives, provide 15 training and instructional initiatives, and conduct reviews of affirmative employment practices in 3 agency offices.

Administrative Support: The Office of Administrative and Personnel Management will implement an automated system designed to reproduce forms and publications for "on-demand" distribution to the public. The system will reduce the amount of storage space required and provide more efficient use of resources. The overhaul of the *POPPS Manual* will be completed as will the effort to reduce the total number of pages of internal regulations. Regular operations will be maintained with the processing of 14,100 personnel actions, 500 recruitment actions, and 4,100 training sessions, increases of 3%, 11%, and 28%, respectively, over 1996.

Activities of the Office of the Comptroller will be maintained at 1996 levels, with a 3% increase in travel vouchers received and processed. Efforts to reduce further the number of pending miscellaneous invoices at year end will continue. The use of a LAN-based travel management system will be expanded agency-wide to reduce paperwork and reimbursement time. The use of electronic commerce data imaging processes will be examined for vendor and other payments. On-line access by managers to current financial data will remain a high priority. The use of electronic signature and other automated processes in lieu of paper authorizations, vouchers, and payroll documentation will be explored.

The staff in the Office of Information Technology will maintain ongoing operations and support increased data communications requirements and the agency-wide use of microcomputers and the LAN/WAN. As part of the agency's SAM initiative, replacements and/or updates to aging mainframe software applications will continue to

be developed and implemented. In addition, litigation and investigative case tracking will be implemented. Workstation and local network modernization will continue. The dissemination of the EDGAR database and other information on the Internet will continue. A new EDGAR contract will have been awarded and the transition to a new contractor initiated.

Audit and Investigations: The Office of the Inspector General will open and complete 22 audits, providing audit coverage of Commission programs based on strategic plans and risk assessments previously developed. Investigations of allegations of staff and contractor misconduct will be conducted, when necessary, to maintain the integrity of the Commission.

Program Direction
Workload Data

<u>Activity</u>	<u>1995 Actual</u>	<u>1996 Estimate</u>	<u>1997 Request</u>
Policy Management			
Executive Staff:			
Commission Meetings	55	65	65
Calendar Items	240	300	300
Seriatim Actions	1,027	1,050	1,050
Staff Years	28	36	36
Secretary:			
Federal Register Pages	4,704	4,000	4,000
Releases Processed	3,497	3,700	3,700
Official Orders	15,500	15,500	15,500
Correspondence/Confidential Filings	2,300	2,300	2,300
Public Comment Letters	6,640	4,000	4,000
Library			
Materials Circulated	29,500	29,500	29,500
Library Use	103,500	103,500	103,500
Research Requests	7,600	7,600	7,600
Items Catalogued	4,900	4,900	4,900
Staff Years	20	20	20
Public Affairs, Policy Evaluation and Research:			
Telephone Inquiries Processed	50,000	50,000	50,000
Written Inquiries Answered	1,000	1,500	1,500
In--Person Inquiries Handled	1,200	1,200	1,200
Press Releases and Briefings	262	275	325

<u>Activity</u>	<u>1995 Actual</u>	<u>1996 Estimate</u>	<u>1997 Request</u>
<u>Policy Management (continued)</u>			
SEC Daily News Digest Dissemination 1/	350	250	100
SEC Daily News Clips Dissemination	750	750	750
Foreign Visitors	776	1,020	1,050
Staff Years	10	8	8
Executive Director:			
Compliance Projects	16	17	17
Management Projects	20	20	20
Special Projects	11	15	15
Staff Years	11	12	12
Equal Employment Opportunity:			
Training and Instructional Initiatives	3	15	15
Reviews	1	3	3
Inquiries Handled	400	400	400
Staff Years	13	12	12
Staff Years	82	88	88

1/ These numbers do not include SEC News Digest readers accessing the publication electronically.

<u>Activity</u>	<u>1995 Actual</u>	<u>1996 Estimate</u>	<u>1997 Request</u>
<u>Administrative Support</u>			
Administrative and Personnel Management:			
Personnel Actions Processed	15,403	13,700	14,100
Recruitment Actions	526	450	500
Training Sessions Attended 2/	5,390	3,200	4,100
Studies, Reviews, and Policies Issued 3/	21	17	20
Procurements (Contracts/Purchase Orders)	1,550	1,600	1,600
Moves (Pieces)	20,978	25,000	25,000
Property Transactions 4/	14,575	5,000	5,000
Print Plant Production (Millions of Pages)	60	60	60
Staff Years	124	127	127
Comptroller:			
Payroll Section			
Payroll Actions	18,883	19,525	19,525
Electronic Funds Transfer	105,155	108,730	108,730
Checks	721	721	721
Accounts and Reports			
Electronic Funds Deposited	14,368	14,400	14,400
Checks Deposited	39,216	39,200	39,200

2/ The freeze on training activities during the first four months of fiscal 1996 will result in a significant decrease on the number of training sessions attended during the year.

3/ Contingency planning activities for furloughs, together with the uncertainty during the first four months of fiscal 1996 as to the agency's appropriations, adversely affected progress in this area.

4/ The increased workload in 1995 reflected the one-time re-coding of existing equipment due to the installation of an electronic property management system in 1994.

<u>Activity</u>	<u>1995 Actual</u>	<u>1996 Estimate</u>	<u>1997 Request</u>
<u>Administrative Support (continued)</u>			
Travel Vouchers	—		
On Hand	536	235	235
Received	10,364	10,700	11,000
Processed	(10,665)	(10,700)	(11,000)
Pending	235	235	235
Miscellaneous Invoices			
On Hand	1,321	1,018	750
Received	16,459	16,500	16,500
Processed	(16,762)	(16,768)	(16,750)
Pending	1,018	750	500
Staff Years	35	35	35
Information Technology:			
Information Systems Supported	140	180	170
User Service Requests	10,800	10,800	10,800
User Batch Jobs	361,000	361,000	361,000
Mainframe Information (in gigabytes)	305	365	432
LAN-Shared Storage (in gigabytes)	50	200	300
LAN Users	2,825	2,825	2,825
Staff Years	89	88	88
Staff Years	248	250	250

<u>Activity</u>	<u>1995 Actual</u>	<u>1996 Estimate</u>	<u>1997 Request</u>
<u>Audits and Investigations</u>			
Inspector General:			
Audits 5/			
Pending Beginning of Year	8	15	15
Opened	30	22	22
Completed	(23)	(22)	(22)
Pending End of Year	15	15	15
Staff Years	9	9	9
Total Staff Years	339	347	347

5/ This workload indicator includes audit reports, reports on management issues identified in the course of investigations, and audit memoranda.

Summary - Other Expenses
(\$'000)

<u>Category</u>	1995 Actual	1996 Estimate	1997 Request	1996-1997 Change
A. Personnel benefits	\$ 34,366	\$ 37,178	\$ 38,480	\$1,302
B. Benefits to former employees	182	91	91	0
C. Travel and transportation of persons	6,444	7,368	7,401	33
D. Transportation of things	133	152	153	1
E. Communications and rental	31,836	32,462	32,652	190
F. Printing and reproduction	1,997	2,378	2,452	74
G. Other services	35,683	36,520	41,375	4,855
H. Supplies and materials	7,039	8,354	7,256	(1,098)
I. Equipment	10,948	4,464	4,509	45
J. Claims and indemnities	152	0	0	0
Totals	<u>\$128,780</u>	<u>\$128,967</u>	<u>\$134,369</u>	<u>\$5,402</u>

A. Personnel Benefits
(\$000)

Funds requested under this category cover the Commission's share of costs for life and health insurance, retirement, social security, and medicare taxes. Also included in this category are payments for employee relocation expenses for permanent changes of duty station.

Item	1995 Actual	1996 Estimate	1997 Request	1996-1997 Change
Life insurance contributions	\$ 228	\$ 247	\$ 256	\$ 9
CSRS contributions	3,540	3,793	3,924	131
FERS retirement	11,422	12,448	12,926	478
FERS thrift savings plan	3,976	4,205	4,379	174
Social Security/Medicare taxes	8,336	9,217	9,572	355
Health benefits contributions	5,932	6,319	6,431	112
Transportation subsidies	473	493	493	0
Subsistence and temporary expenses	33	61	61	0
Real estate moving expenses	149	116	116	0
Relocation income tax allowance	66	64	64	0
IPA benefits	62	54	54	0
Accident compensation	149	161	204	43
Totals	\$34,366	\$37,178	\$38,480	\$1,302

Life insurance contributions will increase \$7,000 for the cost of locality and general pay raises and \$2,000 for within grade increases.

Contributions to the Civil Service Retirement Fund (CSRS) will increase \$95,000 for the cost of locality and general pay raises and \$36,000 for within grade increases.

Contributions to the Federal Employee Retirement System (FERS) will increase \$348,000 for the cost of locality and general pay raises and \$130,000 for within grade increases.

The FERS thrift savings plan will increase \$126,000 for the cost of locality and general pay raises and \$48,000 for within grade increases.

Social Security and Medicare taxes will increase \$258,000 for the cost of locality and general pay raises and \$97,000 for within grade increases.

Based on fiscal 1995 experience, health benefits contributions will increase \$112,000 in response to changes in employer contributions for employee-selected health benefit plans at rates renegotiated annually by the Office of Personnel Management.

Based on a statement of cost from the Department of Labor, an increase of \$43,000 is required for accident compensation.

**B. Benefits to Former Employees
(\$000)**

Funds requested under this category cover the Commission's costs for benefits and other payments made from the Employees' Compensation Fund to or on behalf of former Commission employees. Payment, based on invoiced costs, is made to the Department of Labor as required by 5 U.S.C. 8147.

<u>Item</u>	1995 Actual	1996 Estimate	1997 Request	1996-1997 Change
Unemployment compensation benefits	\$182	\$91	\$91	\$0
Totals	\$182	\$91	\$91	\$0

There will be no change in this category.

**C. Travel and Transportation of Persons
(\$000)**

Funds requested under this category cover travel costs for employees in the performance of their official duties, for an employee's family in the case of a change of duty station, and for travel to a first duty station of new employees in selected employment occupation and classification groups.

<u>Item</u>	1995 Actual	1996 Estimate	1997 Request	1996-1997 Change
Travel and transportation of persons	\$6,444	\$7,368	\$7,401	\$33
Totals	\$6,444	\$7,368	\$7,401	\$33

This category will increase \$33,000 for increased airline per diem costs based on a gross national product (GNP) deflator of 3.20% estimated by the Office of Management and Budget (OMB).

**D. Transportation of Things
(\$000)**

Funds requested under this category cover the costs of shipping employee household goods in selected instances of initial hiring or change of duty station, moving agency freight, and renting trucks.

Item	1995 Actual	1996 Estimate	1997 Request	1996-1997 Change
Transportation of things	\$ 20	\$ 23	\$ 24	\$1
Transportation of household goods	113	129	129	0
Totals	\$133	\$152	\$153	\$1

The increases in this category total \$1,000 to cover costs of a GNP deflator of 3.20% estimated by OMB.

**E. Communications and Rental
(\$000)**

Funds requested under this category cover costs associated with teletype, telephone, and telegraph services; mail charges; and a variety of rentals including space, ADP equipment, and software.

Item	1995 Actual	1996 Estimate	1997 Request	1996-1997 Change
Telegraph service	\$ 28	\$ 34	\$ 35	\$ 1
Telephone - local	2,249	2,063	2,129	66
Telephone - long distance	1,822	1,751	1,807	56
Teletype and ticker service	0	0	0	0
Postage	955	1,017	1,017	0
Rental of space	24,510	25,205	25,231	26
Rental of key punch equipment and computer components	869	916	945	29
Rental of other equipment	13	20	21	1
Utilities	1,390	1,456	1,467	11
Totals	\$31,836	\$32,462	\$32,652	\$190

All of the increases in this category are based on a GNP deflator of 3.20% estimated by OMB.

F. Printing and Reproduction
(\$000)

Funds requested under this category cover the costs of all printing and reproduction work performed by the Government Printing Office or other outside sources.

<u>Item</u>	1995 Actual	1996 Estimate	1997 Request	1996-1997 Change
Printing and binding	\$1,501	\$1,703	\$1,757	\$54
Photo duplication and reproduction	<u>496</u>	<u>675</u>	<u>695</u>	<u>20</u>
Totals	\$1,997	\$2,378	\$2,452	\$74

Printing and binding costs will increase \$74,000 based on a GNP deflator of 3.20% estimated by OMB.

G. Other Services
(\$000)

Funds under this category cover the cost of a variety of contractual services, as described in the following table.

<u>Item</u>	1995 Actual	1996 Estimate	1997 Request	1996-1997 Change
Equipment maintenance and repairs	\$ 2,171	\$ 2,773	\$ 2,862	\$ 89
Office alterations	2,402	816	816	0
Guard services contract	1,018	1,251	1,341	90
Air conditioning and heating	37	75	78	3
Miscellaneous expenses	583	1,094	1,124	30
Stenographic reporting contracts	1,650	1,800	1,858	58
Purchase of transcripts	535	576	594	18
Training expenses	877	1,202	1,739	537
Health unit expenses	409	433	447	14
Expert witness contracts	668	1,546	1,595	49
Storage of household goods	15	12	12	0
Background investigations	55	112	112	0
Moving expenses	158	158	158	0
ADP and other contractual services	25,091	24,569	28,536	3,967
Reception and representation	2	3	3	0
International conferences	<u>12</u>	<u>100</u>	<u>100</u>	<u>0</u>
Totals	\$35,683	\$36,520	\$41,375	\$4,855

The following increases are based on an OMB estimated GNP deflator of 3.20%: 1) \$89,000 in equipment maintenance; 2) \$40,000 in guard services contract; 3) \$3,000 in air conditioning and heating; 4) \$30,000 for miscellaneous expenses; 5) \$38,000 in training expenses; 6) \$14,000 in health unit expenses; 7) \$58,000 for stenographic reporting contracts; 8) \$49,000 in expert witness contracts; 9) \$18,000 for the purchase of transcripts; and 10) \$796,000 for ADP and other contractual services.

In addition, the guard services contract will increase \$50,000 to facilitate a greater level of coverage to meet security requirements. Training expenses will increase \$459,000 to support specialized microcomputer training to facilitate the expansion of ADP-related capabilities to all agency staff. The net increase of \$3,171,000 in ADP and other contractual services consists of: an increase of \$2,000,000 for greater investigation and litigation support; an increase of \$2,029,000 for transition costs associated with the recompetition of the EDGAR operational contract; and a decrease of \$858,000 in appropriated funding for the Strategic Automation Modernization (SAM) project.

H. Supplies and Materials (\$000)

Funds requested under this category cover the costs of items which are ordinarily consumed or expended within one year or form a minor component of a piece of equipment or fixed property.

Item	1995 Actual	1996 Estimate	1997 Request	1996-1997 Change
Office and duplicating supplies	\$2,316	\$2,293	\$2,350	\$ 57
Newspapers	46	48	50	2
Library materials	955	961	986	25
Microfiche services	64	63	63	0
Software purchases	3,658	4,989	3,807	(1,182)
Totals	\$7,039	\$8,354	\$7,256	\$(1,098)

Based on an OMB estimated GNP deflator of 3.20%, office and duplicating supplies will increase \$57,000, newspapers will increase \$2,000, and library materials will increase \$25,000.

Software costs will decrease a net \$1,182,000 with an increase of \$160,000 due to a GNP deflator of 3.20% and a decrease of \$1,342,000 in appropriated funding for the SAM project.

I. Equipment
(\$000)

Funds requested under this category are used to purchase equipment for the use of Commission employees to meet program responsibilities. These items are expected to have a period of service of one year or more after being put into use.

<u>Item</u>	1995 <u>Actual</u>	1996 <u>Estimate</u>	1997 <u>Request</u>	1996-1997 <u>Change</u>
Serially-numbered equipment and office furniture	\$10,948	\$4,464	\$4,509	\$45
Totals	\$10,948	\$4,464	\$4,509	\$45

Necessary security enhancements include \$45,000 for a package inspection device in the headquarters mail room.

J. Claims and Indemnities
(\$000)

Funds requested under this category are necessary to cover payments for losses and claims including those under the Equal Access to Justice Act of 1980 (Pub. L. 96-481). The Act requires federal agencies to award attorney's fees and other expenses under specified circumstances to individuals and certain small businesses that prevail as the parties in administrative proceedings and civil actions brought by or against the federal government.

<u>Item</u>	1995 <u>Actual</u>	1996 <u>Estimate</u>	1997 <u>Request</u>	1996-1997 <u>Change</u>
Claims and indemnities	\$152	\$0	\$0	\$0
Totals	\$152	\$0	\$0	\$0

There will be no change in this category.

Statement of Selected Revenue
(\$000)

<u>Source of Fee Revenue</u>	1995 Actual	1996 Estimate	1997 Request
Registrations of securities under the Securities Act of 1933	\$401,839	\$438,845	[See narrative below on SEC fees]
Securities transactions under the Securities Exchange Act of 1934	108,010	117,252	
Other filings and reports	48,848	29,700	—
Total fee revenue	<u>\$558,697</u>	<u>\$585,797</u>	<u>\$776,315</u>
Fee revenue as a percentage of appropriated budget authority	188%	197%	252%

Explanation of SEC Fees

In 1995, the SEC deposited \$559 million of fee revenue into U.S. Treasury accounts, 188% of its appropriated funding level of \$297 million. In 1996, fee collections are estimated at \$586 million, 197% of the agency's appropriated funding level of \$297 million. In 1997, fee collections are estimated at \$776 million, 252% of the agency's requested funding level of \$308 million.

1995 Actual/1996 Estimate. The total fees collected from registrations of securities under section 6(b) of the Securities Act of 1933 include offsetting revenue from a rise in the statutory 6(b) fee rate from 1/50 of 1% to 1/29 of 1% of the aggregate offering amount. The fee rate increase was authorized by a separate revenue bill in 1995, Pub. L. 103-352, and in 1996 to date, through a series of continuing resolutions (P.L. 104-31, P.L. 104-56, P.L. 104-94, and P.L. 104-99). Included in the fee estimate is a modest fee increase in 1996 based on a statistical time series model of annual section 6(b) fee collections since 1981.

Securities transaction fees in 1996 are expected to rise 8% based on an average annual growth rate observed during the past six years. The 1996 drop in the amount of other

filings and reports is expected from a reduction in the value of tender offer and merger filings.

1997 Estimate. The Administration intends that legislation be proposed in 1997 to provide the SEC with a sound and stable long-term funding structure. The proposed legislation would contain three tiers of fee income. Tier 1 would be composed of permanent increases in existing base receipts collected under the securities laws to generate deficit reduction savings of approximately \$47 million. Tier 2 would establish a new set of permanent fees in the securities laws and specify that such fees, estimated at \$260 million in 1996, would be deposited into a special U.S. Treasury fund for SEC use. Tier 3, estimated at \$48 million, would be contingent on appropriations action. This proposal also assumes a continued flow of general revenue into the General Fund of the U.S. Treasury from existing securities law fee provisions. The 1997 estimate of this last fee category is approximately \$421 million.

Detail of Permanent Positions by Grade

	<u>1995 Actual</u>	<u>1996 Estimate</u>	<u>1997 Request</u>	<u>Increase/ Decrease ()</u>
Executive Level III	1	1	1	0
Executive Level IV	4	4	4	0
<u>Subtotal</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>0</u>
ES-6	14	14	15	1
ES-5	7	8	7	(1)
ES-4	39	40	43	3
ES-3	12	6	5	(1)
ES-2	6	5	4	(1)
ES-1	1	3	2	(1)
<u>Subtotal</u>	<u>79</u>	<u>76</u>	<u>76</u>	<u>0</u>
ALJ-02	1	1	1	0
ALJ-03	4	4	4	0
<u>Subtotal</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>0</u>
GS/GM-15	266	266	266	0
GS/GM-14	799	799	799	0
GS/GM-13	502	502	502	0
GS-12	285	285	285	0
GS-11	226	226	226	0
GS-10	9	9	9	0
GS-9	205	208	208	0
GS-8	38	38	38	0
GS-7	334	334	334	0
GS-6	134	134	134	0
GS-5	71	71	71	0
GS-4	52	52	52	0
GS-3	2	2	2	0
GS-2	0	0	0	0
GS-1	0	0	0	0
<u>Subtotal</u>	<u>2,923</u>	<u>2,926</u>	<u>2,926</u>	<u>0</u>
Ungraded	27	27	27	0
<u>Total permanent positions</u>	<u>3,039</u>	<u>3,039</u>	<u>3,039</u>	<u>0</u>

Staff Composition by Program Function

	1995		1996		1997		Net Change <u>Number</u>
	<u>Actual</u> <u>Number</u>	% of <u>Total</u>	<u>Estimate</u> <u>Number</u>	% of <u>Total</u>	<u>Request</u> <u>Number</u>	% of <u>Total</u>	
Attorney	1,083	36%	1,083	36%	1,083	36%	0
Other Professional, Technical, and Administrative	686	23%	686	23%	686	23%	0
Clerical	405	13%	405	13%	405	13%	0
Investigator/Examiner	331	11%	331	11%	331	11%	0
Accountant/Financial Analyst	<u>534</u>	17%	<u>534</u>	17%	<u>534</u>	17%	0
Totals	<u>3,039</u>	<u>100%</u>	<u>3,039</u>	<u>100%</u>	<u>3,039</u>	<u>100%</u>	0

Average Grade and Salary Data

	1995 <u>Actual</u>	1996 <u>Estimate</u>	1997 <u>Request</u>
Average SES Salary	\$107,418	\$107,667	\$109,813
Average GS/GM Grade	11.48	11.48	11.48
Average GS/GM Salary	\$54,346	\$56,329	\$58,172



SBA

BUDGET ESTIMATE
FISCAL
YEAR 1997

SBA

SBA

CONGRESSIONAL SUBMISSION

**CONGRESSIONAL SUBMISSION: 1997 BUDGET REQUEST
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EXECUTIVE SUMMARY

I. INTRODUCTION

The Small Business Administration (SBA) was established in 1953 as an independent agency of the Federal government to administer a targeted set of Federal programs and policies focused on the nation's small business community.

The policy of Congress, relative to the SBA, is summarized in 15 U.S.C. 631 which states that "... it is the declared policy of the Congress that the Government should aid, counsel, assist and protect, insofar as is possible, the interests of small business concerns in order to preserve free competitive enterprise, and to maintain and strengthen the overall economy of our nation." The initiatives proposed in the President's 1997 Budget would accomplish this stated policy by: continuing Agency programs that have proven their effectiveness by contributing to overall economic growth, and reforming certain programs to be more cost-effective.

This Budget acknowledges the President's recognition of the role that small businesses play in our nation's economy, and evidences his strong commitment to them and to a reinvigorated SBA as his vehicle to support and assist them.

Our 1997 budget request continues our focus on **expanding access to capital** to the most underserved segments of the small business community. The requested levels represent our best estimate of the amount of credit authority needed to support private lending and equity investment for viable small firms and innovative entrepreneurial ideas that otherwise would not be able to obtain financing. SBA is also requesting sufficient funding for both the **Small Business Development Center and Service Corps of Retired Executives** programs, recognizing that in addition to capital, small businesses need management and technical assistance.

We are requesting legislative reform to reduce the subsidies inherent in our **Disaster Assistance** program. The Budget proposes to increase the cost of borrowing under the SBA's disaster loan program. At the program's current interest rate of roughly four percent, the Government is indirectly providing a disincentive for individuals to insure adequately against natural disasters.

It is our firm intention to be a strong voice throughout the Government as an active advocate for small business, particularly in the areas of regulatory reform and paperwork reduction. The Agency has made significant strides in working with other government departments and agencies in raising their awareness of the impact that

their regulations have on small businesses.

The SBA has been quite successful in streamlining and improving its operations. We will continue to build upon recent successes such as the Low Doc loan program, Business Information Centers and the U.S. Export Assistance Centers, which have dramatically enhanced our customer service. We will also continue to consolidate Agency operations both in the field and at headquarters as we strive to make the SBA work better and cost less.

While the Budget establishes the framework within which the Administration plans to operate the Agency, we intend to work with the Congress to identify additional opportunities for improving Agency performance, streamlining the SBA bureaucracy, enhancing program delivery and results, and achieving budgetary savings.

II. RECENT ACCOMPLISHMENTS

Over the past three years, the Agency has been challenged with reaching out to the most underserved segments of the small business population while simultaneously managing the extraordinary growth in virtually all of our finance and investment programs. The 7(a) program, for instance, has nearly doubled in size over the past several years, creating significant pressure on the Agency to develop innovative approaches to making, servicing, and liquidating these loans. The Agency has managed record growth in demand for its programs by forming strong partnerships with commercial lenders, state and local governments and others in an effort to fulfill its mission. During 1995, in conjunction with our partners, we met these challenges in the following ways:

7(a) Loan Program. Through our cornerstone program, the 7(a) Guaranteed Business Loan Program, approximately 7,000 private sector lending partners worked together with the SBA to provide 55,596 loans amounting to \$7.8 billion to small business owners in FY 1995. That is an increase of 52 percent in the number of loans over FY 1994. Our program reached a diverse array of small businesses. In FY 1995, we approved 13,398 loans amounting to \$1.4 billion to women-owned businesses, 10,380 loans amounting to \$1.6 billion to minority-owned businesses, and 406 loans amounting to \$58.7 million to Native-American-owned businesses.

504 Certified Development Company Program. The 504 Loan Program provides long term, fixed rate financing through certified development companies (CDCs) to small businesses to acquire real estate, machinery, and equipment for expansion of business or modernizing facilities. In FY 1995, through the 287 CDCs located nationwide, 4,509 loans were approved totaling \$1.6 billion for small businesses. That is an increase of 16 percent in the number of loans over FY 1994.

Loan guaranty pilot programs. During 1995, the SBA continued to promote several new business loan pilot programs to provide greater financing for segments of the small business community who have the greatest difficulty gaining access to credit.

Under the Low Documentation Loan Program (Low Doc), we have reduced the application for loans under \$100,000 to one page. This program is dramatically benefiting both lenders and borrowers, who are now able to utilize the SBA's credit assistance programs without going through unnecessary red tape. Successfully piloted in 1994, the program had its first full year of national operation in FY 1995. For the fiscal year, Low Doc provided 36,039 loans valued at \$2.1 billion. Of that total, 26 percent went to women-owned businesses and 16 percent went to minority-owned businesses.

The Women's Pre-Qualification Pilot Loan Program allows us to consider and pre-qualify loans for women-owned businesses prior to their submission of an application to a participating lender. Since this initiative was first implemented in June 1994, we have established 16 sites around the country to test its effectiveness. In FY 1995, those locations have produced 338 loans worth \$35 million to women-owned small businesses.

In February 1995 we launched another new pilot known as FASTRAK, which further streamlines our loan application and servicing process by allowing certain participating lenders to approve, service and liquidate loans under \$100,000 using their own application packages and loan documentation procedures. SBA participation on these loans is limited to a maximum guaranty of 50 percent. During FY 1995, FASTRAK resulted in 489 loans valued at \$23 million.

Microloan Program In FY 1995, more than 1,200 small businesses, at 104 sites located in every state, received critically-needed access to more than \$12.3 million in loans through the Agency's Microloan program. The average size of a microloan is \$10,800 and supports approximately three jobs. This program provides a necessary, critical link for many of the very smallest businesses as they develop and then are able to qualify for SBA's 7(a) and 504 business loan programs.

Improved loan servicing. During 1995, the SBA continued its expansion of operations of the commercial loan servicing centers in Fresno, California and Little Rock, Arkansas. By the end of FY 1995, approximately 45% of all SBA disaster and regular loans were being serviced in these centers. With limited exceptions, by the end of FY 1996, the centers will service our entire commercial portfolio of current loans.

Centralization of the loan servicing function is enabling the Agency to reduce operating costs by utilizing the latest in automation and creating economies of scale in managing our loan portfolio. It is also allowing us to improve the quality of service to both the small business community and participating lenders.

Strengthened the Small Business Investment Company (SBIC) Program. In 1995, the Agency continued to build upon its improved investment company program that was put into place in 1994. The new participating securities program is making more private capital available to small businesses. The successful implementation of new regulations better protects the government from fraud and abuse while lowering the subsidy cost of the program to the taxpayers.

Currently, the SBIC Program provides equity and venture capital to small businesses through 277 licensed SBICs, 21 of which were licensed in FY 1995. With these new SBICs, \$686 million in new capital was made available to small businesses during the fiscal year. These new licensees have private capital averaging \$15.5 million each, compared with an average \$2.4 million for those licensed in FY 1992. Three small businesses each day receive growth capital from SBICs.

Minority Enterprise Development. The SBA improved its service delivery to firms owned by economically and socially disadvantaged individuals during FY 1995. Through its Minority Enterprise Development program, SBA provides planned business development assistance to eligible firms through access to procurement opportunities and management training and technical assistance. Historically, processing of applications for 8(a) program participation consumed excessive amounts of time. The SBA reduced average processing time for applications from 136 days in FY 1994, to 94 days in FY 1995, a 31% improvement. It also reduced processing time for requests for reconsideration from 106 days in FY 1994, to 62 days in FY 1995, a 42% improvement.

In FY 1995, SBA served a portfolio of 5,997 8(a) program participants, and awarded 6,367 contract actions valued at approximately \$5.2 billion. During the year, SBA worked to ensure that firms participating in the 8(a) program enjoyed increased access to procurement opportunities. The SBA established district office goals to ensure compliance with statutory requirements, including conduct of continuing eligibility reviews, determination of compliance with competitive business mix, and review/modification of program participants' business plans.

Also in FY 1995, SBA established a pilot "Minority Loan Pre-qualification Program" to increase disadvantaged firms' access to capital. The program uses local, private sector organizations as intermediaries to assist in the loan process. Applications are then submitted to SBA for expedited consideration of loan pre-qualification. On approval, intermediaries can also assist applicants in locating lenders. Future plans include an

initiative to move the 8(a) program and its participants into electronic commerce. This will be accomplished through upgraded technology, specific program process improvements, and focused participant training.

Government Contracting. In fiscal year 1995, SBA's Government Contracting programs cost approximately \$20 million. Documented savings to the taxpayer of over \$153 million was produced through the Breakout Program and the Certificate of Competency Program. In addition, the Prime Contracts Program and the Subcontracting Assistance Program promoted Federal prime and subcontract awards to small businesses in the estimated amount of \$56.1 billion.

Established One Stop Capital Shop (OSCS) Sites. Another aspect of the Agency's efforts to reach out to the underserved segments of the small business community is the OSCS program. One Stop Capital Shops combine several of SBA's economic resources, including the Service Corps of Retired Executives (SCORE), Small Business Development Centers (SBDCs), micro lenders, Small Business Lending Companies (SBLCs), regular and specialized SBICs, and Certified Development Companies (CDCs) to provide support and assistance to growing small businesses in economically distressed regions. This initiative, part of the President's Empowerment Zone/Enterprise Community initiative, enables the Agency to leverage its resources with those of the local community.

In 1995, SBA opened two One Stop Capital Shops, Boston and Philadelphia. During FY 1996, the Agency is continuing to expand the program, having opened a site in Kansas City with additional sites scheduled to open.

Increased Education and Training Activity. In FY 1995, over 900,000 small businesses received management counseling and technical assistance from SBA's affiliated programs, an increase over FY 1994. These programs include 13,000 retired executives in the SCORE program and the roughly 950 Small Business Development Centers (SBDCs) nationwide. In FY 1995, SBA also opened a record 20 new Women's Business Ownership Demonstration Sites to assist women entrepreneurs.

Established Business Information Centers. The SBA has established a number of Business Information Centers (BICs) in conjunction with private sector companies, to assist small firms in using the latest in high-technology hardware, software and telecommunications breakthroughs. Small business owners can access market research databases, planning and spreadsheet software and vast libraries of information to help them start or grow their businesses. BICs also offer one-on-one counseling utilizing seasoned business veterans, members of SCORE or staff from local SBDCs. SBA opened BICs in ten cities in fiscal year 1995, bringing the total number of program sites to 27 BICs nationwide.

Established New U.S. Export Assistance Centers. In partnership with the Department of Commerce and the Export-Import Bank (Exim), SBA's U.S. Export Assistance Centers (USEACs) provide U.S. exporters with information and access to all export promotion and export finance activities of the Federal Government. In FY 1995, we opened eight new USEACs across the country. There are now 14 USEACs providing loan guarantees and technical assistance to small business exporters.

Inaugurated the Export Working Capital Program. FY 1995 was the first year of SBA's new Export Working Capital Program (EWCP), under which SBA guarantees loans of up to \$750,000 made to small business exporters. During the fiscal year, 212 EWCP loans were made, valued at \$73.3 million. The program is harmonized with that of the Export-Import Bank, which guarantees amounts over \$750,000. Exporters no longer have to shop among government agencies to obtain the financing they need to sell their products overseas.

Financed Section 503 loan prepayments. Under the Section 503 Development Company Program (active through 1986), the Treasury purchased debentures issued and guaranteed by SBA, the proceeds of which were loaned to small businesses to finance fixed assets such as facilities and equipment. Borrowers that wished to make early payment on their loans were required to pay penalties to the Treasury that were quite high in many instances and hindered some 3,500 firms (with a portfolio of \$567 million) from attracting new capital needed for expansion. Accordingly, in 1995 we received an appropriation of \$30 million to adjust the 503 prepayment penalty to be on par with that of the 503 program's successor — the 504 program. During 1995, all of the \$30 million was utilized to make Treasury whole for prepayments of \$153.8 million made by 706 borrowers.

Continued SBA Reorganization and Streamlining. In FY 1995, SBA reduced its nationwide non-disaster staff by 290 to 3,102 — an 8.5 percent reduction over FY 1994. This also represents a 35 percent reduction since 1980, a period during which the Agency's loan volume increased by over 100 percent. In FY 1995, SBA's budget was \$798 million. For FY 1996, SBA's budget request was to \$529 million. It appears that Congress will appropriate approximately \$590 million for FY 1996. Even with this reduced budget, the SBA will be able to provide increased loan guarantees and business counseling and training.

Led Regulatory Reform Efforts. SBA has played a central role in the Administration's regulatory reform efforts, working with EPA, OSHA, the IRS, and other federal agencies to address the regulatory concerns of small businesses. Using ideas and recommendations resulting from SBA's small business outreach, President Clinton has announced several important policies directing federal agencies to waive penalties for first time violations, cut paperwork, and streamline regulations. SBA continues to work

with its sister agencies to implement these directives, the recommendations of the White House Conference on Small Business and the reform initiatives of SBA's sister agencies.

SBA has attempted to be a role model for other agencies. SBA has reinvented 100 percent of its regulations, streamlined them in plain English, and reduced the total pages by more than 50 percent. To address the needs of small businesses for easy access to information, SBA worked with the National Performance Review to pioneer the U.S. Business Advisor (<http://www.business.gov>), a one-stop shop for electronic access to government regulations and other information needed by small business.

Government Performance and Results Act (GPRA) P.L. 103-62. Through its voluntary participation as a GPRA pilot agency, the SBA is working diligently to bring accountability and meaningful performance appraisal to the provision of services to our customers. SBA's Performance Plan flows from SBA's Performance Agreement with the President and represents the highest priorities reflected in our business plan and district office goal monitoring system. In 1997, the SBA will continue to work on the President's four policy goals for the Agency: increase capital access, reduce the regulatory burden on small business, improve our customer focus and reinvigorate the Agency, improve education and training for our customers, and be the President's "eyes and ears" for small business.

SBA has focused on quantitative and measurable goals for its programs and for small business markets across the country. By monitoring Program Performance and Policy Goals and Performance Results the Agency is able to track on a regular basis the status of progress in meeting these goals.

III. 1997 INITIATIVES

The following discussion highlights the Agency's primary initiatives proposed to be undertaken in 1997. While our request establishes the framework within which the Administration plans to operate the agency, we intend to work with the Congress to identify additional opportunities for improving agency performance, streamlining the SBA bureaucracy, enhancing program delivery and results, and achieving budgetary savings.

Expanding Access To Credit

As noted above, SBA is requesting funding for our finance and investment programs at a level to ensure adequate access to capital for credit-worthy small firms. Our primary objective is to expand access to capital to the most underserved segments of the small business community. These funds are

necessary to ensure that small firms throughout the country have adequate access to capital, which is critically important for small business start-up and growth.

Over the past year, OMB and SBA have conducted a thorough analysis of the loan performance of SBA's 7(a) and 504 credit programs during the period 1983 to 1995 and changed the methodology for calculating program costs. The results of this analysis have led to a revision of the 1997 subsidy rates for each of these programs. For the 7(a) program, the data indicate that actual recoveries and defaults, as well as the timing of such events, differ from previous estimates. Therefore, the baseline subsidy rate for the 7(a) program has been modified from 1.06% to 2.68%.

It should be noted, however, that recent trends appear to demonstrate a gradual improvement in the 7(a) portfolio quality. Loans made over the past several years have shown a lower incidence of defaults. If these positive trends continue, the 7(a) subsidy rate will begin to decline next year with subsequent reductions to follow for as long as the portfolio quality improves.

Budget authority of \$294.8 million to provide program level of \$11 billion in guaranty authority is requested for the Section 7(a) general business loan guaranty program. Under this program SBA guarantees generally long-term loans made by private lenders to small firms for working capital, start-up costs, expansion, and other purposes.

7(a) GENERAL BUSINESS (Dollars in Millions)					
Fiscal Year	Subsidy Rate (%)	Subsidy Budget Authority (\$)	Program Level (\$)	Program Level Increase (\$)	% Change
1994 Actual	2.15	168.0	7,834.0	-	-
1995 Actual 1/	2.74	213.4	7,789.9	(44.1)	(0.7)
1996 Estimate 1/	1.06	115.4	10,866.6	3,096.9	39.7
1997 Request	2.68	294.8	11,000.0	113.2	1.0

1/ Figures do not reflect funding for DELTA program. The 1996 estimate includes carryover of \$900.9 thousand in BA and \$85 million in guaranty authority.

For the Section 504 Certified Development Company program, we are not requesting any budget authority to provide a program level of \$2.65 billion in guaranty authority. Through this program, the Agency promotes economic development and job creation and maintenance by stimulating the flow of long-term financing to small firms for projects that involve fixed assets.

The data analysis indicates that previous estimates of recoveries in the 504 program were higher than SBA's actual recovery and that previous estimates of defaults were lower than the historical default rate. Consequently, the baseline (current services) subsidy rate for the 504 program has been increased from 0 to 6.85%. In order to keep the 504 subsidy rate at zero in FY 1997, the budget proposes to transform the section 504 program's funding mechanism into a direct loan program.

Under this proposal, SBA would lend directly to certified development companies, rather than guaranteeing their debentures. This change would eliminate the cost of underwriters and other financial intermediaries. Importantly, these changes would not increase the cost of capital to the Certified Development Companies and would not increase the cost of borrowing to small businesses. Again, this revision would lower the 504 subsidy rate from 6.85 percent to zero, thereby requiring no budget authority to fund the requested program level.

504 DEVELOPMENT COMPANY (Dollars in Millions)					
Fiscal Year	Wgt. Average Subsidy Rate (%)	Subsidy Budget Authority (\$)	Program Level (\$)	Program Level Increase (\$)	% Change
1994 Actual	0.51	6.6	1,291.0	-	-
1995 Actual 1/	0.57	8.7	1,528.0	237.0	18.3
1996 Estimate 1/	0.00	0.0	2,650.0	1,122.0	73.4
1997 Request 2/	0.00	0.0	2,650.0	0.0	0.0

1/ Figures do not reflect funding for DELTA program.

2/ Proposal is to transform the 504 program into a direct loan program with a zero subsidy rate.

For the Small Business Investment Company (SBIC) program the Agency requests \$21.7 million in budget authority to reach program levels for SBIC debenture guarantees of \$225 million, and \$400 million for the participating securities program. This program is an important source of equity and subordinated debt financing, for small businesses either just starting out or trying to expand. The program functions by providing SBA-backed funds to supplement private capital infusion in small firms by independent venture capital investment companies.

During FY 1995, the SBIC Reinvention Council conducted an extensive study of the SBIC program. The Council recommended an increase in user fees which, in turn, will reduce program subsidy rates and substantially increase funds available to provide leverage to SBICs. The implementation of these changes in FY 1996 will substantially increase the capital available for long-term loans and equity

investments in small businesses while reducing related program cost to the taxpayer. Further, it provides for increased access to capital for small businesses in more geographically underserved areas. In FY 1997, SBA projects a continuing increase in demand for leverage.

The budget proposes to increase fees for both participating securities and debentures. The establishment of an annual interest pass-through fee of one percent on the outstanding loan balance and an increase in the up-front funding fee from two percent to three percent for both programs would reduce subsidy costs as follows: from 10.01 percent to 3.65 percent for the debenture program; and from 9.07 percent to 3.38 percent for the participating security program.

Fiscal Year	Small Business Investment Company Guarantees (Dollars in Millions)					
	REGULAR SBIC			PARTICIPATING SECURITIES		
	Subsidy Rate (%)	Subsidy Budget Authority (\$)	Program Level (\$)	Subsidy Rate (%)	Subsidy Budget Authority (\$)	Program Level (\$)
1994 Actual	16.25	16.3	100.0	9.00	13.4	149.7
1995 Actual	14.65	15.3	104.4	8.90	19.6	219.9
1996 Estimate	15.46	16.4	106.1	9.00	24.1	267.8
1997 Request	3.65	5.2	225.0	3.38	13.5	400.0

We are also requesting \$62 million in authority for both direct loans and guarantees for the Microloan Demonstration Program, along with \$15.4 million for related technical assistance. This will provide for a direct program of \$34 million in direct micro lending and \$27.5 million in guaranty authority. This statutorily authorized program allows SBA to provide loans and technical assistance grants to non-profit intermediaries. The intermediaries, in turn, use these funds to provide loans in amounts up to \$25,000 and technical assistance to individual small business owners. This pilot program is scheduled to run through the end of FY 1997, unless extended.

The microloan pilot is allowing SBA to evaluate the effectiveness of using third-party experienced lenders and technical assistance providers to make smaller loans and provide technical support to the small business endeavors with very small borrowing needs. The program's great strength is the technical assistance aspect that SBA grant funding provides for the small businesses.

For the Surety Bond Guarantee Program, SBA is requesting a program level of \$1.8 billion. This level of guaranty authority will be used to support both the regular and preferred programs and will require \$3.7 million in new budget authority.

Reducing Disaster Loan Subsidies

The Agency's disaster loan program provides financial assistance through direct loans not only to small businesses but also to homeowners and other businesses that have suffered financial or property loss in a disaster. Given rising Federal costs resulting from the tremendous level of disasters experienced over the past six years, the Administration is proposing to increase the cost of borrowing under SBA's disaster loan program to the Treasury's cost of money. At the program's current interest rate of roughly four percent, the Government is indirectly providing a disincentive for individuals to insure adequately against natural disasters. Accordingly, it is vital to bring the interest rates charged for these loans more in line with market rates.

Assuming enactment of the reform discussed above, the requested budget authority of \$65.8 million would support \$833 million in disaster lending (given a subsidy rate of 7.9%). This loan level would allow the Agency to fund an historical average level of disaster loans. If the reform is not adopted, however, the requested appropriation would support only \$405 million in lending because the subsidy rate would remain at the current services rate of 16.21 percent.

DISASTER LOANS FOR DISASTER ASSISTANCE (Dollars in Millions)					
Fiscal Year	Subsidy Rate (%)	Subsidy Budget Authority (\$)	Program Level (\$)	Program Level Increase (\$)	% Change
1994 Actual	22.89	875.0	3,806.0		
1995 Actual	31.54	414.0	1,311.0	(2,495.0)	(65.5)
1996 Estimate	28.08	262.0	932.0	(379.0)	(28.9)
1997 Request	7.90	65.8	833.0	(99.0)	(10.6)

Credit Program Summary

Program	AGENCY CREDIT PROGRAMS (DOLLARS IN MILLIONS)						Program Level 1996- 1997 %
	Subsidy Budget Authority 1996	1996	1997	1996- 1997 %	1996	1997	
Microloan Direct 1/	2,532	9,456	2,792	(70.5)	12,810	60,270	34,049 (43.5)
SBA Development Company Direct	-	-	-	-	-	-	2,650,000 100.0
HAL	1,779	-	-	-	4,253	-	-
SBA Direct	2,423	-	-	-	5,623	-	-
Total - Direct	6,734	9,456	2,792	(70.5)	27,786	60,270	36,64,049 4,353.4
7(a) General Business 2/	213,445	115,401	294,800	156.4	7,789,956	10,886,880	11,000,000 1.0
7(e) DELTA	48	5,000	10,000	100.0	995	158,730	209,844 32.1
Development Company 3/	9,358	1,000	0	0.0	1,571,374	2,829,438	0 0.0
SBA Debenture 4/	15,299	16,401	8,213	149.91	104,430	108,090	275,000 112.1
SBIC Participating Securities	19,575	24,100	13,520	(43.8)	219,840	267,780	400,000 48.4
SSBIC	6,495	584	0	0.0	23,320	2,000	0 0.0
Micro Guarantee 5/	0	1,000	2,317	34.8	-	8,368	27,486 331.8
Total - Guarantee	264,720	163,400	328,850	100.0	8,710,015	14,255,287	11,862,129 (16.5)
Disaster	413,627	261,708	65,800	(74.6)	1,311,406	932,610	832,811 (16.6)
Surety Bond	5,368	2,530	3,730	47.4	1,731,515	1,767,000	1,767,000 0.0
Total Credit Programs	589,950	417,180	401,172	(8.3)	12,795,751	17,014,567	17,156,087 0.0

1/ Includes Microloan carryover of \$4,956 million BA and \$31,387 million program level for 1996.

2/ Includes carryover of \$900 thousand BA and \$84,993 million program level for 1996 available.

3/ 1996 Development Company figures include DELTA, which was funded in FY 1995.

4/ Includes carryover of \$584 thousand BA and \$2,019 million program level for 1996 available.

5/ Technical Adjustment - \$416 thousand included in 96 conference due to carryover and rounding.

Providing Management And Technical Assistance

In FY 1997 SBA plans to continue providing business management training and tools for the small business community through its carefully targeted education and training programs, including the Small Business Development Center Program, the Service Corps of Retired Executives (SCORE), the U.S. Export Assistance Centers and Business Information Centers.

Under the supervision of the Office of Economic Development, which encompasses and directs all of SBA's financial assistance, business education and training programs and special emphasis programs. SBA has been able to "reinvent" itself into a true economic development agency. For example, portfolio quality is strengthened by training and technical assistance. International trade, women's and veterans' business ownership programs are supported by the Small Business Development Centers and the Service Corps of Retired Executive (SCORE) program. This approach to economic development allows the Agency to deliver its programs in a more proactive manner and moves SBA towards a full service approach to service delivery.

For 1997, the Agency is requesting an appropriation of \$72.3 million for an enhanced Small Business Development Center (SBDC) Program. The SBDC Program, created by the Congress in 1980 has one unifying purpose: to foster economic development through the provision of management, technical and research assistance to the nation's small businesses. By virtue of their counseling, training and specialized services offerings, SBDCs help to save companies and jobs, create new jobs through business expansion, stimulate lending resulting in increased production and assist businesses in maneuvering through industry or sector downturns.

As a result of reinvention efforts designed to improve the delivery of SBA's programs, the responsibility and resources for the Women's Demonstration Program and the 7(j) Technical Assistance Program have been proposed for inclusion in an enhanced Small Business Development Center (SBDC) program. **The Agency is requesting an appropriation of \$3.3 million for the Service Corps of Retired Executives (SCORE) Program.** SCORE counsels and trains the largest number of start-up business owners each year. Through one-on-one counseling and workshops conducted by 13,000 volunteers, SCORE reaches approximately 350,000 business owners annually.

Improving Operating Efficiencies

The Budget assumes a continued commitment to Agency reinvention efforts aimed at streamlining our operations both in the field and at the Washington, DC headquarters office. In addition, we intend to place a great deal of emphasis on building upon recent successes realized from improvements in the delivery of agency programs. Improvements such as the implementation of the Low Doc program and establishment of central loan servicing centers have not only improved operating efficiencies, but also dramatically enhanced the level of satisfaction felt by many of the agency's small business customers. Highlights of our reinvention-related activities follow.

- **Continued funding for One-Stop Capital Shops.** This initiative combines several of SBA's economic resources into a single program to be used in tandem with Empowerment Zones and Enterprise Communities. Combining the delivery of the Agency's financial and business development programs at one location provides a more user-friendly and streamlined approach to servicing our customers.

- **Continued funding for the Section 7(a) loan pilot programs aimed at providing greater financing access for underserved segments of the small business community.** As noted above, these include the Low Doc program, the Women's and Minority Pre-qualification Pilot loan programs and the FA\$TRAK program.
- **Continued funding for SBA's participation in the U.S. Export Assistance Center initiative.**
- **Funding for salaries and expenses reflects an ongoing initiative to increase customer service to the small business community.** The SBA recently completed a two-phase program which moved human resources from our headquarters and regional offices to various district offices where our customers are located. To date, more than 200 employees have voluntarily moved to district offices. The Agency expects to continue its efforts to streamline its operations.

Advocating For Small Business

The Agency will continue to strive for a positive economic and less government intrusive environment for small business. To accomplish this objective, we will continue to work to reduce unnecessary regulations and paperwork, examine existing Federal programs, and identify the problems of small businesses and recommend solutions. Through our work, we want to make it clear that the SBA is *the voice of small business in the Government*.

In 1995, small business owners and entrepreneurs from across the country came together for the White House Conference on Small Business. This conference was conducted to increase public awareness of the essential contribution of small businesses; to identify the problems of small businesses; to examine the status of minorities and women as small business owners; to assist small businesses in carrying out their role as the nation's job creators; and to assemble small businesses to develop such specific and comprehensive recommendations for executive and legislative action as may be appropriate for maintaining and encouraging the economic viability of small businesses and, thereby, the nation.

Already, Congress and the Administration have responded to more 1995 Conference recommendations than those of any previous conference. SBA, through its Office of Advocacy, has been tasked with following up on the Conference recommendations, and, with Conference delegates, working towards implementation of as many recommendations as possible through legislative and administrative action.

IV. CONCLUSION

The 1997 Budget reflects the President's strong commitment to the nation's small firms and to a reinvigorated Small Business Administration (SBA). By seeking to expand the capital market frontier for small firms, we are helping to ensure that viable businesses and innovative entrepreneurial ideas -- which otherwise would not be able to obtain long-term financing or patient capital -- are funded. We intend to build upon recent successes in the delivery of our programs to our customers. With this budget request, we will continue to advance the Administration's efforts to provide the types of assistance most needed by the nation's small firms.

We are requesting an appropriation of \$808.4 million.

AGENCY SUMMARY, 1995 - 1997 (DOLLARS IN THOUSANDS)					
	FY 1995 Actual	FY 1996 Conference	FY 1997 Request	Difference (`96-'97) Amount	Difference (`96-'97) Percent
Salaries and Expenses	241,685	219,500	235,401	15,901	7.2
Inspector General	8,500	8,500	9,985	1,485	17.5
Surety Bond	5,369	2,530	3,730	1,200	47.4
Business Program Account	412,251	253,348	415,462	162,114	64.0
Disaster Program Account	130,154	231,010	143,800	(87,210)	(37.6)
Total	797,959	714,888	808,373	93,494	12.1

LEGISLATIVE PROPOSALS

In order to accomplish the objectives put forth in this budget submission, SBA is making several proposals requiring legislation. Upon OMB concurrence, a legislative package will be developed and transmitted to Congress to effect changes in several SBA programs section 504 debenture guarantees, Small business Investment Company guarantees, disaster assistance program, the 7(j) management and technical assistance program, the women's demonstration projects, and the Small Business Development Center program. These proposals reflect the Administration's commitment to serve SBA clients more efficiently and at a lower cost.

Section 504 debenture guarantees: SBA's proposed changes to the 504 program would alter the program funding mechanism without increasing the cost of financing to either certified development companies (CDC's) or to small business program participants. This change allows the SBA to maintain a subsidy rate of zero for this program. Under this proposal, SBA would directly lend to certified development companies (CDCs), rather than guaranteeing their debentures. This change eliminates the cost of underwriters and other financial intermediaries and allows SBA to capture the interest income from performing loans.

Small Business Investment Company (SBIC) guarantees: For FY 1997 SBA proposes to increase fees for these programs to keep program cost to a minimum. The establishment of an annual interest pass-through fee of one percent on the outstanding loan balance and an increase in the upfront funding fee from two percent to three percent for both the SBIC debenture and participating guaranty programs would lower subsidy rates from 10.70 percent to 3.65 percent for the debenture program; and from 7.48 percent to 3.38 percent for the participating security program.

Disaster assistance program: Changes in the disaster loan program would dramatically reduce the program's subsidy rate by increasing the disaster loan interest rate to the equivalent of the Treasury cost of funds on securities of comparable maturity. The 1995 execution subsidy rate of 31.54 percent was largely the result of the interest subsidy inherent in the program. By increasing the interest charged to the Treasury rate, the Agency would lower the program's subsidy rate to 7.9 percent.

Enhanced Small Business Development Center (SBDC) program: The SBA intends to re-propose part of the Agency's REGO II initiative. This proposal would enhance the Small Business Development Center program by incorporating a portion of the Section 7(j) technical assistance function (which serves disadvantaged businesses) and the Women's Demonstration program (which supports women's entrepreneurship) into the existing business support program.

Small Business Administration FY 1997 Congressional Submission			
SBA FUNDING LEVELS (dollars in thousands)	1995	1996	1997
Salaries and Expenses			
Total Obligations	540,064	475,965	410,791
Unob. Balance SFY	(32,966)	(32,965)	0
Unob. Balance EFY	32,965	0	0
TOTAL BUDGET AUTHORITY	540,063	443,000	410,791
Business Administrative	(97,000)	(92,622)	(84,090)
Disaster Administrative	(200,500)	(127,578)	(78,000)
Fees	(5,000)	(3,300)	(3,300)
Unobligated Balance Expiring	4,122	0	0
TOTAL APPROPRIATION	241,685	219,800	235,491
Inspector General			
Total Obligations	9,088	9,800	9,985
Obligations - S&E	8,488	8,500	9,985
Obligations - Disaster S&E	580	1,100	0
Unob. Balance SFY	(2,839)	(2,271)	(1,171)
Unob. Balance EFY	2,271	1,171	1,171
TOTAL BUDGET AUTHORITY	8,500	8,500	9,985
TOTAL APPROPRIATION	8,500	8,500	9,985
Surety Bonds			
Business Loan Program	425,303	539,500	425,732
Unob. Balance SFY	(25,900)	(38,596)	(24,366)
Unob. Balance EFY	36,596	24,378	14,099
Unob. Balance Expiring	71	0	0
TOTAL BUDGET AUTHORITY	436,070	527,283	415,462
Recession	6,000	0	0
Transfer to other Accounts	181	0	0
Appropriation Indefinite	0	(273,935)	0
DELTA	(30,000)	0	0
TOTAL APPROPRIATION	412,261	263,348	415,462
Disaster Loan Program			
Total Obligations	614,127	389,286	143,800
Unob. Balance SFY (+recov.)	(532,249)	(158,276)	0
Unob. Balance EFY	48,276	0	0
TOTAL BUDGET AUTHORITY	130,154	231,010	143,800
TOTAL APPROPRIATION	130,154	231,010	143,800
Disaster Contingency			
	0	125,000	0
TOTAL BUDGET AUTHORITY	797,959	714,888	808,378

Small Business Administration FY 1997 Congressional Submission			
OUTLAYS (dollars in thousands)	1995 Actual	1996 Conference	1997 Request
Salaries and Expenses	255,029	258,237	250,847
Inspector General	8,892	9,657	9,947
Business Loan Program	363,576	565,548	320,706
Disaster Loan Program	705,000	513,389	256,946
Surety Bond	3,737	3,985	(1,141)
TOTAL SBA OUTLAYS	1,336,234	1,350,816	837,105

Small Business Administration FY 1997 Congressional Submission			
SBA PROGRAMS (dollars in thousands)	1995 Actual *	1996 Conference	1997 Request
Operating Expenses:			
Economic Development	118,485	107,659	109,941
Gov. Contracting & Min. Enter. Dev.	32,068	18,136	22,658
Management & Administration	78,848	80,709	88,355
Advocacy	7,956	3,439	5,233
Other Offices	21,764	20,029	18,878
Field & Field Support	141,360	136,993	138,326
SUB TOTAL	399,059	366,965	383,191
Disaster	141,005	109,000	27,800
TOTAL S&E	540,064	475,965	410,791
Inspector General	8,488	8,500	9,985
GRAND TOTAL OBLIGATIONS	548,552	484,465	420,776
FTEs:			
Economic Development	226	181	196
Gov. Contracting & Min. Enter. Dev.	295	235	241
Management & Administration	181	181	165
Advocacy	49	56	59
Other Offices	255	168	171
Field & Field Support	2,262	2,283	2,290
Sub-Total	3,267	3,094	3,122
Disaster	2,295	1,084	1,000
Inspector General	106	106	109
GRAND TOTAL	5,668	4,284	4,231

* Detail may not add FTE, due to rounding.

Small Business Administration FY 1997 Congressional Submission			
OBLIGATIONS BY ACTIVITY (dollars in thousands)	1995 Actual	1996 Conference	1997 Request
Economic Development	116,465	107,699	109,941
Immediate Office	2,320	639	643
Financial Assistance	18,934	13,186	15,000
Investment Division	6,880	4,025	4,158
Surety Guarantees	1,143	868	927
Business Initiatives	5,450	5,418	5,465
Veteran's Affairs	630	224	652
Women's Business Ownership	4,000	4,873	866
International Trade	3,023	3,866	4,186
Small Business Development Centers	76,063	74,376	73,203
Native American Affairs	123	128	127
Government Contracting and Minority Enterprise Development	32,000	18,126	22,868
Immediate Office	516	253	280
Government Contracting - HQ	3,060	2,060	2,134
Government Contracting - Field	14,413	8,832	9,231
Minority Enterprise Development	12377	5831	8756
Technology	974	744	702
Size Standards	300	406	512
Management & Administration	78,846	80,700	88,264
Immediate Office	285	173	176
Human Resources	9,871	8,238	8,754
Administration	46,215	45,712	50,122
Information Resources Management	22,474	26,586	29,303
Advocacy	7,946	3,430	6,233
Other Support Offices	21,764	20,825	18,079
Executive Direction	1,779	904	1,027
General Counsel	4,123	2,740	2,835
Congressional & Legislative Affairs	796	712	736
Hearings and Appeals	687	401	416
Communications & Public Liaison	3,128	1,833	1,877
Field Operations	1,274	4,021	4,037
EEOC	2,176	887	908
Chief Financial Officer	7,803	8,430	6,642
Field & Field Support	141,360	136,963	138,326
Field	141,360	113,090	113,503
Field Support	0	23,897	24,735
Sub-Total	360,050	366,965	363,191
Disaster *	141,896	166,890	27,600
TOTAL S&E	540,054	475,865	410,791
Inspector General **	8,493	8,490	8,984
GRAND TOTAL OBLIGATIONS	648,543	684,465	439,770

* Includes carryover, contingencies released and supplementals in FY 1995 and FY 1996.

** Excludes disaster funding in FY 1995 and FY 1996.

Small Business Administration FY 1997 Congressional Submission			
STAFFING BY ACTIVITY	1995 Actual ¹	1996 Conference	1997 Request
Economic Development	226	191	196
Immediate Office	9	9	9
Financial Assistance	54	49	50
Investment Division	84	62	65
Surety Guarantees	18	14	14
Business Initiatives	14	23	24
Veteran's Affairs	6	3	3
Women's Business Ownership	9	7	7
International Trade	16	9	9
Small Business Development Centers	12	13	13
Native American Affairs	1	2	2
Government Contracting and Minority Enterprise Development	295	235	241
Immediate Office	11	4	4
Government Contracting - HQ	18	25	26
Government Contracting - Field	181	142	146
Minority Enterprise Development	67	47	48
Technology	9	9	9
Size Standards	9	8	8
Management & Administration	181	161	165
Immediate Office	3	3	3
Human Resources	51	44	45
Administration	62	53	54
Information Resources Management	65	61	63
Advocacy	49	58	58
Other Support Offices	255	168	171
Executive Director	20	16	16
General Counsel	39	41	42
Congressional & Legislative Affairs	10	12	12
Hearings and Appeals	10	7	7
Public Communications	36	20	21
Field Operations	7	8	8
EEOC	27	11	11
Chief Financial Officer	104	53	54
Field & Field Support	2,267	2,263	2,290
Field	2,262	1,861	1,857
Field Support	0	422	433
TOTAL (excluding Disaster and IG)	3,267	3,094	3,122
Disaster	2,295	1,064	1,000
Inspector General	106	106	109
GRAND TOTAL	5,868	4,284	4,231

¹ Detail may not add, due to rounding.

SPECIAL INITIATIVES (Millions in thousands)	1986 Actual	1986 Conference	1987 Request
SBDC	70,201	73,500	72,300
SCORE	3,403	3,250	3,250
SBA	2,820	0	0
Tribal B/C	0	0	0
B/C	420	500	485
Veteran's Outreach	227	•	432
Women's Demo Projects	3,212	4,000	-
Women's Council	214	200	184
7(1) --	7,854	2,570	1,800
One Stop Capital Shops	849	2,787	2,884
PASS	675	0	0
IT Outreach	230	•	467
Advocacy Research	1,164	---	1,673
Central European Commission	752	0	0
White House Conference	2,157	0	0
OSCS	780	0	0
Micro Grants 1/	10,524	8,000	15,400
USEAC	695	3,202	3,108
SBDC Defense Transition	3,844	0	0
Other	650	0	0
Total Obligations Expected By SBA	110,736	94,981	101,881

* FY 1986 funding level dependent on final FY 1986 appropriation action.

** Women's Demo Project and 7(1) for FY 1987 are included in the enhanced SBDC program.

--- Included in overall office funding level

1/ FY 1986 Conference does not include \$4,805 million carryover.

SPECIAL INITIATIVES (Dollars in thousands)			
	1996 Actual	1996 Conference	1997 Request
North Philly SBDI	1,000	0	0
Towanda	500	0	0
NC Biotech Center	750	0	0
Prestonburg, KY SB Dev	1,000	0	0
Nebraska Micro Enterprise	375	0	0
Genesis Incubator (Ark)	1,000	0	0
Buffalo, NY Consortium	1,500	0	0
Western MA Enterprise Fund	250	0	0
Hazard, KY	1,000	0	0
WVHTC	2,000	0	0
Bowling Green, KY	125	0	0
Carbondale, PA Incubator	2,500	0	0
NYC Public Library	500	0	0
Nerl Data Center, Conway, Ark	200	0	0
Unified Tech Ctr, Cleveland	4,000	0	0
Whitesburg, KY	1,250	0	0
Espanola, NM	250	0	0
North Central WV	1,000	0	0
MS Delta SB Tech Proj	500	0	0
West Charlotte, NC Incubator	250	0	0
Geneme Project	3,000	0	0
Greensburg, PA	1,000	0	0
Ohio DITD	400	0	0
Wheeling, WV	2,500	0	0
Montana SBR	500	0	0
Total Obligations Funded By Business Program	27,340	0	0

Small Business Administration F Y 1997 Congressional Submission			
OPERATING EXPENSES BY OBJECT CLASS (dollars in thousands)	1995 Actual	1996 Conference	1997 Request
Compensation	166,966	145,431	148,734
Benefits	47,236	37,189	38,194
Travel	5,644	6,128	6,128
Transportation	477	343	343
Rents & Communications	41,340	44,891	51,778
Printing	1,847	2,154	2,154
Other Services	29,944	38,621	43,422
Supplies	2,868	2,199	2,199
Equipment	3,211	1,689	1,689
Grants	99,708	88,320	92,550
Sub-Total	398,059	306,985	383,191
Disaster	141,005	109,000	27,000
TOTAL S&E	540,064	475,985	410,791
Inspector General	8,488	8,000	8,000
Grand Total Obligations	548,552	484,485	428,778

Small Business Administration FY 1997 Congressional Submission			
SBA CREDIT PROGRAM LEVELS (dollars in thousands)	1995 Actual	1996 Conference	1997 Request
Direct Business Loans			
Handicapped	4,253	0	0
504 Direct Program	0	0	2,650,000
SSBIC	5,823	0	0
Microloans	12,910	60,270	34,049
Direct Total	22,786	60,270	2,684,049
Guaranteed Business Loans			
Section 7(a) loans	7,789,956	10,886,880	11,000,000
Section 7(a) loans - DELTA 1/	995	158,730	208,844
502 Development Co. Loans	43,149	0	0
504 Development Co. Loans	1,528,225	2,650,000	0
504 Devel. Co. Loans - DELTA 1/	0	175,439	0
SBIC Debenture Guarantees	104,430	108,090	225,000
SSBIC	23,320	2,000	0
Participating Securities	219,940	267,780	400,000
Microloans	0	8,368	27,485
Guaranteed Total	9,710,015	14,255,287	11,882,129
TOTAL BUSINESS	9,732,801	14,315,557	14,546,178
Disaster Loans			
Direct	1,311,435	932,010	832,911
Other Programs			
Surety Bond Guarantees	1,751,515	1,787,000	1,787,000
TOTAL AGENCY	12,795,751	17,014,567	17,146,989

1/ Funding for DELTA was provided in FY 1995.

Small Business Administration FY 1997 Congressional Submission				
Credit Subsidy Rate (as a percent of Gross Loan Authority)	1996 Actual	1996 Conference	1997 Current Services	1997 Request
Direct Loan Subsidy Rates:				
Handicapped Assist. Loans	41.82%	-	-	-
504 Development Co. Loans	-	-	-	0.00%
504 DELTA	-	-	-	0.57%
SBIC	43.10%	42.85%	-	-
Microloans	19.81%	15.00%	8.20%	8.20%
Guaranteed Loan Subsidy Rates:				
Section 7(a) Loans	2.74%	1.00%	2.68%	2.88%
Section 7(a) Loans DELTA	4.85%	3.15%	4.77%	4.77%
502 Development Co. Loans	1.50%	-	-	-
504 Development Co. Loans	0.57%	0.00%	8.85%	-
504 DELTA	1.20%	0.57%	7.42%	-
SBIC	14.05%	15.40%	10.01%	3.86%
SBIC	27.85%	28.83%	-	-
Participating Securities Loans	8.90%	8.00%	8.07%	3.38%
Microloans	11.77%	11.95%	8.43%	8.43%
Disaster Loan Subsidy Rate	31.54%	28.08%	18.21%	7.80%

**FY 1997 CONGRESSIONAL SUBMISSION
ECONOMIC DEVELOPMENT
SUMMARY**

In addition to an immediate office, Economic Development includes nine divisions that encompass the SBA's credit programs and education and training programs, as well as the special emphasis programs of the Agency. These offices are responsible for the administration of all SBA credit and business education training programs. In 1997 SBA plans to continue providing business management training and tools for the small business community through U.S. Export Assistance Centers and Business Information Centers. In addition, through new programs such as LowDoc, FA\$TRAK and the Export Working Capital Program, SBA has begun targeting financial assistance to segments of the population that have historically been under-represented in SBA's credit programs. The programs under the Associate Deputy Administrator for Economic Development are:

1. Immediate Office
2. Financial Assistance
3. Investment Division
4. Surety Guarantees
5. Business Initiatives
6. Veterans' Affairs
7. Women's Business Ownership
8. International Trade
9. Small Business Development Centers
10. Native American Affairs

The following pages summarize program information for the immediate office and nine divisions, including aggregated personnel and administrative expense data.

OBJECT CLASS	ECONOMIC DEVELOPMENT (\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	68,915	13,173	14,273	8,965	9,212
Benefits	13,007	2,353	3,052	1,846	1,964
Travel	1,844	1,079	1,189	970	970
Transportation	4	1	9	2	2
Rents & Communication	5	1	4	3	3
Printing	706	309	243	184	184
Other Services	3,944	721	6,652	9,482	6,179
Supplies	85	117	724	59	59
Equipment	71	546	1,087	398	398
Grants	100,647	68,974	89,232	85,750	90,950
TOTAL	187,288	196,248	116,465	107,659	109,941
FTE	1,560.70	262.30	226.97	191.00	196.00

**FY 1997 CONGRESSIONAL SUBMISSION
ASSOCIATE DEPUTY ADMINISTRATOR FOR
ECONOMIC DEVELOPMENT
IMMEDIATE OFFICE**

PROGRAM DESCRIPTION:

The Office of the Associate Deputy Administrator for Economic Development (ADA/ED) is responsible for providing overall direction for the programs of nine offices: the Office of Financial Assistance, the Office of Investment, the Office of Surety Guarantees, the Office of Business Initiatives, the Office of Veteran's Affairs, the Office of Women's Business Ownership, the Office of International Trade, the Office of Small Business Development Centers and the Office of Native American Affairs. These offices oversee the principal credit programs of the Small Business Administration (SBA) as well as various outreach, counseling, training and special emphasis programs delivered by the Agency.

OTHER INFORMATION:

The Office of Associate Deputy Administrator for Economic Development was created in March of 1994 by consolidating the Office of Business Development and the credit aspects of the Office of Finance, Investment and Procurement. By establishing an office which encompasses and directs all of SBA's financial assistance, business education and training programs and special emphasis programs, SBA has been able to "reinvent" itself into a true economic development agency.

Each of the programs which falls under the Economic Development umbrella is made stronger by the presence of the other programs. For example, portfolio quality is strengthened by training and technical assistance. International trade, women's and veterans' business ownership programs are supported by the Small Business Development Centers and the Service Corps of Retired Executive (SCORE) program. This approach to economic development allows the Agency to deliver its programs in a more proactive manner and moves SBA towards a full service approach to service delivery.

In late FY 1995, the responsibility for and staff associated with the One Stop Capital Shop initiative were transferred from the Office of the ADA/ED to the Office of Field Operations.

Program Performance And Policy Goals

- A. The Office of the ADA/ED will provide management and support to its various program components.
- B. The Office of the ADA/ED will coordinate the activities of its nine program offices to assure the implementation of policies and new initiatives of the head of the Agency.
- C. The Office will work to assure that ED offices work to improve the delivery of the Agency's programs to small business customers.

Performance Indicators

- A. Efforts of the Office of the ADA/ED will reflect an effective use of available resources by the offices within the Economic Development structure.
- B. Efforts will reflect timely and effective implementation of new initiatives.
- C. Client surveys will indicate the quality of customer service in program delivery.

OBJECT CLASS	ECONOMIC DEVELOPMENT IMMEDIATE OFFICE (\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	335	643	604	423	423
Benefits	58	117	102	87	91
Travel	25	136	34	62	62
Transportation	4	0	0	0	0
Rents & Communication	1	0	0	-0	0
Printing	36	0	0	0	0
Other Services	0	307	315	65	65
Supplies	0	69	233	1	1
Equipment	0	146	282	1	1
Grants	0	0	750	0	0
TOTAL	459	1,418	2,320	639	643
FTE	4.90	8.60	8.57	9.00	9.00

FY 1997 CONGRESSIONAL SUBMISSION
ECONOMIC DEVELOPMENT
OFFICE OF FINANCIAL ASSISTANCE

PROGRAM DESCRIPTION:

The Office of Financial Assistance provides overall management direction for the Agency's major access to capital programs including the 7(a) general business loan program, Section 504 Economic Development Program, and the Microloan Program. It also is responsible for overall management of the Agency's loan portfolio, including disaster loans..

OTHER INFORMATION:

Delegates to the 1995 White House Conference on Small Business echoed the complaint heard from small businesses in all industries around the country that access to capital continues to be a major problem for small businesses. The Small Business Administration's (SBA) 7(a) and 504 programs, administered by the Office of Financial Assistance, help to alleviate this problem by providing guarantees for loans made by bank and non-bank lenders to small businesses.

Beginning in FY 94 and continuing to the present, the SBA embarked on a plan to better tailor its loan programs to the special needs of small businesses to fill the gaps left in the commercial market. The phenomenal popularity of the LowDoc program with borrowers and lenders is a good indicator of the appropriateness of this approach. The Agency recognized, however, that it cannot continue to increase the number of loans made without also providing for improved efficiency in loan processing, and, probably more importantly, loan servicing. To this end, the SBA has also taken steps to centralize those processes that do not require full field office involvement.

During Fiscal Year 1995 and continuing through fiscal years 1996 and 1997, the Office of Financial Assistance has restructured its processes to improve efficiency and reduce the overall costs of processing and servicing/liquidating business loans made under the 7(a) and 504 loan programs, and disaster business and home loans.

As part of this reinvention effort, to improve the efficiency of our loan processing function, the Office of Financial Assistance (OFA) centralized the processing of Preferred Lender Program (PLP) loans, is in the process of centralizing Low Doc loans and is exploring the possibility of centralization of 504 loans which will

increase the efficiency and consistency of the 504 program. Therefore, if approved, by FY 1997, the Agency will have centralized 504 processing. This budget submission includes staffing for a 504 processing center.

In order to assure the lowest possible loan program subsidy rates, and thus maximize the Agency's lending authority, it is critical that the servicing and liquidation of our loans be handled in a prudent and efficient manner. To accomplish this, during FY 1995, OFA centralized SBA's commercial loan servicing at two sites and assumed managerial authority for the four existing disaster home loan servicing centers. In FY 1996, OFA expanded its disaster home loan servicing center at Santa Ana, California to include disaster loan liquidation activity. This center now handles liquidation activities for the large disaster business and home loan portfolio located in the areas now served by SBA's Los Angeles and Santa Ana District Offices.

By centralizing loan processing and servicing activities, the SBA is achieving economies of scale and taking advantage of the latest in technological advances. This is made possible by: the use of new technologies including an auto dial system; efforts towards paperless processes; and employee specialization which leads to uniformity of processes and consistency in responses. Similar efficiencies will be realized in the processing and liquidation centers where, highly trained specialized staffs will process loans using automated systems.

In addition to the 7(a) and 504 loan programs, OFA is responsible for administering the Microloan Demonstration Program, a statutorily authorized program that allows SBA to provide loans and technical assistance grants to non-profit intermediaries. The intermediaries, in turn, use these funds to provide loans in amounts up to \$25,000 and technical assistance to individual small business owners. This pilot endeavor is scheduled to run through the end of FY 1997, unless extended.

The microloan pilot is allowing SBA to evaluate the effectiveness of using third-party experienced lenders and technical assistance providers to make smaller loans and provide technical support to the small business endeavors with very small borrowing needs. The program's great strength is the technical assistance aspect that SBA grant funding provides for the small businesses.

The OFA budget reflects a request that will enable the Agency to provide financial assistance to the maximum number of small businesses at the minimum cost to the taxpayer.

Program Performance And Policy Goals

- A. Increase capital availability by providing loan products and services that meet the special needs of small business borrowers that are not being met by commercial lenders, also enabling lenders to better serve the needs of small businesses.
- B. Improve delivery of the Agency's loan programs by improving program efficiency and cost-effectiveness.
- C. Improve overall program management.

Performance Indicators

During the past two years, SBA has focused on quantitative, measurable lending goals for underserved segments of the small business market in each district, i.e., minorities, women, small exporters. Using goal monitoring, the Agency is able to track on a regular basis the status of each district office's progress in meeting these goals. Appropriate finance program effectiveness assessment involved the consideration of a number of indicators. First, effectiveness can be assessed by loan-making activity levels – the number and dollar amount of loans guaranteed by SBA. Secondly, effectiveness can be measured by the health of the loan portfolio – its currency and default figures, and the Agency's ultimate record on loan recovery. But, beyond these very tangible indicators of success, are the more difficult to measure indicators. These include, among others, such things as the economic benefits that accrue to the small business, its employees and the community in which it is located; the number of jobs created or retained because of the financing.

OUTPUTS	INTERMEDIATE OUTCOMES
Loans guaranteed - # & \$s	Lower cost lending programs
Better credit instruments developed - #	High currency rates among loan cohorts
Focused lending for underserved - # & \$s	Businesses created, maintained or expanded
Electronic data interchange & monitoring	High quality & efficient lending practices
Businesses created, maintained; jobs created	Increased capital access for undeserved areas

Subsidy Rate Changes

Over the past year, pursuant to Title V of the 1974 Budget Act, OMB and SBA have conducted an analysis of the loan performance of SBA's 7(a) and 504 credit programs during the period from 1983 to 1995, the period for which historical loan data is available. The results of this analysis have led to a revision of the 1997 subsidy rates for each of these programs. For the 504 program, the data analysis

indicates that previous estimates of recoveries were higher than SBA's actual recovery and that previous estimates of defaults were lower than the historical default rate. Consequently, the baseline (current services) subsidy rate for the 504 program has been increased from 0 to 6.85%. This FY 1997 Budget Request, includes a legislative proposal to transform the 504 funding mechanism into a direct loan program. This change brings the FY 1997 subsidy rate to 0%. For the 7(a) program, the data indicate that actual recoveries and defaults, as well as the timing of such events, differ from previous estimates. Therefore, the baseline subsidy rate for the 7(a) program has been increased from 1.06% to 2.68%. This FY 1997 budget request, however, includes full funding for these programs, without the imposition of any new fees.

It should be noted, however, that recent trends appear to demonstrate a gradual improvement in the 7(a) portfolio quality. Loans made over the past several years have shown a lower incidence of defaults. If these positive trends continue, the 7(a) subsidy rate will begin to decline next year with subsequent reductions to follow for as long as the portfolio quality improves.

FY 1997 INITIATIVE:

In order to keep the 504 subsidy rate at zero in FY 1997, the budget proposes to transform the section 504 program's funding mechanism into a direct loan program. Under this proposal, SBA would lend directly to certified development companies, rather than guaranteeing their debentures. This change would eliminate the cost of underwriters and other financial intermediaries. Importantly, these changes would not increase the cost of capital to the Certified Development Companies and would not increase the cost of borrowing to small businesses. This revision would lower the 504 subsidy rate from 6.85 percent to zero.

OBJECT CLASS	Financial Assistance (\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	42,639	3,049	3,875	2,283	2,350
Benefits	8,213	464	769	470	506
Travel	573	211	303	160	160
Transportation	0	0	7	0	0
Rents & Communication	2	0	0	2	2
Printing	120	29	5	52	52
Other Services	41	31	1,017	888	888
Supplies	37	24	36	28	28
Equipment	31	227	388	303	303
Grants	11,602	5,810	10,534	9,000	15,400
TOTAL	63,258	9,845	16,934	13,186	19,689
FTE	999.00	65.70	54.06	49.00	50.00

FY 1993 actual includes field component.

**FY 1997 CONGRESSIONAL SUBMISSION
ECONOMIC DEVELOPMENT
INVESTMENT DIVISION**

PROGRAM DESCRIPTION:

The Investment Division is responsible for the administration of the Small Business Investment Company (SBIC) Program. This program, serves one of the most important missions of the Agency, that of helping qualified small enterprises secure the capital to start, maintain or grow a business. The SBIC program does this by leveraging the private capital of SBICs that, in turn, serve as a source of equity capital or long-term loans to new or expanding small businesses.

OTHER INFORMATION:

The SBIC program was reinvented in 1994 with the creation of a new participating security program and the issuance of final regulations implementing a sweeping overhaul of the program. The result has been an enormous strengthening of the program. The reinvented SBIC program licensed 57 new SBICs in fiscal years 1994 and 1995, representing approximately \$844 million in private capital. This is more private capital than was licensed in the SBIC program in the previous ten years.

During FY 1995, the SBIC Reinvention Council conducted an extensive study of the SBIC program. The recommendations of the Council as a result of the study were to increase user fees which, in turn, will reduce program subsidy rates and substantially increase funds available to provide leverage to SBICs. The implementation of these changes in FY 1996 will substantially increase the capital available for long-term loans and equity investments in small businesses while reducing related program cost to the taxpayer. Further, it provides for increased access to capital for small businesses in more geographically underserved areas. In FY 1997, SBA projects a continuing increase in demand for leverage.

FY 1997 INITIATIVE:

The budget proposes to increase fees for both participating securities and debentures. The establishment of an annual interest pass-through fee of one percent on the outstanding loan balance and an increase in the up-front funding fee from two percent to three percent for both programs would reduce subsidy costs as follows: from 10.01 percent (current services) to 3.65 percent for the debenture program; and from 9.07 percent (current services) to 3.38 percent for the participating security program.

Program Performance And Policy Goals

- A. Increase small business access to capital while significantly reducing costs to the taxpayer.
- B. Increase capital access to underserved small business markets and geographic regions.
- C. Maintain a high quality portfolio.

Performance Indicators

The increase in capital availability will allow for increased capital access in underserved geographic areas and small business markets, i.e., women and minorities. Existing automated systems will enable the Division to track the status of its progress in these areas on a regular basis.

Continuous interaction and oversight, which includes site visits to SBICs and small concerns, is a must if the Division is to maintain a high quality portfolio. This activity will be routinely monitored through existing automated systems maintained in the Office of SBIC Operations and periodic examination reports. Similarly, the liquidation activities will be monitored through automated systems to ensure the timely and efficient disposition of cases in liquidation status.

Performance measures used in 1997 to assess progress in achieving the above goals follow.

OUTPUTS	INTERMEDIATE OUTCOMES
SBICs approved - #	Increased sources of capital
Leverage provided - #	Availability of lower cost capital
SBICs in underserved areas - #	Increased capital access for underserved
Loans/investment in underserved areas - #	Business created, maintained; jobs created
Liquidation Cases Closed - #	Improved portfolio quality
Examinations completed - #	High quality portfolio
SBICs visited - #	Maintenance of high quality portfolio

OBJECT CLASS	INVESTMENT DIVISION (\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	4,695	4,709	5,025	2,969	3,055
Benefits	973	939	1,138	811	658
Travel	341	233	261	285	285
Transportation	0	0	0	0	0
Rents & Communication	0	0	0	0	0
Printing	7	20	8	20	20
Other Services	27	70	81	80	80
Supplies	7	7	5	10	10
Equipment	3	50	162	50	50
Grants	0	0	0	0	0
TOTAL	6,253	6,028	6,886	4,025	4,158
FTE	93.60	87.60	83.91	82.00	85.00

FY 1997 CONGRESSIONAL SUBMISSION
ECONOMIC DEVELOPMENT
SURETY GUARANTEES

PROGRAM DESCRIPTION:

Since its inception in 1971, the Surety Bond Guarantee (SBG) program has had a positive impact on the small business community by providing substantial job opportunities for small and emerging contractors. Through the SBG program, SBA assists small contracting firms to obtain the bid or contract bonds that they need to perform work for which they are qualified. The Office of Surety Guarantees (OSG), which administers the SBG program, provides this assistance through a public-private partnership between the Federal government and the surety industry. SBA is authorized to issue bond guarantees to surety companies for construction, service and supply contracts and to reimburse these sureties up to 90 percent of the losses sustained if the contractor defaults. SBA's guarantees provide the incentive necessary for sureties to issue bonds to small contractors who could not otherwise compete in the contracting industry.

The SBG program consists of the Prior Approval program and the Preferred Surety Bond (PSB) program. Prior Approval sureties must obtain SBA's approval for each bond guarantee issued. Under the PSB program, sureties receive a 70 percent guarantee and are empowered to issue, service and monitor bonds without SBA's prior approval. Each of these programs provides assistance to a different segment of the contracting community.

OTHER INFORMATION:

In FY 1995, the SBG program had a significant impact on the economy. SBA assisted contractors in obtaining 6,807 contracts, totaling \$1,231,923,692 in contract value. It is estimated that 58,000 jobs resulted and savings to the taxpayers through SBA-guaranteed bonding of low bidders amounted to over \$80 million. Under the OSG program, minority contractors received bonding for 1,700 contracts, amounting to 27 percent of the total contract value. Over 15 percent of the final bond dollars were for women contractors.

Program Performance And Policy Goals

- A. Maximize bonding assistance to contractors, while reducing costs, by more effective program delivery and improved customer service.

- B. Expand surety bond opportunities to traditionally under-served businesses, including firms owned by women and minorities.
- C. Protect the taxpayers' dollars by continuing to improve accountability within the program and by minimizing the potential for waste, fraud and abuse.

Performance Indicators

- A. Establish qualitative and quantitative goals for the OSG Area Offices concerning the numbers and dollar amounts of bonds guaranteed. Assistance to firms owned by minorities and women owned firms will be closely monitored. Each Area Office's progress toward meeting established goals will be tracked by OSG.
- B. Calculate on a regular basis, savings to the taxpayer and income generated by the program. Ensure accountability by monitoring the amounts of claims paid to and recoveries received from participating sureties.

OUTPUTS		INTERMEDIATE OUTCOMES
Bonds guaranteed - # & \$s		Lower cost program, improved service
Expand opportunities to underserved - #		Businesses created, maintained, expanded
Protect taxpayers dollars - \$		Minimize fraud, waste & abuse

OBJECT CLASS	SURETY BOND (\$ in thousands)				
	1993	1994	1995	1996	1997
Compensation	2,209	977	878	639	656
Benefits	469	174	153	132	142
Travel	45	33	54	100	100
Transportation	0	0	0	0	0
Rents & Communication	0	0	0	0	0
Printing	0	0	0	0	0
Other Services	11	1	37	14	14
Supplies	5	3	5	4	4
Equipment	31	43	10	9	6
Grants	0	0	0	0	0
TOTAL	2,770	1,231	1,143	898	827
FTE	59.94	19.30	18.32	14.00	14.00

FY 1993 Actual Includes field components

FY 1997 CONGRESSIONAL SUBMISSION
ECONOMIC DEVELOPMENT
BUSINESS INITIATIVES

PROGRAM DESCRIPTION:

The focus of Business Initiatives is to provide a diverse mix of training/counseling resources and information to the public to enable present or prospective owners/managers to enhance their decision-making skills and with these increase their effectiveness/productivity.

OTHER INFORMATION:

Small business owners or aspiring business owners look to the Federal government not only for capital, but for information, education and training. Studies show that eight of ten start-up businesses are no longer in existence after five years due to the lack of management knowledge and skills. Many individuals simply need the basic information to make an informed decision about whether they should or should not start a business at a certain point in time.

Although private sector companies offer some of the services provided by the SBA, most start-up businesses cannot afford the fees charged by such companies. Further, small business owners often find themselves having to shop for numerous firms engaged in different professional discipline areas such as legal, accounting, human resources, sales, marketing, or inventory control. This is not only expensive, but time consuming, and the lack of time is second only to the lack of money for most start-up business owners.

As a result, many start-up owners who use the services of a SCORE counselor or a Business Information Center would not avail themselves of similar services in the private sector and would therefore incur an even greater likelihood of failure than current statistics predict.

Although the SBA has 68 geographically dispersed district offices which assess the needs of their local small business communities, even these locations cannot fully address the diverse needs of small business owners. The SBA has forged ongoing relationships with resource partners to deliver most of the Agency's annual business education and training programs. In addition, SBA cosponsors with other organizations one-time, special focus training or other events that address national or regional needs.

SCORE

The Service Corps of Retired Executives (SCORE) counsels and trains the largest number of start-up business owners each year. Through one-on-one counseling and workshops, SCORE reaches approximately 350,000 business owners annually. With 383 chapters and 13,000 volunteers, the services of a SCORE volunteer are available within a few hours drive of most businesses. All counseling is provided free of charge to the counselee. Congressional appropriations averaging \$3 to 3.5 million annually are used to reimburse counselors' mileage and incidental expenses, resulting in a per hour counseling cost to the government of less than \$3 per hour. SCORE chapters pride themselves on having a diverse mix of talents and backgrounds in their counseling cadre. As a result, it is possible for a client to have a variety of information needs addressed by counselors with specialized training in a single location.

Business Information Centers

Among the most innovative methods of providing a one stop approach to information, education and training for small business owners is the Business Information Center (BIC) program. BICs combine the latest computer technology, hardware and software, an extensive small business reference library of hard copy books and publications and management videotapes to help entrepreneurs plan their business, expand an existing business or venture into new business areas. The use of software for a variety of business applications offers clients of all types a means for addressing diverse needs.

In addition to the self-help hardware, software and reference materials, BICs have on-site counseling provided by SCORE volunteers. Each BIC adds new materials and resources throughout the year and as they become aware of special needs in the small business community they serve. Individuals who are in business or are interested in starting a business may use the BIC as often as needed at no charge.

For prospective business owners, visits to the BIC may be frequent as they do the basic research necessary to decide whether to start their business at a particular time. Existing business owners will find many resources specifically targeted to helping businesses grow or find new market niches. BICs are also a means of integrating all of the SBA's programs into the surrounding business community — by highlighting new initiatives or programs in the BIC, SBA can reach business owners who might not otherwise come to the SBA for assistance.

Cosponsored Education And Training

In addition to the ongoing business education and training provided through its resource partners, the SBA cosponsors a variety of special emphasis activities with the for-profit, not-for-profit, and public sectors. These activities change from year to year, as they reflect the particular needs of small businesses at that time. An example of such an activity is a series of ten special training seminars on electronic commerce/electronic data interchange which were offered throughout FY 1995 to help businesses cope with this critical requirement of recent Federal procurement legislation. By working with cosponsors, SBA is able to offer education and training at a very low cost. For example, many cosponsored events cost between \$35 and \$100, with comparable commercially-sponsored training costing \$300 to \$800.

In addition to cosponsored events, the SBA cosponsors fact sheets and other publications on a variety of topics. Cosponsorship of fact sheets has allowed SBA to send these to hundreds of thousands of small business owners at no cost to them, as the printing costs are paid by corporate sponsors.

Among the most visible public/private cosponsorships undertaken by SBA is the creation of SBA Online, SBA's electronic bulletin board for small businesses. SBA Online has been principally underwritten by Sprint, which has paid the cost of all toll free connections to the system. Between October 1992 and January 1995, more than one million connections to SBA Online have been logged. Over \$2.5 million in toll-free and other charges have been underwritten by Sprint to date, with no costs incurred by SBA.

Business Assistance Publications

The SBA has, for many years, provided a variety of publications to the small business community. These have ranged from short, single-topic flyers to detailed publications on a variety of business management and growth topics. In previous years, these publications were provided for free, beginning in FY 1995, all publications are being sold to the public for minimal charges. These charges cover the actual printing, handling, distribution and mailing costs, thereby eliminating any burden on taxpayers not receiving such publications.

As a self-sustaining program, these business assistance publications address information needs not being met by the private sector, yet reflect the philosophy that users of certain Federal services should directly pay those costs. In FY 1994, over one million publications were distributed; in FY 1995, as a result of the shift to a for-sale basis, the number of publications distributed were approximately 300,000.

Program Performance And Policy Goals

- A. Provide for small business 1) user-friendly access to information, 2) technical and management counseling, and 3) technical assistance and training.
- B. Locate a Business Information Center with every state to provide for more efficient, cost-effective, delivery of SBA education, training, and counseling services.
- C. Empower SCORE counselors to offer counseling and training on the full range of SBA programs and services, including financial assistance programs.

Performance Indicators

Impact analysis for quality business education and training programs will depend upon the following:

- Tracking data to determine the number of clients served and the availability of programs and services;
- Client surveys to ascertain the quality of programs and services, and their short-term effects;
- Management and SBA field employees surveys to determine the effectiveness of programs and services with specific emphasis on targeting programs and services to achieve maximum efficiency and effectiveness; and
- Long-term economic data in terms of job creation, business starts and failures for recipients of SBA business education and training programs.

OUTPUTS	INTERMEDIATE OUTCOMES
SCORE will counsel or train a minimum of 350,000 clients during the fiscal year.	Clients will receive high quality training/counseling that is readily available and covers all SBA programs. (This will be measured by client satisfaction surveys and tracking performance data.)
A Business Information Center will be located in every state to provide efficient delivery of SBA programs and services.	Increased access by current and potential small business owners to SBA programs and information.

OBJECT CLASS	BUSINESS INITIATIVES (\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	13,659	869	813	1,096	1,128
Benefits	2,729	148	145	226	243
Travel	346	27	222	60	60
Transportation	0	0	0	0	0
Rents & Communication	2	0	1	1	1
Parking	588	204	199	60	60
Other Services	396	679	(374)	710	710
Supplies	21	8	432	5	5
Equipment	4	3	209	8	8
Grants	16,203	9,376	3,803	3,250	3,250
TOTAL	33,948	11,614	5,450	116	5,465
FTE	341.60	33.00	13.67	23.00	24.00

FY 1993 Actual includes field component.

FY 1997 CONGRESSIONAL SUBMISSION
ECONOMIC DEVELOPMENT
VETERANS' AFFAIRS

PROGRAM DESCRIPTION:

The Office of Veterans Affairs (OVA) coordinates outreach and program activities with a small central office staff and with veterans affairs coordinators in SBA district offices. OVA monitors SBA loans to veterans and establishes in-depth training programs for veterans.

OTHER INFORMATION:

SPA's Veterans Affairs program is the result of Section 4(b) (1) of the Small Business Act which requires that the Agency give special consideration to veterans in all agency programs. The SBA estimates 24.3% of the approximately 20.5 million small businesses in America or 4 million small businesses, are veteran-owned. OVA provides outreach to veterans and veterans' groups throughout the nation with respect to SBA's programs, entrepreneurship training and counseling for veterans, Federal procurement goals for veteran-owned businesses, and transition training for active duty military returning to civilian life.

The staff of OVA work with District Directors, SCORE, and the SBDC's in carrying out program activities. As a result of the Agency's focus on the needs of veterans, during FY 1995, more than 40,000 veterans received business training and 29,545 received business counseling. Also, veterans received 8,278 loans to veteran-owned businesses worth approximately \$1.3 billion.

Program Performance And Policy Goals

OVA's support for veterans has provided them with a myriad of opportunities to become successful entrepreneurs. OVA has and is keeping current with the needs of the veteran community by continually tailoring its programs to meet the needs of veterans. Through the Veterans Affairs Officers (VAOs), SCORE and SBDC's, OVA works with the DoD to provide transition assistance to the personnel who are separating from the military and works with the Department of Veterans Affairs to conduct business opportunity and procurement conferences for small businesses in areas affected by defense cutbacks and base closings.

With the reduction of highly trained existing military personnel, OVA began a series of high tech conferences in FY 1995 and is proposing to continue these efforts in FY 1997. These technology transfer conferences match start-up as well as small veteran owned businesses with technologies of several federal labs. As a result, many small businesses have established Cooperative Research and Development Agreements (CRADA's) with Federal labs to start businesses.

There is an overwhelming need for long-term entrepreneurship training. OVA's Veterans Entrepreneurial Training Program (VET) has met and is meeting the ever changing needs of veterans who wish to start a business. These new training programs no longer just include the basics of business training and no longer reach a limited audience but incorporate new business ideas such as computer training and through video conferencing reach thousands of veterans.

Performance Indicators

As a result of our program success, thousands of veterans have started businesses thereby creating hundreds of thousands of jobs. Measurement of OVA's success is provided by the results of the VAO's, SCORE and the SBDC's accomplishments, reports from our VET grantees, surveys from our conferences, and studies. The feedback OVA receives continues to encourage current programs.

- Research the needs of veterans through the reestablishment of a National Veterans Business Council. This council will measure the percent of veteran constituency willing to start businesses.
- Use procurement and technology conferences to capture the amount of procurement actions to veteran businesses and the number of Cooperative Research Agreements made (CRADA's) and patents sold.
- Take advantage of "VETMARK", a program that utilizes the Veteran's Employment and Training Services consisting of Local Veteran's Employment Outreach Specialist (DVOPs) of the Department of Labor. This program will account for the number of veterans interested in SBA programs and loans.

OBJECT CLASS	VETERAN'S AFFAIRS (\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	601	348	330	137	141
Benefits	110	44	40	28	30
Travel	104	30	14	35	35
Transportation	0	0	0	0	0
Rents & Communication	0	0	0	0	0
Printing	3	22	0	20	20
Other Services	290	196	239	0	422
Supplies	2	0	0	1	1
Equipment	0	17	7	3	3
Grants	0	0	0	0	0
TOTAL	1,110	655	630	224	652
FTE	12.40	6.10	5.70	3.00	3.00

*FY 1993 Actual includes field component.

FY 1997 CONGRESSIONAL SUBMISSION
ECONOMIC DEVELOPMENT
WOMEN'S BUSINESS OWNERSHIP

PROGRAM DESCRIPTION:

The Office of Women's Business Ownership (WBO) was created by Executive Order 12138 in 1979 to establish a national policy to support the growth and expansion of women entrepreneurs. In 1994, the SBA Reauthorization Bill, P.L. 103-403 made the Office of Women's Business Ownership permanent. The Office has the responsibility to see that Administration and Congressional directives concerning women's business ownership are carried out.

OTHER INFORMATION:

Women-owned businesses are increasing in number, range, diversity and earning power. As women business owners expand their companies, they add increasingly to our national economy. Currently, there are over 7 million women-owned businesses in the United States. Women-owned firms employ 15.5 million people; these firms contribute over \$1 trillion in sales to the economy and now employ 35% more people in the United States—more than the Fortune 500 companies worldwide. Employment growth in women-owned businesses exceeds the national average in nearly every region of the country and in nearly every major industry. By the Year 2000, it is anticipated that women will own nearly half of all U.S. companies. As this vital segment of the economy continues to grow, the use of and demand for programs, resources and information for women-owned businesses will increase.

The Office of Women's Business Ownership is the only office in the Federal government specifically targeted to the women business owner. Its mission is to help women establish economic independence and become full partners in economic development. SBA's programs support the growth of women entrepreneurs from start-up to expansion.

The Office of Women's Business Ownership (OWBO) offers current and potential women business owners access to a variety of services and resources, including technical, financial and management information, and training conferences on access to capital and selling to the federal government. Through the national network of SBA staff and resource partners, the growing number of new women business owners can readily find valuable information and skill building opportunities as well as more greatly benefit from other SBA programs. OWBO

also provides a national mentoring program for emerging and/or established women entrepreneurs offered through SBA District Offices and resource partners

Additionally, OWBO serves as an advocate for established and potential women business owners, coordinating interest groups and associations and providing information to government and the private sector on women's business ownership issues. Through established partnerships with other Federal agencies, and the National Women's Business Council, OWBO is able to help eliminate barriers to competitiveness, developing new initiatives and formulating policies to enhance women's economic enterprise throughout the federal government. The Agency is actively involved in fostering the development of entrepreneurial skills and economic development opportunities for women and is requesting \$194,000 to support for the activities of the National Women's Business Council.

Women's Demonstration Program

Prior to FY 1997, OWBO was responsible for administering the Women's Demonstration Program, funded through the Women's Business Ownership Act of 1988 (P.L. 100-533) and reauthorized by the Women's Business Development Act of 1991. As a result of reinvention efforts designed to improve the delivery of SBA's programs, the responsibility and resources for this program have been proposed for inclusion in an enhanced Small Business Development Center (SBDC) program. This program is the only national program that focuses on entrepreneurial training programs for women. Both the public sector and private sector are becoming increasingly aware of the potential economic impact to local communities through business skills training for women.

During FY 1995, there were 54 Women's Demonstration Program sites in 28 states and the District of Columbia. Each of the centers offers financial, management, marketing and technical assistance to current and potential women business owners and each center tailors its style and offerings to the particular needs of the community. The model has been successful in rural and urban locations. Some sites target minorities such as Native American, African-American, Hispanic and Asian-American populations.

From the inception of the program in 1989 through fiscal year 1994, over 47,000 women have benefitted from the Demonstration Program's training and counseling. More than 1,052 businesses have been created and at least 4,557 new jobs have been created as a direct result of this program.

Under the plan to incorporate the Women's Demonstration Program into the enhanced SBDC program, each state will have at least one site dedicated to the business education needs of women entrepreneurs.

Program Performance And Policy Goals

- A. Provide accessible educational information, technical assistance, counseling and training to enhance economic enterprise.
- B. Serve as a conduit for topical, accurate and timely research to inform program and policy initiatives on the economic development of women owned businesses.
- C. Continue to implement initiatives to attain or maintain the 5% Federal procurement goal for women as outlined in the Federal Acquisition Streamlining Act of 1995.
- D. Utilize the Interagency Committee on Women's Business Enterprise as a vehicle to enhance women's business ownership and the small business component within the economy.
- E. Assist women-owned businesses in locating and securing financial assistance to encourage economic growth.

Performance Indicators

- A. SBDC women business subcenters will be established
- B. New studies on women business owners in rural America and characteristics of women-owned growth businesses will be developed and published.
- C. Increased procurement opportunities will be made available to women
- D. Alternative financing resource guide for women will be developed

Performance measures that will be used in 1997 to assess progress in the above goals follow.

OUTPUTS	INTERMEDIATE OUTCOMES
Establish SBDC women's business subcenters.	Increased access by current & potential small business owners to SBA programs and information.
Increase financial assistance counseling #.	Increased access to financial opportunities for women.
Reduce operating costs and staff by successfully merging Women's Demonstration Program into enhanced SBDC Program	Make effective use of SBDC network to assure continued success of the program.

OBJECT CLASS	WOMEN'S BUSINESS OWNERSHIP (\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	403	498	586	319	329
Benefits	81	84	177	68	71
Travel	56	102	84	60	60
Transportation	0	0	0	0	0
Rents & Communication	0	0	2	0	0
Printing	4	18	1	20	20
Other Services	1615	34	3,235	4,388	388
Supplies	3	1	7	5	5
Equipment	2	7	7	15	15
Grants	1130	3137	0	0	0
TOTAL	3,294	3,891	4,099	4,873	688
FTE	8.80	9.00	8.74	7.00	7.00

FY 1997 CONGRESSIONAL SUBMISSION
ECONOMIC DEVELOPMENT
INTERNATIONAL TRADE

PROGRAM DESCRIPTION:

The activities of the Office of International Trade (OIT) are designed to fulfill the requirements of Public Law 96-481 and the Omnibus Trade and Competitiveness Act of 1988 (P.L. 100-418) and to support the Administrator's international trade initiatives. This is accomplished primarily through outreach activities and programs to the small business community with emphasis on financing and trade development.

OTHER INFORMATION:

The OIT will continue to focus on the Agency's two basic export efforts: participation in the U.S. Export Assistance Centers (USEACs) and the delivery of the Export Working Capital Program (EWCP). This focus evolved from the Trade Promotion Coordinating Committee's (TPCC) decision to reduce repetition and overlap of U.S. trade assistance programs. SBA now has a clearly mandated and unique role as the principal source of trade financing and conduit for small firms seeking export assistance at the USEACs.

Prior to the incorporation of the EWCP loan program into SBA's portfolio of loan programs, the Federal government had not placed significant emphasis on the trade loan guarantees for small business exporters. Several recent studies conducted on the needs of small business exporters clearly show that trade financing is the largest single element missing in the small business export equation.

The USEACs serve as the primary delivery vehicle for the EWCP. The SBA—along with the U.S. Department of Commerce and the Export-Import Bank—is a partner in the USEAC network. Four USEACs were opened in early 1994 and eleven in calendar years 1995 and 1996. SBA's resource partners and other intermediaries will play a key role in the EWCP program. SBDCs and SCORE will counsel and screen clients to ensure that they are "bankable." SBA staff located at the USEACs not only market and process EWCPs for the district office in which they are located, but also serve as regional loan processing centers.

During FY 1997, OIT will continue to expand the EWCP while continuing to harmonize its export working capital program with that of the Export-Import Bank. SBA makes export working capital loan guarantees up to \$750,000 and the Export Import Bank guarantees loans over that amount. The end result enables both borrowers and lenders to obtain trade loans more quickly and easily by reducing the amount of paperwork and further coordinating processes.

In FY 1997, SBA staff at the USEACs will also implement the Export Trade Assistance Partnership (E-TAP), a mentoring program that delivers export assistance to targeted groups of export-ready small firms. E-TAP—a partnership with the USEAC and local trade resources—provides training, counseling and international trade shows/missions for export-ready companies. It formalizes local international trade resource teams. During FY 1995 and 1996 SBA staff in four USEACs began the development and implementation of this program.

Program Performance And Policy Goals

- A. Deliver critically needed trade finance assistance, particularly through the Export Working Capital Program, to small business exporters.
- B. Continue to work with state finance authorities and other intermediaries to leverage available small business export finance authority to reach the greatest number of small business exporters.
- C. Continue to provide trade counseling and guidance through USEAC staff, SBDCs and SCORE international trade counselors at the USEACs.

Performance Indicators

- A. Measure increases in small business export sales and the number of new jobs resulting from those exports.
- B. Increase the number of export development clients who apply for and receive SBA financial assistance.
- C. Improve quality of export development assistance offered by SBDCs and SCORE.
- D. Increase the number of SCORE international trade counseling volunteers and counseling/training sessions.
- E. Develop targeted new-to-export companies into frequent exporters.

F. Increase participation of intermediaries in the delivery of EWCP loans.
 Performance measures used in 1997 to assess progress in achieving the above goals follow.

OUTPUTS		INTERMEDIATE OUTCOMES		
Increase number of EWCP loans - # & \$		Increased small business export sales		
Expend E-TAP projects at USEACs		Increase access to new export companies		
Increase trade counseling/training sessions		Increased client satisfaction		

OBJECT CLASS	INTERNATIONAL TRADE (\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	1,121	1,141	1,251	411	423
Benefits	217	243	388	85	91
Travel	164	132	84	100	100
Transportation	0	1	2	2	2
Rents & Communication	0	1	1	0	0
Printing	8	4	29	4	4
Other Services	245	8	1,275	3,282	3,557
Supplies	8	4	2	4	4
Equipment	0	53	11	6	8
Grants	1,300	277	0	0	0
TOTAL	3,063	1,864	3,023	3,896	4,189
FTE	22.70	17.80	19.41	9.00	9.00

FY 1993 Actual includes field component.

**FY 1997 CONGRESSIONAL SUBMISSION
ECONOMIC DEVELOPMENT
SMALL BUSINESS DEVELOPMENT CENTERS**

PROGRAM DESCRIPTION:

The Small Business Development Center (SBDC) Program, created by the Congress in 1980 has one unifying purpose: to foster economic development through the provision of management, technical and research assistance to the nation's small businesses. SBDCs are an excellent vehicle for assisting the economic development of a state or region. By virtue of their counseling, training and specialized services offerings, SBDCs help to save companies and jobs, create new jobs through business expansion, stimulate lending resulting in increased production and assist businesses in maneuvering through industry or sector downturns.

OTHER INFORMATION:

The majority of the Nation's business failures can be directly attributed to inadequate owner/managerial decision-making and performance. With perhaps the widest grass-roots outreach in the Federal government, the SBDC Program provides management, technical and research assistance, and helps small businesses obtain financial assistance. Together, these efforts foster the economic development of small entrepreneurs throughout the country. The SBDC Program provides vital counseling and training network of 976 service delivery locations in all 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, and Guam. This network provides counseling to nearly 250,000 small entrepreneurs each year and training to about 350,000 individuals annually. Roughly 40 percent of clients are women and 17 percent minorities. Government funding of this program constitutes the seed funding, which is leveraged one or two times by state/local/private funds. Assessments of the economic impact of counseling portion of this program has shown that small entrepreneurs had (1) significant sales increases in the year following counseling; (2) created nearly 70,000 jobs; and (3) generated Federal/State and local tax revenues of nearly \$300 million in the year after the counseling was provided.

FY 1997 INITIATIVE:

The SBA proposes to incorporate a portion of the 7(j) Technical Assistance Program and the Women's Demonstration Project into this business support program.

Program Performance And Policy Goals

- A. Provide for small business user-friendly access to information, special counseling, technical assistance, and training to foster economic development.
- B. Redesign the program to be more cost-effective in meeting the needs of small business.
- C. Couple managerial counseling and training more closely with financial assistance before and during the term of a loan.
- D. Successfully integrate into an enhanced SBDC program the Women Demonstration and a portion of Section 7(j) Technical Assistance programs.

Performance Indicators

A true assessment of program effectiveness is a long-term process, and there is much to learn about what settings or kinds of programs contribute to cost effective business assistance. In the short term, SBA's committed to surveying the level of satisfaction of customers who receive and/or use the services of the enhanced SBDC. In the long run, our goal is true economic development and assessment of how the business development assistance contributes to the economy.

A number of assessments have shown that counseling plays an important role in helping small business. A 1994 national study compared performance improvements of long-term recipients of counseling provided at 47 SBDCs in 1992. This study measured the changes occurring in these long-term counseling clients in the year after they received assistance from SBDCs. These improvements were then compared to weighted average changes in performance of all businesses in the participating states. The incremental improvements in the performance—over and above what they would have been had they performed like average businesses—were extrapolated across the entire long-term client population of the participating centers. The results: long-term clients of SBDCs generated over \$3.7 billion in sales and approximately 68,500 new jobs, costing the Government \$882 per job. Over \$125.3 million in additional tax revenues were generated from established businesses and over \$165.5 million from pre-venture clients who started new businesses. A comparison of the tax revenues generated by SBDC counseling recipients with the government cost of operating the 47 SBDC centers, revealed a benefit ratio of 5 to 1. This is approximately \$5 in tax revenues for every \$1 spent on the entire program. Tax revenues exceeded the Federal direct cost of counseling provided to the long-term clients by a ratio of 15 to 1.

Performance measures that will be used in 1997 to assess progress in achieving the above goals are as follows:

OUTPUTS	INTERMEDIATE OUTCOMES
Increase training/counseling sessions #	Client satisfaction - better informed on services provided by SBA programs
Increase service delivery locations #	Increased number of clients and economic growth for small entrepreneurs
Increase financial assistance counseling #	Increased access to information on financial opportunities
Reduce operating costs and staff requirements by merging SBDC, 7(i) and Women's Demonstration Program	Make effective use of SBDC network to assure continued success of the program.

SMALL BUSINESS DEVELOPMENT CENTERS (\$ in thousands)					
OBJECT CLASS	1993	1994	1995	1996	1997
Compensation	1053	901	830	594	611
Benefits	157	124	124	122	132
Travel	190	166	136	100	100
Transportation	0	0	0	0	0
Rents & Communication	0	0	0	0	0
Printing	0	12	1	8	8
Other Services	1319	(611)	827	50	50
Supplies	2	1	0	1	1
Equipment	0	0	0	1	1
Grants	70,412	70,074	74,145	73,500	72,300
TOTAL	73,133	70,667	76,063	74,376	73,203
FTE	17.60	15.20	12.34	13.00	13.00

FY 1997 CONGRESSIONAL SUBMISSION
ECONOMIC DEVELOPMENT
NATIVE AMERICAN AFFAIRS

PROGRAM DESCRIPTION:

The Office of Native American Affairs has a service population of 1.52 million (American Indian, Alaska Natives, Aleuts, and Hawaiians) and 552 Federally recognized Indian Tribes. Fifty five percent (55%) of this service population live on or near rural reservation communities which suffer from a 40% unemployment rate (more than seven times the national average). The Native American business community (Tribes and individuals) lack access to financial capital markets, business development resources, services, and training; and the development and sustainability of private sector, reservation based, business economies.

Historically, the Federal Government and the Native American community have relied on the Bureau of Indian Affairs (BIA) to support the economic development needs of reservation communities. However, recent Federal Government downsizing, budget cuts, program consolidation and reinvention has changed this thinking. The result of this change in policy has significantly increased the demand from SBA's Native-American business community.

OTHER INFORMATION:

As of July, FY 1995: the SBA 8(a) Program portfolio included 376 Native American firms receiving 7% of the total contracted dollars (totaling \$99,243,380); 125 7(a) loans were made to Native Americans (\$29,664,786) and 45 micro loans (totaling \$764,590) were made to Native Americans.

The Office of Native American Affairs, in partnership with other SBA program offices as well as Regional and District Offices, are responsible for outreach to Native American businesses nationwide. In this effort, the ONAA will: coordinate national business policies and initiatives; continue relationships with Indian Tribal leaders, Native American colleges, organizations, and businesses; advocate for Native American owned firms in both the private and public business sector; and help to provide access to business development resources and services in rural and urban reservation communities.

Program Performance And Policy Goals

- A. Provide rural reservation communities with access to business development resources and services through Tribal Business Information Centers (TBIC's).
- B. Design a Native American Mentor/Protégé program utilizing Tribal and individual Native American 8(a) participants.
- C. Continue to provide opportunities to access capital markets through micro-loan and 7(a) Programs.

Performance Indicators

- A. By monitoring the SBA Tribal Business Information Center Demonstration Program the ONAA will clearly be able to measure the increase in reservation-based small business development and the increase in reservation employment opportunities.
- B. The Native American Mentor/Protégé program will increase technology transfer opportunities, management, financial assistance and competitiveness for Tribal and Individually owned Native American firms. The ONAA will match and monitor 5 Native American businesses for changes in employment opportunities, labor categories and rates, increased business profits and the development of additional support for urban and rural Native American businesses.
- C. ONAA will continue its efforts to increase opportunities for accessing capital markets; and to increase opportunities for the SBA and SBDC to augment the outreach and delivery programs to the Native American community.

Performance Measures

OUTPUTS	INTERMEDIATE OUTCOMES
Clients served.....65,000 through SBA ONAA and TBICS.	Access to business information - Delivery of SBA Programs to the Native American community.
Participation in Tribal Leader meetings, Native American conferences, community workshops, and meetings with Financial Institutions.	Access to financial capital markets. 10% national increase in the # of Native American small businesses.

OBJECT CLASS	NATIVE AMERICAN AFFAIRS (\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	-	40	81	94	94
Benefits	-	6	16	19	20
Travel	-	9	17	8	8
Transportation	-	0	0	0	0
Rents & Communication	-	0	0	0	0
Printing	-	0	0	0	0
Other Services	-	6	0	5	5
Supplies	-	0	4	0	0
Equipment	-	0	5	0	0
Grants	-	0	0	0	0
TOTAL	-	61	123	126	127
FTE	-	0.00	1.35	2.00	2.00

FY 1997 CONGRESSIONAL SUBMISSION DISASTER ASSISTANCE

PROGRAM DESCRIPTION:

The Small Business Administration's (SBA) disaster loans are a key component of the overall Federal recovery efforts in the wake of disasters. SBA's disaster loans, made pursuant to Section 7(b) of the Small Business Act, as amended, are the primary form of Federal assistance for non-farm, private sector uninsured losses as the result of such natural disasters as hurricanes, floods, wildfires and tornadoes. Victims of other catastrophic events such as the Oklahoma City bombing are also eligible for disaster assistance. For this reason, the disaster loan program is the only form of SBA assistance that is not limited to small business. Both the President and the SBA Administrator may make disaster declarations, but the vast majority of disaster loans (in number and dollars) are made to victims of Presidential-declared disasters. Disaster loans from SBA make a significant contribution to the process of the rebuilding and recovery from these events.

The SBA disaster loan program helps reduce Federal disaster costs, as compared to other forms of fully subsidized assistance such as FEMA grants, by providing loans which are repaid to the Treasury. When disaster victims need to borrow to repair uninsured damages, the comparably low interest rates and long terms available from SBA make recovery affordable. Currently interest rates fluctuate according to statutory formulas: a lower rate, not to exceed four percent is available to those applicants unable to obtain credit elsewhere, while a higher rate, not to exceed eight percent is charged when other sources of credit are available. SBA's disaster loans are a critical source of economic stimulation for the economies of disaster-ravaged communities, helping to spur employment and stabilize the tax base.

OTHER INFORMATION:

SBA is authorized by law to make two types of disaster loans

Physical disaster loans are the primary source of long term assistance for funding the rebuilding and replacement of uninsured disaster damages to privately-owned non-farm real and/or personal property. SBA's physical disaster loans are available to homeowners, renters, businesses of all sizes and nonprofit organizations.

Economic Injury disaster loans help provide necessary working capital following a disaster event until normal business operations can resume. The law limits economic injury loans to non-farm small businesses unable to obtain credit elsewhere. This type of assistance is also made available to non-farm small businesses which have suffered economic injury resulting from farm disasters declared by the Secretary of Agriculture.

Through the disaster loan program, the Government offers loans to borrowers who have incurred uninsured losses or economic injury as the result of a disaster. The loans are limited in purpose to avoid inappropriate uses of subsidized Federal credit. Secondary homes, recreational vehicles, luxury items and other related property are not eligible. Unlike the proceeds of an insurance settlement, of which spending is many times at the discretion of the policy holder, SBA disaster loan proceeds must be used exclusively for the replacement and/or repair of destroyed or damaged property.

Since the inception of the program in 1953, SBA has approved over 1.3 million disaster loans for more than \$23 billion. The disaster program is SBA's largest direct loan program, and it is the only SBA program assisting entities other than small businesses. By law, neither governmental units nor agricultural enterprises are eligible.

Disaster victims must repay SBA disaster loans. SBA can only approve loans to applicants with a reasonable ability to repay the loan and other obligations from cash flow. The terms of each loan are established in accordance with each borrower's ability to repay. The law gives SBA several powerful tools to make disaster loans affordable for victims who are suddenly confronted with unplanned debt to replace disaster losses in addition to meeting existing obligations and expenses: low interest rates (currently most loans are at 4%, for borrowers without credit elsewhere), long terms (up to 30 years), and refinancing of prior debts (in some cases of serious disaster losses and limited financial ability). By tailoring the terms of each loan to meet each borrower's needs, SBA applies these tools only to the extent necessary to effectively aid each disaster victim, thereby minimizing the use of subsidized credit and avoiding alternative forms of unrecoverable assistance, such as grants. Moreover, making loans rather than grants avoids creating an incentive for property owners to underinsure against risk. SBA requires disaster loan borrowers to maintain appropriate hazard and flood insurance coverage.

Swift responses to disasters are always required. In order to achieve the high degree of readiness necessary to deliver prompt and professional responses to unexpected disasters, SBA has four permanent, specialized disaster area offices (Niagara Falls, NY; Atlanta, GA; Ft. Worth, TX and Sacramento, CA). As needed,

the core disaster staff establishes temporary offices in disaster communities and hires extra local help. SBA provides on-site, personalized service to disaster victims to help speed the start of the recovery process.

In delivering timely assistance, SBA adheres to sound lending and financial principles and practices. Extensive controls and safeguards throughout the process are carefully followed. These include address cross checks to avoid duplicate claims, on-site inspection of claimed disaster damages, checks of applicants credit history and using IRS income information. As the reconstruction process is typically slow, SBA staff monitors reconstruction progress, disburses funds as payments are needed, and modifies loan terms and conditions to adapt to unpredictable needs. By disbursing funds as needed, making on-site inspections of reconstruction projects to assure proper use of loan funds previously disbursed, writing checks jointly payable to contractors or suppliers, and exercising similar controls, misuse of loan funds is minimized. Such caution is essential in the inherently risky environment of disaster lending to assure that government funds are properly used, that collateral value is not diminished, and that unpredictable financial circumstances are accommodated in a manner consistent with both the borrowers' needs and SBA's interest in preserving likely repayment.

Due to the inherently unpredictable nature of disasters, reflected in the historically extreme variation in the number and magnitude of disasters from one year to another, it is neither possible nor practical to assume that the disaster program operating needs can be accurately predicted from one year to the next. The FY 1997 budget request for the loan program level is based on an average year (discounting the unusually high \$4.1 billion level of disaster funding attributable to the Northridge Earthquake in 1994) in terms of the number, severity, timing and location of disaster occurrences. Because many years depart significantly from the norm, the level of fiscal resources requires constant reassessment throughout the year. Equally important, tight quality controls, strict adherence to established safeguards, and consistent application of sound lending practices are carefully maintained. Consistent, vigorous and uninterrupted servicing of disaster loans is essential to protect the Government's interest and assure maximum repayment of loans in the portfolio.

FY 1997 INITIATIVE:

To reduce the program's cost to the Government, the Agency proposes to raise the interest rate charged to its borrowers on the majority of its loans to a level equal to the Treasury cost of funds on securities of comparable maturity. The borrowers would continue to enjoy low rates relative to the market, but overall cost to the Government would decrease. This proposal would reduce the program subsidy rate from 28.08% in FY 1996 to 7.9%. The Agency is requesting \$65.8 million for the Disaster Assistance Program to support a program level of \$832.9 million.

Program And Policy Performance Goals

- A. Provide disaster assistance to victims in a cost efficient manner.
- B. Deliver an effective program that achieves its public policy objectives.
- C. Provide customer focused assistance that accommodates the needs of disaster victims.
- D. Simplify and streamline the loan making process by continuing to re-engineer forms, procedures and processes.

Performance Indicators

A true assessment of program effectiveness is a long-term process, and there is much to learn about the true extent to which the disaster loan program contributes to effective recovery. In the short term, the agency is committed to providing cost-effective delivery to and achieving high satisfaction levels from the customers who utilize our services. In the long run, the goal is to facilitate true economic recovery and assess how the program's business recovery assistance contributes to the rebuilding of a local or regional economy.

Performance measures used in 1997 to assess progress in achieving the above goals follow.

OUTPUTS	IMMEDIATE OUTCOMES
Loan decision within 7 to 20 days - #, %	Increased funds available at time of need
Initial disbursement ordered 4 days after receipt of loan closing documents - #, %	Improved customer satisfaction due to simplified and less burdensome processes
Loans approved - #, %	Reduced costs to Government
Loan processing redesigned	Higher quality lending decisions
Applicant income verified by IRS - #, %	-

OBJECT CLASS	DISASTER (\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1994 Conference	1997 Request
Compensation	62,859	104,261	78,819	14,344	16,400
Benefits	9,184	14,377	13,903	8,058	4,200
Travel	22,257	35,239	18,639	28,465	700
Transportation	40	124	314	446	100
Rents & Communication	8,582	11,379	14,033	19,927	600
Printing	502	1,294	431	820	100
Other Services	5,187	13,484	10,533	14,000	4,200
Supplies	1,023	2,693	1,533	2,200	300
Equipment	2,299	6,768	2,798	3,980	1,000
Grants	0	0	0	0	0
TOTAL	109,733	189,819	141,068	199,000	27,600
FTE	1,728.00	2,522.00	2,294.75	1,884.00	1,000.00

**FY 1997 CONGRESSIONAL SUBMISSION
GOVERNMENT CONTRACTING AND MINORITY ENTERPRISE DEVELOPMENT
SUMMARY**

Government Contracting & Minority Enterprise Development (GC&MED) includes five divisions that encompass direction of Agency Government Contracting, Minority Enterprise Development, Technology, and Size Standards at the Small Business Administration. These decision units include:

1. Immediate Office
2. Office of Government Contracting
3. Office of Minority Enterprise Development
4. Office of Technology
5. Size Standards

OBJECT CLASS	GOVERNMENT CONTRACTING AND MINORITY ENTERPRISE DEVELOPMENT (\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	33,150	19,121	18,031	11,007	11,327
Benefits	5,714	3,090	4,045	2,267	2,439
Travel	831	545	795	951	951
Transportation	6	0	31	22	22
Rents & Communication	8	1	18	7	7
Printing	82	56	30	109	109
Other Services	1,184	1,502	1,618	844	5,844
Supplies	37	63	62	127	127
Equipment	72	357	486	232	232
Grants	37,190	29,833	7,554	2,570	1,600
TOTAL	78,274	84,568	32,668	18,136	22,658
FTE	701.70	383.30	294.74	235.00	241.00

**FY 1997 CONGRESSIONAL SUBMISSION
ASSOCIATE DEPUTY ADMINISTRATOR FOR
GOVERNMENT CONTRACTING AND MINORITY ENTERPRISE DEVELOPMENT
IMMEDIATE OFFICE**

PROGRAM DESCRIPTION:

The Office of the Associate Deputy Administrator for Government Contracting and Minority Enterprise Development (ADA/GC&MED) is responsible for the administration of three offices: the Office of Government Contracting including procurement policy and liaison; the Office of Minority Enterprise Development; and the Office of Technology. These offices manage the principal government contracting assistance programs of the Small Business Administration (SBA) by providing opportunities for small, disadvantaged and women owned businesses in Federal procurement, and by promoting the development of businesses owned by socially and economically disadvantaged individuals.

OBJECT CLASS	GC/MED IMMEDIATE OFFICE (\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	748	142	321	183	188
Benefits	133	34	60	38	40
Travel	53	12	20	25	25
Transportation	0	0	0	0	0
Rents & Communication	0	0	0	0	0
Printing	2	0	6	0	0
Other Services	11	87	100	5	5
Supplies	0	5	4	1	1
Equipment	0	62	5	1	1
Grants	0	0	0	0	0
TOTAL	947	342	616	283	260
FTE	12.80	8.80	10.63	4.00	4.00

FY 1997 CONGRESSIONAL SUBMISSION
GOVERNMENT CONTRACTING AND MINORITY ENTERPRISE DEVELOPMENT
OFFICE OF GOVERNMENT CONTRACTING

PROGRAM DESCRIPTION:

It is essential to the vitality of the small business community that SBA continue to aggressively pursue opportunities for government contracts and subcontracts. Each fiscal year, these opportunities result in billions of dollars in contract and subcontract awards to small business firms which create the engine that drives and encourage creativity, new ideas, competition, lower costs, requests for capital to expand business operations and, most importantly, the creation of jobs.

Recent Federal procurement reform has resulted in significant changes in the way procurement opportunities will be available for small business concerns. The Office of Government Contracting is a critical factor and key element in meeting the needs and creativity necessary to assist the small business community during this very challenging time.

Through Procurement Center Representatives (PCRs) the Prime Contracts Program increases small business opportunities in the Federal acquisition process through initiation of small business set-asides and through the promotion of the breakout of historically sole source items for full and open competition. Activities covered by PCRs, contracts valued at \$11 billion were set aside for small businesses in FY 1995. This was a slight decrease from \$11.4 billion in FY 94, but an increase from FY 92 (\$10.2 billion) and FY 93 (\$10.7 billion). In addition, over \$136.2 million was saved through the recommendation of full and open competition on formerly sole source procurements.

Here is an example of how a PCR helped a small business in Franklin, NC. DUOTECH wanted to repair electronic components when the manufacturing data or drawings, usually required for repair, were not available. A PCR introduced the company to the Air Force technical staff and arranged for a visual demonstration. Because of this PCR-arranged demonstration, DUOTECH now has 50 repair contracts at McClellan Air Force Base; in addition, using the firm has saved the Government over \$1.5 million in the last two years.

The Office of Government Contracting designed the Women-owned Business Procurement Pilot Program. This pilot program was developed to increase Federal contract awards to women-owned small businesses. This project is being carried out in cooperation with 11 other Federal agencies. The program utilizes

innovative initiatives to identify, train and assist women business owners in their efforts to sell to government agencies and large prime contractors.

Through Commercial Market Representatives (CMRs) the Subcontracting Assistance Program assists small businesses in obtaining subcontracts with large business Federal contractors. The CMRs reviewed 879 large business and referred 2,557 small business to those large firms. Of those small business referred, \$138.2 million was awarded in 1995.

A Trenton, NJ, company, which manufactures IBM compatible computers, is an example of a company that is thriving because of the efforts of a CMR. It contacted a CMR because it was interested in doing business with Fortune 500 companies and did not know how to promote its products. The CMR recognized a need for the company's capabilities in the pharmaceutical and aerospace industries. He marketed the firm to Janssen Pharmaceutical, a division of Johnson & Johnson, and to Lockheed Martin Service Company. Based on the help of the CMR, the firm received subcontracts from both companies. This increased the firm's sales by over \$2 million.

The Certificate of Competency (COC) Program is an appeal process available to the low, responsive small business offeror, who is proposed for the denial of a prime contract by a Government contracting officer. Through this Program, 299 COCs were issued in fiscal year 1995 at a value of \$155.6 million to small businesses that would otherwise have been denied the contract award. By awarding these contracts to the lowest bidder, the Government saved over \$17 million.

A St. Louis, MO, company and its 80 employees believe its continued existence is due to the COC Program. The firm supplies high-tech optical instruments to the Department of Defense. Although it was the low bidder on a contract, the contracting officer did not believe it could supply the needed products within the required delivery schedule. SBA conducted an intensive review, awarded the firm with the COC and the contract was awarded. Not only does DOD say that the company is doing a great job, but the Government saved \$350,000 by using the lowest bidder.

The Natural Resource Sales Assistance Program enables small businesses to obtain a fair share of Federal property and natural resources offered for sale or lease. If this Program did not exist, small businesses would not have been awarded 1,406 individual Federal timber sales, representing approximately 966 million board feet of saw timber at a return to the government of \$320 million in fiscal year 1994.

Program Goals

- A. Improve communication and coordination with Regional Administrators and District Directors.
- B. Counsel and train small businesses and GC staff on the Federal Acquisition Streamlining Act, Federal Acquisition Reform Act, Electronic Commerce/Electronic Data Interchange, and the Defense Loan and Technical Assistance Pilot Program (DELTA).
- C. Advocate the interests of small business in the consolidation of purchase requirements and contracts (contract bundling).
- D. Focus greater emphasis on the goaling process as a means of improving opportunities for small business, including 8(a) firms.
- E. Ensure that regulatory reform adequately considers the interests of small business.

Performance Indicators

OUTPUTS	INTERMEDIATE OUTCOMES
PCR review of purchase actions and CMR reviews of large prime contractors contributed to an expected \$58.1 billion in prime and subcontract awards to small business. Set-aside awards to small business initiated by PCRs totaled \$387.7 million. Contracts awarded to small business initiated by CMRs totaled \$138.2 million.	Increased share of Federal contracts and subcontracts to small business
Breakout recommendations and other activities resulted in over \$135 million in savings.	Improved competition, increased share of Federal contracts and increased savings to the Government
Issuance of 299 COC's with a value of \$155.8 million resulted in savings of \$17 million.	Increased share of government contracts
Developed and implemented pilot program to assist women-owned businesses - 11 agencies now participating.	Increased share of government contracts for women-owned businesses
Initiated set-asides in connection with Federal timber sales - 1,408 sales to small business; 968 million board feet; \$320 million return to Government.	Improved competition

OBJECT CLASS	GOVERNMENT CONTRACTING-HQ (\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	14,919	2,077	1,904	1,188	1,222
Benefits	2,355	362	377	245	263
Travel	521	90	225	300	300
Transportation	0	0	31	0	0
Rents & Communication	4	0	0	0	0
Printing	20	38	13	60	60
Other Services	823	1,141	1,017	214	214
Supplies	23	17	14	15	15
Equipment	37	62	408	60	60
Grants	29,600	17,000	0	0	0
TOTAL	48,302	21,387	3,989	2,080	2,134
FTE	283.30	33.90	18.23	25.00	26.00

FY 1993 Actual includes field component.

OBJECT CLASS	GOVERNMENT CONTRACTING FIELD (\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	-	12,776	11,305	6,868	6,862
Benefits	-	2,022	2,840	1,373	1,478
Travel	-	258	373	449	449
Transportation	-	0	0	22	22
Rents & Communication	-	1	17	0	0
Printing	-	1	0	0	0
Other Services	-	9	52	170	170
Supplies	-	8	25	100	100
Equipment	-	0	1	150	150
Grants	-	0	0	0	0
TOTAL	-	18,078	14,413	8,932	9,231
FTE	-	233.00	181.34	142.00	144.80

See Government Contracting HQ for FY 1993 Actual.

**FY 1997 CONGRESSIONAL SUBMISSION
GOVERNMENT CONTRACTING AND MINORITY ENTERPRISE DEVELOPMENT
OFFICE OF MINORITY ENTERPRISE DEVELOPMENT**

PROGRAM DESCRIPTION:

The mission of the Office of Minority Enterprise Development (MED) is to assist disadvantaged businesses to participate more fully and successfully in the mainstream National economy. MED fulfills its mission by managing national programs that provide marketing, managerial, technical, and procurement assistance to help eligible businesses achieve their full competitive potential. This assistance is provided through two principal program areas: business development, and management and technical assistance. Through these programs, MED ensures that its customers have access to the full range of developmental services offered by the agency through its field offices and resource partners.

OTHER INFORMATION:

Through award of sole-source and limited-competition contracts, pursuant to Section 8(a) of the Small Business Act, MED provides a logical, systematic approach to market access and enterprise growth to businesses owned and controlled by economically and socially disadvantaged individuals. Program design promotes competitive development of participating firms over a nine year period. Participant progress is monitored and measured, and developmental needs are determined through an annual review of firms' business plans.

At present, approximately 5,653 firms participate in the program. During FY 1995, program participants received 6,367 contracts, with total contract actions valued at approximately \$5.2 billion.

By channeling contract opportunities to minority-owned firms, MED enabled them to gain real experience in selling to the U.S. Government, earn reasonable profits, increase capitalization, and develop foundations for expansion into competitive government and commercial markets. Two examples of the impact of the program follow.

A construction firm located in America's heartland had been in business for about six years when it entered the 8(a) Program. At the time, the firm's yearly revenue was under \$1 million. The firm now has 27 employees and recent yearly earnings exceeded \$5 million. With 7(j) Program assistance, the firm also improved its managerial and accounting capabilities.

A woman-owned business on the West Coast had three employees when it entered the 8(a) Program. The firm, a temporary staffing service, now has 150 employees and revenue has grown by over 300 percent. Through 7(j) Program assistance and the 7(j)-supported Executive Education Program at Dartmouth College, the company was able to improve its potential for success and was recently honored as a 1995 contractor of the year.

During FY 1995, MED completed 1,307 initial applications for program participation, with an average processing time of 94 days, and completed 334 requests for reconsideration of previously declined applications, with an average processing time of 62 days. In FY 1995, MED also terminated 160 firms from the program that were found to be ineligible for continued participation.

Under Section 7(j) of the Small Business Act, MED provides management and technical assistance to eligible firms. Assistance includes specialized training, professional consultant assistance, and high-level executive development. This training and technical assistance is provided to 8(a) program participants, other small disadvantaged businesses, low-income individuals, and small businesses in labor-surplus areas or areas with a high proportion of low-income individuals.

In FY 1995, 4,604 individuals received management and technical assistance in the form of counseling and training under the 7(j) program. Among individuals participating in management and technical assistance programs, senior executives from 190 8(a) firms participated in SBA's executive development programs at Dartmouth College and Clark-Atlanta University. These programs are designed to increase firm growth, competitiveness, and overall profitability as program participants transition from sheltered markets to full competition in Federal and commercial marketplaces.

The MED department is organized into three functional units: the Division of Program Certification and Eligibility, Division of Business Development, and Division of Operations.

The **Division of Program Certification and Eligibility** formulates, implements, and administers Agency policy relating to all aspects of 8(a) program eligibility including screening and processing all applications for program participation, reviewing and evaluating financial statements and other submissions from

participating firms to ascertain continued eligibility, and processing recommendations that participants be terminated or graduated from the program

The Division decides protests and appeals of self-certifications of small disadvantaged business status made in connection with the subcontracting program authorized by section 8(d) of the Small Business Act, and the Department of Defense Small Disadvantaged Business Program authorized by section 1207 of Public Law

The Division of Business Development formulates, implements, and administers Agency policy relating to all aspects of 8(a) business development, including servicing program participants, and providing procurement support to these firms. The Division is the principal point of contact between SBA and other Federal departments and agencies for all 8(a) contracts matters. A primary responsibility of the Division is coordinating the efforts of the various Federal procurement activities to assure that appropriate contracting opportunities are made available for the 8(a) program. To this end, in conjunction with SBA's Office of Government Contracting, MED participates in the annual negotiation with all Federal agencies and departments in establishing goaling for 8(a) and small disadvantaged prime and subcontracting.

The Division of Operations provides administrative support to MED including information resource management, budget, personnel, travel, training and management controls. The Division prepares and issues internal and external reports on program activity (including those mandated by statute), and drafts, clears, and disseminates program regulations, standard operating procedures, and other guidance documents.

FY 1997 INITIATIVE:

For FY 1997, the SBA proposes to administer a significant portion of its section 7(j) program through its SBDC resource partners.

The MED's proposal includes a program increase of \$5 million consistent with the recommendations of the White House Review of Affirmative Action Programs to "mend not end affirmative action". This increase will provide resources for improved processing of 8(a) applications and determination of small disadvantaged business status. It will also provide for re-engineering and automation of business processes to enable staff to devote more time to providing

hands-on business development assistance to firms participating in the program. Finally, it provides for expansion of the executive development program to help a greater number of program participants achieve full competitive viability in the commercial and government marketplace at the earliest possible opportunity.

Program Policy Performance Goals

- A. Improve customer service by increasing the speed with which applications and requests for reconsideration are processed.
- B. Expand business development opportunity for program participants by increasing the percentage of firms that receive contracts under the program.
- C. Improve program efficiency and quality of service delivered by re-engineering and automating processes.

Performance Indicators

OUTPUTS	INTERMEDIATE OUTCOMES
3,400 initial 8(a) applications will be processed, 100% within 90 days; 1300 requests for reconsideration will be processed, 100% within 45 days.	Application review streamlined and production tracked to increase processing efficiency and timeliness.
6,900 firms will participate in the 8(a) program. 500 8(a) firms will participate in 7(I) executive development programs.	Increased number of disadvantaged firms have access to business developmental experiences. Increased long-run firm success based on greater participation in focused training.
75% of 8(a) program participants will receive contract awards.	Increased number of disadvantaged firms participate in the Federal marketplace.
6,400 contracts actions valued at \$4.6 billion will be awarded to 8(a) program participants.	Disadvantaged firms secure an increased share of Federal requirements.

OBJECT CLASS	MINORITY ENTERPRISE DEVELOPMENT (\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	16,920	3,180	3,633	2,193	2,256
Benefits	3,142	527	784	451	486
Travel	248	147	158	120	120
Transportation	6	0	0	0	0
Rents & Communication	0	0	1	0	0
Printing	29	6	7	4	14
Other Services	188	27	149	254	5,254
Supplies	13	26	19	9	9
Equipment	25	228	72	20	20
Grants	7,590	7,062	7,554	2,570	1,600
TOTAL	28,161	11,203	12,377	5,631	9,759
FTE	396.10	66.00	66.82	47.00	48.00

FY 1993 Actual includes field component.

**FY 1997 CONGRESSIONAL SUBMISSION
GOVERNMENT CONTRACTING AND MINORITY ENTERPRISE DEVELOPMENT
OFFICE OF TECHNOLOGY**

PROGRAM DESCRIPTION:

SBA's Office of Technology administers the Small Business Innovation and Research (SBIR) program and the Small Business Technology Transfer (STTR) program. Through these two programs, SBA directs the federal government's efforts to facilitate the flow of innovative new products and services to the American marketplace by the Nation's small businesses. Research and development that benefits our national defense, promotes health and safety, improves our highways and airports is vital to the interests of the country. SBA, through the SBIR and STTR programs, ensures that innovative ideas developed by quality small businesses are a part of these efforts. As a result, approximately \$1 billion of federal research and development projects are awarded to small businesses each year.

The Small Business Research and Development Enhancement Act of 1992 (Public Law 102-564) re-established SBA as the policy making function directing the activities of 11 other major federal R & D agencies participating in the Small Business Innovation Research (SBIR) program. This legislation re-authorized the SBIR program and directed that its growth would continue, doubling in size to 2.5% of extramural R & D budgets in 1997. In FY 1997 it is anticipated that small businesses will be awarded over \$1.1 billion in approximately 6,000 SBIR awards.

The legislation also established the STTR program as a three year pilot program. This program has grown, with FY 1996 activity anticipated at over \$50 million in R & D awards. We presently anticipate that the STTR program will be re-authorized.

OTHER INFORMATION:

The office manages these programs to meet objectives that fall into two basic categories: (1) to help the Federal government meet its R & D needs by bringing the competitive, creative abilities of entrepreneurs to the Federal process, and (2) to create innovative high technology goods and services derived from government research and development for the marketplace.

Clearly the SBIR program has surpassed original expectations. A GAO report in March of 1995, titled, "Federal Research - Interim Report on the Small Business

Innovation Research Program," surveyed participating agencies and found that R&D projects undertaken in the SBIR and STTR programs are as good or better than similar projects performed by large organizations. Most importantly, the objective of commercializing innovations derived from government research conducted in the SBIR program has far surpassed expectations. High technology innovations have been developed and commercialized in fields such as electronics, computerization, materials, mechanical devices, energy, environment and natural resources, medicine, and biotechnology.

As an example, a company, whose principal R & D business is cancer diagnosis and therapy won SBIR awards totally \$600,000. These awards, in turn, directly assisted the company in attracting over \$1.1 million in private sector funding.

Under STTR, a firm won a NAVY STTR award to develop transistor technology to save power in wireless communications applications. The firm partnered with the University of Virginia on this project. The strength of this partnership attracted additional developmental funding from the Virginia Center for Innovative Technology.

Program And Policy Performance Goals

- A. Increase opportunities and funding to high technology small firms to participate in government R & D.
- B. Provide a well managed, coordinated approach to R & D opportunities for small business.
- C. Encourage the commercialization of high technology products and services resulting from Federal R & D efforts in the SBIR and STTR programs.

Performance Indicators

A careful monitoring and tracking process is maintained for the SBIR and STTR programs. Continuing analysis of the data gathering systems provides clear indication of progress. In FY 1997 the Office of Technology will manage the SBIR program assuring that at least 6,500 awards will be made to small business to participate in Federal R & D. Of those awards at least 4,500 will be for new projects. We estimate that the rate of commercialization will rise even higher by that year. For projects that have completed Phase II for at least two years the present commercialization rate is 24%. The Office of Technology, working with the participating agencies and directing overall program operations, expects to raise that rate to 30%.

Performance measures that will be used in the FY 1997 budget process to assess progress in achieving the objectives:

OUTPUTS	INTERMEDIATE OUTCOMES
SBIR Awards 6,500 Dollars - \$1.1 Billion	Increase small business R&D opportunities. Total fiscal year dollars.

OBJECT CLASS	OFFICE OF TECHNOLOGY* (\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	563	677	572	411	423
Benefits	84	104	137	85	91
Travel	9	11	5	9	9
Transportation	0	0	0	0	0
Rents & Communication	4	0	0	7	7
Printing	31	11	4	35	35
Other Services	162	226	256	185	195
Supplies	1	7	0	1	1
Equipment	10	4	0	1	1
Grants	0	5,171	0	0	0
TOTAL	864	6,211	974	744	762
FTE	9.50	10.00	9.04	9.00	9.00

**FY 1997 CONGRESSIONAL SUBMISSION
GOVERNMENT CONTRACTING AND MINORITY ENTERPRISE DEVELOPMENT
OFFICE OF SIZE STANDARDS**

PROGRAM DESCRIPTION:

The Office of Size Standards is responsible for developing and recommending small business size standards. In this connection, it makes economic studies of industry structure, writes issue papers and other documents for presentation to the Size Policy Board, and prepares Proposed Rules and Final Rules for publication in the Federal Register. The office provides administrative support to the Chairperson of the Size Policy Board (Deputy Administrator) on the Board's activities. It also answers questions from the public on size standards and industry classifications, considers and takes appropriate action on requests to change size standards, reviews and analyzes public comments on proposed rules, and may conduct industry hearings when necessary to accomplish these purposes. The Size Determination Program assures that only eligible businesses are reaping the benefits of the government's small business programs. In fiscal year 1995, SBA performed 617 size determinations as a result of protests received from interested parties.

OBJECT CLASS	SIZE STANDARDS (\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	-	269	296	366	376
Benefits	-	41	47	75	81
Travel	-	27	14	48	48
Transportation	-	0	0	0	0
Rents & Communication	-	0	0	0	0
Printing	-	0	0	0	0
Other Services	-	12	42	6	6
Supplies	-	0	0	1	1
Equipment	-	1	0	0	0
Grants	-	0	0	0	0
TOTAL	-	350	399	496	512
FTE	-	4.60	8.68	8.00	8.00

See Government Contracting HQ for FY 1993 Actual.

**FY 1997 CONGRESSIONAL SUBMISSION
MANAGEMENT AND ADMINISTRATION
SUMMARY**

Management and Administration includes four decision units that encompass internal management and administration at the Small Business Administration. These decision units include:

1. Immediate Office
2. Human Resources
3. Administration
4. Information Resources Management.

The following page delineates summary data for all four decision units, including aggregate personnel and administration expense data. Subsequent pages contain details for each of the four decision units included in Management and Administration.

OBJECT CLASS	MANAGEMENT AND ADMINISTRATION (\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	10,097	9,381	12,424	7,538	7,755
Benefits	4,405	4,180	9,493	5,951	5,669
Travel	942	971	1,311	916	916
Transportation	201	132	337	178	178
Rents & Communication	39,587	37,952	40,312	43,774	50,661
Printing	558	403	525	557	557
Other Services	8,945	8,073	13,436	20,483	21,307
Supplies	536	837	551	589	589
Equipment	228	456	457	723	723
Grants	0	0	0	0	0
TOTAL	65,499	62,385	78,846	80,709	88,355
FTE	218.40	199.30	180.97	161.00	165.00

Note: Technical adjustment made. 1997 request total differs from budget appendix by \$2 million.

FY 1993 and FY 1994 excludes the Office of Program Analysis and Quality Assurance. Also the Office of the Comptroller for FY 1993 thru FY 1994 is reflected in Other Support Offices as the Office of the Chief Financial Officer.

**FY 1997 CONGRESSIONAL SUBMISSION
ASSOCIATE DEPUTY ADMINISTRATOR
FOR MANAGEMENT AND ADMINISTRATION
IMMEDIATE OFFICE**

PROGRAM DESCRIPTION:

The Office of the Associate Deputy Administrator for Management and Administration (ADA/M&A) is responsible for the formulation and recommendation of policies, establishment of standards and procedures, direction, implementation, evaluation and improvement of the Agency's management and administrative support activities. These areas include human resources management, information resources management, administrative services, internal procurement and grants management. The ADA/M&A is also responsible for the management and oversight of the agency's information technology investment. These services are designed to provide efficient management and administrative support to facilitate accomplishment of the Agency's mission and programs.

OBJECT CLASS	MANAGEMENT AND ADMINISTRATION / IMMEDIATE OFFICE (\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	434	198	250	140	141
Benefits	50	24	36	28	30
Travel	0	(50)	0	3	3
Transportation	0	0	0	0	0
Rents & Communication	0	0	0	0	0
Printing	0	0	0	0	0
Other Services	0	(37)	(2)	1	1
Supplies	0	0	0	1	1
Equipment	3	35	2	0	0
Grants	0	0	0	0	0
TOTAL	487	170	286	173	176
FTE	4.90	3.30	2.94	3.00	3.00

**FY 1997 CONGRESSIONAL SUBMISSION
MANAGEMENT AND ADMINISTRATION
HUMAN RESOURCES**

PROGRAM DESCRIPTION:

The Office of Human Resources provides policy direction and coordination of the SBA's human resources program, as well operating human resources services to the entire Agency. Programs administered include recruitment and retention of quality employees; training; executive and managerial development; Senior Executive Service; performance management; classification and position management; employee relations, labor relations and compensation.

OTHER INFORMATION:

- Consistently provides SBA managers, employees and job applicants with quality program leadership, advisory services, and timely personnel and payroll support.
- Provides basic skills, refresher training and advanced skills to employees in SBA's major program areas for the purpose of enhancing consistency, quality and productivity improvement in program operations.
- Improves the performance systems by eliminating unnecessary paperwork, implementing legal or regulatory changes, increasing managerial and employee accountability and tying performance plans to Agency goals.
- Maintains an affirmative recruitment and staffing program to attract and retain a diversified, high potential work force.
- Provides supervisors, managers and executives with training and reinforcement in managerial skills to improve their productivity and that of their organizations and provides a cadre of well developed and qualified candidates for SES, district director and other key managerial positions.
- Assures adequate systems are in place to evaluate the quality of the Agency's personnel management program.
- Effectively manages payroll and benefits.

OBJECT CLASS	HUMAN RESOURCES (\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	2,353	2,183	5,356	2,055	2,115
Benefits	1,101	930	1,979	423	455
Travel	859	886	1,193	672	672
Transportation	0	0	0	0	0
Rents & Communication	15	2	0	2	2
Printing	11	24	3	10	10
Other Services	1,243	1,467	1,334	5,061	5,485
Supplies	19	17	6	10	10
Equipment	0	132	0	5	5
Grants	0	0	0	0	0
TOTAL	3,801	5,841	9,871	8,238	8,784
FTE	56.00	52.40	51.10	44.00	45.30

**FY 1997 CONGRESSIONAL SUBMISSION
MANAGEMENT AND ADMINISTRATION
OFFICE OF ADMINISTRATION**

PROGRAM DESCRIPTION:

The Office of Administration provides policy direction and manages a broad range of administrative functions and services nationwide. The primary objective of the Office of Administration is to ensure that administrative services are provided in an efficient and cost effective manner throughout the Small Business Administration in support of program delivery.

OTHER INFORMATION:

- Manages mail distribution, messenger service, the Agency motor vehicle and parking/carpool programs, copier equipment acquisition and monitoring, and the excess property program.
- Coordinates and controls all paperwork management programs nationwide.
- Directs and manages the Agency's printing functions.
- Directs and coordinates the Agency's records management program.
- Directs and manages the Agency's safety, health, and security programs and provides information to employees nationwide about safety policies.
- Negotiates with the General Services Administration regarding the acquisition and utilization of space on a nationwide basis.
- Implements plans, procedures and standards for administrative supply activities, including storage and shipment of forms and publications nationwide.
- Maintains control over all SBA property and coordinates annual inventories nationwide.
- Coordinates and process administrative tort claims under the Federal Tort Claims Act.

- Processes, awards, and administers contracts, grants, cooperative agreements and other purchasing documents.

OBJECT CLASS	ADMINISTRATION (\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	2,913	2,910	2,799	2,466	2,538
Benefits	2,496	2,556	6,694	4,908	4,546
Travel	22	12	55	45	45
Transportation	201	132	325	177	177
Rents & Communication	33,061	31,608	32,256	34,742	39,442
Printing	546	371	516	546	546
Other Services	1,382	2,566	3,036	2,443	2,443
Supplies	381	563	325	378	378
Equipment	104	157	209	7	7
Grants	0	0	0	0	0
TOTAL	41,106	40,878	46,215	45,712	50,122
FTE	75.40	69.50	61.74	53.00	54.00

**FY 1997 CONGRESSIONAL SUBMISSION
MANAGEMENT AND ADMINISTRATION
CHIEF INFORMATION OFFICER/OFFICE INFORMATION RESOURCES
MANAGEMENT**

PROGRAM DESCRIPTION:

The Office of Information Resources Management (OIRM) manages SBA's information technology efforts nationwide. OIRM assists SBA's field and HQ program offices in identifying ways that information technology can improve service delivery and productivity, in acquiring new technology, and in developing new automated systems. As part of the Agency's Chief Information Officer's function as defined in P.L. 104-106, (Information Technology Management Reform Act of 1996), OIRM works with agency managers to establish goals, performance standards, and monitoring systems to identify how well information technology supports the programs and mission of the Agency.

OTHER INFORMATION:

- Develops and establishes Agency policies and standard operating procedures to effectively strengthen and improve the provision and management of information technology (IT), communications, computer systems analysis, microcomputer systems, and office automation within SBA.
- Plans and conducts feasibility studies for the application of microcomputers, office automation, and communications techniques to the programs and operations of the Agency. Develops and maintains such systems for collecting, compiling, and reporting agency information.
- Provides oversight and guidance to SBA program and staff offices in the selection of information technology investments made by the Agency, the management of these investments, and the evaluation of the results of each investment.
- Cooperates with other Federal agencies, private sector organizations, and IT vendors in exploring advanced technology and in promoting the interchange of data. Submits reports to other offices and agencies, as required.
- Provides technical and operational advice and support by serving as a central point of contact for all hardware, communications, and software problems experienced by SBA personnel nationwide.

- Assures the establishment and maintenance of systems that provide for the highest level of validity, accuracy, utility, and completeness of SBA's system of collecting, storing, and retrieving information.
- Plans, directs, administers, and monitors an integrated computer security program, in compliance with P.L. 100-235 and OMB Circular A-130, to ensure the protection of sensitive information and valuable assets maintained on SBA computer systems and local and wide area telecommunications networks. Evaluates user compliance with security procedures through periodic examination of controls.
- Provides IT and telecommunications support at a level that enables SBA program staff and field office personnel to provide responsive service to the public. These activities include implementing software for streamlining loan processing and servicing; providing executive information systems for enhanced decision-making; and developing software for improved client tracking and data sharing.

OBJECT CLASS	OFFICE OF INFORMATION RESOURCES MANAGEMENT (\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	4,397	4,090	4,019	2,877	2,961
Benefits	758	670	784	592	638
Travel	61	123	63	196	186
Transportation	0	0	12	1	1
Rents & Communication	6,511	6,342	8,056	9,030	11,217
Printing	1	8	6	1	1
Other Services	6,320	4,077	9,068	12,978	13,378
Supplies	136	257	220	200	200
Equipment	121	132	246	711	711
Grants	0	0	0	0	0
TOTAL	18,305	15,699	22,474	26,586	29,303
FTE	82.10	74.10	65.19	61.00	63.00

**FY 1997 CONGRESSIONAL SUBMISSION
ADVOCACY**

PROGRAM DESCRIPTION:

The Office of Advocacy continues to work toward a positive economic and governmental environment for small business. Within that broad goal are specific objectives which, to a large degree, are reflected in the organizational unit structure of the office: Economic Research, Information, and Interagency Affairs.

The special event that occurred during Fiscal Year 1995 was the White House Conference on Small Business. The Office of Advocacy was charged by the President and the Congress with the development of issues for the Conference. The implementation process for issues developed at this conference will continue through part of FY 1997. The activity will continue to be conducted into FY 1997 to increase public awareness of the essential contribution of small business to the Nation; to identify the problems of small business and; to examine the status of minorities and women as small business owners.

OTHER INFORMATION:

Data Base

The principal source of information about the contributions of small business to the American economy is the Office of Advocacy's Small Business Data Base (SBDB). This data base is the only publicly available source of detailed information on the contribution of small business to the economy. Its development and maintenance has been and will continue to be the most important budgetary priority of the Office of Advocacy. The SBDB is developed with no paperwork burden to the small business community through our contractual relationship with the Bureau of Census.

The Office of Advocacy anticipates that the outside flow of specific data requests will continue at previous year levels, as Advocacy remains the single best source for a wide variety of information about small business. Advocacy also anticipates that specific data requests from SBA program offices and regional and district offices will increase due to downsizing. Major increases and requests for information and assistance from SBA program offices (CLA, OPC, and WBO) as well as the House Small Business Committee are occurring in FY 1996.

Economic Policy Research

Externally conducted research, while not listed separately within Advocacy's overall research budget, is itemized internally and deserves separate mention. The Office of Advocacy has, in the past several years, spent between \$500,000 and \$800,000 annually on contracted research -- studying such issues as health care coverage in small business, bank lending, pension coverage, family leave, home-based businesses, capital formation in small business, small business' share of federal procurement, and workplace literacy programs. Each research project typically takes from one to two years to complete, most must be approved by the Chief Counsel, and in some cases require approval of the Office of Management and Budget's Office of Information and Regulatory Affairs (OIRA).

Starting in FY 1990, OIRA implemented, for all survey studies, an 80 percent response goal that has been rigorously enforced at SBA. This has increased our project costs substantially by requiring telephone follow-up and additional mail surveys. In past years, the money spent on contracted research could be expected to fund between seven and twelve research projects per year. For FY 1996, we anticipate spending approximately \$600,000 on contracted research, which will likely fund only six to eight projects.

OBJECT CLASS	ADVOCACY (\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	3,263	2,775	3,439	2,701	2,773
Benefits	641	532	610	555	597
Travel	26	35	146	50	50
Transportation	0	1	13	0	0
Rents & Communication	3	1	0	1	1
Printing	23	60	165	75	75
Other Services	1,247	74	3,568	34	1,714
Supplies	25	18	9	18	18
Equipment	134	5	8	5	5
Grants	0	2,589	0	0	0
TOTAL	5,362	6,090	7,956	3,439	5,233
FTE	60.90	48.30	48.88	56.00	59.00

Note: Technical adjustment made. FY 1996 conference total and FY 1997 request total differs from budget appendix by \$2 million.

**FY 1997 CONGRESSIONAL SUBMISSION
EXECUTIVE DIRECTION
SUMMARY**

PROGRAM DESCRIPTION:

The office that are included in Executive Direction, develop and execute the Small Business Administration's policies and programs and serve as liaisons to the small business community. They also strive to meet the four goals established by the President.

- Increase Access to Capital
- Reduce Paperwork and Regulations
- Reinvent and Reorganize the Agency
- Provide business education, counseling, and training
- Serve as the President's Eyes and Ears

OTHER INFORMATION:

The office that make up Executive Direction include:

- Office of the Administrator
- Office of the General Counsel
- Office of Congressional and Legislative Affairs
- Office of Hearing and Appeals
- Office of Communications and Public Liaison
- Office of Field Operations
- Office of Equal Employment Opportunity and Civil Rights Compliance
- Office of the Chief Financial Officer

The following chart delineates summary data for all offices under Executive Direction including aggregate personnel and administration expense data. Subsequent pages contain details for each of the offices included in Executive Direction.

OBJECT CLASS	EXECUTIVE DIRECTION SUMMARY (\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	41,348	14,854	13,893	7,811	8,037
Benefits	7,971	2,986	3,335	4,507	2,330
Travel	1,008	771	685	1,099	1,099
Transportation	35	31	5	14	14
Rents & Communication	38	50	23	57	57
Printing	168	434	648	679	679
Other Services	1,980	1,585	2,509	5,600	6,200
Supplies	337	171	139	177	177
Equipment	122	356	527	85	85
Grants	0	0	0	0	0
TOTAL	53,007	21,238	21,764	26,029	18,678
FTE	804.50	272.50	254.80	168.00	171.00

**FY 1997 CONGRESSIONAL SUBMISSION
EXECUTIVE DIRECTION
OFFICE OF THE ADMINISTRATOR**

PROGRAM DESCRIPTION:

The Office of the Administrator is responsible for the day to day operations of the agency. The Administrator, as a Member of the President's Cabinet, represents the Administration and the Agency within the small business community. The Deputy Administrator serves as chief operating officer managing the senior management staff, developing policy and monitoring agency programs. The Office of the Administrator also includes the office of Executive Secretariat which monitors correspondence, in and out of central office.

OBJECT CLASS	EXECUTIVE DIRECTION OFFICE OF THE ADMINISTRATOR (\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	16503	1411	1,388	731	752
Benefits	2,903	391	295	150	182
Travel	749	100	63	65	65
Transportation	27	31	0	14	14
Rents & Communication	22	0	0	0	0
Printing	82	4	6	7	7
Other Services	210	69	19	23	23
Supplies	17	34	5	2	2
Equipment	7	27	3	2	2
Grants	0	0	0	0	0
TOTAL	20,520	2,067	1,779	994	1,027
FTE	271.10	32.20	20.22	16.00	16.00

FY 1993 Actual includes field component.

FY 1997 CONGRESSIONAL SUBMISSION
EXECUTIVE DIRECTION
GENERAL COUNSEL

PROGRAM DESCRIPTION:

The Office of General Counsel (OGC) provides legal advice to the Administrator and other key officials on the development and execution of Agency policies, programs and administration. In addition, consistent with the reorganization of SBA, the Office of General Counsel has full responsibility for the technical and professional guidance of all SBA counsel located in Headquarters and the field, including a specific duty to insure that all of the Agency's legal responsibilities are fulfilled.

Immediate Office

Provides executive direction to all legal activities. Provides technical and professional guidance and coordinates administrative and technical supervision of legal operations in the field. Provides written opinions and informal advice to various agency components. Prepares and issues various publications. Maintains a law library. Performs a variety of special assignments for the Administrator. Contributes to the overall effective management and policy development process of the Agency.

Office Of Finance And Legislation

Provides counsel regarding the investment, business loan, and disaster loan programs. Drafts Agency regulations and prepares legislative proposals and proposed reports and recommendations to Congress and OMB regarding pending legislation.

Office Of Litigation

Develops and oversees the plans, procedures and standards for management of most SBA litigation and handles all defensive and precedent-setting claims cases. Coordinates with the Department of Justice on agency civil litigation. Conducts administrative proceedings to enforce compliance with the Small Business Act and its regulations. Oversees operations of two Field Debt Collection Litigation Centers.

Office Of General Law

Counsels officials in all administrative and program areas excluding financial programs. Represents the Agency in contract appeals and protests before the Comptroller General, GSA Board of Contract Appeals and the Armed Services Board of Contract Appeals. Oversees operations of Field Administrative Law Litigation Center.

Office Of SBIC Litigation And Field Operations

Conducts litigation, including Federal court action or administrative proceedings, needed to remove Small Business Investment Companies (SBICs) from the program and to collect money owed to SBA by such SBICs. Oversees, with the assistance of Senior Area Counsel, the operation of all SBA field attorneys.

District And Branch Operations

Coordinates and provides legal services and support for program operations in SBA field offices, with support and direction from headquarters.

Field Litigation Support

Support Teams of experienced legal staff, dedicated to improving our performance in field litigation matters (concentrating primarily on debt collection and complicated administrative law litigation). Debt collection teams will concentrate on complex litigation involving the recovery of funds owed to the Agency. Administrative teams will coordinate complex MSPB, EEO, labor arbitration and administrative matters.

OBJECT CLASS	EXECUTIVE DIRECTION GENERAL COUNSEL (\\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	15453	2858	2,867	1,918	1,974
Benefits	3,389	589	592	395	425
Travel	122	166	59	80	80
Transportation	6	0	0	0	0
Rents & Communication	0	8	3	6	6
Printing	30	29	9	30	30
Other Services	165	(95)	428	250	250
Supplies	180	54	82	66	66
Equipment	3	25	82	4	4
Grants	0	0	0	0	0
TOTAL	19,348	3,634	4,123	2,749	2,835
FTE	323.20	41.30	38.58	41.00	42.00

FY 1993 Actual includes field component.

**FY 1997 CONGRESSIONAL SUBMISSION
EXECUTIVE DIRECTION
CONGRESSIONAL AND LEGISLATIVE AFFAIRS**

PROGRAM DESCRIPTION:

The Office of Congressional and Legislative Affairs (CLA) has two principal functions. The first is to devise and implement a legislative strategy. The second is to provide a focal point for communications with the Congress, the White House and other agencies that further the goals of the Small Business Administration and enables members of Congress to better serve their small business constituency.

This office assists in the development of the Agency's legislative program in cooperation with affected offices, the Office of General Counsel and the Office of Management and Budget. CLA also informs the staffs and members of the House and Senate Small Business, Budget and Appropriations Committees of the Administration's legislative and budgetary policies and programs on a regular basis.

This office oversees and coordinates Agency participation in congressional hearings; advises and assists Agency leadership in the Headquarters office and throughout the field organization with respect to specific inquiries made by members of Congress or their staffs about budget issues, legislation, appropriations, oversight and other Congressional activities.

The Office of Congressional and Legislative Affairs will continue to maintain an efficient and effective communications liaison between the SBA, the Congress, White House, OMB and other Federal entities.

OBJECT CLASS	EXECUTIVE DIRECTION CONGRESSIONAL AND LEGISLATIVE AFFAIRS (\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	573	637	625	548	564
Benefits	84	109	144	113	121
Travel	3	4	4	7	7
Transportation	0	0	0	0	0
Rents & Communication	0	0	0	0	0
Printing	0	0	0	0	0
Other Services	32	26	21	32	32
Supplies	1	7	1	11	11
Equipment	6	39	1	1	1
Grants	0	0	0	0	0
TOTAL	699	822	796	712	736
FTE	10.70	12.20	10.49	12.00	12.00

**FY 1997 CONGRESSIONAL SUBMISSION
EXECUTIVE DIRECTION
HEARINGS AND APPEALS**

PROGRAM DESCRIPTION:

The Office of Hearings and Appeals (OHA) has two major functional areas: formal adjudication, by its Administrative Law Judges, of disputes arising in numerous jurisdictional areas; and the processing of Freedom of Information (FOIA) and Privacy Act (PA) appeals for the Agency.

In adjudicating appeals, OHA has jurisdiction in a number of areas. These include, among others, 8(a) eligibility, suspension, and termination appeals and salary offset cases which, by statute, must be decided by Administrative Law Judges; and appeals from Agency formal size determinations, Contracting Officer designations of Standard Industrial Classification (SIC) codes for procurements, government-wide, and administrative offset cases which, by Agency regulation, must be decided by Administrative Law Judges. OHA judges decide cases independently with formal written decisions, consisting of findings of fact and conclusions of law, based on statute, regulation, and case law. OHA's adjudicatory activities play a significant role in the Agency's overall regulatory responsibility, particularly in its attempt to improve the implementation and effectiveness of SBA regulations and procedures in the substantive areas for which OHA is responsible. OHA also lends consistency and continuity to Agency actions; in particular, OHA decisions accord fairness and due process of law to all parties and uphold the integrity and public image of the Agency.

In addition to processing FOIA/PA appeals, OHA also provides technical assistance in these substantive areas to Agency officials.

OHA and FOIA/PA appeals are initiated by the constituencies that are affected by the above determinations, so OHA cannot control the numbers of appeals. Because of previous retirements and resignations by OHA judges, this Office accumulated a significant backlog, which it was able to eliminate completely through the addition of one Administrative Law Judge and a staff attorney. OHA's current personnel level, as well as the miscellaneous requests for supplies, equipment, and other services are essential to maintain currency in its caseload.

OBJECT CLASS	EXECUTIVE DIRECTION HEARINGS AND APPEALS (\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	1032	680	621	319	329
Benefits	153	104	99	66	71
Travel	2	0	0	2	2
Transportation	2	0	0	0	0
Rents & Communication	0	0	0	0	0
Printing	0	0	0	0	0
Other Services	27	4	(34)	9	9
Supplies	9	2	0	4	4
Equipment	0	0	1	1	1
Grants	0	0	0	0	0
TOTAL	1,225	790	687	401	416
FTE	16.80	14.80	9.99	7.00	7.00

**FY 1997 CONGRESSIONAL SUBMISSION
EXECUTIVE DIRECTION
COMMUNICATIONS AND PUBLIC LIAISON**

PROGRAM DESCRIPTION:

The Office of Communications and Public Liaison (CPL) plays the chief role in articulating, explaining and promoting Agency policy and goals to the national and local news media, to the small business community, to opinion makers and advocates; and therefore has a key role in shaping the American public's perception of the Small Business Administration.

CPL consolidates the communications and outreach functions within the Small Business Administration and is responsible for assuring a coordinated, effective communications effort for the public. It ensures that the SBA's mission, programs, services and initiatives are articulated clearly and consistently to the American public and the small business community. CPL is set up to act as a resource for the program offices and field staff. The office supports their media relations, communications, and marketing and outreach efforts through these distinct functions.

The Office of Public Communications (OPC) has the chief responsibility for public affairs coordination. Public affairs specialists serve as media liaisons for the various SBA programs, and as spokespersons for the Agency, with each affairs specialist covering specific areas of expertise. It proactively provides information to the news media and to the public as well as responding to inquiries. OPC also handles all press briefings on SBA programs for the Administrator and other SBA principals.

OPC develops and implements effective communications strategies to ensure that SBA's mission, programs, services and initiatives are articulated clearly. OPC also supports field and program offices with their planning and implementation of effective communications strategies. OPC disseminates weekly information packets to field offices and provides them with support on specific media relations efforts. Support efforts include developing print, radio and television public service announcements and newspaper and magazine articles.

The Office of Marketing and Customer Service is designed to be a corporate marketing resource to program and field offices as they deliver services. The Office is comprised of two functions. While the SBA has always collected data and statistics on the small business community at large, it has never used them to

measure its own performance. The new Market Research division surveys end users of SBA's services to monitor the Agency's success and to elicit regular feedback from SBA's customers on its performance. Surveys solicit input from small business owners, resource partners and SBA employees on SBA products and services, and on new initiatives.

The Product Development division creates strategies for comprehensive awareness campaigns to promote new and existing SBA programs. It also develops publications, videos, slide shows and trade fair presentations. Furthermore, the division provides writing and editorial services to program and field offices. Finally, Graphics and Design provides original artwork, layout and design for SBA publications, program announcements and special events.

The Office of External Affairs is a liaison to small business advocates and to the small business community. There are two divisions: The External Affairs function works with small business advocates and trade associations. The Advisory Councils function manages the National Advisory Council and oversees the activities of the Agency's district councils. The National Advisory Council is an umbrella group composed of senior business leaders who provide expert advice, ideas and diverse opinions on Agency programs and small business issues.

**EXECUTIVE DIRECTION
COMMUNICATIONS AND PUBLIC LIAISON**
(*\$ in thousands*)

OBJECT CLASS	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	570	1902	1,854	959	987
Benefits	119	411	485	197	213
Travel	13	93	28	83	83
Transportation	0	0	0	0	0
Rents & Communication	0	0	0	0	0
Printing	45	319	570	547	547
Other Services	50	132	134	43	33
Supplies	4	13	18	13	13
Equipment	11	50	37	1	1
Grants	0	0	0	0	0
TOTAL	812	2,920	3,128	1,833	1,877
FTE	13.30	17.50	38.02	20.00	21.00

FY 1997 CONGRESSIONAL SUBMISSION
EXECUTIVE DIRECTION
OFFICE OF FIELD OPERATIONS

PROGRAM DESCRIPTION:

The Office of Field Operations serves as the focal point between the field and headquarters for policy and program development and implementation.

This office is responsible for establishing and monitoring the goals for the districts. These goals helped the agency dramatically increase the number of loans made to small businesses during FY 1994 and FY 1995, and have increased the number of small businesses receiving technical assistance.

OTHER INFORMATION:

The Office of Field Operations functions include:

- Acting as a liaison between the delivery system in the field and headquarters officials in developing and delivering programs and policies.
- Working together with the field and headquarters in establishing strategic plans for each field office.
- Establishing and monitoring performance goals for the field offices.
- Serving as the Agency's representative on the inter-agency task force implementing the Empowerment Zone/Enterprise Community Initiative.
- Working with field offices, local communities, and other partners to establish One Stop Capital Shops in Empowerment Zone and Enterprise Communities.
- Conducting performance ratings and addressing various personnel management matters for district and regional offices.
- Serving as a liaison between the field and headquarters in administrative areas including budget and personnel management.

OBJECT CLASS	EXECUTIVE DIRECTION FIELD OPERATIONS (\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	-	438	453	366	376
Benefits	-	107	113	75	81
Travel	-	227	422	699	699
Transportation	-	0	5	0	0
Rents & Communication	-	0	0	0	0
Printing	-	0	2	11	11
Other Services	-	23	274	2,863	2,863
Supplies	-	1	3	5	5
Equipment	-	70	2	2	2
Grants	-	0	0	0	0
TOTAL	-	856	1,274	4,021	4,037
FTE	-	1.30	7.27	8.00	8.00

Note: Technical adjustments made. 1996 Conference total differs from budget appendix by \$3 million.

FY 1997 CONGRESSIONAL SUBMISSION
EXECUTIVE DIRECTION
OFFICE OF EQUAL EMPLOYMENT OPPORTUNITY AND CIVIL RIGHTS
COMPLIANCE

PROGRAM DESCRIPTION:

The Office of Equal Employment Opportunity and Civil Rights Compliance monitors the implementation of and enforces Titles VI and VII of the Civil Rights Act of 1964, as amended; the Civil rights provisions of the Small Business and Disaster Relief Acts; the Equal Credit Opportunity Act of 1974, as amended, Regulation B; Sections 501 and 504 of the Rehabilitation Act of 1973, as amended; the Age Discrimination in Employment Act of 1967; Title VIII of the Civil Rights Act of 1968; Title IX of the Education Amendment Act of 1972; the Civil Rights Act of 1991; the Civil Service Reform Act of 1978; the Equal Pay Act of 1963; the Age Discrimination Act of 1975; the Americans with Disabilities Act of 1990; and other applicable laws, executive orders, management directives and regulations which assure nondiscrimination on the basis of race, color, religion, sex, marital status, national origin, handicap or age.

Office Of Equal Employment Opportunity

The Office of Equal Employment Opportunity (EEO) monitors the effectiveness of the EEO program by assessing the Agency's accomplishment of its National Affirmative Employment Program Plan goals and objectives. An annual Report of Accomplishments is prepared and submitted to the Equal Employment Opportunity Commission for review and evaluation. Agency employees, particularly managers and supervisors, receive a copy of the report. In addition, periodic on-site field office and headquarters evaluations are conducted which include interviews with EEO personnel and employees at all organizational levels. A review and analysis of all personnel actions is conducted as part of the evaluation.

The office also processes and adjudicates EEO complaints filed by Agency employees and applicants for employment; manages the Special Emphasis Programs, i.e., Federal Women's and Hispanic Employment Programs; and conducts EEO training courses throughout the Agency for managers, supervisors, employees and EEO personnel.

Office Of Civil Rights Compliance

The Office of Civil Rights Compliance (OCRC), which includes five Central Office Duty Stations (CODS), monitors direct and indirect recipients of SBA financial assistance to assure nondiscrimination in their business, credit or employment practices, and in the delivery of services to the public. This monitoring activity is accomplished through on-site compliance reviews and other proactive compliance activities. OCRC also gives technical assistance to SBA officials, the small business community, and the public. Additionally, OCRC reviews SBA award and success story nominees for possible Civil rights violations.

The Office of EEO's objective is to continually improve the effectiveness of the Affirmative Employment Program by assisting management in reducing underrepresentation of minorities and women in specific occupations and grade levels. A primary objective is to increase the Agency's efficiency in processing discrimination complaints by reducing complaint processing time and enhancing skill competencies of Agency EEO personnel. Through the introduction and implementation of new and/or revised systems, we anticipate an increase in complaint closures and a reduction in processing time for FY 1996.

The objective of the Office of Civil Rights Compliance is to provide national leadership and guidance to achieve equity in all SBA programs and services.

OBJECT CLASS	EXECUTIVE DIRECTION EEOC (\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	1,830	1,869	1,426	504	517
Benefits	312	334	405	103	111
Travel	89	86	72	100	100
Transportation	0	0	0	0	0
Rents & Communication	0	0	0	0	0
Printing	4	5	3	4	4
Other Services	202	78	270	187	167
Supplies	4	6	0	6	6
Equipment	0	0	0	3	3
Grants	0	0	0	0	0
TOTAL	2,441	2,378	2,178	887	908
FTE	38.40	36.10	26.82	11.00	11.00

FY 1997 CONGRESSIONAL SUBMISSION
EXECUTIVE DIRECTION
OFFICE OF THE CHIEF FINANCIAL OFFICER

PROGRAM DESCRIPTION:

The Office of the Chief Financial Officer (OCFO), formerly called the Office of the Comptroller, was recently organized to reflect the inclusion of the responsibilities and authorities contained in the CFO's Act of 1990. As such, the OCFO now reports directly to the Administrator, is viewed as the principal advisor to management on all financial matters, and has overall responsibility for financial management activities, processes, systems, and personnel.

OTHER INFORMATION:

The principal objectives of the OCFO are:

- To provide the Administrator and agency management with expert technical financial management advice and counsel.
- To develop, present, defend, and execute the agency's annual budget.
- To develop and provide administrative and internal controls over all agency expenditures and funding.
- To provide accurate, timely, and reliable accounting, reporting and analysis of agency transactions.
- To provide efficient and effective administrative support in the form of planning, budgeting, accounting, payments, systems, and financial management advice and counsel to all agency personnel and for all agency programs.
- To administer the financial management programs of the agency in accordance with generally accepted practices and in compliance with federal rules, regulations and guidelines.
- To oversee the development and administration of an integrated financial management system for all agency financial activities.

- To effectively establish, implement, and oversee financial management policies and procedures for all agency personnel and programs.
- To recruit, develop and retain a highly professional and motivated workforce to administer the financial management programs of the agency.

Beginning in FY 1995, the OCFO made significant progress towards the improvement of the agency's financial management processes, procedures, and systems. All material and reportable independent auditor findings have now been addressed. Specific financial management systems improvements have been defined and are planned to be carried out during FY 1996-1997. These efforts, when completed, should result in the SBA's development of an integrated financial management and accounting system for its administrative expenses. In conjunction and coordination with the Chief Information Officer, the OCFO will begin implementation of the agency's technology plan to migrate all agency financial and programmatic systems into this integrated financial management and accounting system, resulting in the SBA's future ability to produce a consolidated financial statement from a single source.

Substantial future investments will be made by the agency in addressing and completing the planned technology plan. This effort will greatly improve the agency's ability to manage and utilize its financial and programmatic information to deliver more responsive, effective, and efficient programs and services to the small business community, and assess the performance of its programs.

OBJECT CLASS	EXECUTIVE DIRECTION OFFICE OF CHIEF FINANCIAL OFFICER (\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	5387	5059	4,859	2,466	2,538
Benefits	1,011	941	1,202	3,408	1,146
Travel	30	95	37	63	63
Transportation	0	0	0	0	0
Rents & Communication	16	42	20	51	51
Printing	7	77	58	80	80
Other Services	1,294	1,348	1,398	2,223	2,823
Supplies	122	54	30	70	70
Equipment	95	145	401	71	71
Grants	0	0	0	0	0
TOTAL	7,962	7,761	7,803	8,432	6,842
FTE	131.00	118.10	103.61	83.00	54.00

Note: Technical adjustments made. 1996 Conference total differs from budget appendix by \$1 million.

**FY 1997 CONGRESSIONAL SUBMISSION
FIELD AND FIELD SUPPORT
FIELD**

PROGRAM DESCRIPTION:

The field activity includes all of SBA's regional, district and branch locations. At these locations, SBA personnel interact with and deliver the SBA's programs and activities to the small business communities throughout the country. The employees at these locations utilize agency programs and resources, and foster the development and deployment of public and private-sector relationships and resources, to leverage increased assistance to small businesses in furtherance of SBA's mission.

OTHER INFORMATION:

The Field Office functions were established:

- To provide effective and efficient leadership and management over agency resources, programs and personnel in SBA field locations.
- To be the Federal government's principal liaison and advocate for small business in states and communities.
- To develop and maintain a highly professional and motivated federal workforce to effectively carry out the legislative, programmatic and administrative mandates of the SBA in its field offices.
- To develop partnerships with various public and private sector organizations and entities to promote and effectively deliver assistance to small businesses in furtherance of local and national economic development and job creation including: financial assistance, procurement and contracting assistance, minority enterprise development assistance, business counseling, training and technical assistance.
- To identify, understand and effectively respond to the needs of small businesses in the states and communities, including the identification and transmittal to Headquarters of recommendations for changes and additions to agency programs, regulations, and procedures needed to better serve the small business community.

- To educate the general public on the various SBA programs and activities through outreach and marketing efforts with communities, the media, newspapers, state and local governments and public- and private-sector organizations and groups.

This activity provides for the direct personnel and administrative costs associated with the entire SBA field structure. Past and current attention to efficiency and effectiveness of operations have resulted in a more responsive field network of assistance to small businesses. Additional focus and attention will continue in FY 1996 and FY 1997 toward the goal of achieving a highly effective and efficient field delivery network and system to meet the changing and growing needs of small business across the country.

OBJECT CLASS	FIELD. (\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	10,426	107,731	104,906	87,584	87,279
Benefits	4,911	22,901	26,701	17,991	18,783
Travel	911	2,018	1,518	2,142	2,142
Transportation	568	229	82	127	127
Rents & Communication	1,147	1,012	983	1,049	1,049
Printing	272	289	236	550	550
Other Services	2,518	2,362	2,165	2,178	2,178
Supplies	1,080	1,347	1,203	1,229	1,229
Equipment	1,987	1,147	646	246	246
Grants	0	2,630	2,920	0	0
TOTAL	23,818	141,866	141,360	113,096	113,593
FTE	392.10	2,465.40	2,261.53	1,861.00	1,857.00

FY 1993 Actual included field administration only.

**FY 1997 CONGRESSIONAL SUBMISSION
FIELD AND FIELD SUPPORT
FIELD SUPPORT**

PROGRAM DESCRIPTION:

The Field Support activity includes that portion of the headquarter-directed functions that are physically located outside of Washington, DC, or in the field, and provide specific support to the agency's field office structure. Included in this activity are: The Office of Financial Operations of the Office of The Chief Financial Officer; the Procurement Center Representatives; Certificate of Competency Specialists; Commercial Market Representatives of the Office of Government Contracting; Personnel Specialists of the Office of Human Resources; the Certification and Eligibility Determination employees of the Office of Minority Enterprise Development; the Compliance Specialists of the Office of Equal Employment Opportunity and Civil Rights Compliance; the IRM Field Technology Specialists of the Office of Information Resources Management; the SBIC Field Examiners of the Investment Division; and the Loan Servicing Centers of the Office of Financial Assistance.

OTHER INFORMATION:

The above employees and organizations are located outside Washington, DC and were established:

- To accurately process loan collections, make deposits to the Treasury and post the collections to the accounting records on the same day of receipt.
- To accurately process loan accounting adjustments to SBA loan records in a timely and efficient manner, in support of SBA's growing portfolio.
- To process administrative payments, including travel vouchers accurately and within established time limits according to the Prompt Payment Act.
- To provide immediate assistance to field employees on all administrative and loan accounting matters through the use of HELP desk operations.
- To advocate the expended contracting to small and disadvantaged businesses by government and large procurement entities.
- To ensure that small businesses receive their fair share of federal procurement dollars.

- To increase the federal procurement dollars awarded to small businesses through the break-out of procurement items from large contracts.
- To provide certificates of competency to eligible small businesses requiring financial, technical, or capability determinations to receive federal contract awards.
- To process applications for the MED program, determining applicant eligibility and recommending certification for the SBA's MED program participation.
- To process various personnel actions and provide assistance in all areas of human resource management for field office employees and managers.
- To monitor direct and indirect recipients of SBA financial assistance to ensure that they do not discriminate in their delivery of services or business, credit and employment practices.
- To provide field automation support for the Wide Area Network (WAN), program applications and training and troubleshooting.
- To examine SBIC's for conformance with regulations and statutes.
- To service delinquent loans and loans in liquidation for 7(a), disaster business and disaster home loans.

OBJECT CLASS	FIELD SUPPORT (\$ in thousands)				
	1993 Actual	1994 Actual	1995 Actual	1996 Conference	1997 Request
Compensation	-	-	-	19,825	20,351
Benefits	-	-	-	4,072	4,382
Travel	-	-	-	0	0
Transportation	-	-	-	0	0
Rents & Communication	-	-	-	0	0
Printing	-	-	-	0	0
Other Services	-	-	-	0	0
Supplies	-	-	-	0	0
Equipment	-	-	-	0	0
Grants	-	-	-	0	0
TOTAL	-	-	-	23,897	24,733
FTE	-	-	-	422.00	433.00

**SMALL BUSINESS ADMINISTRATION
FY 1997 CONGRESSIONAL SUBMISSION
OFFICE OF INSPECTOR GENERAL**

PROGRAM DESCRIPTION:

The Inspector General Act of 1978, Public Law 95-452 (as amended), established the Office of Inspector General (OIG) as an independent office within the Small Business Administration (SBA) to conduct and supervise audits and investigations of SBA programs and operations; to provide leadership for the detection and prevention of fraud, waste, and abuse; and to promote policies for the improvement of economy, efficiency, and effectiveness in the administration of SBA programs and operations. The Inspector General (IG), a Senate-confirmed Presidential appointee, keeps the Administrator of SBA and the Congress fully informed of any problems and deficiencies relating to SBA programs and operations, recommends corrective actions to SBA's program managers, and monitors SBA's progress toward the implementation of such actions.

In executing its responsibilities, the OIG has a mandate to audit, investigate, and review a large number of SBA programs and participants; these include 5,400 certified Section 8(a) firms, 281 Small Business Investment Companies, 136,000 business loans, almost 9,000 participating lenders, 879 certified and preferred lenders, 270,000 disaster loans, and 133,000 surety bond guarantees. These and other activities comprise SBA's financial portfolio, which has a current exposure of over \$32 billion in SBA funds and potentially another \$22 billion in other Government agencies' funds. This figure does not, however, include SBA-related private or State or local government funds that may also be at risk.

The OIG must be prepared to identify and to react to potential problems before they become large-scale and well-publicized scandals that would erode the general public's confidence in the operations and programs of the Agency. For that reason, special attention is being devoted both to the Agency's disaster loan program and its various loan guarantee programs, as the total dollar value of the portfolio exceeds \$32 billion. The OIG will also need to devote significant attention to SBA initiatives implementing the Administration's National Performance Review and the Government Performance and Results Act, P.L. 103-62. As the Agency reviews its programs, performance measures, and regulations to conserve resources and increase effectiveness, OIG expertise and recommendations will play a critical role.

Summary Of FY 1997 Request

This budget requests \$9.985 million to fund 109 FTE for the OIG in FY 1997. Of this amount, \$9.485 million and 102 FTE represent a current services budget request. It should be noted, however, that the OIG is currently operating at a continuing resolution level of \$9.5 million. This request includes funding for mandated law enforcement availability pay for OIG investigators, as well as annual cost-of-living and locality pay adjustments. The remaining \$500,000 in funds and 7 FTE would support the 14 temporarily-appointed disaster employees who are currently funded by \$3 million of no-year funding that will be expended during FY 1997. This request would incorporate the resources Congress made available for oversight of the Agency's disaster assistance program into the OIG's base budget, enabling the office to continue its provision of critical oversight to this important program.

FY 1995 Productivity

OIG activities result in management recommendations to help SBA managers improve program management. In FY 1995, the OIG had overall accomplishments of over \$47 million, including recommendations to put Agency funds to better use. In addition, major OIG audits and inspections of the business loan and minority enterprise development programs have led to improved program management throughout the SBA. These OIG oversight efforts, as well as our investigative activities, serve to deter fraud and abuse in SBA programs. We have consistently demonstrated a high return for every dollar the Congress has invested in our operations; for example, during FY 1995, the OIG's accomplishments included 77 indictments and 78 convictions, as well as the issuance of 20 audit reports and 3 inspection reports. In addition, the OIG identified over \$28 million in management avoidances brought about by loan applicant character (name check) inquiries.

FY 1996 Appropriation

The Congress has not yet completed its work on the OIG's FY 1996 appropriation. The House of Representatives enacted a mark of \$8.75 million for the OIG, a reduction of \$.45 million from the President's current services request of \$9.2 million (102 FTE). The Senate enacted a mark of \$8.5 million, which has become our funding level under the Continuing Resolutions for FY 1996 and has resulted in a significant curtailment of OIG oversight activity. It should be noted that the \$8.5 million does not fully fund legislatively-mandated, law enforcement availability pay for OIG investigators and the annual cost-of-living and locality pay adjustments required for all OIG employees—excepting the Inspector General

whose annual compensation is currently capped. An FTE level of 102 constitutes a reduction of 2 FTE from FY 1995's level of 104. The 2 FTE reduction will make it difficult to maintain the OIG's current level of services, especially in view of the same staff reduction experienced in FY 1995. Should the FY 1996 conference mark be enacted, the OIG would be forced to curtail requisite oversight activities over Agency programs for the rest of the year to compensate for the shortfall in funding.

The continuing high rate of growth of SBA's portfolio (see figure 1) continues to place hundreds of millions of new dollars at risk to the Treasury without even token growth in the level of oversight provided by the OIG. For example, the SBA's business loan portfolio grew from \$23.6 billion at the end of FY 1993 to almost \$33 billion at the end of FY 1995, or over 35 percent in just two years! The disaster portfolio grew from \$3.8 billion to over \$8.7 billion during the same two years. Reasonable audit, investigation, and inspection coverage of SBA programs will undoubtedly erode as the OIG's real dollar resources become increasingly scarce and Agency program levels continue to grow. As stated in the previous section, history shows that OIG resources are extremely productive when compared to the dollars they recover and/or make available for better use.

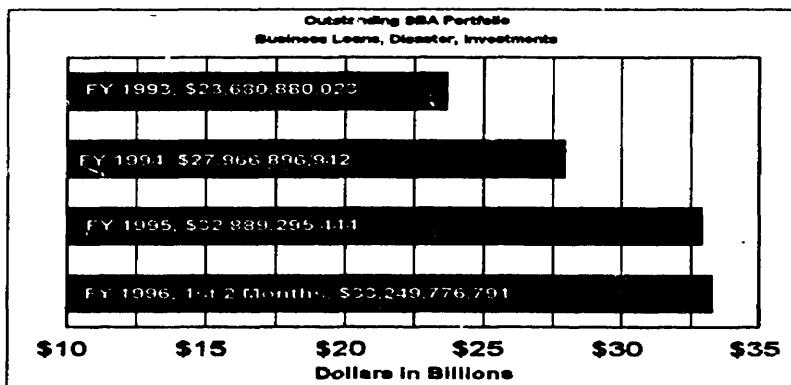


Figure 1

The FY 1997 request of \$9.985 million continues to support Administration guidelines at a current services level while continuing to provide special focus on the high risk disaster program. The conversion of 14 temporarily-appointed employees, currently funded through a no-year appropriation, to permanent status recognizes that a certain level of OIG audit, investigation, and inspection activity is necessary on a continuing basis to oversee the disasters that inevitably occur each year. As such, funding and staff for this initiative should be included in the OIG's baseline operations.

OIG Organization

The OIG is presently composed of the Immediate Office of the Inspector General, the Auditing Division, the Investigations Division, the Inspection and Evaluation Division, and the Management and Legal Counsel Division. To obtain the most impact with relatively limited resources, we have decentralized our operations and removed middle layers of management. The OIG currently has audit and investigative staff in Atlanta, Chicago, Dallas, Philadelphia, and San Francisco; we also have additional investigators in Denver, Houston, Kansas City, Los Angeles, New York, Seattle, and Syracuse.

The Auditing Division performs comprehensive financial and performance audits of SBA programs for economy, efficiency, and effectiveness. The Division also performs both internal audits of the Agency's management of programs and external audits of its program participants.

The Investigations Division conducts complex financial, program, and personnel investigations involving SBA employees and recipients. The results of these investigations frequently provide the basis for civil or criminal prosecution by the Department of Justice or, as an alternative, administrative action by the Agency. The personnel security branch within the Division administers the personnel background and name check program for the Agency and maintains the OIG Fraud Line.

The Inspection and Evaluation Division conducts systemic analyses to assess the impact, effectiveness, and related performance issues of SBA programs and activities. The Division also performs "best practices" studies, management reviews, and client satisfaction surveys to assist SBA in improving program efficiency and oversight.

The Management and Legal Counsel Division is responsible for enhancing the efficiency of office operations and ensuring continued compliance with professional standards issued by the President's Council on Integrity and Efficiency and the General Accounting Office. This Division mariages the OIG's

internal planning, budget, procurement, personnel, electronic data processing, administrative services, and correspondence control activities. The Division also provides independent legal advice to the IG and the other OIG divisions; reviews proposed legislation, regulations, and standard operating procedures; issues Inspector General subpoenas; processes Freedom of Information/Privacy Act requests for OIG records, and provides litigation assistance for all OIG activities.

Personnel Resources Justification

The OIG has an FY 1996 authorized ceiling (assumed under the current continuing resolution) of 102 FTEs. For FY 1997, we are requesting the necessary funds to support 109 FTEs to enable the OIG to convert 14 temporarily-appointed employees (for one-half year) to our regular appropriation. This transfer will facilitate critical oversight of the disaster assistance program. The near doubling of the Agency's disaster assistance program to \$6.78 billion over the last two years has created an extraordinary workload which more than justifies the Congress' original investment of \$3 million in no-year appropriations. Currently, 81 open and pending disaster cases, representing 397 subjects, constitute 25 percent of our investigative workload; these disaster cases cannot be completed by the time the temporary funding is expended in mid-1997. Moreover, this caseload cannot be absorbed within the current services level. The OIG's funding requested would provide for 109 FTE to be allocated among the OIG components as follows:

OFFICE OF INSPECTOR GENERAL FTE ALLOCATION BY ORGANIZATION FY 1995-97

Component	FY 1995	FY 1996	FY 1997
Immediate Office	3	3	3
Auditing	35	35	39
Investigations	48	46	49
Inspection and Evaluation	9	9	9
Management and Legal Counsel	9	9	9
Total	104	102	109

**S M A L L B U S I N E S S A D M I N I S T R A T I O N
O F F I C E O F I N S P E C T O R G E N E R A L
F Y 1997 B U D G E T R E Q U E S T**

Financial Resources Justification

Object Class	FY 1993 Actual	FY 1994 Actual	FY 1995 Actual	FY 1996 Conference	FY 1997 Request
Compensation (11)	\$8,129,000	\$8,130,000	\$8,118,500	\$8,421,000*	\$7,169,200**
Benefits (12)	\$1,088,000	\$1,124,000	\$1,084,000	\$1,134,000	\$1,777,300
Travel (21)	\$417,000	\$293,000	\$526,000	\$457,000	\$600,000
Transportation (22)	\$7,000	\$12,000	\$0	0	\$25,000
Rents & Communications (23)	\$100,000	\$3,000	\$500	\$500	\$500
Printing (24)	\$3,000	\$7,000	\$7,000	\$7,000	\$10,000
Other Services (25)	\$378,000	\$280,000	\$464,500	\$400,000	\$344,000*
Supplies (26)	\$23,000	\$13,000	\$51,500	\$35,500	\$35,000*
Equipment (31)	\$45,000	\$39,000	\$248,000	\$45,000	\$24,000
Subtotal	\$8,198,000	\$7,886,000	\$8,500,000	\$8,500,000	\$9,985,000
Grants/Special Initiatives	0	0	0	0	\$0
Total	\$8,198,000	\$7,886,000	\$8,500,000	\$8,500,000	\$9,985,000
FTE	108.7	103	104	102	109*

- * Includes compensation and statutorily mandated availability pay.
- ** Includes other contracted services, employee training, and security investigations.
- Includes supplies and imprest fund.
- Includes transfer of temporary disaster personnel to the regular ceiling. Temporary disaster staff are currently being paid from \$3 million supplemental funds; those funds will be exhausted in FY 1997.

STATE JUSTICE INSTITUTE

Congressional Budget Request for Fiscal Year 1997

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STATE JUSTICE INSTITUTE

This submission requests a \$13.55 million appropriation for the State Justice Institute (SJI). Pursuant to the authority of the State Justice Institute Act of 1984 (Pub. L. 98-620, as amended), SJI's mission is to award grants to improve the administration of justice in State courts across the nation.

Unique National Mission

The Institute is unique in both its mission and the ways it seeks to fulfill its numerous statutory duties. Only SJI has the authority to assist all State courts -- criminal, civil, juvenile, family, and appellate -- and only SJI has the mandate to share the success of one State's innovations with every State and Federal court system. No Federal agency has the authority that matches the scope of SJI's mission and no State has the resources, the opportunity, or, in fact, the reason to play the important national role that SJI plays.

The Institute carries out its national mission in a variety of ways that maximize the impact of its limited funding. They include --

- Supporting national evaluations of promising State and local approaches;
- Serving as an information clearinghouse to assure that effective new judicial approaches in one State are quickly and economically shared with every State judiciary;
- Establishing national resource centers where State and local judges and court officials test new technologies, observe new approaches, and sit in classroom settings to learn from each other;
- Convening national meetings to facilitate the application of new solutions to the most difficult problems confronting the courts across the country; and
- Delivering national "technical assistance" targeted at a jurisdiction's specific problems.

SJI is also unique in its structure: it is not a Federal agency but a non-profit corporation governed by an 11-member, uncompensated Board of Directors appointed by the President and confirmed by the Senate. The Institute's enabling legislation assures that its leadership will be politically balanced and responsive to the true

needs of the States. By law, the President must appoint six State court judges and one State court administrator to the Board from a list of three candidates for each position nominated by the Conference of State Chief Justices. Of the remaining four "public" members of the Board, no more than two may be of the same political party.

Important Role in Criminal and Civil Justice

SJI plays an important role in the nation's response to crime by evaluating the effectiveness of new trial and sentencing approaches; improving judges' performance in cases involving violent crimes and drug abuse; and collaborating, where appropriate, with the Department of Justice and other Federal agencies on important efforts to improve the criminal justice system and enhance public protection. The Institute also has been a leader in fostering improvements in the civil justice system by supporting efforts to evaluate innovative procedures to reduce litigation delay, demonstrate innovative alternative dispute resolution programs, and increase the public's access to the legal system. In addition, SJI has devoted considerable resources to improving the public's confidence in both the criminal and civil justice systems. Important projects in each of these areas are summarized below (see pp. 4-10).

Effective Use of Federal Funds

SJI began operations in FY 1987 with an appropriation of \$7.2 million. In Fiscal Years 1988 and 1989, Congress appropriated \$10.98 million to the Institute. For Fiscal Year 1990, the Institute received \$12.02 million, which was ultimately reduced to \$11.861 million through automatic sequestration. For Fiscal Year 1991, the Institute received an appropriation of \$13 million. In Fiscal Years 1992 through 1995, the Institute received an annual appropriation of \$13.55 million. An FY 1996 appropriation of \$5 million is included in the still pending Fiscal Year 1996 Commerce-Justice-State appropriations bill.

Congress' appropriations for the Institute since its establishment in 1987 have permitted SJI to support more than 900 projects enabling the judiciaries of every State to handle their criminal and civil caseloads in a more just and efficient manner. If the State courts are to keep pace with the continuing surge of criminal prosecutions and civil litigation, they will need the targeted support only SJI can provide. SJI funds also provide important leverage in attracting financial support from a variety of public and private sources; since the Institute's inception, more than \$20 million in outside support has been contributed to SJI-funded projects.

The Institute maximizes the practical impact of its limited funding by requiring that every grantee disseminate its final product, without charge, to the chief justice or court administrator of every State, as well as a designated library in each State that houses all SJI grant products. Free products are also sent to the specific

SJI

audiences (e.g., appellate judges, trial court administrators, State judicial educators) that would benefit most from the project's results.

The intense demand for SJI assistance has resulted in an extremely competitive discretionary grant program resulting in awards to support only the highest quality proposals. From FY 1987 through FY 1995, the Institute received appropriations totaling \$108,220,831. Of that amount, \$90,756,619 (84%) was awarded as grants; only \$14,556,704 (16%) provided for program administration. The amount awarded for grants fulfilled less than 25% of the more than \$395,000,000 requested from SJI during those years.

The Institute's FY 1996 funding cycle for new project grants began with the submission of grant applications on February 14, 1996. The 118 applications received by the deadline requested approximately \$11,500,000. Adding the amounts expected to be requested for other grants (renewal grants, curriculum adaptation grants, technical assistance grants, and judicial education scholarships) during the fiscal year, the total demand for SJI assistance this year should approach \$25 million. Approximately \$6.9 million will be available for grants.

SJI accomplishes its goals at an annual cost that has never exceeded \$13.55 million and with a professional staff that has never exceeded 25 people. In this era of Federal fiscal responsibility and restored political balance between Federal and State governments, a small, economical, non-Federal institute directed by State officials and members of the public may be an excellent working model for other Federal grant programs that serve important national purposes.

FY 1996 Grant Program

The pending reduction in SJI's funding from \$13.55 million in FY 1995 to \$5 million in FY 1996 led the Board of Directors to sharply limit the Institute's FY 1996 grant program by reducing the number of "Special Interest" (high priority) funding categories from 13 to 7. In identifying the areas that warranted SJI's continued attention, Board members relied not only on the Institute's experience and their own informed observations, but on the results of a survey the Institute sent to approximately 400 chief justices, State court administrators, and other key members of the bench, bar, and public.

The seven FY 1996 Special Interest categories are:

Improving Public Confidence in the Courts;

Children and Families in Court;

Improving the Courts' Response to Gender-Related Crimes of Violence;

Application of Technology;

Education and Training for Judges and Other Key Court Personnel;

The Relationship Between State and Federal Courts; and

Conference Implementation Projects (for proposals following up on four recent SJL-funded conferences: The National Conference on Eliminating Race and Ethnic Bias in the Courts, the National Interbranch Conference on Funding the Courts, the National Town Hall Meeting on Improving Public Confidence in the Courts, and the National Symposium on the Implementation and Operation of Drug Courts).

Due to reduced appropriations, the areas that will not receive priority funding attention this year include Substance Abuse; Improving the Security of Courthouses, Judges, Jurors, and Witnesses; Dispute Resolution and the Courts; and Resolution of Current Evidentiary Issues. Because no other Federal grant agency or private foundation dedicated funding for court-focused projects in these areas, it is very unlikely that State courts will receive any financial assistance to help them address these critically important issues this year.

SJL's recent and future initiatives in two specific areas of intense public interest -- crime and public confidence in the justice system -- are highlighted below.

CRIME

Family Violence

As noted above, two of SJT's seven FY 1996 SJI Special Interest funding categories target family violence: Improving the Courts' Response to Gender-Related Crimes of Violence, and Children and Families in Court. Nearly one-quarter (27) of the 118 applications received in the FY 1996 funding cycle address these issues.

The Gender-Related Crimes of Violence category expressly invites proposals to implement programs that educate judges about: sentencing in gender-related violent crime cases; the use of self-defense and provocation defenses by battered women; and evidentiary issues such as expert testimony and the application of rape shield laws.

The Children and Families in Court category invites grant proposals in a wide variety of critically important areas including helping judges decide child custody cases in which family violence may be involved; protecting witnesses and taking other special measures in cases involving gang members; and, in response to specific Congressional legislation (The International Parental Kidnapping Crime Act of 1993), improving the courts' response to interstate and international parental child abductions.

Several recent and upcoming grant products in these areas merit special mention. In January 1996, the Family Violence Prevention Fund in San Francisco produced the first CD-ROM program ever designed for judicial education. Entitled "Domestic Violence: A Virtual Conference for Judges in the Criminal Courts," the program allows judges to rule in hypothetical cases and compare their rulings to those of knowledgeable, experienced judges whose decisions are presented on the disk in live-action video. The prototype of the program was discussed with the House Appropriations Subcommittee during SJT's FY 1996 hearing.

A number of important SJI projects are aimed at helping courts cope with the ever-rising number of child custody cases, particularly cases involving child or spousal abuse. The National Judicial Education Program in New York will soon release a curriculum presenting effective approaches for fairly adjudicating child custody cases when child sexual abuse is alleged. Later this year, the Center for Policy Research in Denver will complete an Institute-funded study of supervised visitation programs and the clients they serve, which will provide court administrators, judges, and program personnel with information to develop and enhance their visitation services. This summer, the National Center for State Courts will publish a handbook for judges and court administrators on

the use of effective court procedures for screening custody cases for domestic violence. In addition, the Family Violence Prevention Fund recently produced an SJI-supported curriculum called "*Domestic Violence & Children: Resolving Custody and Visitation Disputes*."

Later this year, the National Association of Women Judges will produce a report offering recommendations about the use of expert testimony in criminal cases involving domestic violence. This project was undertaken in collaboration with a Congressionally-mandated study on battered women's syndrome being performed under the auspices of the National Institute of Justice and the U.S. Department of Health and Human Services. The University of California at Davis is producing a benchbook for Utah judges on another set of sensitive issues involved in family violence cases: the credibility, competence, and courtroom treatment of child witnesses. The benchbook, to be published in the fall of 1997, will be designed as a model for creating similar tools in other States.

Finally, as reported in previous budget justifications, SJI provided substantial funding to support the National Council of Juvenile and Family Court Judges (NCJFCJ)'s 1993 National Conference on Family Violence and the Courts. The momentum of that conference continues to live on in the form of numerous new programs being undertaken with and without SJI support. Thirty-six (36) States have continued the work they started at the conference by providing family violence training for judges, creating family violence coordinating councils, establishing case handling protocols, instituting family visitation centers, and taking steps to create a variety of family courts. Eleven States are considering new domestic violence legislation. This spring, NCJFCJ will publish a guidebook for judges on key issues relating to children and violence and present recommendations to the Department of Justice and State courts nationwide about how to most effectively implement the "full faith and credit" provisions of the Violence Against Women Act.

Juvenile Crime

The FY 1996 Grant Guideline specifically invited proposals for projects that would improve the State courts' ability to handle the surge of violent crime committed by juveniles, as well as less serious crimes perpetrated by juvenile offenders. Specifically, the Guideline invites proposals to develop information for judges and court staff on appropriate special procedures for protecting witnesses, provide guidance on adjudicating cases involving gang members, and facilitate the courts' ability to handle multiple cases involving members of the same family.

Substance Abuse

In December 1995, the Institute convened a National Symposium on the Implementation and Operation of Drug Courts that was attended by approximately 500 judges, prosecutors, treatment providers, and other key officials from all 50 States. Responding to the most important areas of concern identified at the symposium, the FY 1996 Guideline solicits applications for projects that would enhance the coordination of stringent court oversight of non-violent offenders with effective treatment services, including the development of information systems linking courts, criminal justice agencies, and social service organizations; the testing of evaluation tools that will enable individual courts to measure the effectiveness of court-ordered treatment programs; and the use of court-enforced treatment approaches in cases involving child or spousal abuse where substance abuse is also a factor.

Sentencing Symposium

The Institute's FY 1996 Grant Guideline invited proposals to conduct a National Symposium on Sentencing: The Judicial Response to Crime that would bring together judges, legislators, corrections professionals, prosecutors, and others to evaluate the impact of sentencing practices on adult and juvenile offenders, the criminal and juvenile justice system, and the public's perception of justice. In late 1995, the Board of Directors selected a grantee to conduct the conference but, in light of the anticipated funding reduction in FY 1996, the Institute asked the Department of Justice's grant agencies to share the cost of the project. Discussions are continuing with the Bureau of Justice Assistance and the National Institute of Justice. If adequate funding can be secured, SJI expects that the symposium will promote new and informed approaches that best accomplish the goals of sentencing, including deterrence and public protection, and identify promising areas where targeted SJI assistance might be especially valuable.

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PUBLIC CONFIDENCE IN THE COURTS

National Town Hall Meeting and Follow-up Grant Cycle

Through a grant to the American Judicature Society and the National Center for State Courts, SJI convened the first National Town Hall Meeting on Improving Public Confidence in the Courts on October 14, 1995. This national satellite teleconference originated in Norfolk, VA with downlink participation in ten States. The conference provided a national forum to identify justice system problems and plan specific ways in which the participating courts and the communities they serve can collaborate to address those problems.

Over 1,000 court and community leaders participated at the downlink sites at Kentucky Education Television in Lexington; the University of Southern California; Notre Dame Law School (IN); Tuskegee University (AL); Greenfield Community College (MA) (including representatives from other Massachusetts counties and other New England States); the University of Missouri-Columbia; the New Jersey Administrative Office of the Courts; the Midtown Community Court in New York City; North Carolina State University; and the University of Central Oklahoma. In addition, in Norfolk, over 50 representatives of courts and national and State community groups developed ways to translate these grass-roots solutions to justice system problems into a national strategy for greater court and community collaboration.

In its FY 1996 Grant Guideline, the Institute invited proposals for innovative followup projects to implement the recommendations, strategies, and action plans the participants developed at the meeting.

Community Courts

SJI is funding an independent evaluation of one of the most promising new developments in American justice, New York City's Midtown Community Court (MCC). MCC is the product of a unique public/private partnership to address justice system and public concerns about low-level but highly visible "quality of life" crimes (e.g., prostitution, shoplifting, and farebeating) in Manhattan's Times Square area and surrounding residential neighborhoods. The project has mobilized local residents, businesses, and social service providers to collaborate with the criminal justice system. The evaluation will test the success of the court's innovative approach, particularly its use of sentencing alternatives that emphasize visible and practical "paybacks" to the community such as assignments to neighborhood clean-up and graffiti-removal crews, as well as help to local non-profit and charitable organizations. MCC also combines criminal justice processing with court-based substance abuse treatment initiatives, job employment assistance, and comprehensive social services. The innovative nature of the program has attracted national media attention, including features on ABC and Court TV.

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Access to Justice

SJI continues to support innovative projects seeking to provide equal justice to the growing number of Americans involved in litigation who are not represented by lawyers. At last year's House Appropriations Subcommittee hearing, the Institute's witness described the successful SJI-supported computer kiosk that Arizona courts are using to enable lawyerless litigants to file child support and uncontested divorce petitions as well as small claims court pleadings. SJI is now supporting a project demonstrating and evaluating the effectiveness of a multifaceted Self-Service Center in the Maricopa County (Phoenix), Arizona Superior Court. At the Center,

individuals can obtain information on such matters as how to file or respond to a divorce petition, enforce child support and visitation orders, probate a will, or handle an intestate estate. The Center also provides lists of attorneys willing to provide basic advice at a low fee as well as lists of mediators and arbitrators. All these materials are also being made available via the Internet at terminals in public libraries and home computers. In addition, an extensive automated telephone information system has been established to provide basic information on topics ranging from courthouse hours and locations, to how to obtain a domestic violence protection order, to how to establish a guardianship for a minor or a disabled adult. Thousands of individuals have already used the Self-Service Center in its first months of operation.

Court Interpreter Programs

An enormous challenge facing the State courts is the overwhelming need to improve access to justice for non-English-speaking parties and witnesses. The Institute has sponsored several programs to enhance the State courts' efforts to provide equal justice to this growing population, including a recent award to the National Center for State Courts to design a pilot telephone interpreting program for State courts. The project, to be completed in 1997, will reduce the need to use unqualified interpreters in court proceedings by providing affordable, ready access to certified court interpreters through the use of telecommunications technology.

The Institute also recently awarded a grant to the University of Charleston to develop the first master's degree program in court interpreting for Spanish interpreters. Under this program, a comprehensive, sequenced, and integrated series of courses will be developed to provide the students with the techniques and research skills required of a professional legal interpreter.

Eliminating Race and Ethnic Bias in the Courts

With SJI grant support and the co-sponsorship of leading national judicial and legal organizations, The First National Conference on Eliminating Racial and Ethnic Bias in the Courts convened in Albuquerque in March 1995. The conference marked the first time State, Federal, and tribal court judges and court officials met with the public to focus on assuring equal treatment for all parties appearing in our nation's courts. Teams from every State court system and the Federal courts attended education programs and developed action plans to address the issue in their jurisdictions. The Institute's FY 1996 Grant Guideline invited proposals for followup projects needing grant assistance.

Public Education

During 1994, 93 juniors and seniors from 3 Iowa high schools field-tested the SJI-supported Iowa Courts Curriculum Project developed by Drake University. The key innovation in the project was tying an in-school court education curriculum to an in-court work experience. The students worked at tasks such as maintaining financial records, executing notices to litigants, and searching court records. The evaluation results indicate that the in-court aspect of the project not only increased students' knowledge about the judicial system but also had a positive effect on their attitudes about government, personal responsibility, the judiciary, and juries as well. The curriculum and evaluation were distributed to court leaders and judicial educators for adaptation nationally.

STATE JUSTICE INSTITUTE
Summary Statement

The State Justice Institute requests a total of \$13,550,000, 23 permanent positions, and 23 workyears for FY 1997. This request represents an increase of \$8,550,000. The request is summarized below by major initiative.

Initiative: General Administration

Objective: To monitor the financial and programmatic activities of grantees, review requests for funding, evaluate projects, and publish and disseminate materials of importance regarding State judicial systems.

Background: SJI has never received more than \$13,550,000 or employed more than 25 staff. Only 16% of its total appropriated funding from FY 1987 through 1995 was made available for program administration. Of the \$13,550,000 requested for FY 1997, \$2,282,910 would provide for administration. This is \$254,767 more than the total amount allocated for administration in FY 1996.

Initiative: Grant Program.

Objective: To meet the Institute's statutory requirements by providing funds to further the development and adoption of improved judicial administration in State courts.

Background: The State Justice Institute Act of 1984 (Title II of Pub. L. 98-620 as amended by Pub.L. 100-702 and Pub. L. 102-572) charges the Institute with the responsibility to operate a grant program to provide financial assistance for innovative projects that benefit State and local court systems nationwide. The Institute is submitting reauthorization legislation to Congress this month that would extend its authorization through the year 2000.

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STATE JUSTICE INSTITUTE
Salaries and Expenses
Proposed Appropriation Language

The 1997 budget estimates do not include changes in the regular appropriation language.

Salaries and Expenses

For necessary expenses of the State Justice Institute, as authorized by The State Justice Institute Authorization Act of 1996 (pending), \$13,550,000 to remain available until expended: Provided, That not to exceed \$2,500 shall be available for official reception and representation expenses.

Explanation: This request seeks to continue the Institute's operations at the same level of funding that Congress provided each year between 1992 and 1995. As explained more fully in the justification above, this level of funding enables the Institute to provide critically needed resources to support demonstration projects, evaluations, judicial education, and technical assistance on the full range of issues of greatest importance to State courts across the nation. The need for the restoration of this modest amount of funding is underscored by the fact that SJI is the only source of Federal support for innovation in the courts that adjudicate over 95% of all the criminal prosecutions and all the civil litigation brought in this country. Because SJI efficiently shares the results of its grants in the form of practical products put in the hands of the people who can use them most, the investment of the modest amount sought by the Institute will result in savings across the country that far exceed the appropriation requested.

State Justice Institute
Salaries and Expenses
Summary of Requirements
 (Dollars in Thousands)

	Perm. Pos.	Work years	Amount
1996 Appropriation.....	22	22	\$5,000
Requested increases.....	3	3	8,814
1997 Base.....	25	25	\$13,914

	Perm. Pos.	Work years	Amount									
1. General Administration.....	22	22	\$2,028	25	25	\$2,283	25	25	\$2,283	0	0	\$0
2. Grants.....			6,300			11,631			11,267			(\$364)
Total.....	22	22	8,328	25	25	13,914	25	25	13,550	0	0	(\$364)

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State Justice Institute
Justification of Program and Performance

Long-Range Goal: To ensure the fulfillment of SJI's statutory mission to administer a grant program that furthers the development and adoption of improved judicial administration in the State courts of the United States

Major Objectives

To establish a system of internal controls that ensure the efficient use of appropriated funds for the purposes intended in the State Justice Institute Act of 1984 (Title II of Pub. L. 98-620 as amended by Title VI of The Judicial Improvements and Access to Justice Act of 1988 (Pub. L. 100-702) and the State Justice Institute Reauthorization Act of 1992 (Pub. L. 102-572)), the Battered Woman's Testimony Act of 1992 (Pub. L. 102-527), The Judicial Training and Research for Child Custody Litigation Act of 1992 (Pub. L. 102-528), and The International Parental Kidnapping Crime Act of 1993 (Pub. L. 103-173).

To review, analyze and summarize grant proposals and present the results to the Board of Directors within 120 days of receipt.

To monitor and evaluate grant projects to ensure the objectives of the grants are met

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Base Program Description The General Administration program is subdivided into three areas: Executive Division, Program Division, and Finance Division. The Institute is a private, non-profit corporation guided by an 11-member Board of Directors who serve without compensation. The day-to-day activities of the Institute are supervised by an Executive Director who serves at the pleasure of the Board of Directors. The Institute currently employs 22 staff. At the beginning of FY 1997, the Institute anticipates a staffing level of 19, down 24% from its FY 1995 level of 25.

In Fiscal Years 1987 through 1995, the Institute received 2,664 concept papers seeking over \$310,000,000. During those years, Institute staff reviewed 1,539 applications for SJI assistance, of which 1,059 were invited by the Institute's Board of Directors based on concept papers. The additional applications were for programs where concept papers are not required such as technical assistance and curriculum adaptation projects, and renewals of existing projects. From these applications, the Board of Directors approved 1,081 grants, contracts and cooperative agreements totaling more than \$90,000,000. In FY 1996, the Institute canceled the concept paper cycle in light of the delays occasioned by the uncertainty over its funding level, and instituted a single-step application cycle.

beginning with the submission of applications on February 14, 1996. The 118 applications received in that cycle request approximately \$11,500,000. Adding the amount expected to be requested in renewal applications, technical assistance applications, curriculum adaptation applications, and judicial education scholarship applications, the total amount sought for FY 1996 is expected to approach \$25,000,000.

Accomplishments and Workload: A portion of the accomplishments of the Institute is contained in the following table.

Item	1994	1995	1996	Change	1997			Request Level
					Base	Level	Change	
Concept Paper Reviews								
a. Actual	336	277	..	*				
b. Demand	336	277	10	**	..	10	..	10
c. Planned	336	277	10		..	10	..	10
d. Performance Measure I	100%	100%
e. Performance Measure II	100%	100%	100%		100%	100%	100%	100%
 Application Reviews – Regular Applications								
a. Actual	122	67
b. Demand	125	67	140		140	..	140	140
c. Planned	125	67	140		140	..	140	140
d. Performance Measure I	100%	100%
e. Performance Measure II	100%	100%	100%		100%	100%	100%	100%

* The Institute eliminated the concept paper requirement for fiscal year 1996

** These concept papers were submitted in response to a program announced in the Institute's FY 1995 Guideline

Note: The Technical assistance grant program is designed to provide State and local courts with sufficient support to obtain technical assistance to diagnose a problem, develop a response to that problem, and implement any needed changes. Technical Assistance grants are limited to \$30,000.

Item	1994	1995	1996	Change	1997		
					Base Level	Change	Request Level
Application Reviews-Technical Assistance							
a. Actual	60	64
b. Demand	60	64	45	...	45	...	45
c. Planned	60	64	45	...	45	...	45
d. Performance Measure I	100%	100%
e. Performance Measure II	100%	100%	100%	...	100%	100%	100%

Item	1994	1995	1996	Change	1997		
					Base Level	Change	Request Level
Application Reviews-Curriculum Adaptation							
a. Actual	19	17
b. Demand	19	17	15	...	15	5	20
c. Planned	19	17	15	...	15	5	20
d. Performance Measure I	100%	100%
e. Performance Measure II	100%	100%	100%	...	100%	100%	100%

Note: The Curriculum adaptation grant program is designed to facilitate the State use of model national judicial education programs funded by SJI. Curriculum Adaptation grants are limited to no more than \$20,000.

Item	1994	1995	1996	Change	1997		
					Base Level	Change	Request Level
Application Reviews-Scholarships							
a. Actual	423	320
b. Demand	423	320	225	...	225	...	225
c. Planned	423	320	225	...	225	...	225
d. Performance Measure I	100%	100%

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e. Performance Measure II 100% 100% 100% ... 100% ... 100%

Note The scholarship program is designed to enhance the knowledge, skills, and abilities of judges and court managers by providing support to allow attendance at out-of-State educational programs that participants could not otherwise afford to attend. Scholarships are awarded on the basis of criteria including the participant's need for training and the jurisdiction's need for the participant's expertise. The grants provide assistance only for tuition and transportation between the recipient's home and the site of the educational program, and awards are limited to no more than \$1,500.

Item	1994	1995	1996	Change	1997		
					Base Level	Change	Request Level
Grants Awarded							
a. Actual	371	278
b. Demand	371	291	238	...	238	...	238
c. Planned	371	291	258	...	258	...	258
d. Performance Measure I	100%	96%
e. Performance Measure II	100%	96%	94%	...	94%	...	94%

Note: Planned levels for a given fiscal year = Prior year carryover (+) current year tentative awards (-) awards not formally obligated at the close of the fiscal year. Applying that formula to FY 1996 results in the calculation 20 carryover awards + 88 tentative grant awards (an estimated 40 project grant awards, 17 technical assistance grant awards, 16 renewal grant awards, and 15 curriculum adaptation grant awards) + 150 estimated scholarships = 258 planned grant awards

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Item	1994	1995	1996	Change	1997		
					Base Level	Change	Request Level
Grants Monitored							
a. Actual	500	420
b. Demand	500	420	420	...	330	...	330
c. Planned	500	420	420	...	330	...	330
d. Performance Measure I	100%	100%
e. Performance Measure II	100%	100%	100%	...	100%	...	100%

Note During 1996, a few grants awarded in 1990 - 1992 and many grants from 1993 through 1995 require monitoring. Activity from grant awards made in 1996 also are expected to add to the demand for monitoring throughout fiscal year 1996. Planned levels for 1997 include all active grants through 1997 less an adjustment for grants closed out during 1997. Because many of the awards made would be

for scholarships and for Technical Assistance and Curriculum Adaptation grants, a significant amount of monitoring activity related to these awards will commence and terminate within the fiscal year. The workload projections for these activities have been adjusted accordingly.

Decision Unit Funding Level Requirements
(Dollars in Thousands)

Organization: State Justice Institute Decision Unit: SJI 1 General Administration

<u>Resource Requirements</u>	1994	1995	1996	1997		
				Base Level Change	Request Level Cum. Change	Cum.
BUDGET AUTHORITY	2,185	2,328	2,028	255	2,283	... 2,283
OUTLAYS	2,113	2,251	1,872	255	2,127	... 2,127
Appropriated Positions	25	25	22	0	22	3 25
FTE Workyears	24	25	22	0	22	3 25

Program Changes: The FY 1997 request is at the FY 1995 funding level.

<u>Resource Requirements</u>	1994	1995	1996	1997		
				Base Level Change	Request Level Cum. Change	Cum.
BUDGET AUTHORITY	11,365	11,365	6,300	4,967	11,267	... 11,267
OUTLAYS	9,465	11,299	6,456	4,967	11,423	... 11,423
Appropriated Positions
FTE Workyears

Note: The outlay figures reflect the outlays associated with funds carried over from prior fiscal years for which grants were awarded in October, after the close of the fiscal year, as well as the normal outlay pattern of one funding round per fiscal year. For ease of analysis, the budget authority figures include only amounts for the annual appropriation and exclude carry-over obligations.

Program Changes: For FY 1997, the Institute is requesting enhancement of its programs to the level of its annual appropriation for FY 1992 through FY 1995, \$13.55 million. As indicated in the justification material above, the total demand in the current FY 1996 funding cycle is expected to approach \$25 million and this level is expected to markedly increase in FY 1997 if the concept paper cycle is restored next year, as planned. As a result of the continued high demand for SJI assistance and the continued improvement in the quality of grant proposals, the Institute will be unable to support a significant number of FY 1996 grant applications that would substantially benefit State courts across the nation. The high quality demonstration, education, technical assistance, and research projects funded by this request would help enable the State judiciaries to handle their violent crime, substance abuse, and burgeoning civil caseloads more justly and efficiently.

State Justice Institute
Salaries and Expenses
Summary of Requirements by Object Class
(Dollars in Thousands)

	25	\$1,191	22	\$1,090	25	\$1,228	25	\$1,228	3	\$0
11.0 Personnel Compensation										
12.0 Benefits		288		278		318		318		0
21.0 Travel & Transportation of Persons		168		143		161		161		0
22.0 Transp. of Things		0		0		0		0		0
23.0 Rent, Communications & Utilities		328		300		347		347		0
24.1 Printing & Reprod.		48		39		39		39		0
25.0 Other Services		94		94		96		96		0
26.0 Supplies & Materials		60		42		36		36		0
31.1 Equipment		47		42		59		59		0
Total, General Administration	25	2,112	22	2,028	25	2,283	25	2,283	3	0
41.0 Grants, Subsidies & Contributions		10,230		**6,300		11,631		11,287		(3364)
Total Obligations	25	\$12,442	22	\$8,328	25	\$13,914	25	\$13,550	0	(3364)
<u>Relation of obligations to outlays</u>										
Obligated balance, start of year.....		\$13,093		13,652		10,867		11,238		
Obligated balance, end of year.....		11,683		10,867		12,850		13,320		
Adjustments in expired accounts.....		0		0		0		0		
Outlays.....		13,652		11,113		11,935		11,466		

* \$1,683,635 of this amount will come from FY 1996 appropriations. The balance will come from an FY 1996 administrative carryover of \$115,741 and an estimated \$260,000 in deobligated grant funds becoming available in FY 1996.

** \$3,547,365 of this amount will come from FY 1996 appropriations. The balance will come from FY 1996 carryover funds.

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State Justice Institute
Salaries and Expenses
Analysis of Change
(Dollars in Thousands)

		Perm Pos.	Work- Years	Amount
<u>1996 Appropriation</u>		22	22	\$ 5,000
Adjustments to base:				
Uncontrollable Increases:				
Personnel Adjustments.....				163
General Pricing Level Adjustment (non-personnel/non-grant obligations)				143
General Pricing Level Adjustments (grant obligations)				8,502
Total, uncontrollable increases.....				8,814
<u>1997 Base</u>		25	25	13,914
Program Decreases				(364)
<u>1997 Request</u>		25	25	\$13,550

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United States Information Agency
Summary of Positions and Appropriations, 1995 - 1997
 $(\$ \text{ in thousands})$

	1995 Appropriation		1996 Appropriation w/ Balances		1997 Request w/ Balances		Difference, 1996 - 1997	
	Position	Code	Position	Code	Position	Code	Position	Code
Balances and Expenses as Enacted/Requested	8,100	8470,286	4,400	8446,048	4,400	8480,016	-56	882,971
Deduct Amounts Resigned (P.L. 104-19)	--	-1,400	--	--	--	--	--	--
Deduct Procurement Reform Budget Amendment	--	-717	--	--	--	--	--	--
Add Proposed Transfer from Bushenges	--	--	--	8,000	--	--	--	-8,000
Add Transfer from USAID for Freedom Support	--	--	--	--	--	--	--	--
Art Programs, Other	--	8,576	--	--	--	--	--	--
Add Comparative Transfer from Bushenges	--	14,000	--	-15,500	--	--	--	-12,500
Total, Bushenges (Comparative Basis)	8,100	491,000	4,400	407,166	4,400	480,016	-56	881
 Educational and Cultural Bushenges Programs as Enacted and Requested	--	296,579	--	800,000	--	300,412	--	2,412
Deduct Amounts Resigned (P.L. 104-19)	--	-5,000	--	--	--	--	--	--
Add Transfer from USAID for Freedom Support	--	--	--	--	--	--	--	--
Art Programs/Other	--	88,981	--	--	--	--	--	--
Deduct Proposed Transfer to B&E	--	--	--	-9,000	--	--	--	9,000
Deduct Comparative Transfer to B&E	--	-14,000	--	-15,500	--	--	--	12,500
Total, Bushenges (Comparative Basis)	--	273,710	--	178,400	--	300,412	--	22,302
 Technology Fund	--	--	--	5,000	--	10,000	--	4,000
 Office of the Inspector General as Enacted/Preq.	92	4,000	--	--	--	--	--	--
Add Comparative Transfer from B&E	2	416	--	--	--	--	--	--
Deduct Amount Resigned (P.L. 104-19)	--	-13	--	--	--	--	--	--
Deduct Comparative Transfer to State ID	--	-54	-4,708	--	--	--	--	--
Total, Inspector General (Comparative Basis)	--	--	--	--	--	--	--	--
 National Endowment for Democracy	--	34,000	--	80,000	--	80,000	--	--
 East-West Center	--	24,800	--	11,780	--	8,000	--	-2,800
 North/South Center	--	4,000	--	8,000	--	870	--	-1,000
 Eisenhower Exchange Fellowship Endowment	--	2,800	--	--	--	--	--	--

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**United States Information Agency
Summary of Positions and Appropriations, 1995 - 1997**
(\$ in thousands)

	1995 Appropriation Positions	1996 Appropriation a/ Funds	1996 Appropriation of/ Positions	1997 Request of/ Positions	Difference, 1996 - 1997 Positions	Difference, 1996 - 1997 Funds
International Broadcasting Bureau:						
International Broadcasting Operations as Enacted and Requested (Comparative Basis)	2,818 b/	\$803,805 b/	2,871 b/	\$880,000 b/	2,874 d/	\$885,408
Add Comp. Transfer from Radio Construction	--	8,433	--	8,700	--	-6,700
Add Proposed Transfer from Radio Construction	--	--	--	3,985	--	-3,985
Add NFE/PL Supplemental (P.L. 104-18)	--	7,880	--	--	--	--
Deduct Procurement Reform Budget Amend.	--	-723	--	--	--	--
Deduct Amounts Rescheduled (P.L. 104-18)	--	-5,821	--	--	--	--
Deduct Comp. Trans. to USA Inspecc. Gen.	-2	-416	--	--	--	--
Total, IBO (Comparative Basis)	2,817 b/	813,388 b/	2,871 b/	883,985 b/	2,874 d/	885,408
					3 d/	1,721
Radio Construction as Enacted/Requested						
Deduct Amounts Rescheduled in 1995 (P.L. 104-18) and Pending in 1996	--	85,314	--	40,000	--	38,164
Deduct Comp. Trans. to IBO	--	-16,284	--	-7,400	--	7,400
Deduct Proposed Transfer to IBO	--	-8,433	--	-8,700	--	8,700
Total, Radio Construc. (Comp. Basis)	--	--	--	3,985	--	3,985
Total, International Broadcasting Bureau (Comparative Basis)	--	86,027	--	18,815	--	39,164
					--	30,249
					3 d/	21,970
Total, USIA Federal Funds (Comparative Basis)	2,817	572,895	2,871	382,800	2,874	404,570
					-82	21,970
Trust Funds:						
Eisenhower Exchange Fellowship Program	--	300	--	676	--	600
Israel-Arab Scholarship Program	--	387	--	400	--	--
Total, USIA Discretionary Funds (Comp. Basis):						
Funds Appropriated Directly to USIA	8,113 a/	1,346,198 a/	7,334	1,078,120	7,282	1,125,788
Transfers from USAID	--	56,809	--	-- c/	--	-- c/
Total, USIA Discretionary Funds (Comp. Basis)	8,113 a/	1,402,707 a/	7,334	1,078,120 a/	7,282	1,125,788 a/
					-82	47,949

a/ For comparative purposes, excludes \$4.7 million and 54 positions in 1995 for the USIA Office of Inspector General, which is transferred by pending legislation to the Department of State in 1996.

b/ For comparative purposes, includes \$24.7 million and 282 positions in 1995 and \$34.8 million and 282 positions for Broadcasting to Cuba, which was funded in a separate appropriation account.

c/ The 1996 and 1997 estimates exclude anticipated appropriation transfers from USAID of \$30,200,000 to carry out Freedom Support Act Exchange Programs in the NIS; \$1,000,000 under the proposed 1996 Bosnia/Balkans supplemental appropriation; and \$400,000 in FY 1996/1997 to carry out Small Grants Program in Eastern/Central Europe.

d/ The net increase of three positions in IBO in 1997 will provide 29 positions for the Pacific Islands Raley Station site staff and 2 positions to establish a monitoring office in Singapore. These increases are partially offset by 1997 program reductions of 14 positions in WORLDNET (8) and Engineering (8) and built-in reductions of 17 positions for construction site staffs in Bethesda, Sao Tome, Bangkok, Kuwait, Poro and Sri Lanka and other decreases.

Analysis of Positions by Organizational Element – Fiscal Years 1995, 1996 and 1997

	1995 Actual	1996 Estimate	1997 Request	Incr. or Decr. (-)
<u>OVERSEAS MISSIONS</u>				
East Asian and Pacific Affairs				
Domestic	19	17	17	--
Overseas American	95	84	83	-1
Foreign National	403	363	360	-14
Total, East Asian and Pacific Affairs	<u>567</u>	<u>464</u>	<u>460</u>	<u>-15</u>
African Affairs				
Domestic	21	20	20	--
Overseas American	87	77	77	--
Foreign National	366	333	333	--
Total, African Affairs	<u>474</u>	<u>430</u>	<u>430</u>	<u>--</u>
North African, Near Eastern & South Asian Affairs				
Domestic	21	19	19	--
Overseas American	102	87	87	--
Foreign National	674	620	620	--
Total, North African, Near Eastern and South Asian Affairs	<u>797</u>	<u>626</u>	<u>626</u>	<u>--</u>
Inter-American Affairs				
Domestic	19	19	19	--
Overseas American	109	91	91	--
Foreign National	460	411	411	--
Total, Inter-American Affairs	<u>608</u>	<u>521</u>	<u>521</u>	<u>--</u>

Analysis of Positions by Organizational Element – Fiscal Years 1995, 1996 and 1997

	1995 Actual	1996 Estimate	1997 Request	Incr. or Decr. (-)
<u>OVERSEAS MISSIONS – Continued</u>				
<u>West European and Canadian Affairs</u>				
Domestic	16	16	16	--
Overseas American	125	103	102	-1
Foreign National	495	437	436	-2
Total, West European and Canadian Affairs	<u>636</u>	<u>556</u>	<u>553</u>	<u>-3</u>
<u>East European & New Independent States Affairs</u>				
Domestic	23	23	23	--
Overseas American	94	61	79	-2
Foreign National	256	234	234	--
Total, East European and NIS Affairs	<u>373</u>	<u>338</u>	<u>336</u>	<u>-2</u>
<u>World-Wide Complement</u>				
Overseas American	166	162	140	-22
<u>Total, Overseas Missions</u>				
Domestic	119	114	114	--
Overseas American	800	685	699	-26
Foreign National	2,754	2,318	2,302	-16
Total, Overseas Missions	<u>3,673</u>	<u>3,117</u>	<u>3,075</u>	<u>-42</u>
<u>EDUCATIONAL AND CULTURAL AFFAIRS</u>				
Domestic	310	275	270	-5
Overseas American	12	12	12	--
Total, Educational and Cultural Affairs	<u>322</u>	<u>287</u>	<u>282</u>	<u>-5</u>

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Analysis of Positions by Organizational Element – Fiscal Years 1995, 1996 and 1997

	1995 Actual	1996 Estimate	1997 Request	Incr. or Decr. (-)
BUREAU OF INFORMATION				
Domestic	274	280	265	-5
Overseas American	22	18	18	--
Foreign National	113	101	99	-2
Total, Bureau of Information	<u>409</u>	<u>379</u>	<u>372</u>	<u>-7</u>
AGENCY DIRECTION AND MANAGEMENT				
Office of the Director	53	44	44	--
Office of Civil Rights	10	8	8	--
Office of Public Liaison	16	14	14	--
Office of the General Counsel	53	49	49	--
Office of Cong. Liaison and Intergovernmental Affairs	8	7	7	--
Office of Research and Media Relations	50	45	44	-1
U.S. Advisory Commission on Public Diplomacy	6	4	4	--
Bureau of Management				
Domestic	584	495	495	--
Overseas American	10	10	10	--
Foreign National	3	4	4	--
Total, Bureau of Management	<u>597</u>	<u>509</u>	<u>509</u>	<u>--</u>
Total, Agency Direction and Management				
Domestic	779	686	686	-1
Overseas American	10	10	10	--
Foreign National	3	4	4	--
Total, Agency Direction and Management	<u>792</u>	<u>680</u>	<u>679</u>	<u>-1</u>
TOTAL SALARIES AND EXPENSES APPROPRIATION				
Domestic	1,482	1,315	1,304	-11
Overseas American	644	725	699	-26
Foreign National	2,870	2,423	2,405	-18
Total, Salaries and Expenses Appropriation	<u>5,196</u>	<u>4,463</u>	<u>4,408</u>	<u>-55</u>

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Analysis of Positions by Organizational Element – Fiscal Years 1995, 1996 and 1997

	1996 Actual	1996 Estimate	1997 Budget	Incr. or Decr. (-)
INTERNATIONAL BROADCASTING BUREAU				
<u>Board for International Broadcasting</u>				
Domestic	10	--	--	--
<u>Broadcasting Board of Governors</u>				
Domestic	--	8	8	--
<u>Voice of America Programs</u>				
Domestic	1,234	1,226	1,226	--
Overseas American	31	27	27	--
Foreign National	28	26	26	--
Total, Voice of America Programs	<u>1,291</u>	<u>1,279</u>	<u>1,279</u>	<u>--</u>
<u>Engineering and Technical Operations</u>				
Domestic	280	207	202	-5
Overseas American	103	61	57	-4
Foreign National	523	611	630	19
Total, Engineering and Technical Operations	<u>906</u>	<u>879</u>	<u>890</u>	<u>10</u>
<u>WORLDNET TV & Film Service</u>				
Domestic	284	284	276	-8
<u>Broadcasting to Cuba</u>				
Domestic	282	282	260	-2
<u>Program Direction, Administration and Other</u>				
Domestic	189	164	167	3
Overseas American	2	2	2	--
Foreign National	3	3	3	--
Total, Program Direction, Administration and Other	<u>194</u>	<u>169</u>	<u>172</u>	<u>3</u>

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Analysis of Positions by Organizational Element – Fiscal Years 1995, 1996 and 1997

	1995 Actual	1996 Estimate	1997 Budgeted	Incr. or Decr. (-)
Total, International Broadcasting Bureau				
Domestic	2,229	2,141	2,129	-12
Overseas American	138	90	88	-4
Foreign National	552	640	659	19
Total, International Broadcasting Bureau	2,917	2,871	2,874	3
COMBINED GRAND TOTAL:				
Domestic	3,711	3,456	3,433	-23
Overseas American	980	818	785	-33
Foreign National	3,422	3,083	3,084	1
Grand Total	8,113 *	7,334	7,202	-12

*For comparative purposes, exclude 54 positions in 1995 for the USIA Office of the Inspector General, which is transferred by pending legislation to the Department of State in 1996.

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UNITED STATES INFORMATION AGENCY
STATEMENT RELATING APPROPRIATION ESTIMATES TO CURRENT APPROPRIATIONS
(In thousands)

	Edm. & Outl. Exch. Costs	Techno- logy Fund	Office of the Press Secy.	East- West Center	Intl/ Border for Democ.	Middle/ South/ Africa/ Russia	Broad- Cast/ Follow. Station	Int'l Broad- casting Cent.	APW Radio Fund	Radio Construction Fund	Total Periodic Fund	Other Operat- ing Fund	Inter- Agencies Fund	Total Budget Amount Fund		
1986 Appropriations:																
Regular Appropriations As Enacted (P.L. 100-217)	\$476,982	8236,270	0	--	\$4,200	\$24,000	\$4,000	\$4,000	\$404,700	\$84,000	\$10,000	\$66,914	\$1,372,000	\$000	\$000	\$1,372,000
Deficit Amount Resolved (P.L. 104-118)	-1,430	-9,000	--	-13	--	--	--	--	-747	-74	-5,000	-10,354	-50,000	--	--	-50,000
Add RFE/RL Supplemental (104-118)	--	--	--	--	--	--	--	--	7,200	--	--	--	7,200	--	--	7,200
Deficit Procurement Reform Budget Amendment	-717	--	--	--	--	--	--	--	7,200	--	--	--	-1,440	--	--	-1,440
Transfer from USIA to USA for Freedom Support Programs other	2,075	53,931	--	--	--	--	--	--	--	--	--	--	50,000	--	--	50,000
Cooperative Transfer from Exchange to DAE for DAE and Support Costs	14,000	-14,000	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Cooperative Transfer from APWA/Radio Free Arts, Proceeding to Cuba, Radio Construction in 4 BRN to Int'l Broadcasting Oper. and ID	--	--	--	--	410	--	--	--	38,700	-24,700	-5,000	-8,430	--	--	--	-5,000
Deficit Cooperative Transfer to State ID*	--	--	--	--	-4,700	--	--	--	--	--	--	-4,700	--	--	-4,700	
Total, 1986 Appropriations (Comp. Basis)	461,000	572,710	--	--	\$4,200	\$4,000	4,000	2,000	\$13,300	--	--	\$0,007	1,002,000	\$00	\$007	1,002,000
1986 Appropriations:																
Regular Appropriations (Pending - Cont. Level)*	448,916	809,000	3,000	--*	11,700	30,000	2,000	--	305,101	34,000	--	40,000	1,004,446	675	600	1,005,000*
Proposed Transfer from Exchange to DAE	9,000	-9,000	--	--	--	--	--	--	3,000	--	--	-5,000	--	--	--	--
Proposed Transfer from Radio Construction to IDO	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Cooperative Transfer from Exchange to DAE for DAE and Support Costs	12,540	-12,540	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Cooperative Transfer from Radio Construction to International Broadcasting Operations for Support Costs	--	--	--	--	--	--	--	--	8,700	--	--	-8,700	--	--	--	--
Cooperative Transfer from Broadcasting to Cuba to International Broadcasting Oper. account	--	--	--	--	--	--	--	--	24,000	-24,000	--	--	--	--	--	--
Pending 1986 Resolution in Radio Center, account*	--	--	--	--	--	--	--	--	--	--	--	-7,000	-7,000	--	--	-7,000
Total, 1986 Estimated Approp. (Comp. Basis)	467,150	178,600	3,000	--*	11,700	30,000	2,000	--	305,000	--	--	16,010	1,007,040	675	600	1,007,000

Adjustments Needed to Continue 1986 Process

In 1987 and in fiscal 1987 Demand:

1. Salary and cost adjustments to continue 1986

program in 1987:

a. Price Increases (note 1)

7,432	4,810	--	--	\$17	\$10	64	--	8,000	--	--	--	16,000	--	--	16,000
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b. Foreign national wage increases (note 2)

5,100	--	--	--	--	--	--	--	1,200	--	--	--	6,004	--	--	6,004
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* As this document was being prepared, a full year spending measure had not been enacted. This document assumes that the amounts approved earlier in the Conference Agreement on H.R. 2670, as well as the merger of the State and USA Inspector Generals under State, will ultimately be enacted.

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UNITED STATES INFORMATION AGENCY
STATEMENT RELATING APPROPRIATION ESTIMATES TO CURRENT APPROPRIATIONS, Continued
 (\$ In thousands)

	Edm. & Cult. Exps.	Techno- logy Cost	Offices of the Pres.	Govt. Contri. to Bases	Net Balances in Bank	Net Balances in Soc. Sec.	Net Balances in Post.	Int'l. Balances in Bank	Broad- casting In- Doles	AVW Funds Avail.	Radio Constitu- tions	Net Federa- tion Cost	Other Govt. Cost	Int'l. Balances in Bank	Total Govt. Cost
a. Increase in charges to fed by other agencies for continuing administrative support (note 8)	\$1,400	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$1,400	\$ --	\$ --	\$1,400
d. Full-year costs of the January 1986 Federal and benefit plan, insurance, retirement, health insurance, FICA & other benefit cost increases (note 4)	1,000	--	--	--	--	--	--	1,000	--	--	--	1,000	--	--	1,000
e. Costs of anticipated January, 1987 Federal pay increases (note 8)	3,007	--	--	--	--	--	--	3,007	--	--	--	3,742	--	--	3,742
f. Full-year savings of 1986 program and staff reductions (note 8)	-16,700	--	--	--	--	--	--	-16,700	--	--	--	-16,940	--	--	-16,940
g. Other net built-in changes (note 7) <i>Subtotal, Net Built-In Changes, 1986 to 1987</i>	3,200	--	--	--	--	--	--	3,200	--	--	--	10,077	-73	--	10,000
2. Continue Modernization of Broadcasting Technical Facilities and Agency-wide Technology Base:	6,101	4,810	--	--	817	610	54	--	8,004	--	--	10,676	-73	--	10,000
a. Net increase in VOA modernization requirements to maintain and upgrade technical infrastructure due mainly to a pending resolution and transfer to the ISO account (note 8)	--	--	--	--	--	--	--	--	--	--	--	10,000	10,000	--	10,000
b. Full-year costs to complete establishment of a centralized technology fund and continue testing a two-way, digital, high-speed telecommunications network (note 8) <i>Subtotal, Modernization of Tech. Facilities and Technology</i>	--	--	4,000	--	--	--	--	--	--	1,000	5,000	--	--	5,000	5,000
	--	--	4,000	--	--	--	--	--	--	50,000	55,100	--	--	55,100	55,100

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UNITED STATES INFORMATION AGENCY
STATEMENT RELATING APPROPRIATION ESTIMATES TO CURRENT APPROPRIATIONS, Continued
 (\$ in thousands)

	Edn. & Cult. Expt.	Techno- logy Expt.	Office of the Imp. Sec.	East- West Center	Intl. Endow. for Democ.	North/ South Center	Stim. Book. Fellow. Exhibit.	Intl. Broad- casting Cent.	APW Broad- casting In Cuba	Radio Free Asia	Radio Confeder- ate	Total Federal Expts	Stim- Booker Trust Fund	Invest- ment Trust Fund	Total Overseas Expts	
Salaries & Employees																
3. Program Reductions:																
1987 program reductions due to continued budget constraints (note 10)	-54,260	\$ --	\$ --	\$ --	\$ --	\$ -63,287	\$ -61,054	\$ --	\$ -77,773	\$ --	\$ --	\$ --	\$ -17,264	\$ --	\$ --	\$ -17,264
4. Program Increases:																
a. Fulbright Academic Exchanges and Other Exchange Programs (note 11)	--	10,134	--	--	--	--	--	--	--	--	--	--	10,134	--	--	10,134
b. Enhances Broadcasting Research Capability (note 15)	--	--	--	--	--	--	--	1,000	--	--	--	--	1,000	--	--	1,000
Subtotal, Program Increases	--	10,134	--	--	--	--	--	1,000	--	--	--	--	20,134	--	--	20,134
Net Change from 1986 Est. Appropriations	531	\$25,000	4,000	--	-7,000	--	-1,000	--	1,711	--	--	30,104	47,730	-75	--	47,649
TOTAL 1987 REQUEST	400,910	246,412	10,000	--	0,000	30,000	870	--	300,400	--	--	30,104	1,134,795	800	400	1,135,795

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STATEMENT RELATING APPROPRIATION ESTIMATES TO CURRENT APPROPRIATIONS (Continued)
(\$ in thousands)

In 1997, USIA is requesting a total of \$1.126 billion, a net increase of \$47.6 million over comparable 1996 appropriations. This increase is necessary to cover most, but not all operating costs for the reduced program levels established in 1996 following major cutbacks in all activities. Further program reductions are projected in 1997 in Salaries and Expenses, International Broadcasting Operations, East-West Center, North/South Center and the National Endowment for Democracy.

Note 1 - The cost of conducting public diplomacy continues to escalate, especially overseas, with substantial increases reflected in the cost of rents, utilities, fuel, supplies and materials, and contractual services. This increase will help defray these additional costs for Agency operations around the world. Explanations of the items identified below are contained in the justification sections of the elements or appropriations concerned.

	Salaries and Expenses	Educational & Cultural Exchanges	Int'l. Broad- casting Omn.	East Center	North/ South Center	Mat'l Endow. for Democr.	Total
a. Full-year costs of 1996 price increases for services, materials, equipment, travel, and shipping.	\$3,344	\$2,168	\$1,608	\$143	\$24	\$368	\$7,649
b. Cost increases anticipated to take effect in 1997.....	1,098	2,680	1,953	174	30	445	9,310
Total, cost increases for Agency operations.....	7,432	4,818	3,561	317	84	810	16,959

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Note 2 - This increase will provide \$2,258,000 to annualize wage scales and other built-in changes authorized at various times during 1996 for the foreign nationals employed at our posts and IBS relay stations abroad. It will also provide \$4,246,000 for wage scale increases anticipated in 1997 to maintain comparability with prevailing wage scales paid in these areas.

Note 3 - This increase will provide \$871,000 mainly for cost increases of administrative services and materials which the Department of State provides the Agency and \$529,000 for USIA's share of wage scale increases for the Department of State's foreign national employees performing administrative support functions overseas.

STATEMENT RELATING APPROPRIATION ESTIMATES TO CURRENT APPROPRIATIONS (Continued)

- Note 4 - This increase is requested to provide \$1,749,000 for the full-year costs of the January 1996 locality and Federal pay raises and \$1,251,000 for retirement, health insurance, FICA, and other benefit cost increases.
- Note 5 - This increase will fund an across-the-board Federal pay raise of 3.0 percent anticipated to be implemented in January, 1997, as estimated by the Administration.
- Note 6 - In FY 1996, USIA implemented program reductions in its operating accounts totaling \$127,109,000 and 957 positions. The full-year savings resulting from these 1996 cuts, including one-time severance and termination costs paid in 1996, total \$25,548,000 and 218 PTE work-years. This consists of \$16,792,000 and 166 PTE in Salaries and Expenses and \$8,756,000 and 52 PTE in International Broadcasting Operations.
- Note 7 - This net increase results from all other net built-in changes for continuing, throughout 1997, the reduced program levels established by the end of 1996, exclusive of the amounts identified above. Major changes include \$5,000,000 for full-year costs of establishing the Asia Pacific Network/Radio Free Asia (offsets carryover balances used for that purpose in 1996); land rental costs of \$2,618,000 in Greece and Sao Tome; \$1,698,000 for added reimbursements to the Department of Defense for postal services provided to USIA personnel and their dependents abroad, based on a new DOD charging methodology; and other net changes, \$1,186,000.
- Note 8 - This increase will provide \$19,249,000 to enable the International Broadcasting Bureau to maintain and upgrade its aging technical infrastructure and to ensure that it has a capability to adapt quickly in response to changing political situations around the globe. The increase is more critical following a substantially lowered appropriation in 1996 due to a rescission of \$7.4 million and the necessity to transfer \$4.0 million to the Broadcasting operating account to avoid employee furloughs.
- Note 9 - The increase will also provide \$5,950,000 to continue testing a two-way, digital, high-speed telecommunications network and to maintain and upgrade the technical infrastructure necessary to support Agency operations around the world. Establishment of a worldwide, digital network is essential to the U.S. public diplomacy function. It will be an efficient, cost-effective means for transmitting large amounts of targeted and focused information -- including multilingual text, audio, video, and data -- in real time between Washington and overseas.
- Note 10 - Salaries and Expenses Appropriation - \$4,350,000 - The 1997 S&E request, which funds USIA's core non-broadcasting operations, reflects 1997 program reductions of \$4,350,000. These cuts will affect all non-broadcasting elements, resulting in the elimination of 33 positions (11 domestic, 4 overseas American and 18 foreign national).

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STATEMENT RELATING APPROPRIATION ESTIMATES TO CURRENT APPROPRIATIONS (Continued)

International Broadcasting Operations, \$-7,773,000 - In FY 1997, further program reductions of \$7,773,000 and 14 positions are projected, affecting all aspects of Broadcasting operations and support.

Other Accounts, \$-8,161,000 - Program reductions in other accounts total \$8,161,000. This includes \$3,267,000 for the East-West Center and \$1,064,000 for the North/South Center, representing a continued phasingout of these non-competitive grant programs. Finally, the National Endowment for Democracy will be cut \$810,000 to offset inflationary increases.

Note 11 - Restoration of Fulbright Academic Exchanges and Other Exchange Programs, \$12,124,000 - An increase of \$16.1 million is requested to allow the Agency to restore continuing needs for Exchange Programs, including Fulbright Academic Exchanges, International Visitor Program, Citizens Exchanges and programs of special Congressional interest. These programs were reduced by about 20% in 1996, resulting in termination, suspension and disruption of some program activities. This restoration would ensure the maintenance of existing bilateral academic exchanges and other programs at close to 1995 levels while redirecting resources to highest policy priority areas. In addition, the increase would provide \$3.0 million for an initiative in international civic education.

Note 12 - Enhance Broadcasting Research Capacity, \$1,000,000 - An increase of \$1.0 million is requested to conduct research required by the International Broadcasting Act of 1994 (P.L. 101-236) which states that USG international broadcasting shall include a reliable research capacity. In addition, the Government Performance and Results Act of 1993 requires that we be able to measure progress toward goals and objectives. Research will play an important part in this endeavor and in assisting the EBG in making important strategic decisions.

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GENERAL STATEMENT

Budget Overview

Changes in communications, the collapse of the bipolar world order, and the spread of democracy have created an atmosphere of greater openness and citizen involvement in the conduct of foreign affairs. In addition to the traditional functions of American diplomacy, there is a pressing requirement for the expansion of the USIA's ability to enable its citizens to engage in people-to-people contact in their areas of interest, be they commercial, educational or other. These changes require adjustments in the way the U.S. Information Agency serves this nation's foreign policy.

Over the past four years, USIA has been at the forefront of the reinvention effort. The Agency continues to follow a multi-year strategy for rational downsizing and specific analytic criteria rather than the past practice of across-the-board cuts. In FY 1995, the Agency focused on restructuring domestic program support, particularly for information and broadcasting. In both FY 1996 and FY 1997, the Agency is focusing on streamlining management and administrative services at headquarters and at our United States Information Service (USIS) posts overseas; savings will be realized through downsizing, technology modernization and strategic alliances for services with other agencies. Also in FY 1996 and into FY 1997, the Agency will concentrate on restructuring the offices which manage our exchange programs. Thus, USIA is continuing to reengineer all of its structures and processes to work better and cost less.

Specific Agency actions:

- o During the summer of 1995, the Agency undertook a major review of its mission and operating environment, both here and abroad, to develop a strategic vision for the Agency in the year 2000. The review resulted in a reaffirmation that the maintenance of American security and promotion of prosperity continue to depend on a robust public diplomacy effort. It recognized, however, that the Agency's relationship with key contacts here and abroad is changing owing to new geopolitical circumstances and technologies. The review committed USIA to:
- 1) Factor in differing levels of information-technology sophistication when deciding where and how to deploy programs and products.
 - 2) Reexamine Washington and overseas support structures, stepping up use of emerging digital technologies and improving evaluation of products and services.

The review, titled USIA 2000, currently provides the foundation for both Agency restructuring and OPRA-driven efforts to establish concise mission goals and objectives.

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GENERAL STATEMENT. Continued

- o The Bureau of Information is fully operational. Having dismantled the Bureau of Policy and Programs, closing down activities such as the production of magazines and exhibits which were no longer deemed the most effective means of reaching foreign decision makers, we created a bureau which is 30 percent smaller than the elements it replaced and radically different in conception. The I Bureau serves as our model of a de-layered, team-managed, customer-oriented, innovative and flexible organization. Its bold achievements have already been recognized by the Vice President with a Hammer award.
- o The I Bureau is taking the lead in using advanced information technology, such as Digital Video Conferencing, to perform traditional Agency functions more cost-effectively. Recognizing the need to compete for the attention of decision makers and influential publics abroad, USIA established a Technology Modernization Fund and created a Senior Advisory Board on Technology to enhance technology planning and decision making. We are beginning experimental use of a high-speed digital network as a means for transmitting large amounts of information between Washington and overseas.
- o Agency restructuring continues with the first steps taken by the Bureau for Educational and Cultural Affairs to reorganize. The planned changes are designed to improve internal coordination among the various operational elements of the Bureau, de-layer its management hierarchy, encourage partnership among employees across functional boundaries and finally to undertake staff reductions envisioned in the National Performance Review. Over the course of the coming year, the Bureau's current seven offices will be consolidated into four offices, which will be organized around both geographic and functional lines.
- o This is the inaugural year for the new Broadcasting Board of Governors. In 1994, we achieved a key goal by consolidating all USA International broadcasting activities and worked together with Congress to achieve passage of the 1994 International Broadcasting Act. The consolidation retains the individual program strengths of all broadcasting elements and generates savings of over \$400 million over the four-year period 1994-1997. This is not a one-time phenomenon but a structural change; our 1996 operating level of \$395 million represents a reduction of \$92 million, or 19%, from the 1994 level of \$487 million.
- o Having re-thought the way we operate in the field to adapt to changing information environments and fiscal realities, we were in a better position to undertake significant cuts to our field presence this year. In the past two years we began to analyze the deployment of our field resources in accordance with a post-Cold War calculus in which economic factors and newly democratic marketplaces of ideas are of increased importance to U.S. national security. The resulting revised Resource Allocation Group (RAG) system has

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GENERAL STATEMENT, Continued

given us a strategic approach to resource distribution abroad. This year we established RAG-based benchmarks for American and foreign staffing levels at missions abroad. Our field cuts are being guided by these benchmarks. They have helped us cut overhead abroad by foregoing costly and outmoded program approaches, such as public access libraries in developed countries and costly America Houses in the EIS, and focus on more cost effective, high-tech delivery systems. The inevitable downside has been our most significant overseas personnel reduction ever. Close to 16 percent of our local hires (Foreign Service Nationals and contract employees) are being let go. Downsizing abroad will mean a leaner foreign service corps for the future. This year, we are drawing down our FSO ranks by over 14 percent.

- o The Bureau of Management has been charged with developing more efficient, cost-effective ways of doing business and is undertaking a comprehensive review of services. For FY 1996 we will achieve savings of over \$7 million from reengineered administrative processes and other changes throughout the Agency. We will have automated systems in place which will deliver incoming cables electronically to the desktop and give employees the capability to send outgoing cables electronically. By automating the processing of travel authorizations and vouchers and by simplifying procedures, we will reduce the burden to travelers and costs to the Agency. We will introduce electronic time and attendance. We will increase the use of credit cards for procurement by domestic offices and overseas posts. We plan to adapt the new financial management system being developed by USAID, thereby avoiding duplication of effort and multiplication of cost for software development. About 17 percent of the Bureau's full-time permanent, temporary and part-time positions will be eliminated.
- As announced by the Vice President, we will continue to work with the other foreign affairs agencies during the second phase of NPA to establish common administrative services, eliminate unnecessary and duplicative practices and use the private sector and competition to cut costs further. We are also participating in the review by the President's Management Council to increase the effectiveness of the USC's overseas presence while reducing its cost. This review will focus on streamlining overseas operations, improving shared administrative support for posts abroad, and making better use of information systems and communications technology.

Summary of 1997 Budget Request

The restructuring of USIA, as described elsewhere in this document, has been made more difficult by the major cuts imposed in the pending 1996 appropriations. USIA has taken downsizing seriously. The consolidation of international broadcasting, the reinvention of overseas information support, the refocus of operations and programs abroad, the restructuring of exchanges support, and the reengineering of administrative processes and services have had dramatic budgetary and programmatic impact since 1994. Since that date, over 2,500 Federal and grantee positions -- representing a reduction of almost 25% of the workforce -- have been eliminated. Over 1,000 of those positions are being eliminated this year. A Reduction-in-Force and other staff reduction measures are underway. Over 20 overseas program installations have been or are in the process of being shut

GENERAL STATEMENT, Continued

Summary of 1997 Budget Request, continued

down. Five radio relay stations are being closed and broadcast hours have been substantially reduced. Exchange programs are down by over 20%. Overall reductions of such magnitude have seriously undercut USIA's capacity to conduct the U.S. Government's public diplomacy effort. Thus, the Agency seeks to stabilize basic operations and improve several accounts.

USIA's two principal operating accounts -- Salaries and Expenses (field operations and program support) and Broadcasting Operations -- are essentially the same in 1997 as the comparable current year levels. Savings and non-recurring costs from 1996 will cover most, but not all, projected added costs of doing business in 1997, including activities in the Balkans and added needs for the Asia Pacific Network/Radio Free Asia. Further program reductions of 1% to 2% will be required in 1997.

In 1997, USIA is requesting a total of \$1.126 billion, a net increase of \$47.6 million over the comparable pending 1996 level. The principal additions requested consist of \$24.0 million for the Exchange Program and \$20.2 million for the Radio Construction appropriation to meet important needs by restoring some of the major cuts taken in those activities in 1996. Part of the 1996 reductions come from transfers from these accounts to our two operating accounts to cover one-time downsizing requirements and thus avoid further RIFs and furloughs. We are also requesting an increase of \$5 million for new technology to explore the development of a two-way high-speed digital network and other digital applications for program use.

Reductions in the non-competitive grants to the North/South and East-West Centers accounts offset part of these increases.

The table on the next page summarizes the program reductions implemented in the Salaries and Expenses and International Broadcasting Operations accounts in fiscal years 1996 and 1997.

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GENERAL STATEMENT, Continued
Summary of 1996 and 1997 Program and Staff Reductions
Salaries & Expenses/International Broadcasting Operations Accounts
(Funds in thousands)

	1996 Reductions					1997 Reductions				
	Positions				Funds	Positions				Funds
	Dom.	Amt.	ENE	Total		Dom.	Amt.	ENE	Total	
Salaries and Expenses Account:										
Overseas Missions:										
East Asia and Pacific.....	-2	-11	-90	-112	-96,200	--	-1	-14	-15	-9604
Africa.....	-1	-10	-33	-44	-3,356	--	--	--	--	-572
North Africa, Near East, and South Asia.....	-2	-15	-154	-171	-4,961	--	--	--	--	-412
Inter-American Affairs.....	--	-16	-90	-95	-4,446	--	--	--	--	-402
West Europe and Canada.....	--	-22	-58	-80	-8,120	--	-1	-2	-3	-730
East Europe and New Independent States.....	--	-14	-27	-41	-3,808	--	-2	--	-2	-494
World - Wide Mission Costs.....	--	-34	--	-34	-4,899	--	--	--	--	--
Subtotal, Overseas Missions.....	-6	-122	-410	-547	-36,463	--	-4	-16	-20	-2,987
Educational and Cultural Affairs.....	-34	-1	--	-35	-6,000	-8	--	--	-8	-330
Information Bureau.....	-18	--	-12	-30	-1,036	-8	--	-2	-7	-375
Agency Direction and Management.....	-113	--	--	-113	-8,473	-1	--	--	-1	-679
Administrative Support from Other Agencies.....	--	--	--	--	-128	--	--	--	--	--
Total, S & E Program Cuts (Comp. Basis)....	-179	-123	-412	-746	-81,900	-11	-4*	-18	-23*	-4,386
International Broadcasting Operations Account:										
BIG/VOA/WORLDNET/Engineering/Other.....	-93	-43	-84	-200	-36,202	-14	--	--	-14	-5,572
Broadcasting to Cuba.....	-12	--	--	-12	-2,784	--	--	--	--	-438
Radio Free Europe/Radio Liberty.....	--	--	--	--	-36,054	--	--	--	--	-1,771
Total, International Broadcasting Operations Program Cuts (Comp. Basis)...	-106	-43	-84	-212	-76,130	-14	--	--	-14	-7,773
Total, S&E and International Broadcasting Operations Program Cuts (Comp. Basis)....	-275	-166	-419	-897	-127,130	-29	-4*	-18	-47*	-12,122

* Excludes a built-in reduction of an additional 22 work-years and \$1,717,000 for the Junior Officer Training Program associated with the overall 1996 program reductions and downizing.

EXPLANATION OF LANGUAGE CHANGES

(Funds in thousands)

1. Changes in appropriation requests for fiscal year 1997

At the time this document was being prepared, FY 1996 legislative language had not been approved. This section explains proposed changes in the text of appropriation language contained in the Conference Agreement on H.R. 2076 and the pending 1996 Omnibus Appropriations bill. Proposed deletions are denoted by enclosures in brackets ([]) and proposed insertions are denoted by italics. The appropriation requests for fiscal year 1997, detailed in other sections of these justifications, compare as shown below with the pending 1996 appropriations.

<u>Appropriation Title</u>	<u>1996 Estimated Appropriations*</u>	<u>1997 Request</u>	<u>Increase or Decrease (-)</u>
Salaries and Expenses (Conference Level).....	\$ 445,645	\$ 468,016	\$ 22,371
Add Comparative Transfer from Exchanges for Staff and Support Costs.....	12,540	--	-12,540
Add Proposed Transfer from Exchanges.....	9,000	--	-9,000
Subtotal, S&E (Comparative Basis).....	<u>467,185</u>	<u>468,016</u>	<u>831</u>
Technology Fund.....	5,050	10,000	4,950
Educational and Cultural Exchange Programs (Conf Level) Deduct Comparative Transfer to S&E for Staff and Support Costs.....	200,000	202,412	2,412
Deduct Proposed Transfer to S&E.....	-12,540	--	12,540
Subtotal, Exchange Program (Comparative Basis)..	<u>-9,000</u>	<u>--</u>	<u>9,000</u>
Subtotal, Exchange Program (Comparative Basis)..	<u>178,460</u>	<u>202,412</u>	<u>23,952</u>
East-West Center.....	11,750	8,800	-2,950
North/South Center	2,000	970	-1,030
National Endowment for Democracy.....	30,000	30,000	--
Broadcasting:			
International Broadcasting Operations (Conf. Level)..	325,191	365,406	40,215
Add Broadcasting to Cuba (Comparative Transfer).....	24,809	--	-24,809
Add Comp. Transfer from Radio Construction.....	9,700	--	-9,700
Add Proposed Transfer from Radio Construction.....	3,985	--	-3,985
Subtotal, International Broadcasting Opera- tions (Comparative Basis).....	<u>363,685</u>	<u>365,406</u>	<u>1,721</u>

EXPLANATION OF LANGUAGE CHANGES, CONTINUED
(Funds in thousands)

Amendment Title	1996 Estimated Amendments*		1997 Estimate	Increase or Decrease (-)		
	\$	40,000	\$	39,164	\$	-836
Radio Construction (conference Level).....		-7,400	—	—	7,400	
Deduct Pending Recission in 1996.....		-9,700	—	—	9,700	
Deduct Comparative Transfer to Int'l. Broad. Oper.		-1,285	—	—	1,285	
Deduct Proposed Transfer to Int'l. Broad. Oper.		18,915	39,164	20,249		
Subtotal, Radio Construction (Comp. Basis).....		<u>382,600</u>	<u>404,570</u>	<u>21,970</u>		
Total, Broadcasting (Comparative Basis).....		1,077,045	1,124,768	47,723		
 Subtotal, Federal Funds (Comparative Basis)....						
 Trust Funds:						
Eisenhower Exchange Fellowship Program Trust Fund....		675	600	-75		
Israeli Arab Scholarship Program Trust Fund.....		400	400	—		
Subtotal, Trust Funds		<u>1,075</u>	<u>1,000</u>	<u>-75</u>		
 <u>Total, DIA Discretionary Funds (Comparative Basis)....</u>	<u>1,078,120*</u>		<u>1,125,768</u>	<u>47,648</u>		

* As this document was being prepared, a full-year spending measure had not been enacted. This document anticipates that the amounts approved earlier in the Conference Agreement on H.R. 2076 will ultimately be enacted.

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EXPLANATION OF LANGUAGE CHANGES. CONTINUED

Federal Funds
General and special funds:
SALARIES AND EXPENSES

For expenses, not otherwise provided for, necessary to enable the United States Information Agency, as authorized by the Mutual Educational and Cultural Exchange Act of 1961, as amended (22 U.S.C. 2451 et seq.), the United States Information and Educational Exchange Act of 1948, as amended (22 U.S.C. 1431 et seq.), and Reorganization Plan No 2 of 1977 (91 Stat. 1636), to carry out international communications, educational and cultural activities; and to carry out related activities authorized by law, including employment, without regard to civil service and classification laws, of persons on a temporary basis (not to exceed \$700,000 of that appropriation), as authorized by 22 U.S.C. 1471, and entertainment, including official receptions, within the United States, not to exceed \$25,000 as authorized by 22 U.S.C. 1474(d); (\$445,645,000) \$466,016,000: Provided, That not to exceed \$1,400,000 may be used for representations abroad as authorized by 22 U.S.C. 1452 and 4035: Provided further, That not to exceed \$7,615,000, to remain available until expended, may be realigned to this appropriation from fees or other payments received from or in connection with English teaching, library, motion pictures, student advising and counseling, and publication programs as authorized by section 810 of the United States Information and Educational Exchange Act of 1948, as amended]: Provided further, That not to exceed (\$1,700,000) \$1,100,000, to remain available until expended, may be used to carry out projects involving security construction and related improvements for Agency facilities not physically located together with Department of State & Missions abroad.

2. Addition of language to include "student advising and counseling" for receipts that may be credited to the Salaries and Expenses appropriation from fees

The Agency requests that the authority to recycle fees from student advising and counseling be added to the Salaries and Expenses account.

3. Revision of reference to the Educational Exchange Act of 1948, as amended

This change is proposed to conform more closely with standard appropriation language practices.

EXPLANATION OF LANGUAGE CHANGES: CONTINUED

4. Change Amount to be Available Until Expended for Security Improvements Overseas

A total of \$1,100,000 of the 1997 Salaries and Expenses appropriation is requested to be designated as the amount to remain available until expended to carry out projects involving security construction and related improvements for USAID facilities not physically located together with Department of state facilities abroad. This decrease of \$600,000 results from program cuts implemented in 1996 as part of the President's overall deficit reduction efforts.

EAST-WEST CENTER

[To enable the Director of the United States Information Agency to provide for carrying out the provisions of the Center for Cultural and Technical Interchanges Between East and West Act of 1960 (22 U.S.C. 2054-2057, by] For grants to the Center for Cultural and Technical Interchanges Between East and West in the State of Hawaii, [(\$11,750,000)] \$2,000,000: Provided, That none of [the] funds [appropriated herein] shall be used to pay any salary, or enter into any contract providing for the payment thereof, in excess of the rate authorized by 5 U.S.C. 5376. (22 U.S.C. 2054-2057.)

5. Revision of reference to the Director of the United States Information Agency, the Center for Cultural and Technical Interchanges Between East and West Act of 1960 (22 U.S.C. 2054-2057)

This proposed change is strictly of a technical nature and is proposed to conform more closely with standard appropriation language practices.

NORTH/SOUTH CENTER

[To enable the Director of the United States Information Agency to provide for carrying out the provisions of North/South Center Act of 1991 (22 U.S.C. 2075), by] For grants to [an educational institution in Puerto Rico] the North/South Center, [(\$1,000,000)] \$750,000, to remain available until expended. (22 U.S.C. 2075.)

6. Revision of reference to the Director of the United States Information Agency, the North/South Center Act of 1991 (22 U.S.C. 2075)

This proposed change is strictly of a technical nature and is proposed to conform more closely with standard appropriation language practices.

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EXPLANATION OF LANGUAGE CHANGES, CONTINUED

INTERNATIONAL BROADCASTING OPERATIONS

For expenses necessary to enable the United States Information Agency, as authorized by the United States Information and Cultural Exchange Act of 1946, as amended, the United States International Broadcasting Act of 1954, as amended, the Radio Broadcasting to Cuba Act, as amended, the Television Broadcasting to Cuba Act, [as amended] and Reorganization Plan No. 2 of 1977, to carry out international communication activities, including the purchase, installation, new, construction, and improvement of facilities for radio and television transmission and reception to Cuba, [§325,191,000] §345,405,000; of which [§15,000,000 shall remain available until expended], not to exceed \$16,000 may be used for official receptions within the United States as authorized by 22 U.S.C. 1452 and 4035, and to exceed \$35,000 may be used for representation abroad as authorized by 22 U.S.C. 1452 and 4035, and not to exceed \$39,000 may be used for official reception and representation expenses of Radio Free Europe/Radio Liberty; and in addition, not to exceed \$250,000 from fees, as authorized by section 810 of the United States Information and Educational Exchange Act, [of 1946, as amended], as remain available until expended for carrying out authorized purposes; and in addition, notwithstanding any other provision of law, not to exceed \$1,000,000 in m^ories received (including receipts from advertising, if any) by or for the use of the [United States Information] Agency from or in connection with broadcasting resources owned by or on behalf of the Agency, to be available until expended for carrying out authorized purposes: Provided, That funds may be used to purchase or lease, maintain, and operate such aircraft (including aerostats) as may be required to house and operate necessary television broadcasting equipment.

7. Add Citations and references for the Radio Broadcasting to Cuba and Television Broadcasting to Cuba Acts

In 1997, the Administration proposes to fund all U.S. non-military international broadcasting activities in one appropriation account, "International Broadcasting Operations." These citations and references were previously contained in the separate Broadcasting to Cuba appropriation.

8. Insert Provision Relating to Aircraft/Aerostats

The Agency proposes the addition of language that will allow us to use funds for the purchase or lease, maintenance and operation of aircraft, including aerostats for television broadcasting to Cuba. This authority as previously contained in annual appropriation acts in the Broadcasting to Cuba account, which the Administration proposes to consolidate in 1997 under the International Broadcasting Operations appropriation.

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EXPLANATION OF LANGUAGE CHANGES, CONTINUED

BROADCASTING TO CUBA

[For expenses necessary to enable the United States Information Agency to carry out the Radio Broadcasting to Cuba Act, as amended, the Television Broadcasting to Cuba Act, and the International Broadcasting Act of 1994, including the purchase, rent, construction, and improvement of facilities for radio and television transmission and reception, \$34,800,000 to remain available until expended; Provided, That not later than April 1, 1995, the headquarters of the Office of Cuba Broadcasting shall be relocated from Washington, D.C. to south Florida, and that any funds available under the headings "International Broadcasting Operations", "Broadcasting to Cuba", and "Radio Construction" may be available to carry out this relocation.]

9. Relation Amendment Language for the Broadcasting to Cuba Account

As previously stated in item 7 above, in 1997 the Administration proposes one appropriation account, International Broadcasting Operations, for funding all U.S. non-military international broadcasting activities including Broadcasting to Cuba. Thus, we propose to delete current language for the separate Broadcasting to Cuba appropriation. The 1997 request includes \$35,000,000 for Broadcasting to Cuba.

RADIO CONSTRUCTION

[For an additional amount] For the purchase, rent construction, and improvement of facilities for radio transmission and reception, and purchase and installation of necessary equipment for radio and television transmission and reception as authorized by 22 U.S.C. 1471, [\$46,000,000] \$19,164,000, to remain available until expended, as authorized by 22 U.S.C. 1477(a).

10. Relation of reference to "an additional amount" for the Radio Construction account

This change is proposed to conform more closely with standard appropriation language practices.

REEDSOWER EXCHANGE FELLOWSHIP PROGRAM TRUST FUND

For necessary expenses of Eisenhower Exchange Fellowships, Incorporated, as authorized by sections 4 and 5 of the Eisenhower Exchange Fellowship Act of 1990 (26 U.S.C. 7204-05), all interest and earnings accruing to the Eisenhower Exchange Fellowship Program Trust Fund on or before September 30, [1995] /1997, to remain available until expended; Provided, That none of the funds appropriated herein shall be used to pay any salary or other compensation, or to enter into any contract providing for the payment thereof, in excess of the rate authorized by 5 U.S.C. 5376; or for purposes which are not in accordance with OMB Circular A-110 (Uniform Administrative Requirements) and A-122 (Cost Principles for Non-profit Organizations), including the regulations on compensation for personnel services.

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EXPLANATION OF LANGUAGE CHANGES, CONTINUED

11. Extend Period of Interest and Earnings Covered by Appropriation to September 30, 1992

This change would appropriate all interest and earnings accruing to the Eisenhower Exchange Fellowship Program Trust Fund prior to September 30, 1997. The pending 1996 Appropriations Act appropriates interest and earnings through September 30, 1996.

ISRAELI ARAB SCHOLARSHIP PROGRAM

[For necessary expenses of the Israeli Arab Scholarship Program as authorized by section 214 of the Foreign Relations Authorization Act, Fiscal Years 1992 and 1993 (22 U.S.C. 2452), all interest and earnings accruing to the Israeli Arab Scholarship Fund on or before September 30, [19,] 1997, to remain available until expended.]

12. Extend Period of Interest and Earnings Covered by Appropriation to September 30, 1992

This change would appropriate all interest and earnings accruing to the Israeli Arab Scholarship Program Trust Fund prior to September 30, 1997. The pending 1996 Appropriations Act appropriates interest and earnings through September 30, 1996.

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AMERICAN STUDIES COLLECTIONS ENDOWMENT FUND

[For necessary expenses of American Studies Collections as authorized by section 235 of the Foreign Relations Authorization Act, Fiscal Years 1994 and 1995, all interest and earnings accruing to the American Studies Collections Endowment Fund on or before September 30, 1996, to remain available until expended.]

13. Delete Appropriation Language for American Studies Collections Endowment Fund

All available funds will be used in 1996 to complete the purchase of these collections. Thus, we propose to delete current language for this appropriation.

EXPLANATION OF SPECIAL BUDGET ITEMS

1. Personal Services Lapse Rates

Lapse rates are allowances for vacancies and turnover used in developing estimates for personnel compensation and benefits.

- a. For fiscal year 1995, lapse rates reflect actual employment experience for each element or account.
- b. For 1996 and 1997, lapse rates are based on a projection of personnel on duty as of October 1, 1995, a scheduling of vacant and new positions to be filled, and an analysis of positions to be eliminated. Rates used in 1996 and 1997 are as follows:
 - (1) For continuing American positions at overseas missions, the gross lapse rate averages 2.0 and 2.1 percent, respectively.
 - (2) For continuing domestic positions, the gross lapse rate averages 4.1 and 2.8 percent, respectively.
 - (3) For continuing foreign national positions, the lapse rate has been determined independently for each country and is based on information supplied by the overseas mission concerned.
 - (4) For positions added or dropped in 1996 and scheduled to be added or dropped in 1997, the lapse rate has been determined independently by each element based on the timing of the planned change.

2. Projection of FY 1997 Federal Pay Increase

The Agency's 1997 estimates for domestic and overseas American salary and related costs reflected in this document include added costs of \$6.7 million resulting from an across-the-board Federal pay raise of 3.0 percent effective January 1997, as projected by the Administration. Of the added costs, \$3.4 million occur in the Salaries and Expenses account and \$3.3 million in International Broadcasting Operations.

3. Calculation of Overseas Wage and Cost Increases

The Agency's 1997 request for "Salaries and Expenses," "Educational and Cultural Exchange Programs," and "International Broadcasting Operations" includes funds for projected overseas wage scale adjustments (S&E and IBO) only and other cost increases for fuel, leases, utilities, materials, travel, shipping, and other contractual services. These increases are summarized under the overall "Lead-Off Tabular Statement" in Section 2 of this document. In making these projections we have applied data furnished by the Department of State which are based on the Department's analyses of wage and cost trends in each area of the world, with particular emphasis on the major countries in each area.

EXPLANATION OF SPECIAL BUDGET ITEMS. CONTINUED

(\$ in Thousands)

4. Reimbursements from USAID for Support for East European Democracy (SEED)

The budget justifications for the Salaries and Expenses (S&E), Educational and Cultural Exchange Programs, and International Broadcasting Operations appropriations contain obligations in all three fiscal years for activities funded by reimbursements received from USAID to carry out provisions of the Support for East European Democracy (SEED) Act of 1989, and the Foreign Assistance Act of 1981, as amended. The amounts for each year, as detailed below, are included in the gross obligations of the regular program activities of certain Agency bureaus and offices and are also included in the line item "Deduct reimbursements" that appears at the end of each section's tabular presentation of total gross and net funding. USAID has selected USIA to implement programs for media, public administration, management, market economics and legal training, English teaching, educational reform, and the organization of civic action groups because of USIA's expertise and experience in overseas information and cultural exchange programs. This funding has forwarded the goals of the SEED legislation in supporting the efforts of Central and Eastern European countries, including the new Baltic nations, to restructure their economies, improve the environment and advance democratic reforms. All these programs are in addition to those that USIA would be able to fund within USIA's appropriations. The following table shows the amount of such reimbursements for each bureau or office for fiscal years 1995 - 1997. Estimates for 1997 are based on current estimates of 1996 support. Any decrease in that funding would cause a direct reduction of the same amount in the level of obligations and programs that USIA could implement.

Appropriation and Bureau/Office	Reimbursements Included in Gross Obligations			
	1995 Actual	1996 Estimate	1997 Estimate	Increase/ Decrease
Salaries and Expenses:				
East European and NIS Program.....	\$ 844	\$ 100	\$ --	\$ -100
Educational and Cultural Affairs.....	864	273	273	--
Bureau of Information.....	681	100	100	--
Subtotal, Salaries and Expenses.....	2,389	473	373	-100
Educational and Cultural Exchange Programs.....	3,583	4,000	4,000	--
International Broadcasting Operations.....	596	844	844	--
Total, SEED Reimbursements.....	6,568	5,317	5,217	-100

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EXPLANATION OF SPECIAL BUDGET ITEMS. CONTINUED
(\$ in Thousands)

5. Transfer of Foreign Operations Appropriations from USAID to USIA

In 1995, USAID made appropriation transfers of \$56,506,000 from funds appropriated to USAID under the Foreign Operations, Export Financing, and Related Programs Appropriations Act, 1994, to USIA to carry out various exchange programs with the NIS countries, Central and Eastern Europe, and the Baltic States and Cyprus. Of this total, \$2,575,000 was transferred to USIA's Salaries and Expenses account and \$53,931,000 to USIA's Educational and Cultural Exchange Programs account. \$5,800,000 of this total was received in the last quarter of 1995. A total of \$9,100,000 in exchanges was carried over and will be obligated in 1996.

In 1996, USAID plans to make an additional appropriation transfer of \$30,200,000 to USIA to continue a portion of these exchange programs. When this budget document was being prepared, details of the transfer had not been finalized. The detailed budget justifications that follow do not display this anticipated transfer. The budget also excludes anticipated transfers of \$1,000,000 in 1996 under the proposed Bosnia/Balkans supplemental, and \$400,000 in both 1996 and 1997 to carry out a Small Grants Program in Eastern/Central Europe.

In 1997, the Administration has included \$10 million in USIA's 1997 request to continue funding for secondary school exchanges within the NIS.

The USAID appropriation transfers to USIA in 1995 are summarized by program activity and appropriations account below:

Program Activity	Salaries & Expenses	Exchange Programs	Total
Various exchange programs with NIS countries.....	\$ --	\$ 42,000	\$42,000
Cyprus American Scholarship Program.....	--	4,948	4,948
Programs to support independent media in Russia...	--	500	500
Various exchange programs supporting development of democracy in Central and Eastern Europe and the Baltic States.....	2,575	6,483	9,058
Total, FY 95 Transfers	2,575	53,931	56,506

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EXPLANATION OF SPECIAL BUDGET ITEMS, CONTINUED
(\$ in Thousands)

6. Reimbursements from USAID for Freedom Support Programs

In addition to the appropriation transfers noted in Item 5 above, USAID made \$1.2 million available to USIA in FY 1995 and \$0.7 million in FY 1996 through reimbursable agreements to implement exchange and training programs. The budget justifications for the Salaries and Expenses (S&E), Educational and Cultural Exchange Programs (Exchange), and International Broadcasting Operations (Broadcasting) appropriations contain obligations in 1995 and 1996 for activities actually funded by reimbursements or anticipated to be funded by USAID to carry out provisions of the Freedom Support Act. The following table shows the amount of such reimbursements for each bureau or office for fiscal years 1995 - 1996.

Appropriation and Bureau/Office	Reimbursements Included in Gross Obligations	
	1995 Actual	1996 Estimate
<u>Salaries and Expenses:</u>		
Educational and Cultural Affairs.....	\$ --	\$ --
Bureau of Information.....	687	541
Subtotal, Salaries and Expenses.....	687	541
<u>International Broadcasting Operations.....</u>	137	156
<u>Educational and Cultural Exchange Programs.....</u>	380	--
Total, Freedom Support Reimbursements.	1,204	697

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EXPLANATION OF SPECIAL BUDGET ITEMS, CONTINUED
(\$ in Thousands)

7. 1995 Budget Amendment for Procurement Before Savings

In 1995, the President transmitted an amendment reducing the total USIA request for 1995 by \$1,440,000 for estimated savings resulting from a reform of the USIA's procurement processes. This reduction was not distributed by appropriation account, and the 1995 Appropriations Act reflected the reduction in an administrative provision. Subsequently, pursuant to this administrative provision, the USIA Director allocated the reduction by account as follows: Salaries and Expenses, \$717,000; International Broadcasting Operations, \$723,000.

8. Comparative Transfers for Certain Staff and Related Support Costs Funded in Educational and Cultural Exchange Program Appropriation, and Proposed Transfer from Exchanges to S&E to Preclude Employee Furloughs Due to 1996 Budget Reductions

In fiscal years 1995 and 1996, Congress funded certain staff and related support costs of the Educational and Cultural Affairs Bureau, which had previously been funded in USIA's S&E account, in the separate Educational and Cultural Exchange Programs account. In 1997, the Administration proposes to shift these funds back to the S&E account. For comparative purposes, the 1995 (\$14,500,000) and 1996 (\$12,540,000) amounts are displayed in the S&E account in these budget justifications. Additionally, FY 96 includes a proposed appropriations transfer of \$9,000,000 from Exchanges to S&E to avoid the necessity for employee furloughs due to the 1996 budget reductions. These funds will be shown in the S&E account. For reconciliation to "Enacted" 1996 Appropriations, the funds will be deducted below the line on S&E summary tables and added below the line on Exchanges summary tables.

9. Comparative Transfers for the International Broadcasting Operations and Radio Construction; IBO and Broadcasting to Cuba, and Proposed Transfer from Radio Construction to IBO to Preclude Employee Furloughs Due to 1996 Budget Reductions

In 1995 (\$9,433,000) and 1996 (\$9,700,000), Congress funded Engineering staff and other costs required to carry out the VOA modernization of its technical facilities in the Radio Construction account. However, OMB has put these costs back into the IBO account for 1997. For comparative purposes, we will also show these funds in the IBO justifications in 1995 and 1996. Additionally, IBO includes \$24,809,000 for Broadcasting to Cuba appropriated to a separate account in 1996, but reflected in IBO in 1997. Again, for comparative purposes we will also show these funds in the IBO justifications in 1995 and 1996. Lastly, FY 96 includes a proposed appropriations transfer of \$3,985,000 from Radio Construction to IBO to avoid the necessity for employee furloughs due to the 1996 budget reductions. These funds will be shown in the IBO account in 1996 and deducted below the line on summary tables to reconcile to 1996 Appropriations as Enacted.

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EXPLANATION OF SPECIAL BUDGET ITEMS, CONTINUED
(\$ in thousands)

Consolidation of Broadcasting Accounts

In 1995, the Appropriations Act provided three separate accounts for Broadcasting (International Broadcasting Operations, consisting of (1) VOA/TV, Radio Free Asia, and BIS-RFE/RL; (2) Broadcasting to Cuba; and (3) Radio Construction). We expect Congress to make appropriations to the same three accounts in 1996. However, in 1997 OMB has approved only two accounts, by combining IBO and Broadcasting to Cuba. For comparative purposes, we will show only the IBO and Construction accounts for all three years. The budget justifications for the International Broadcasting Operations account will consist of a summary tab and then separate tabs and detailed justifications for BBO/VOA/TV/Engineering Operations, Radio/TV Marti, Asia Pacific Network/Radio Free Asia, and BIS-RFE/RL.

10. Comparative Transfer of USIA's Office of the Inspector General to the Department of State

For comparative purposes, this budget excludes \$4.7 million and 54 positions in 1995 for the USIA Office of the Inspector General, which is transferred by pending legislation to the Department of State in 1996.

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INDEX FOR SALARIES AND EXPENSES ACCOUNT

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GENERAL STATEMENT, SALARIES AND EXPENSES APPROPRIATION, 1997

This appropriation account finances most of the Agency's non-broadcasting operations, including our overseas missions; staffing for educational and cultural exchange programs and also staff and program support costs for other educational and cultural activities including Arts America and English Teaching; domestic program support for our overseas missions through the technologically-advanced and restructured Information Bureau; and overall Agency program direction and administrative support. While this account bears the title "Salaries and Expenses," it funds all our overseas field programs, including our most important program asset, our Foreign Service personnel abroad.

Changes in communications, the collapse of the bipolar world order, and the spread of democracy have created an atmosphere of greater openness and citizen involvement in the conduct of foreign affairs. In addition to the traditional functions of American diplomacy, there is a pressing requirement for the expansion of the USG's ability to enable its citizens to engage in people-to-people contact in their areas of interest, be they commercial, educational or other.

Over the past four years, USIA has been at the forefront of the reinvention effort. The Agency continues to follow a multi-year strategy for rational downsizing and specific analytic criteria. Within this account in FY 1995, the Agency focused on restructuring domestic program support, particularly for information services. In both FY 1996 and FY 1997, the Agency is focusing on streamlining management and administrative services at headquarters and at our United States Information Service (USIS) posts overseas; savings will be realized through downsizing, technology modernization and strategic alliances for services with other agencies. Also in FY 1996 and into FY 1997, the Agency will concentrate on restructuring the offices which manage our exchange programs. Thus, USIA is continuing to reengineer all of its structures and processes to work better and cost less.

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GENERAL STATEMENT, SALARIES AND EXPENSES APPROPRIATION, 1997, Continued

During the summer of 1995, the Agency undertook a major review of its mission and operating environment, both here and abroad, to develop a strategic vision for the Agency in the year 2000. The review resulted in a reaffirmation that the maintenance of American security and promotion of prosperity continue to depend on a robust public diplomacy effort. It recognized, however, that the Agency's relationship with key contacts here and abroad is changing owing to new geopolitical circumstances and technologies. The review committed USIA to:

- 1) Factor in differing levels of information-technology sophistication when deciding where and how to deploy programs and products.
- 2) Reexamine Washington and overseas support structures, stepping up use of emerging digital technologies and improving evaluation of products and services.

The review, titled USIA 2000, currently provides the foundation for both Agency restructuring and GPRA-driven efforts to establish concise mission goals and objectives.

The restructuring of USIA has been made more difficult by the major cuts imposed in the pending 1996 appropriations. USIA has taken downsizing seriously as noted above. These changes have had dramatic budgetary and programmatic impact within this appropriation since 1994. Since that date, over 1,000 Federal positions -- representing a reduction of almost 20% of the workforce -- have been eliminated. Over 700 of those positions are being eliminated this year. A Reduction-in-Force and other staff reduction measures are underway. Over 20 overseas program installations have been or are in the process of being shut down. Overall reductions of such magnitude have seriously undercut USIA's capacity to conduct the U.S. Government's public diplomacy effort. Thus, the Agency seeks to stabilize basic operations.

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GENERAL STATEMENT, SALARIES AND EXPENSES APPROPRIATION, 1997, Continued

The request for Salaries and Expenses (S&E: field operations and program support) is essentially the same in 1997 as the comparable current year level. Savings and non-recurring costs from 1996 will cover most, but not all, projected added costs of doing business in 1997, including activities in the Balkans. Further program reductions of 1% will be required in 1997.

USIA's 1997 budget request for S&E totals \$468,016,000, a net increase of \$831,000 over comparable amounts provided in 1996 appropriations. This requested increase will:

Provide \$8,181,000 for net cost increases and other built-in requirements. These increases will:

- Provide \$12,598,000 for price increases, foreign national wage scale increases and other built-in needs that are vital for the maintenance of a quality world-wide public diplomacy program.
- Provide \$1,350,000 for full-year costs of the January 1996 Federal and locality pay increases and other built-in salary and benefit changes.
- Provide \$3,387,000 for added salary costs resulting from an across-the-board Federal pay raise anticipated in January, 1997.
- Provide \$3,098,000 for increases in charges levied by other agencies for continuing administrative support including a change in billing approach for overseas postal services provided by DOD.
- Provide \$1,540,000 for all other net built-in changes.
- The stated increases will be offset in part by full-year savings of \$16,792,000 resulting from staff and program cuts implemented in 1996, including one-time severance and termination costs.

GENERAL STATEMENT, SALARIES AND EXPENSES APPROPRIATION, 1997, Continued

Program reductions in 1997 total \$4,350,000.

- These program reductions result from continued implementation of the President's deficit reduction efforts in the Salaries and Expenses account, including elimination of 33 positions (11 domestic, 4 overseas American and 18 foreign national). The reductions affect most elements and are detailed in each section of the following document. The overall "General Statement" section of this document explains program reductions for all accounts.

SALARIES AND EXPENSES

SUMMARY OF DIRECT OBLIGATIONS BY ACTIVITY (\$ in thousands)

	1995 Actual	1996 Estimate	1997 Budgeted	Change 1995-1997
Overseas Missions:				
East Asia and Pacific	\$46,274	\$43,780	\$42,481	-\$1,279
Africa	29,449	29,991	30,191	200
North Africa, Near East, and South Asia	36,560	33,043	33,417	374
Inter-American Affairs	40,585	39,908	39,887	-39
West Europe and Canada	64,773	61,985	60,448	-2,517
East Europe and Non-Independent States	33,584	33,246	33,927	681
World-Wide Mission Costs	38,240	38,289	37,041	-1,248
Subtotal, Overseas Missions	<u>290,455</u>	<u>280,200</u>	<u>276,372</u>	<u>-3,828</u>
Educational and Cultural Affairs				
Bureau of Information	31,120	28,957	28,844	-2,113
Agency Direction and Management	30,807	31,314	30,356	-958
Administrative Support from Other Agencies	70,020	60,823	59,206	-1,617
Total, Direct Obligations (Comparative Basis)	67,536	72,555	75,239	2,693
Add Unobligated Balances Lapping	486,938	473,940	468,016	-8,933
Deduct Balances Carried In	774	--	--	--
Deduct Recoveries of Prior Year Obligations	-5,903	-6,884	--	6,884
Add Balances Carried Out	-173	--	--	--
Total, Appropriation (Comparative Basis)	491,300	467,185	468,016	831
Reconciliation to 1995 and 1996 Appropriations:				
Deduct Proposed Transfer from Exchanges Approp.	--	-9,000	XXX	XXX
Deduct Comparative Transfer for Exchanges				
Support Funded in the Exchanges Appropriation				
In 1995 and 1996	-14,500	-12,540	XXX	XXX
1995 Enacted and 1996 Estimated Appropriations	<u>476,800 *</u>	<u>445,646 *</u>	<u>XXX</u>	<u>XXX</u>

- * Includes transfers from USAID of \$2,675,000 in 1995 for grants to provide support for the development of democracy in Central and Eastern Europe and the Baltic States. Excludes anticipated appropriation transfers of \$2,000,000 in 1996 from USAID including \$1,000,000 under the proposed 1996 Bosnia/Balkans supplemental. Also excludes \$1,472,000 rescinded under P.L. 104-19 in 1996.

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UNITED STATES INFORMATION AGENCY

SALARIES AND EXPENSES

(\$ In Millions)

Summary of Personnel Compensation and Other Objects of Expense - Fiscal Years 1985, 1986 and 1987

	1985 Actual		1986 Estimate		1987 Estimate		Increase or Decrease (-)	
	Est.	Amount	Est.	Amount	Est.	Amount	Est.	Amount
10 Personnel Compensation and Benefits								
11 Personnel Compensation								
Full-time Permanent:								
Domestic	1,488.0	\$75,457	1,515.0	569,517	1,504.0	571,246	-11.0	\$1,451
Overseas American	844.0	57,987	725.0	50,301	699.0	50,296	-24.0	-98
Foreign National	2,870.0	75,610	2,423.0	75,984	2,400.0	75,393	-19.0	1,489
Subtotal, Full-time Permanent	5,102.0	200,053	4,443.0	194,842	4,400.0	196,846	-56.0	2,004
Additional day's pay	--	--	--	720	--	743	--	23
Deduct net losses	-402.2	-10,412	-247.0	-7,874	-236.1	-8,766	11.0	8,166
Positions abolished during the year	3.0	150	87.0	5,292	5.0	201	-91.2	-5,091
Deduct net savings due to lower pay scales for part of the year	--	-861	--	-700	--	-937	--	-239
Subtotal, Net Permanent:	4,796.0	197,529	4,312.1	194,152	4,177.7	191,004	-134.4	-3,965
Positions of Other Agencies Filled by USA personnel	10.0	857	10.0	900	10.0	916	--	10
Special Personal Services Payments:								
USA positions filled by personnel from other agencies	--	--	--	--	--	--	--	--
Payments to CPM for re-employed annuitants	--	0	--	10	--	10	--	1
Positions Other than Permanent:								
Temporary employment	32.1	1,487	40.0	2,110	36.2	2,036	-4.0	-90
Part-time employment	40.1	1,813	41.2	1,792	41.1	1,746	-0.1	44
Intermittent employment	0.0	221	0.0	227	0.0	230	--	0

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UNITED STATES INFORMATION AGENCY

SALARIES AND EXPENSES

(\$ In thousands)

Summary of Personnel Compensation and Other Objects of Expenses - Fiscal Years 1995, 1996 and 1997

	1995 Actual		1996 Estimate		1997 Estimate		Increase / Decrease (-)
	Fis. Amnt.	Amnt.	Fis. Amnt.	Amnt.	Fis. Amnt.	Amnt.	
Other Personnel Compensation:							
Overtime (includes holiday pay for foreign nationals).....	81,000	--	81,004	--	81,000	--	672
Holiday pay (Americana only).....	100	--	100	--	100	--	7
Night work and Sunday differential.....	235	--	200	--	200	--	7
Hardship post differential.....	3,461	--	3,442	--	3,200	--	-867
Danger Pay.....	98	--	100	--	100	--	--
Language incentive pay.....	917	--	910	--	910	--	--
Differential for domestic employees assigned overseas.....	90	--	90	--	90	--	--
Special allowances for Foreign Service Officers.....	2	--	--	--	--	--	--
Employee suggestion and cash performance awards.....	900	--	400	--	410	--	7
Total, Personnel Compensation (11):	1,100.5	75,000	1,010.0	74,002	1,004.0	74,100	-16.0
Domestic.....	811.4	81,002	794.4	80,001	807.2	81,001	-867
Overseas American.....	2,000.1	73,000	2,000.4	73,411	2,000.2	73,001	-4,370
Foreign National.....	2,000.0	2,000	2,000.0	2,000	2,000.0	2,000	0
Total, Personnel Compensation.....	4,000.5	200,004	4,010.7	200,004	4,000.0	200,001	-140.0
12 Personnel Benefits							
Foreign Service Allowances:							
Quarters.....	300	--	400	--	400	--	-1
Temporary lodging.....	104	--	77	--	72	--	-5
Living (post).....	2,352	--	2,443	--	2,300	--	-140
Separate Maintenance.....	172	--	100	--	110	--	8
Transfer.....	72	--	61	--	17	--	-1
Education.....	3,177	--	2,813	--	2,871	--	158
Supplements' post.....	10	--	--	--	--	--	--
Home service transfers.....	127	--	100	--	90	--	-10
Child care services.....	6	--	--	--	--	--	--
Subtotal, Allowances.....	--	6,004	--	6,007	--	6,100	--

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UNITED STATES INFORMATION AGENCY

SALARIES AND EXPENSES

(\$ In Thousands)

Summary of Personnel Compensation and Other Objects of Expense - Fiscal Years 1995, 1996 and 1997

	1995 Actual		1996 Estimate		1997 Estimate		Increased or Decrease (-)	
	Fees	Amount	Fees	Amount	Fees	Amount	Fees	Amount
Payments to Funds:								
FICA.....	--	66,821	--	66,284	--	66,300	--	\$0
FEGIC.....	--	247	--	242	--	221	--	-21
Thrill Service Plan.....	--	2,361	--	2,298	--	2,287	--	-40
Civil Service and Foreign Service Retirement.....	--	6,310	--	6,031	--	5,781	--	-44
Federal Employees' Retirement Systems (FERS and FSPS).....	--	10,307	--	9,000	--	9,742	--	-244
Health Benefits.....	--	5,223	--	5,064	--	5,071	--	67
5% Payment to CSR and Disability Fund.....	--	182	--	90	--	90	--	0
50% Payment to CSR and Disability Fund.....	--	--	--	115	--	115	--	0
Subtotal, Payments to Funds.....	--	36,251	--	36,007	--	36,346	--	-236
Additional Pay for Service in Hawaii.....	--	38	--	45	--	45	--	0
New York City Housing Allowance.....	--	1	--	--	--	--	--	0
Benefits for USIA Personnel Detailed to Other Agencies.....	0.5	103	0.5	100	0.5	100	--	0
Special Foreign National Benefits.....	--	11,420	--	10,781	--	11,000	--	284
Workmen's Compensation.....	--	1,020	--	1,279	--	1,237	--	-42
Total, Personnel Benefits:								
Domestic.....	4.5	16,100	4.5	16,340	4.5	16,407	--	61
Overseas American.....	2.0	26,877	2.0	26,674	2.0	26,381	--	-413
Foreign National.....	--	12,722	--	11,979	--	12,033	--	600
Total, Personnel Benefits.....	0.5	49,699	0.5	47,993	0.5	46,801	--	266
13. Benefits for Former Personnel								
Severance Pay.....	--	1,741	--	4,250	--	1,842	--	-3,214
Separation Pay (\$25,000 Buyout).....	--	1,634	--	200	--	200	--	0
Unemployment Compensation.....	--	267	--	227	--	227	--	0
Subtotal, Benefits for Former Personnel.....	--	3,638	--	4,677	--	1,269	--	-3,414
Total, Personnel Compensation and Benefits (Gross):								
Domestic.....	1,466.0	83,230	1,624.0	81,064	1,200.0	80,790	-15.0	-1,177
Overseas American.....	818.4	82,250	736.6	79,725	800.7	74,942	-64.7	-3,783
Foreign National.....	2,009.4	26,900	2,336.6	26,061	2,000.2	26,723	-60.2	-1,066
Total, Personnel Compensation and Benefits (Gross).....	4,091.8	202,381	4,617.0	250,782	4,270.2	232,464	-140.8	-6,326

UNITED STATES INFORMATION AGENCY

SALARIES AND EXPENSES

(\$ In thousands)

Summary of Personnel Compensation and Other Objects of Expenses - Fiscal Years 1995, 1996 and 1997

	1995 Actual		1996 Estimate		1997 Estimate		Increase or Decrease (-)	
	Fiscal Year	Amount	Fiscal Year	Amount	Fiscal Year	Amount	Fiscal Year	Amount
Less Reimbursements, Primarily for Details to Other Agencies.....								
	-15.0	-6771	-12.8	-6681	-12.8	-6720	--	-610
Total, Personnel Compensation and Benefits (Net):								
Domestic.....	1,479.0	90,000	1,316.8	91,000	1,289.7	90,000	-15.0	-1,170
Overseas American.....	912.4	60,001	798.4	78,007	666.7	74,700	-94.7	-3,200
Foreign National.....	3,000.4	90,000	2,999.4	95,001	2,999.2	90,700	-99.2	-1,200
Total, Personnel Compensation and Benefits (Net).....	4,000.8	901,700	4,004.4	900,001	4,000.8	891,700	-140.0	-8,317
21.0 Travel and transportation of persons.....								
22.0 Transportation of things.....	--	14,044	--	13,700	--	13,000	--	500
Rent, Communication, and Utilities:								
23.1 Rental payments to GSA.....	--	90,000	--	94,000	--	94,910	--	-970
23.2 Rental payments to others.....	--	92,000	--	21,271	--	50,770	--	-400
23.3 Communication, office and miscellaneous charges.....	--	10,525	--	10,000	--	10,000	--	2,000
24.0 Printing and reproduction.....	--	1,000	--	900	--	900	--	-100
25.1 Advisory and Assistance Services.....	--	604	--	600	--	300	--	-300
25.2 Other Services.....	--	90,000	--	20,000	--	27,000	--	-1,000
25.3 Representation/Entertainment in the U.S.A.....	--	1,001	--	1,000	--	1,000	--	0
25.4 Purchase Goods, Services from Govt. Agency.....	--	20,000	--	20,710	--	20,100	--	1,110
26.0 Supplies and materials.....	--	10,007	--	10,400	--	10,100	--	-300
27.0 Equipment.....	--	10,477	--	10,000	--	10,000	--	-477
41.0 Grants, subsidies and contributions.....	--	10,000	--	10,110	--	10,000	--	-100
42.0 Insurance, claims and indemnities.....	--	145	--	70	--	77	--	0
42.1 FBIW Liability Trust Fund.....	--	8,100	--	1,700	--	1,017	--	21
Total, Other Objects.....	--	200,000	--	113,700	--	210,000	--	600
Total, Direct Obligations (Comparative Basis).....								
	4,000.8	900,000	4,004.4	478,000	4,000.8	480,010	-140.0	-9,000

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UNITED STATES INFORMATION AGENCY

SALARIES AND EXPENSES

(In thousands)

Summary of Personnel Compensation and Other Objects of Expense - Fiscal Years 1985, 1986 and 1987

	1985 Actual		1986 Estimate		1987 Estimate		Increase or Decrease (-)	
	Fees	Amount	Fees	Amount	Fees	Amount	Fees	Amount
Add Unobligated Balance Lapsing.....	--	5774	--	--	--	--	--	--
Deduct Balances Carried In.....	--	-1,000	--	-6,004	--	--	--	6,004
Deduct Recoveries of Prior Year Obligations.....	--	-173	--	--	--	--	--	--
Add Balances Carried Out.....	--	6,004	--	--	--	--	--	--
Total, Appropriation (Comparative Basis).....	4,000.0	401,000	4,404.4	467,100	4,265.0	468,910	-100.0	801
 Reconciliation to 1985 and 1986 Appropriations:								
Deduct Proposed Transfer from Exchanges Appropriation.....	XXX	--	XXX	-8,000	XXX	XXX	XXX	XXX
Deduct Comparative Transfer for Exchanges Support Funded in the Exchanges Appropriation in 1985 and 1986.....	XXX	-14,000	XXX	-12,500	XXX	XXX	XXX	XXX
 1986 Enacted and 1986 Estimated Appropriations.....	XXX	179,000 *	XXX	446,000 *	XXX	XXX	XXX	XXX

* Includes transfers from USAID of \$2,875,000 in 1985 for grants to provide support for the development of democracy in Central and Eastern Europe and the Baltic States. Excludes anticipated appropriation transfers of \$2,000,000 in 1986 from USAID including \$1,000,000 under the proposed 1986 Bosnia/Balkans supplemental. Also exclude \$1,472,000 resoldied under P.L. 104-19 in 1985.

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OVERSEAS MISSIONS OPERATIONS SUMMARY

Directors for Geographic Areas

The Directors for Geographic Areas are responsible for the formulation, conduct, direction and effectiveness of the overseas mission programs in the countries of their assigned areas. The Directors for Geographic Areas communicate Agency policies and priorities to the field, provide overall guidance to the posts, evaluate field performance and represent the field posts in domestic Agency matters. These responsibilities are carried out with the guidance of the Agency's Policy and Planning Unit (D/P) and the Counselor of the Agency. The Counselor assists the Director in the overall direction of DPA especially with regard to policy formulation, coordination, and oversight of the activities of the Area Directors.

The Area Directors and their deputies spend a considerable portion of their time visiting and working with field posts in the performance of their duties. They are the prime Washington source of expertise for their areas on policy issues and on the public diplomacy aspects of policy formulation and execution. They provide continuing contact with the Department of State and other government agencies on area matters.

Organization and Operation of Missions

The Agency's overseas missions operate as an integral part of the United States Diplomatic Mission in each country. Each country operation is headed by a Public Affairs Officer who reports within the Agency to the appropriate Director for the area. In the field, the Public Affairs Officer serves as a member of the United States team coordinated by the Chief of the Diplomatic Mission. Each Country Public Affairs Officer is assisted by a staff of Americans and foreign national employees. The staff varies in size with the scope of the country program undertaken by the Agency. Operations are conducted in some countries at consulates and at outposts in consular districts as well as at the principal post.

The PAOs, working with their American and foreign national staffs, supervise the operational aspects of U. S. public diplomacy activities overseas and maintain important contacts in the local educational, cultural, media, business, and political communities.

Description of Principal Activities of Overseas Missions

The principal program activities involved in overseas mission operations vary from country to country, depending upon such considerations as United States objectives, local communications habits, audience groups to be reached, etc. The most common aspects and cost components of mission activities are described below. The program activities that make up each geographic area section that follows this summary section are arranged in this order:

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OVERSEAS MISSIONS OPERATIONS SUMMARY, CONTINUED

Radio activities: the production and adaptation of radio news and feature programs, including VOA package programs and music transcription libraries for placement on local radio stations; the promotion and placement on local stations of International Broadcasting Bureau programs broadcast to the area; and the purchase of radio supplies, equipment, and maintenance services.

Press and publications activities: the production and distribution of periodicals, consisting of magazines, newspaper supplements, wall newspapers, newsletters and bulletins; the selective distribution of information materials, including news and official texts from the computer-linked Wireless File daily news service, photos and articles supplied by the Bureau of Information and materials produced locally by USIS posts for background information and placement in local media; production and distribution to select groups or to particular audiences of pamphlets, leaflets, posters and photo displays; and purchase of paper, supplies, equipment and related materials required to support these activities.

Television and film activities: the local production of television programs, documentary films, newreels, and special coverage targeted to indigenous audiences; adaptation for local use of program materials produced or acquired by the WORLDNET Television and Film Service (E/TV) in Washington; the facilitation of production, placement, and promotion of WORLDNET and other programs transmitted via satellite by E/TV; the maintenance of film libraries; the distribution and exhibition of films and videotape recordings through local theatrical and TV outlets, through loans to private organizations and government channels, and by direct projection and closed-circuit showings by members of the overseas mission staff; and purchase and shipment of projectors and parts, screens, videotape equipment, rawstock, maintenance supplies, and other audio-visual materials.

American centers and related activities: the rental, operation, maintenance, and support of American centers, libraries (in developing countries), and information resource centers, including documentation services and purchase of publications and equipment; conducting and supporting programs that promote all aspects of American life and culture through seminars, conferences, lectures, concerts and art exhibitions, including the overseas administration of the Exchange of Persons Program, encouragement of and assistance to foreign universities in establishing courses in American studies, and promotion of projects conducted under the Cultural Presentations Program; arranging translation, publication and distribution abroad of books which further USIA objectives; production and display of small-scale exhibits constructed locally; purchase and presentation of books and magazines to carefully selected government officials, educators, opinion leaders, schools, and other groups and institutions; and English-teaching activities, including seminars and programs designed to encourage the use of American-oriented teaching aids and contractual arrangements for English-teaching programs.

OVERSEAS MISSIONS OPERATIONS SUMMARY, CONTINUED

Binational center expenses: grants of cash and material procured locally or in the U.S. to Binational Centers to provide assistance for center operations, to conduct English-teaching seminars, and to conduct special projects in support of Agency programs. In addition, capital assistance grants are made to selected centers to assist them in acquiring adequate space for their activities. The Agency recognizes two categories of centers. A small number of centers, Class "A" centers, have an Agency-assigned American officer as Center Director and may receive other continuing support from the Agency for program operations and capital improvements. All other centers, designated as Class "B" centers, receive USIS staff, financial or material assistance only on a project-by-project basis when they serve as the best means to accomplish a given USIS objective.

Program direction: travel by the Area Directors and their staffs; workshops and conference travel; travel within each country by the Public Affairs Officers and their staffs to supervise and direct post activities; the procurement of reference books, magazines, and newspapers for staff use; and travel and other expenses for local research activities to assist in tailoring local programs and to assess the effectiveness of mission operations.

Other Program Expenses: residential and non-residential space costs, cleaning and custodial services, vehicle purchase and operations, purchase of furniture, supplies and equipment, communication costs, and related expenses to support post programs.

A summary of the number of countries and posts by area follows. Changes in 1995 - 1997 are:

- o In 1995, the opening of Hanoi, Vietnam, East Asian and Pacific Affairs; the closing of Mogadishu, Somalia, African Affairs; and the closing of Porto Alegre, Brasil, Inter-American Affairs.
- o In 1996, the closing of Melbourne, Australia, Suva, Fiji, Medan, Indonesia, Kyoto, Japan, Cebu, the Philippines, and Chiang Mai, Thailand, East Asian and Pacific Affairs; the closing of Libreville, Gabon, Maesru, Lesotho, and Ibadan, Nigeria, African Affairs; the closing of Georgetown, Guyana and Paramaribo, Suriname, Inter-American Affairs; the closing of Stuttgart and Hannover, German Federal Republic and Florence, Italy, West European and Canadian Affairs; and the addition of Chisinau, Moldova, Yekaterinburg, Russia and Pristina, Serbia and the closing of Poznan, Poland, East European and New Independent States Affairs.

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OVERSEAS MISSIONS OPERATIONS SUMMARY, CONTINUED

Number of Countries and Posts

	1995		1996		1997	
	Countries	Posts	Countries	Posts	Countries	Posts
East Asian and Pacific Affairs	18	37	17	31	17	31
African Affairs.....	36	42	34	39	34	39
North African, Near Eastern and South Asian Affairs.....	21	32	21	32	21	32
Inter-American Affairs.....	26	31	24	29	24	29
West European and Canadian Affairs.....	22	40	22	37	22	37
East European and New Independent States Affairs...	24	29	25	31	25	31
 Total.....	 147	 211	 143	 199	 143	 199

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EAST ASIA AND PACIFIC PROGRAM
(\$ in thousands)

	1995 <u>Actual</u>	1996 <u>Estimate</u>	1997 <u>Estimate</u>	Increase or <u>Decrease (-)</u>
Summary of Requirements	\$48,274	\$43,760	\$42,481	-1,279

General Statement

I. SUMMARY - GOALS/OBJECTIVES/INPUTS

Goals: USIA's Office of East Asian and Pacific Affairs (USIA/EA) supports overall U.S. foreign policy goals identified by Secretary of State Christopher as follows: (1) promoting U.S. prosperity, free trade, and investment; (2) building democracy; (3) promoting sustainable development; (4) promoting peace; and (5) advancing diplomacy through internal reform and involving the American people in the international arena.

Objectives: To achieve U.S. foreign policy goals in the East Asian and Pacific region, USIA/EA will pursue regional objectives identified by the Department of State's Bureau of East Asian and Pacific Affairs (EAP), to the extent that pursuit of these objectives is amenable to public diplomacy measures. While USIS posts support all USG departments and agencies with interests abroad, consistent with U.S. foreign policy goals and objectives, the Department of State provides policy guidance. U.S. regional objectives are:

(1) Shape an Environment for Peace and Security. USIA/EA and USIS posts in the region reinforce the U.S. military presence in East Asia by supporting alliances (Japan, Korea, the Philippines, Thailand, and Australia) and access arrangements which enable the U.S. to maintain forward deployment. Bilateral security relationships with Japan and Korea, implementation of the U.S.-DPRK Agreed Framework, and dialogue with China on Taiwan, Hong Kong, and non-proliferation issues, are special public diplomacy concerns. Continued WIA/POW progress, advancement of regional security dialogues (ARP and MEASRD), and encouragement of diplomatic solutions to South China Sea problems are also regional security priorities.

(2) Promote U.S. Prosperity, Growth, and Jobs. USIA/EA and its posts abroad promote U.S. economic interests throughout the region by supporting American business, exports, and job creation. We provide public diplomacy support for development of APEC's action plan on trade and investment and will support the President's trip to APEC meetings in the Philippines next November. We will help to increase U.S. firms' market access in Japan, China, and other dynamic East Asian economies. We will use public diplomacy to support reforms in East Asian investment codes and financial services to achieve greater transparency.

(3) Encourage Democracy and Human Rights. USIA/EA and USIS field posts will promote democracy and human rights by engaging repressive regimes in human rights dialogues, supporting emerging democracies in Cambodia and Mongolia, encourage development of civil society, strengthen legal systems and the rule of law, sustain USA broadcasting to closed societies, continue cultural exchanges, and improve military respect for democratic values and human rights. We will support USG efforts to win support for human/worker rights in international forums.

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EAST ASIA AND PACIFIC PROGRAM

I. SUMMARY - GOALS/OBJECTIVES/INPUTS (continued)

(4) Promote Sustainable Development and Provide Humanitarian Assistance. USAID/EA and its posts will support economic reforms in developing countries which contribute to sustainable development through responsible resource use. We will advocate further cooperation with Japan on the "Common Agenda" on global issues. USAID and USAID posts will use public affairs to discourage narcotics and alien trafficking to the U.S. We will promote U.S. technology for pollution control, preservation of rainforests and biodiversity, solution of lingering refugee issues, and reduction in the incidence of HIV/AIDS.

Inputs: USAID/EA will continue information and cultural programs in the 17 East Asian and Pacific posts where we maintain a permanent presence, with USAID Foreign Service Officers and PESOs abroad engaging opinion leaders and their institutions in a continuing dialogue on subjects cited above. USAID personnel and programs at each post will be guided by the Country Plan, which is fully developed from the Mission Program Plan, keyed to key objectives listed above. Assessment of annual USAID post performance is integral to the Country Plan process. In 1997, activities at 31 posts will be supported by a domestic area office of 17. The overseas staff will consist of 83 Americans and 360 foreign national employees. The net decrease of \$1,279,000 for East Asia and Pacific Programs results from full-year savings of \$2,038,000 from the 1996 program reductions, including \$943,000 for one-time space reutilization and severance payments; \$454,000 for other decreases; and 1997 program reductions of \$824,000 and 15 positions in Japan (\$167,000 and one foreign national position), Philippines (\$156,000 and eight foreign national positions), and Singapore (\$372,000 and one American and five foreign national positions). These decreases are offset, in part, by increased operating requirements of \$1,734,000 mainly for overseas wage and price increases.

II. 1998 AND 1999 PROGRAM - HIGHLIGHTS

USAID officers in East Asia and the Pacific seek to influence public opinion elites' understanding and acceptance of U.S. policies by explaining and advocating those policies in terms that are credible and meaningful to them. We engage target audience members in personal dialogues through active outreach contact work, and we develop and disseminate policy-oriented printed and electronic media products (often in translation) for our contacts. Our posts conduct programs overseas, including speaker and specialist programs, teleconferencing (TelePress Conferencing and Digital Video Conferencing), Worldwide satellite television interactive, book translation programs, pamphlets and other publications, Wireless File press releases and backgrounder, Fulbright educational exchanges, Citizen Exchanges, electronic delivery systems (computer bulletin board services and Internet home pages), speechwriting and press support for the Ambassador, other Mission colleagues, and visiting USAID officials, exhibits, cultural presentations, support for English teaching and local libraries, and other public diplomacy activities.

The Public Affairs Officer participates in preparation of the Mission Program Plan and then designs a public diplomacy program most appropriate for the particular host country in which he or she serves, formalized in the Country Plan, which is intended to effectively communicate on priority themes. Each program or activity completed in accordance with the Country Plan is an output as defined by GPRM and will be documented throughout the program year. The effect of these outputs on audience members is outcome. Following are examples of issues particular posts deal with in FY-98 and are addressing in FY-99.

Peace and Security: In China, USAID has supported the U.S. policy of comprehensive engagement, which is intended to win China's cooperation in various fields, including non-proliferation of weapons technology and peaceful solution of regional disputes such as the Spratly Islands. Through personal contact, selective dissemination of information, and speaker programs, USAID seeks to help ensure China's cooperation in maintenance of regional peace and security. Public diplomacy has been instrumental in addressing tensions caused by China's military exercises near Taiwan in early 1996.

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EAST ASIA AND OCEANIC PROGRAM

II. 1995 AND 1996 PROGRAMS - HIGHLIGHTS (continued)

In Korea, the U.S. maintains some 37,000 troops, and the nuclear framework agreement with North Korea is near the top of the U.S. security policy agenda. USIS Korea's top priority is to explain U.S. policy positions in the emotionally sensitive areas of security and trade. The post devotes considerable energy to getting U.S. views reflected in a very nationalistic Korean media.

In Japan, with the security situation of Northeast Asia in mind, USIS has stressed the importance of the bilateral security relationship and the role of the U.S. military presence in the region in maintaining peace and stability. The commemoration of 50 years of peace since the end of World War II, and the scheduled Presidential state visit to Japan in April 1996 have focussed attention on the centrality of the U.S.-Japan bilateral relationship.

The end of the century-long U.S. military presence in the Philippines necessitated redefinition of the special relationship between our two countries. USIS Manila responded by focusing on the educational, cultural, business, and societal ties that will sustain cooperation into the next century.

The government in New Zealand is sympathetic to U.S. security concerns and seeks a closer security relationship, but it is still unwilling to change the New Zealand law banning nuclear armed or powered vessels from its ports because anti-nuclear sentiment remains strong. The public and private dialogue on this issue, however, continues to be open, honest, and friendly.

U.S. Prosperity, Growth, and Jobs: In Japan, implementation of the Framework Agreement is the Administration's highest economic priority, and public diplomacy advocating USG positions is critical to this effort. Many cabinet-level officials and trade delegations travel between the U.S. and Japan for negotiations on civil aviation, insurance, film and other issues. USIS Japan works closely with USTR, Treasury, Commerce, Agriculture and State to explain USG positions to Japanese publics through Japanese and third-country media.

In recent years, USIS China has supported Cabinet and other high-level Administration officials and members of Congress during official visits to China. For example, the post provided extensive public affairs support for Secretary Brown and USTR Kantor who visited China to promote trade relations. In FY-96, we hope comprehensive engagement will lead to further economic and trade interaction.

Korea is now America's sixth-largest trading partner. Simultaneously, the U.S. presence looms large in Korea, and the U.S. bears the brunt of Korean frustration on a range of contentious economic and foreign policy issues. Korean misperceptions of U.S. economic and security objectives are common, as are misreadings of U.S. society and culture, which leads Koreans to erroneously blame the U.S. for changes modernization has brought to Korea.

USIS Hong Kong worked closely with other elements of the Consulate General to promote understanding of U.S. policy on international trade, intellectual property rights, the World Trade Organization, and the U.S. relationship with Hong Kong as it approaches political transition.

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EAST ASIA AND PACIFIC PROGRAM

II. 1995 AND 1996 PROGRAMS - HIGHLIGHTS (continued)

Trade issues are central to U.S. public diplomacy in the expanding economies of Southeast Asia. In Indonesia, where oil wealth has been supplemented by a growing manufacturing sector, USIS addressed trade tensions in areas such as IPR, workers' rights, and environmental protection. In Singapore, our 10th largest trading partner and home to the APEC Secretariat, programming stressed U.S. commitment to free and fair trade. Annual USIS Bangkok economic seminars provide opportunities to emphasize the U.S. commitment to free trade and have contributed to a growing understanding in Thailand of the importance of IPR.

While our overall relationship with Australia is close and healthy, Australians continue to criticize U.S. agricultural and dairy export enhancement programs, especially as they affect competition in traditional Australian markets.

Democracy and Human Rights: USIS China planned and conducted programs on the status of U.S. women in the run-up to the Fourth World Conference on Women in Beijing, during which the post was responsible for press support for Mrs. Clinton and other members of the U.S. official and congressional delegations.

Jiaolian: USIS China's quarterly Chinese language magazine, continued to provide information on American life and institutions to nearly 18,000 recipients. Under the Book Translation Program, Chinese publishers are translating and publishing several titles of the West Nutshell Law Series and the Library of America series.

USIS China's Fulbright program involved about 20 scholars in law, economics, journalism and American studies travelling each year. Sixty International Visitors visited the U.S. for exposure to U.S. society. Another 70 travellers to the U.S. had their experience enriched through the Voluntary Visitor program. Many grantees were involved in reform of China's economic, legal, and educational systems.

In Indonesia, Malaysia, Singapore, and other EA countries, there is a continuing debate about the applicability of so-called "Western" versus "Asian" values. USIS posts promote understanding of human rights as universal principles, as stated in the UN Declaration on Human Rights.

USIS Hong Kong has paid close attention to strengthening democratic institutions and freedom of the press through its selection of International Visitor Program grantees and its speaker and Worldnet programs and will continue to do so in FY-96.

USIS Phnom Penh has initiated exchanges that provide information about the democratic process, democratic political systems, and free market economies. International Visitor Program grants have introduced Cambodian officials of the new government to democracy and human rights issues.

U.S. relations with Burma are strained due to repressive policies of the Burmese military government (SLORC). However, USIS Rangoon has succeeded in providing information about democracy and the U.S. to officials, academics, and journalists, especially through the center programs and publications.

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EAST ASIA AND PACIFIC PROGRAM

III. 1995 AND 1996 PROGRAMS - HIGHLIGHTS (continued)

USIS Hanoi, which opened in September, 1995, conducts USIA programs in a country expected to become a major political and economic player in Southeast Asia. USIA is working to expand the existing Fulbright program, which is helping to introduce Vietnamese to democracy and human rights.

Promote Sustainable Development: USIS Japan stressed the importance of U.S.-Japan cooperation on global issues embodied in the Common Agenda, such as economic assistance, scientific cooperation and environmental protection. Bilateral cooperation in these areas balance the U.S.-Japan dialogue on security and trade.

USIS China used WORLDNET dialogues, speaker programs and seminars, and publications to promote U.S. policy on the full scope of bilateral and global issues, including economic development and the environment.

All USIS posts emphasize the need to consider environmental impacts as developing Asian countries plan for further economic expansion. The availability of U.S. technology for environmental protection is stressed.

In 1996, as a result of the President's government-wide deficit reduction efforts, the Area implemented program cuts totaling \$6,260,000 and 112 positions. The reductions included two positions and program funds in the domestic area office (\$55,000); shift of the production of *Vijoliq* magazine from Hong Kong to Beijing (\$292,000 and one American and five foreign national positions); savings from space sharing with PCs in Jakarta (\$108,000); foreign national position reductions in Japan (\$970,000 for nine positions), Thailand (\$85,000 for six positions), Philippines (\$31,000 for six positions) and Indonesia (\$15,000 for one position); savings on space costs in Seoul for moving the Center to USG-owned space (\$332,000); closing branch posts in Medan, Indonesia (\$196,000 and one American and five foreign national positions), Cebu, Philippines (\$91,000 and four foreign national positions), Kyoto, Japan (\$1,226,000 and one American and four foreign national positions), Melbourne, Australia (\$239,000 and one American and four foreign national positions) and Chiang Mai, Thailand (\$88,000 and one American and four foreign national positions); closing the country post in Suva, Fiji (\$264,000 and one American and four foreign national positions); savings from downsizing and relocating the reference center in Hong Kong from leased space to the USG-owned Chancery (\$531,000 and seven foreign national positions); downsizing post operations in New Zealand (\$66,000 and two foreign national positions), Thailand (\$226,000 and five foreign national positions), Singapore (\$164,000 and five foreign national positions), Philippines (\$276,000 and one American and nine foreign national positions), Burma (\$125,000 and seven foreign national positions), Korea (\$340,000 and two American and seven foreign national positions), Malaysia (\$113,000 and three foreign national positions), Indonesia (\$52,000 and one American and two foreign national positions), and China (\$83,000 and one American position); and reductions in Area-wide support for smaller posts (\$292,000).

III. 1997 PLANS - INPUTS/EXPECTED OUTCOMES

In 1997, a total of \$42,481,000 is requested for East Asia and Pacific programs. The net decrease of \$1,279,000 results from full-year savings of \$2,035,000 related to 1996 program reductions, including \$410,000 to restore space for facilities closed and \$472,000 for severance and terminal leave payments for positions eliminated as part of the cuts; \$454,000 for other decreases; and \$524,000 for the 1997 program reductions in Japan (\$147,000 for one foreign national position and administrative costs), Philippines (\$105,000 for eight foreign national positions) and Singapore (\$272,000 for one American and five foreign national positions) to implement the President's government-wide deficit reduction efforts.

EAST ASIA AND PACIFIC PROGRAM

III. 1997 PLANS - INPUTS/EXPECTED OUTCOMES (continued)

These decreases are offset, in part, by increases of \$1,734,000 to provide \$725,000 for foreign national employee wage scale increases; \$622,000 for inflationary price increases; \$117,000 for multi-year lease payments due in 1997; and \$270,000 for other changes.

The "Program Activity Costs" displayed in the justifications that follow consist of local operating costs and program materials and services acquired or produced in direct support of the overseas missions' programs by the Bureau of International Broadcasting, Educational and Cultural Affairs, Information (which replaced the Bureau of Policy and Programs in 1995), and Management in Washington from funds allocated by the posts for this purpose. In addition, the Department of State provides administrative support services to the overseas missions on a reimbursable basis, details for which are contained in the Administrative Support from Other Agencies section of this budget.

In FY-97, we expect USIS posts to conduct a reduced number of programs as a result of both personnel and program reductions. While the quantity or volume of public diplomacy programming must be scaled back, EA will insist that posts maintain the high quality of past public diplomacy activity, and improve qualitatively if at all possible. Posts will be encouraged to further refine their electronic delivery systems, or introduce such systems if host country telecommunications infrastructure can support such systems. If technology can increase productivity and quality, a potential drop in "output" may not necessarily detract from desired "outcomes," in the sense that we want audiences to understand and ultimately support U.S. foreign policies. Our intended outcome for FY-97 will be advancement of U.S. foreign policy goals, through explanation and advocacy of U.S. policies among East Asian and Pacific public opinion elites who participate in or influence national decision-making on issues of importance to our relationships with the countries of the region. We also will promote greater dialogue between American institutions and individuals and their counterparts abroad.

IV. PROGRAM PERFORMANCE INFORMATION

The Country Plan software and the Distribution and Record System at each post will enable posts to record program results and program attendance of, and other substantive interaction with, our most important contacts. On-line interaction with contacts and publics using USIS-provided documentation is tracked. Information Resource Center staffs make periodic reports using this data to identify usage trends. Systematic debriefing of returned International Visitor and Fulbright grantees by field posts provides assessment of exchanges' effectiveness. East Asian posts' progress toward achieving policy goals identified in Mission Program Plans and USIS Country Plans is the subject of trimestral letters from the PMOs to the EA Director. Posts report by cable, e-mail, or fax to EA on the effectiveness of specific programs soon after they take place, and they record results in the posts' Country Plan software. The effectiveness of labor-intensive media support for high-level visits, and support for public affairs activities of the Chiefs of Mission and other Embassy elements, is reported to EA by posts, and by those supported, on an intermittent basis.

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EAST ASIA AND PACIFIC PROGRAM
Summary of Requirements
 (\$ in thousands)

	1995 ACTUAL	1996 Estimate	1997 Estimate	Increases or Decreases (-)	Page Ref.
POSITIONS:					
Domestic	19	17	17	--	
Overseas American	95	84	83	-1	
Foreign National	483	383	362	-14	
Total, Positions	<u>597</u>	<u>484</u>	<u>469</u>	<u>-15</u>	5-10
FUNDS:					
A. Domestic Employee Compensation and Benefits	\$ 1,547	\$ 1,539	\$ 1,491	\$ -48	5-8
B. Overseas American Employee Compensation and Benefits	10,496	9,725	9,412	-313	5-8
C. Foreign National Employee Compensation and Benefits	19,293	17,168	16,554	-614	5-9
D. Program Activity Costs:					
1. Radio	15	17	18	1	5-11
2. Press and Publications	1,330	1,944	1,692	-52	5-11
3. Television and Films	552	491	460	-31	5-12
4. American Centers and Related Activities	6,024	7,399	7,039	-360	5-12
5. Binational Center Assistance	1	2	2	--	5-13
6. Program Direction	956	792	825	33	5-14
7. Other Program Expenses	6,630	8,125	5,252	-127	5-14
Subtotal, Activity Costs	<u>17,508</u>	<u>15,770</u>	<u>15,488</u>	<u>-282</u>	
Total, Gross Funds	48,844	44,202	42,945	-1,257	
B. Deduct Reimbursements	-570	-442	-464	-22	
Total, Direct Funds	<u>48,274</u>	<u>43,760</u>	<u>42,481</u>	<u>-1,279</u>	

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EAST ASIA AND PACIFIC PROGRAM
(\$ in thousands)

A. Domestic Employee Compensation and Benefits (1995 Actual, \$1,547; 1996 Estimate, \$1,539; 1997 Estimate, \$1,491; Decrease, \$-48)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Full-time permanent positions	19	17	17	--
Salary and direct benefit costs	\$1,547	\$1,539	\$1,491	\$-48

There is a net decrease of \$48,000 in this activity. The net decrease derives from full-year savings of \$89,000 and nonrecurring severance costs of \$5,000 for two positions eliminated as part of the 1996 program reductions to implement the President's government-wide deficit reduction efforts.

These decreases are offset, in part, by increases of \$9,000 for the full-year costs of the 1996 Federal pay raises and \$32,000 for the estimated costs of a 3.0% Federal pay raise in January 1997, and \$5,000 for Foreign Service retirement, FICA, and other benefit increases.

B. Overseas American Employee Compensation and Benefits (1995 Actual, \$10,496; 1996 Estimate, \$9,725; 1997 Estimate, \$9,412; Decrease, \$-313)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Full-time permanent positions	95	84	83	-1
1. Salary and direct benefit costs	\$ 8,676	\$ 8,463	\$ 8,133	\$-330
2. Hardship post differentials	386	376	364	-12
3. Foreign Service allowances	1,332	807	832	25
4. Rest and recuperation and family visitation travel	102	79	82	3
Total	10,496	9,725	9,412	-313

The net decrease of \$313,000 is due to the following decreases:

- a. \$347,000 for the full-year savings from the elimination of eleven positions in Australia (1), China (1), Fiji (1), Hong Kong (1), Indonesia (2), Japan (1), Korea (2), Philippines (1), and Thailand (1) as part of the 1996 program reductions;
- b. \$164,000 for nonrecurring severance and terminal leave costs related to the 1996 program reductions; and
- c. \$62,000 for savings from the elimination of one position in Singapore as part of the 1997 program reductions taken to implement the President's government-wide deficit reduction efforts.

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EAST ASIA AND PACIFIC PROGRAM
(\$ in thousands)

These decreases are offset, in part, by the following increases:

- a. \$37,000 for the full-year costs of the 1996 Federal pay raise in January 1996;
- b. \$170,000 for the estimated costs of a 3.0% Federal pay raise in January 1997;
- c. \$17,000 for Foreign Service retirement, FICA, and other benefit increases; and
- d. \$36,000 for inflationary price increases for Foreign Service allowances and rest and recuperation travel in 1997.

C. Foreign National Employee Compensation and Benefits (1995 Actual, \$19,293; 1996 Estimate, \$17,168; 1997 Estimate, \$16,554; Decrease, \$-614)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Full-time permanent positions	483	383	369	-14
Salary and direct benefit costs	\$19,293	\$17,168	\$16,554	\$-614

There is a net decrease of \$614,000 in this activity. The net decrease derives from full-year savings of \$12,000 resulting from favorable exchange rate adjustments through November 30, 1995; full-year savings of \$666,000 associated with the elimination of 99 positions in Australia (4), Burma (7), Fiji (4), Hong Kong (12), Indonesia (8), Japan (13), Korea (7), Malaysia (3), New Zealand (2), Philippines (19), Singapore (5), and Thailand (15) as part of the 1996 program reductions; and nonrecurring severance and terminal leave costs of \$303,000 from 14 positions eliminated as part of the 1997 program reductions to implement the President's government-wide deficit reduction efforts.

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These decreases are partially offset by full-year costs of \$351,000 for wage scale increases effective for part of 1996, primarily in Japan (\$216,000), Philippines (\$28,000), Indonesia (\$27,000), Korea (\$19,000), China (\$17,000), Burma (\$11,000), and Hong Kong (\$11,000); and \$174,000 for wage scale increases anticipated in 1997, primarily in Korea (\$75,000), Hong Kong (\$69,000), Japan (\$55,000), Thailand (\$41,000), China (\$32,000), Philippines (\$18,000), Indonesia (\$10,000), Australia (\$16,000), Burma (\$13,000), Singapore (\$13,000), and Malaysia (\$12,000).

EAST ASIA AND PACIFIC PROGRAM

Domestic, overseas American, and foreign national employee compensation and benefits provide for positions in the East Asia and Pacific Area as follows:

	1995 Actual			1996 Estimate			1997 Estimate		
	American	Foreign National	Total	American	Foreign National	Total	American	Foreign National	Total
<u>Domestic</u>	19	--	19	17	--	17	17	--	17
<u>Country</u>									
Australia	6	23	29	5	19	24	5	19	24
Burma	2	23	25	2	16	18	2	16	18
Cambodia	1	3	4	1	3	4	1	3	4
China	16	--	16	15	--	15	15	--	15
Fiji	1	4	5	--	--	--	--	--	--
Hong Kong	3	33	36	2	21	23	2	21	23
Indonesia	10	51	61	8	43	51	8	43	51
Japan	20	95	115	19	82	101	19	81	100
Korea	11	63	74	9	56	65	9	56	65
Laos	1	3	4	1	3	4	1	3	4
Malaysia	3	25	28	3	22	25	3	22	25
Mongolia	1	2	3	1	2	3	1	2	3
New Zealand	2	11	13	2	9	11	2	9	11
Papua New Guinea	1	4	5	1	4	5	1	4	5
Philippines	7	68	75	6	49	55	6	41	47
Singapore	2	22	24	2	17	19	1	12	13
Thailand	7	50	57	6	34	40	6	34	40
Vietnam	1	3	4	1	3	4	1	3	4
Subtotal, Country	95	482	578	84	382	467	83	369	452
Total, Positions	114	482	597	101	382	484	100	369	462

/ Special contractual employees.

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EAST ASIA AND PACIFIC PROGRAM
(\$ in thousands)

D. Program Activity Costs (1995 Actual, \$17,508; 1996 Estimate, \$15,770; 1997 Estimate, \$15,488; Decrease, -8-22).

Program activity costs derive from the following: radio, press and publications, television and films, American centers and related activities, binational centers, program direction and other program expenses. The estimates for each of these activities are shown below in detail, and consist of local operating costs and the costs of program materials and services acquired or produced in Washington. (See "Overseas Missions Operations Summary", Section 4 of the SEE budget, for a general description of the nature of these activities.)

1. Radio Activities (1995 Actual, \$15; 1996 Estimate, \$17; 1997 Estimate, \$18; Increase, \$1).

This program activity consists of the production and adaptation of radio programs, including VOA package programs and music transcription libraries, for placement on local stations; promotion of VOA broadcasts; and the purchase of radio supplies, equipment, and maintenance services.

The increase of \$1,000 will provide for full-year and new inflationary cost increases for locally procured services, travel, materials and supplies.

2. Press and Publications Activities (1995 Actual, \$1,330; 1996 Estimate, \$1,944; 1997 Estimate, \$1,892; Decrease, -\$-52).

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
a. Periodicals	\$ 274	\$ 159	\$ 168	\$ 9
b. Information materials	527	954	982	28
c. Pamphlets and leaflets	7*	694	605	-89
d. Materials and equipment	134	137	127	--
Total	1,330	1,944	1,892	-52

This program activity consists of: (a) production and distribution of periodicals; (b) reception and distribution of the Agency's Wireless File and other informational materials (special articles, features, reprints, and photos) to local publications and radio and television stations; (c) production and distribution of pamphlets, leaflets and posters, and photo displays; and (d) purchase of paper, supplies, equipment and related materials required to support these activities.

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EAST ASIA AND PACIFIC PROGRAM
(\$ in thousands)

The net decrease of \$52,000 results from full-year savings of \$14,000 due to 1996 program reductions in Thailand and \$103,000 in nonrecurring costs in the publications recycling program. These decreases are offset, in part, by an increase of \$65,000 for full-year and new inflationary cost increases for the purchase of services, materials, and equipment.

3. Television and Film Activities (1995 Actual, \$532; 1996 Estimate, \$491; 1997 Estimate, \$460; Decrease, \$-31).

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
a. Production and adaptation	\$ 47	\$ 82	\$ 84	\$ 2
b. Distribution and promotion	435	327	292	-35
c. Audio-visual equipment and maintenance.....	70	82	84	2
Total	<u>532</u>	<u>491</u>	<u>460</u>	<u>-31</u>

This program activity consists of: (a) acquisition, production, and adaptation of television and film programs for placement by the posts, including language versions and release prints; (b) distribution, exhibition, promotion, travel and other costs incurred in reaching selected audiences; and (c) purchase and shipment of videotape equipment, rawstock, maintenance supplies, and other audio-visual materials.

The net decrease of \$31,000 results from nonrecurring costs of \$49,000 for installing a new TVRO in Hanoi, Vietnam in 1996 offset, in part, by an increase of \$18,000 for full-year and new inflationary cost increases.

4. American Centers and Related Activities (1995 Actual, \$9,024; 1996 Estimate, \$7,392; 1997 Estimate, \$7,032; Decrease, \$-360).

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
a. American center operations	\$9,701	\$5,206	\$4,950	\$-256
b. Book programs	12	33	36	3
c. Exhibits	10	17	17	--
d. Presentations	17	29	30	1
e. English teaching promotion	89	241	77	-164
f. Lectures, seminars and other programs.....	2,125	1,872	1,922	56
Total	<u>9,024</u>	<u>7,392</u>	<u>7,032</u>	<u>-360</u>

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EAST ASIA AND PACIFIC PROGRAM
(\$ in thousands)

This program activity consists of: (a) operating, support and space costs for 21 American centers; (b) book publication, translation and distribution costs; (c) production and display of small-scale exhibits; (d) purchase and presentation of books and magazines to carefully selected government officials, educators, opinion leaders, schools, and other groups and institutions; (e) English-teaching activities, including seminars and programs designed to encourage the use of American-oriented teaching aids and contractual arrangements for English-teaching programs; and (f) other cultural and communication programs, including Agency-sponsored lectures, seminars, concerts, workshops, and similar functions; promotion of events under the special Cultural Presentations Program; and local support of the Exchange-of-Persons Programs and similar privately-sponsored programs. These activities are designed to promote wide appreciation of America's cultural, political, economic and scientific achievements. At a number of posts, the cost of English-teaching materials, supplies, and equipment and certain library services are financed by receipts from English language students and library users. Such fees are included in the reimbursement figures displayed in the summary tables in this section.

The net decrease of \$360,000 results from the following reductions:

- a. \$224,000 in nonrecurring costs in the English-teaching programs (\$167,000) and library programs (\$57,000);
- b. \$8,000 for full-year savings due to 1996 program reductions in Thailand; and
- c. \$374,000 for nonrecurring space restoration costs related to relocating the American Centers in Hong Kong (\$85,000) and Seoul, Korea (\$85,000) to USA-owned space and closing the branch posts in Kyoto, Japan (\$192,000) and Chiang Mai, Thailand (\$12,000) due to the 1996 program reductions.

These decreases are offset, in part, by an increase of \$246,000 for full-year and new inflationary cost increases for travel, transportation, supplies, rents and contractual services.

5. Binational Center Assistance (1995 Actual, \$); 1996 Estimate, \$; 1997 Estimate, \$; No Change).

These funds provide for Agency assistance to the Binational Center organization in Thailand, including operating expenses of the center and special activities undertaken by the center in support of Agency programs.

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EAST ASIA AND PACIFIC PROGRAM
(\$ in thousands)

6. Program Direction (1995 Actual, \$956; 1996 Estimate, \$792; 1997 Estimate, \$823; Increase, \$33).

These funds provide for travel by the Area Director and staff; workshops and conference travel; travel within each country by the Public Affairs Officers and their staffs to supervise and direct post activities; the procurement of reference books, magazines and newspapers for staff use; and travel and other expenses for local research activities.

The increase of \$33,000 is requested to provide for full-year and new inflationary cost increases in international air fares and overseas local travel costs.

7. Other Program Expenses (1995 Actual, \$6,430; 1996 Estimate, \$5,125; 1997 Estimate, \$5,252; Increase, \$127).

These funds provide for residential and non-residential space costs in 17 countries, cleaning and custodial services, vehicle purchase and operations, purchase of furniture, supplies and equipment, communication costs, and related expenses to support post programs.

The net increase of \$127,000 is requested to provide:

- a. \$222,000 for full-year and new inflationary cost increases for rents, utilities, janitorial services and other administrative expenses; and
- b. \$117,000 for advance lease payments for residential space in Indonesia (\$95,000) and Cambodia (\$22,000).

These increases are offset, in part, by the following decreases:

- a. \$36,000 for nonrecurring space restoration costs related to closing the branch posts in Melbourne, Australia (\$10,000), Kyoto, Japan (\$8,000) and Chiang Mai, Thailand (\$8,000) and closing the country post in Suva, Fiji (\$10,000) due to the 1996 program reductions;
- b. \$29,000 for full-year savings due to 1996 program reductions in Fiji (\$2,000) and Thailand (\$27,000);
- c. \$43,000 for nonrecurring residential lease costs paid in 1996 in China; and
- d. \$104,000 due to 1997 program reductions to implement the President's government-wide deficit reduction efforts in Japan (\$50,000 in administrative costs) and Singapore (\$54,000 for residential lease costs for a dropped position).

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EAST ASIA AND PACIFIC PROGRAM

Recapitulation of Costs by Country and Area-Wide Costs
 (\$ in thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
POSITIONS:				
Domestic	19	17	17	--
Overseas American	95	84	83	-1
Foreign National	(8)	382	369	-13
Total, Positions	<u>597</u>	<u>484</u>	<u>469</u>	<u>-15</u>
COSTS BUDGETED BY COUNTRY:				
Australia	\$ 1,612	\$ 1,493	\$ 1,380	-\$113
Burma	881	1,024	798	-226
Cambodia	268	201	240	39
China	2,268	2,224	2,359	135
Fiji	219	135	--	-135
Hong Kong	1,585	1,159	1,033	-126
Indonesia	1,911	1,634	1,811	177
Japan	16,395	14,593	14,307	-286
Korea	4,280	3,545	3,531	-14
Laos	177	145	153	8
Malaysia	968	739	729	-10
Mongolia	152	158	166	8
New Zealand	613	564	566	2
Papua New Guinea	191	161	168	7
Philippines	1,825	1,497	1,443	-54
Singapore	1,322	1,453	1,274	-179
Thailand	2,114	1,968	1,874	-94
Vietnam	624	368	336	-32
Subtotal, Country Costs	<u>37,415</u>	<u>33,061</u>	<u>32,168</u>	<u>-\$893</u>

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EAST ASIA AND PACIFIC PROGRAM

Recapitulation of Costs by Country and Area-Wide Costs (continued)
(\$ in thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
AREA-WIDE COSTS:				
Domestic Employee Compensation and Benefits	\$ 2,367	\$ 2,302	\$ 2,280	\$ -22
Overseas American Employee Compensation and Benefits a/.....	9,062	9,039	9,497	-342
Subtotal, Area-wide Costs	11,429	11,141	10,777	-364
Total, Gross Funds	68,844	64,202	62,945	-1,257
Deduct Reimbursements	-570	-447	-464	-22
Tot'l, Direct Funds	68,274	63,755	62,481	-1,273

a/ Excludes Foreign Service allowances and rest and recuperation travel which are paid at posts and included above in costs budgeted by country.

AFRICAN PROGRAM
(\$ in thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Summary of Requirements.....	\$29,453	\$29,991	\$30,191	\$200

General Statement

I. SUMMARY - GOALS/OBJECTIVES/INPUTS

Goals: USIA's Office of African Affairs (AP) is committed to carrying out the foreign policy goals of the United States as enunciated by the Secretary of State: to promote U.S. prosperity, free trade and investment; build democracy; promote sustainable development; promote peace and security; provide humanitarian assistance; and advance diplomacy.

Objectives: AP's objectives are those enunciated by the Secretary of State and applied by the State Department's Bureau of African Affairs, and which are amenable to pursuit through public diplomacy.

AP supports democracy-building through programs which explain and promote open, transparent elections; help develop fair and independent judiciaries; encourage establishment of representative legislatures; and promote accountable, transparent governance. Our programs support media freedom and emphasize freedom of assembly, association and expression at all levels, from the individual to the institutional. USIA's programs promote equal participation in society and government by women. They support efforts to expose African militaries to human rights and civil rule, as well as efforts to end human rights abuses.

AP encourages sustainable development by encouraging African nations to adopt policies which result in increased economic growth rates and promote private sector investment.

AP programming promotes regional peace and security by encouraging the resolution of existing regional conflicts and prevention of threats to international security, and supports humanitarian assistance through activities which contribute to efforts to reduce current numbers of refugees.

The Office of African Affairs and its constituent posts work to increase prosperity through programs which lead to an increased U.S. market share for exports and increased U.S. investment in Africa, and which advocate the integration of Africa in the global trading system.

AP advances diplomacy by promoting better understanding of U.S. society and values in order to gain support of U.S. policies; by building lasting institutional relationships; and by evaluating its assets for relevance to U.S. objectives and managing them in a cost-effective manner.

AP supports these objectives through programs that influence understanding and acceptance of U.S. policies; provide foreign audiences with accurate and authoritative information; broaden the dialogue between Americans and their counterparts abroad; and advise the President and other policymakers on foreign attitudes and their implications for our policies.

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AFRICAN PROGRAM

I. SUMMARY - GOALS/OBJECTIVES/INPUTS - (continued)

Inputs: AF is composed of 20 employees in the Washington office and 77 overseas Americans and 333 foreign service national employees located in 34 countries at 39 African posts and Paris, where a regional support office is located.

II. 1995 AND 1996 PROGRAMS - HIGHLIGHTS

Activities in this period sustained President Clinton's assertion that the U.S. intends to remain fully engaged on the continent. USIA participated in the elaboration of the President's Trade and Development Policy towards Africa, which will help guide trade-related programming initiatives. Programs abroad established or built on relationships that strengthened nascent democratic institutions through the continent, informed audiences about measures to resolve regional conflict, encouraged reforms establishing free-market economies, and supported other State Department and USG initiatives.

Our two most significant posts are South Africa and Nigeria. In the latter, USIS defends democracy in a very constricted environment. The Nigeria Democracy Initiative matches private Nigerian institutions with American counterparts, including bar associations, media and women's organizations, and civil rights groups. This strategy provides institutional linkages for "free-standing" cooperative efforts and venues for the short-fuse programs in key areas that are increasingly our only viable opportunities. We concluded agreements with eight Nigerian television stations to use Worldnet, providing unfiltered access to U.S. policies and public opinion. USIS Nigeria offered conference organizers in Lagos a satellite program on the importance of copyright protection that brought home to African businessmen the benefits of defending intellectual property rights. And a Nigerian journalist participating in a USIA drug workshop returned to write on progress in combating narcotrafficking--in a country identified as a major offender.

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USIA continued its contributions to our relationship with South Africa as it continues its transition to multi-racial democracy. A key vehicle is the Binational Commission (BNC), which determined in December 1995 that the two countries would pursue establishment of a Fulbright Commission among other agreements. The BNC itself was implemented partly through a major USIS/USAID exchange program that provided for short-term visits related to its establishment and the cultural, educational and commercial functions it now coordinates. A complementary program brought together representatives of both countries' public and private sectors and led to establishment of the BNC's Business Development Council. An ongoing program draws on FCC expertise to help South Africa establish the regulatory framework for independent electronic media. Speaker programs were likewise high-impact: for example, an Assistant U.S. Attorney General discussed civil rights and other legal topics with significant counterparts, and another speaker provided consultative services to the Judicial Commission that significantly improved its nominating work, and contributed to debate on rule of law issues including constitutional options, electoral systems and political participation.

Through Washington-provided print material and satellite programming with Commerce Secretary Brown and Energy Secretary O'Leary, and through intensive on-the-ground support, it prepared the ground for large trade delegations and promoted multi-sector U.S. investment.

AFRICAN PROGRAM

II. 1995 AND 1996 PROGRAMS - HIGHLIGHTS (continued)

ENCOURAGING DEMOCRATIZATION: USIS journalism programming again increased use by African media of VOA and USIA television broadcasting to communicate U.S. policy. In Mali, USIS continued to promote equal media access by all candidates as part of the run-up to national elections. Our Ambassador in Sierra Leone cited interlocking USIS programs as instrumental to that country's successful elections in February 1986. In Tanzania, USIS wrote and placed on national television a seven-part series on elements of democracy. Ivory Coast joined the list of posts where USIS helped protect journalists from repression. USIS, in cooperation with the FCC, was key to Zambia's creation of legislation to license private electronic media.

USIA's Africa Rule of Law Initiative is intensively active, and has resulted in quantifiable improvements in public defender systems, civic education, legal codification and other improvements. USIS Kampala nurtured Uganda's development of a new constitution over seven years, providing speakers and materials and sending members of the constitutional commission to the U.S. to study government, and by organising workshops, and most recently providing grants to media for "Know Your Constitution" programs for the public. In Ethiopia an ABA exchange helped change the face of that nation's court system and judicial reform processes, while another ABA program in Ghana is helping to institutionalize the rule of law.

The Burundian President, after meeting with a returned International Visitor grantee, asked him to establish a civil-military program "using the U.S. as a model" that will stress the role of the latter in a democracy. In Namibia, the Ambassador arranged for a USIS speaker on press freedom to meet with the Prime Minister for an hour's discussion of the topic.

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PROMOTING PEACE AND REGIONAL SECURITY: In Angola, Burundi and Rwanda, USIS officers have developed training programs by which local broadcasters can learn reporting techniques that can contribute to relaxing ethnic and political tensions. Specialists conducted USIS workshops on conflict resolution in Sierra Leone and Liberia in efforts to further national reconciliation, while in Ethiopia a participant in a U.S. program returned to create conflict mediators in local secondary schools. In FY-95 alone, U.S. experts explained conflict resolution techniques to officials of 12 nations, in nine USIA satellite programs, while five other countries--including two major transit points--participated in satellite programs on illicit narcotics.

PROMOTING ECONOMIC PROSPERITY AND GROWTH: Agency support for Secretary Brown's historic trip through Africa underscored U.S. interest in greater commercial interaction with African nations, the need for transparency and the characteristics that generate investor confidence. Satellite and other USIS programming has led to movement towards increased market access in Mauritius and Ghana. In Dakar, a vocal critic of privatisation returned from an exchange program to write commentaries praising the U.S. experience and calling for fiscal transparency in support of business development. Eight francophone countries which sent host-country media representatives to a VOA workshop on sales and management have developed a permanent working group which is contributing to privatizing radio in Africa. Lilongwe saw the consolidation of the USIS and PCS libraries, giving the Malawi business community greater access to commercial information.

AFRICAN PROGRAM

II. 1995 AND 1996 PROGRAMS - HIGHLIGHTS (continued)

In 1996, AP implemented program cuts totaling \$3,359,000 and 44 positions due to overall budgetary constraints and deficit reduction efforts. Reductions taken in 1996 included \$1,581,000 associated with the elimination of one domestic position (\$25,000), 33 foreign service national positions (\$1,057,000), and 10 overseas American positions (\$499,000). In addition, general operating and program funds were reduced by \$1,778,000, including savings associated with the closure of two country posts, in Libreville, Gabon and Maseru, Lesotho, and one branch post in Ibadan, Nigeria.

III. 1997 PLANS - INPUTS/EXPECTED OUTCOMES

In 1997, \$30,191,000 is requested for programming in Africa. The net increase of \$200,000 includes:

- a. \$235,000 for full-year 1996 and new Federal pay raises and related benefit increases for 1997;
- b. \$743,000 for overseas wage scale increases (\$674,000) and overseas multiyear lease renewals (\$69,000);
and
- c. \$756,000 for price increases in program activity costs, including \$397,000 for increases effective for part of 1996 and \$359,000 for new increases anticipated in 1997.

These increases are offset, in part, by full-year savings of \$427,000 for staff reductions implemented in 1996 due to overall budgetary constraints, other nonrecurring costs of \$735,000, and 1997 program reductions of \$372,000 to implement the President's government-wide deficit reduction efforts.

Post and Agency linkages with African individuals and organizations will provide new access and program opportunities in areas of continuing concern and interest to U.S. policymakers. In particular, we expect that pressures within Africa for further democratization will continue, and may create pressures for economic growth and income redistribution. USIA is well positioned to respond to these developments through programs that support movement towards full democracy, encourage economic growth through the development of free markets and participation in the international system, and impel the active search for foreign private investment. Nations in conflict, and nations and organizations attempting to end such problems, would be beneficiaries of the different types of conflict resolution programs USIA undertakes. Continuing African involvement in illicit narcotics trafficking, and governmental helplessness in the face of health hazards make continued USIA programming in these areas imperative to the struggle to end such trafficking and find solutions to health issues that threaten the security of the United States.

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AFRICAN PROGRAM

IV. PROGRAM PERFORMANCE INFORMATION

Each AF post tracks program participation by our most important contacts, as well as distribution of materials to them. On-line interaction with contacts and publics, including institutions, using USIS-provided documentation is likewise recorded as part of each transaction. Post-generated periodic reports identify usage trends. USIS staff members systematically debrief returned International Visitors and Fulbright grantees to determine how their views of the United States changed because of their programs. Post progress towards achieving the broader policy goals identified in each Mission Program Plan and post Country Plan is a subject of regular letters from the Public Affairs Officer to the Area Director. This process provides regular qualitative assessments of our public diplomacy efforts at each post throughout the year. Posts evaluate the effectiveness of specific programs to interested Washington offices shortly after they take place. Senior USG officials of stakeholder agencies and Ambassadors provide their assessments of USIS support for high-level visits and other public affairs activities to the Public Affairs Officers and the Agency directly and rapidly.

The "Program Activity Costs" displayed in the justifications that follow consist of local operating costs and program materials and services acquired or produced in direct support of the overseas missions' programs by the Bureaus of International Broadcasting, Educational and Cultural Affairs, Information (which replaced the Bureau of Policy and Programs in 1995), and Management in Washington from funds allocated by the posts for this purpose. In addition, the Department of State provides administrative support services to the overseas missions on a reimbursable basis, detailed estimates for which are contained in the Administrative Support from Other Agencies section of this budget.

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AFRICAN PROGRAM

Summary of Requirements
(\$ in thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)	Page Ref.
POSITIONS:					
Domestic.....	21	20	20	--	
Overseas American.....	87	77	77	--	
Foreign National.....	366	333	333	--	
Total, Positions.....	<u>474</u>	<u>430</u>	<u>430</u>	<u>--</u>	6-9
FUNDS:					
A. Domestic Employee Compensation and Benefits.....	\$ 1,444	\$ 1,557	\$ 1,604	\$ 47	6-7
B. Overseas American Employee Compensation and Benefits.....	8,839	8,847	8,679	-168	6-7
C. Foreign National Employee Compensation and Benefits..	7,497	7,678	8,333	655	6-8
D. Program Activity Costs:					
1. Radio.....	23	23	24	1	6-11
2. Press and Publications.....	1,003	1,140	1,016	-124	6-11
3. Television and Films.....	324	347	365	18	6-12
4. American Centers & Related Activities.....	4,547	6,878	6,829	-49	6-12
5. Program Direction.....	502	499	491	-8	6-14
6. Other Program Expenses.....	7,218	6,770	6,724	-46	6-14
Subtotal, Activity Costs.....	<u>13,617</u>	<u>15,657</u>	<u>15,449</u>	<u>-208</u>	
Total, Gross Funds.....	31,397	33,739	34,065	326	
E. Deduct Reimbursements.....	<u>-1,944</u>	<u>-3,748</u>	<u>-3,874</u>	<u>-126</u>	
Total, Direct Funds.....	<u>29,453</u>	<u>29,991</u>	<u>30,191</u>	<u>200</u>	

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AFRICAN PROGRAM
 (\$ in thousands)

**A. Domestic Employees Compensation and Benefits (1995 Actual, \$1,444; 1996 Estimate, \$1,557; 1997 Estimate, \$1,604;
 Increase, \$47).**

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Full-time permanent positions.....	21	20	20	--
Salary and direct benefit costs.....	\$1,444	\$1,557	\$1,604	\$47

The increase of \$47,000 in 1997 is requested to provide \$9,000 for the full-year costs of the 1996 Federal pay raises; \$34,000 for the estimated costs of a 3.0% Federal pay raise in January 1997; and \$4,000 for FICA and other benefit cost increases.

**B. Overseas American Employees Compensation and Benefits (1995 Actual, \$8,839; 1996 Estimate, \$8,847; 1997 Estimate,
 \$8,679; Decrease, -168).**

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Full-time permanent positions.....	87	77	77	--
1. Salary and direct benefit costs.....	\$7,386	\$7,180	\$6,960	-\$220
2. Hardship post differentials.....	683	690	690	--
3. Foreign Service allowances.....	611	789	841	52
4. Rest and recuperation travel.....	159	188	188	--
Total.....	<hr/>	<hr/>	<hr/>	<hr/>
	8,839	8,847	8,679	-168

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AFRICAN PROGRAM
(\$ in thousands)

B. Overseas American Employee Compensation and Benefits (continued).

The net decrease of \$168,000 consists of full-year savings of \$408,000 resulting from the elimination of ten positions in 1996 to implement the President's government-wide deficit reduction efforts in Gabon (1), Ivory Coast (2), Cameroon (1), Lesotho (1), Nigeria (3), Zimbabwe (1), and ARS Paris (1).

This decrease is offset, in part, by the following requested increases:

- a. \$31,000 for full-year costs of the 1996 Federal pay raise;
- b. \$142,000 for the estimated costs of a 3.0% Federal pay raise in January 1997;
- c. \$15,000 for Foreign Service retirement, FICA, and other benefit rate increases; and
- d. \$52,000 for cost increases in Foreign Service allowances.

C. Foreign National Employee Compensation and Benefits (1995 Actual, \$7,497; 1996 Estimate, \$7,678; 1997 Estimate, \$8,333; Increase, \$655).

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Full-time permanent positions.....	366	333	333	--
Salary and direct benefit costs.....	\$7,497	\$7,678	\$8,333	\$655

The net increase of \$655,000 in 1997 is requested to provide \$674,000 for foreign national employee wage scale increases, consisting of \$220,000 for increases effective for part of 1996 and \$454,000 for increases anticipated in 1997 offset, in part, by full-year savings of \$19,000 resulting from the elimination of 33 positions in 1996 to implement the President's government-wide deficit reduction efforts in Central African Republic (1), Gabon (5), Ivory Coast (1), Kenya (1), Lesotho (6), Madagascar (2), Nigeria (5), Senegal (1), Zaire (3) and ARS Paris (8).

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AFRICAN PROGRAM

Domestic, overseas American, and foreign national employee compensation and benefits provide for positions in the African Area as follows:

	1995 Actual			1996 Estimate			1997 Estimate		
	American	Foreign	Total	American	National	Total	American	Foreign	Total
Domestic.....	21	--	21	20	--	20	20	--	20
<u>Country and Regional Element:</u>									
Angola.....	1	4	5	1	4	5	1	4	5
Benin.....	1	5	6	1	5	6	1	5	6
Botswana.....	1	6	7	1	6	7	1	6	7
Burkina Faso.....	1	6	7	1	6	7	1	6	7
Burundi.....	1	5	6	1	5	6	1	5	6
Cameroon.....	4	10	14	3	10	13	3	10	13
Chad.....	1	4	5	1	4	5	1	4	5
Congo.....	1	4	5	1	4	5	1	4	5
Eritrea.....	1	4	5	1	4	5	1	4	5
Ethiopia.....	3	6	9	3	6	9	3	6	9
Gabon.....	1	5	6	--	--	--	--	--	--
Ghana.....	4	16	20	4	16	20	4	16	20
Guinea.....	1	6	7	1	6	7	1	6	7
Ivory Coast.....	4	13	17	2	12	14	2	12	14
Kenya.....	5	19	24	5	18	23	5	18	23
Lesotho.....	1	6	7	--	--	--	--	--	--
Liberia.....	1	5	6	1	5	6	1	5	6
Madagascar.....	2	9	11	2	7	9	2	7	9
Malawi.....	1	5	6	1	5	6	1	5	6
Mali.....	1	6	7	1	6	7	1	6	7
Mauritius.....	3	3	4	1	3	4	1	3	4
Mosambique.....	1	5	7	2	5	7	2	5	7
Namibia.....	1	6	7	1	6	7	1	6	7
Niger.....	1	7	8	1	7	8	1	7	8

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	1995 Actual			1996 Estimate			1997 Estimate		
	American	Foreign National	Total	American	Foreign National	Total	American	Foreign National	Total
Country and Regional Element (continued)									
Nigeria.....	12	46	58	9	41	50	9	41	50
Rwanda.....	1	3	4	1	3	4	1	3	4
Senegal.....	3	14	17	3	12	15	3	12	15
Sierra Leone.....	1	7	8	1	7	8	1	7	8
Somalia.....	--	4	4	--	4	4	--	4	4
South Africa.....	14	33	47	14	33	47	14	33	47
Swaziland.....	1	4	5	1	4	5	1	4	5
Tanzania.....	2	14	16	2	14	16	2	14	16
Togo.....	1	7	8	1	7	8	1	7	8
Uganda.....	1	4	5	1	4	5	1	4	5
Sainte.....	1	22	23	1	19	20	1	19	20
Zambia.....	3	11	14	3	11	14	3	11	14
Zimbabwe.....	3	12	15	2	12	14	2	12	14
Regional Services (Paris).....	3	20	23	2	12	14	2	12	14
Subtotal, Country and Regional Element.....	87	366	453	77	333	410	77	333	410
Total, Positions.....	108	366	474	97	333	430	97	333	430

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AFRICAN PROGRAM
(\$ in thousands)

D. Program Activity Costs (1995 Actual, \$13,617; 1996 Estimate, \$15,657; 1997 Estimate, \$15,449; Decrease, \$-208).

Program activity costs derive from the following: radio, press and publications, television and films, American centers and related activities, program direction, and other program expenses. The estimates for each of these activities are shown below in detail, and consist of local operating costs and the costs of program materials and services acquired or produced in Washington.

1. Radio Activities (1995 Actual, \$23; 1996 Estimate, \$23; 1997 Estimate, \$24; Increase, \$1).

This program activity consists of the production and adaptation of radio programs, including VOA package programs and music transcription libraries, for placement on local stations; promotion of VOA broadcasts; and the purchase of radio supplies, equipment, and maintenance services.

The increase of \$1,000 in 1997 is requested to provide cost increases for services, materials and international shipping.

2. Press and Publications Activities (1995 Actual, \$1,003; 1996 Estimate, \$1,140; 1997 Estimate, \$1,016; Decrease, \$-124).

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
a. Periodicals.....	\$ 346	\$ 372	\$ 209	\$-163
b. Information materials.....	202	186	194	8
c. Pamphlets and leaflets.....	247	354	372	18
d. Materials and equipment.....	208	228	241	13
Total.....	1,003	1,140	1,016	-124

This program activity consists of: (a) production and distribution of periodicals; (b) reception and placement of the Agency's Wireless File and other informational materials (special articles, features, reprints, and photos) with local publications and radio and television stations; (c) production and distribution of pamphlets, leaflets, posters, and photo displays; and (d) purchase of paper, supplies, equipment and related materials required to support these activities.

The net decrease of \$124,000 in 1997 results from full-year savings of \$18,000 related to the 1996 program reductions; 1997 program reductions of \$24,000 to implement the President's government-wide deficit reduction efforts; and nonrecurring costs of \$146,000 associated with the English-teaching recycling program. These decreases are offset, in part, by a requested increase of \$64,000 for cost increases for postage, printing, procurement of paper, equipment, materials and supplies and international shipping.

AFRICAN PROGRAM
(\$ in thousands)

3. Television and Film Activities (1995 Actual, \$324; 1996 Estimate, \$347; 1997 Estimate, \$365; Increase, \$18).

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
a. Production and adaptation.....	\$ 54	\$ 97	\$102	\$ 5
b. Distribution and promotion.....	62	38	40	2
c. Audio-visual equipment and maintenance....	208	212	221	11
Total.....	<u>324</u>	<u>347</u>	<u>365</u>	<u>18</u>

This program activity consists of: (a) acquisition, production, and adaptation of television and film programs for placement by the post, including language versions and release prints; (b) distribution, exhibition, promotion, travel and other costs incurred in reaching selected audiences; and (c) purchase and shipment of projectors and parts, screens, videotape equipment, rawstock, maintenance supplies, and other audio-visual materials.

The net increase of \$18,000 in 1997 is requested to provide for cost increases of \$20,000 for services, procurement of supplies, materials and equipment and international shipping. This increase is offset, in part, by full-year savings of \$1,000 related to the 1996 program reductions and 1997 program reductions of \$1,000 to implement the President's government-wide deficit reduction efforts.

4. American Centers and Related Activities (1995 Actual, \$4,547; 1996 Estimate, \$6,878; 1997 Estimate, \$6,829; Decrease, \$-49).

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
a. American center operations.....	\$1,722	\$1,610	\$1,617	\$ 7
b. Book programs.....	218	296	165	-131
c. Exhibits.....	14	10	10	--
d. Presentations.....	84	83	87	4
e. English-teaching.....	1,294	2,437	2,422	-15
f. Lectures, seminars, and other programs....	1,215	2,442	2,528	86
Total.....	<u>4,547</u>	<u>6,878</u>	<u>6,829</u>	<u>-49</u>

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(\$ in thousands)

4. American Centers and Related Activities (continued).

In each city, where the local situation permits, the cultural center operates as the focus of coordinated and targeted post programming. This program activity consists of: (a) operating, support, and space costs for 35 cultural centers; (b) book publication, translation and distribution costs; (c) production and display of small-scale exhibits; (d) purchase and presentation of books and magazines to carefully selected government officials, educators, opinion leaders, schools, and other groups and institutions; (e) English-teaching activities, including seminars and programs designed to encourage the use of American-oriented teaching aids and contractual arrangements for English-teaching programs; and (f) other cultural and information programs, including Agency-sponsored lectures, seminars, concerts, workshops, and similar functions; promotion of events under the special Cultural Presentations Program; and local support of the Exchange-of-Persons Program and similar privately-sponsored programs. These activities are designed to promote wide appreciation of America's cultural, political, economic and scientific achievements. At a number of posts, the cost of English-teaching materials, supplies and equipment and certain library services are financed by receipts from English students and library users. Such fees are included in the reimbursement figures displayed in the summary tables in this section.

The net decrease of \$49,000 in 1997 reflects the following:

- a. 1997 program reductions of \$83,000 to implement the President's government-wide deficit reduction efforts;
- b. Full-year savings of \$157,000 related to the 1996 program reductions; and
- c. Nonrecurring costs of \$222,000 associated with the English-teaching and library services recycling programs.

These decreases are offset, in part, by a requested increase of \$413,000 for cost increases for services, rents, utilities, contractual services, transportation, international shipping and procurement of supplies and materials.

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(*\$* in thousands)

5. Program Direction (1995 Actual, \$502; 1996 Estimate, \$499; 1997 Estimate, \$491; Decrease, \$-8).

These funds provide for travel by the Area Director and staff; workshops and conference travel; travel within each country by the Public Affairs Officers and their staffs to supervise and direct post activities; the procurement of reference books, magazines, and newspapers for staff use; and travel and other expenses for local research activities.

The decrease of \$8,000 results from full-year savings related to the 1996 program reductions.

6. Other Program Expenses (1995 Actual, \$7,218; 1996 Estimate, \$6,770; 1997 Estimate, \$6,724; Decrease, \$-46).

These funds provide for residential and non-residential space costs, cleaning and custodial services, vehicle purchase and operations, purchase of furniture, supplies and equipment, communication costs, and related expenses to support post programs.

The net decrease of \$46,000 in 1997 results from full-year savings of \$265,000 related to the 1996 program reductions and 1997 program reductions of \$192,000 to implement the President's government-wide deficit reduction efforts. These decreases are offset, in part, by requested increases of \$342,000 for cost increases for office and residential lease renewals, utilities, international shipping and procurement of vehicles, supplies and materials, and \$69,000 for multi-year lease payments due in 1997.

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AFRICAN PROGRAM
(\$ in thousands)

Recapitulation of Costs by Country and Area-Wide Costs

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
POSITIONS:				
Domestic.....	21	20	20	--
Overseas American.....	87	77	77	--
Foreign National.....	16	123	123	--
Total, Positions.....	<u>474</u>	<u>430</u>	<u>430</u>	<u>--</u>

COSTS REPORTED BY COUNTRY:

Angola.....	\$198	\$505	\$527	\$ 22
Benin.....	543	440	475	35
Botswana.....	336	271	294	23
Burkina Faso.....	403	467	502	35
Burundi.....	292	404	433	29
Cameroon.....	902	797	811	14
Chad.....	286	361	367	6
Congo.....	667	774	809	35
Eritrea.....	231	211	230	19
Ethiopia.....	473	440	473	33
Gabon.....	528	168	--	-160
Ghana.....	542	517	551	34
Guinea.....	377	384	379	15
Ivory Coast.....	736	763	786	23
Kenya.....	605	671	681	10
Lesotho.....	267	147	--	-147
Liberia.....	159	148	166	18
Madagascar.....	596	953	977	24
Malawi.....	287	354	372	18
Mali.....	102	287	307	20
Mauritius.....	177	176	187	11
Mozambique.....	<u>385</u>	<u>361</u>	<u>396</u>	<u>35</u>

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AFRICAN PROGRAM
(\$ in thousands)

Recapitulation of Costs by Country and Area-Wide Costs (Continued)

<u>COSTS BUDGETED BY COUNTRY (continued):</u>	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Namibia.....	\$ 392	\$ 420	\$ 466	\$ 46
Niger.....	405	485	523	38
Nigeria.....	1,133	1,443	1,393	-50
Rwanda.....	83	262	286	24
Senegal.....	907	1,007	1,081	74
Sierra Leone.....	239	184	206	22
South Africa.....	2,809	3,231	3,427	196
Swaziland.....	236	256	270	14
Tanzania.....	598	1,438	1,505	67
Togo.....	480	547	567	20
Uganda.....	488	501	534	33
Zaire.....	712	883	855	-28
Zambia.....	683	734	823	89
Zimbabwe.....	508	580	617	37
African Regional Services.....	2,579	2,182	2,141	-241
Subtotal, Country Costs.....	<u>21,514</u>	<u>23,932</u>	<u>24,417</u>	<u>485</u>
<u>AREA-WIDE COSTS:</u>				
Area-Wide Program Funds.....	370	380	394	14
Domestic Employee Compensation and Benefits.....	1,444	1,557	1,604	47
Overseas American Employee Compensation and Benefits.....	^{a/} 8,069	^{a/} 7,870	^{a/} 7,650	^{a/} -220
Subtotal, Area-Wide Costs.....	<u>9,883</u>	<u>9,807</u>	<u>9,648</u>	<u>-159</u>
Total, Gross Funds.....	<u>31,397</u>	<u>33,739</u>	<u>34,065</u>	<u>326</u>
Deduct Reimbursements.....	<u>-1,944</u>	<u>-3,748</u>	<u>-3,874</u>	<u>-126</u>
Total, Direct Funds.....	<u>29,453</u>	<u>29,991</u>	<u>30,191</u>	<u>200</u>

^{a/} Excludes Foreign Service allowances and rest and recuperation travel which are paid at posts and included above in costs budgeted by country.

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NORTH AFRICA, MIDDLE EAST AND SOUTH ASIA PROGRAM
(\$ in Thousands)

	1995 <u>Actual</u>	1996 <u>Estimate</u>	1997 <u>Estimate</u>	<u>Increase or Decrease (-)</u>
Summary of Requirements.....	\$35,550	\$33,043	\$33,417	\$374

General Statement

I. SUMMARY -- GOALS/OBJECTIVES/INPUTS

GOALS: USIA's Office of North African, Near Eastern and South Asian Affairs (NEA) takes as its goals those set forth by the Secretary of State: promoting peace; promoting U.S. prosperity, free trade and investment; promoting sustainable development and providing humanitarian assistance; building democracy; and advancing diplomacy.

NEA supports these Administration goals through activities that explain and advocate U.S. policies in terms that are credible and meaningful to foreign publics. NEA provides foreign audiences with accurate, authoritative information to advance U.S. national interests. NEA advises U.S. policy makers about foreign attitudes. NEA programs also broaden the dialogue between Americans and U.S. institutions and their overseas counterparts.

OBJECTIVES: USIA's NEA office objectives are those established through the interagency process by the State Department Bureau of Near Eastern Affairs and the Bureau of South Asian Affairs.

Promoting peace: NEA programs support the objectives of achieving a comprehensive peace in the Middle East, reducing potential threats from Iran and Iraq, lessening Indo-Pakistani tensions, and promoting non-proliferation in both South Asia and the Middle East.

Promoting U.S. prosperity, free trade and investment: NEA programs support objectives to expand trade and investment by the U.S. private sector.

Promoting sustainable development and providing humanitarian assistance: NEA programs support the objectives of encouraging financial sector reform, building market economies, encouraging sustainable use of resources, and meeting human needs.

Building democracy: NEA programs support the objectives of promoting political reform and adherence to international norms for human rights. They also support Administration efforts to combat the threat to democracy posed by terrorism, narcotics and crime.

Advancing diplomacy: NEA programs engage the American people in the process of international affairs through people-to-people and institutional linkages.

NORTH AFRICA, NEAR EAST AND SOUTH ASIA PROGRAM

I. SUMMARY - GOALS/OBJECTIVES/INPUTS (CONTINUED)

INPUTS: In 1997, USIA's NESA Office plans to continue information and cultural programs in 21 countries and 32 posts, stretching from Morocco in northwest Africa to Bangladesh in South Asia.

The overseas staff will consist of 87 American and 520 foreign national employees. A Washington staff of 19 employees will direct and support the overseas operations and provide liaison with other elements of USIA and with other foreign affairs agencies. These numbers reflect a reduction of 171 positions and \$4,981,000 in 1996 as part of the President's government-wide deficit reduction efforts.

In 1997, a net increase of \$374,000 is requested for wage and price increases and other built-in requirements to essentially maintain the level of programming established in 1996 after the reductions described above.

II. 1995 AND 1996 PROGRAMS - HIGHLIGHTS

The NESA office pursues United States Government foreign policy goals and objectives and seeks to influence foreign opinion through carefully directed personal contact work and through judicious use of NESA area resources and of Agency programs and products.

Promoting peace: During FY 1995 and the first half of FY 96, NESA provided public diplomacy support for three visits to the Middle East by the President and two by the Vice President. Overseas USIS posts have also supported trips to the region by the Secretary of State, Secretary of Defense, Secretary of Commerce, and Members of Congress. Posts advised visitors about the public affairs climate, organised press conferences, transcribed and translated official statements, and sought out opportunities to get visiting officials in front of important audiences. The resulting high profile coverage by influential regional media advanced understanding of U.S. policy goals in the region, especially the objective of achieving a comprehensive Middle East peace.

USIA provided public diplomacy support for the White House signing of the Israel-Palestinian agreement in September 1995. USIA personnel detailed to the White House included Arabic speakers who assisted the Palestinian press. Overseas USIS posts arranged for WORLDNET's Arabic-language transmission of the ceremony to be carried live by the Palestinian Broadcast Corporation, Jordanian television and major television stations in Lebanon. WORLDNET officers assisted Israeli and Egyptian television with their own live feeds from the White House.

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NORTH AFRICA, NEAR EAST AND SOUTH ASIA PROGRAM

III. 1995 AND 1996 PROGRAMS - HIGHLIGHTS (CONTINUED)

USIS Kuwait handled media relations in October 1994 during the build-up of U.S. military forces in Kuwait in response to threatening actions by the Iraqi regime. The post briefed journalists covering the story and worked with U.S. military public affairs officers to coordinate media activities of joint Kuwaiti-U.S. military deployments and exercises. Through its efforts, the post helped to provide a clear picture of U.S. military actions in Kuwait to U.S. and international -- including Iraqi -- audiences.

In South Asia, USIA is involved in a unique conflict resolution program called MEERANA. Begun by USIA in 1991, the organization brings together ten Pakistanis and ten Indians, all of whom have excellent contacts at the highest levels of their governments. Now funded by the Ford Foundation, the group meets three times a year to discuss major issues that divide the two countries, including the seemingly intractable issue of Kashmir. Given the strained relations between India and Pakistan, both nuclear states, the fact that these discussions continue is a significant accomplishment.

Posts throughout the region have used WORLDNET Dialogues, wireless file articles and other USIA products to promote non-proliferation. USIS Pakistan assembled a 22-page non-proliferation reference guide which included major policy statements, fact sheets and chronologies. The guide, which was excerpted in several Pakistani newspapers, provided accurate and authoritative information to the public about U.S. positions. In March 1996, USIS Pakistan organized a round-table at which Thomas Graham, Presidential representative for arms control and non-proliferation, met with academics and think tank representatives. One of the participants wrote an op-ed piece for a major paper and concluded with a statement which reflected Graham's message.

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An obstacle to our pursuit of peace throughout the region is a perception among many Muslims that the United States is anti-Islam. The catalyst for a recent series of activities to address this issue was a speech made by Mrs. Clinton following her spring 1995 trip to South Asia. USIS posts in South Asia arranged wide placement of a WORLDNET video featuring her remarks about the importance of a better understanding of Islam. Posts built on the goodwill generated to place statements by other U.S. officials about U.S. respect for Islam. In February 1996, posts in South Asia and the Middle East achieved extensive placement of President Clinton's Ramadan message to Muslims in the United States and around the world. WORLDNET and wireless file coverage of the First Lady's White House reception to mark the end of Ramadan garnered positive editorial comment across the region. In March, Mrs. Clinton accepted the invitation of an important Saudi Arabian colloquium on Islam and the West to tape a statement. Saudi print and broadcast media gave her statement extensive and positive coverage. Her remarks were picked up and transmitted to other countries in the region by the Middle East Broadcasting Corporation and Reuters.

Promoting U.S. prosperity, free trade and investment: USIS Morocco helped the Secretary of State deliver his message about the economics of Middle East Peace by facilitating media access during the Casablanca Economic Summit in October 1994. A year later, the NEA area office worked with State, Commerce and other agencies to coordinate an all-out effort by USIA media elements -- WORLDNET, the wireless file, the Foreign Press Centers,

NORTH AFRICA, NEAR EAST AND SOUTH ASIA PROGRAM

II. 1995 AND 1996 PROGRAMS - HIGHLIGHTS (CONTINUED)

the Voice of America, and a summit homepage -- to support the Amman Economic Summit. USIS Amman's multi-media center drew crowds of delegates and the post set up interviews for visiting officials. Plan are underway to provide public diplomacy support for the November 1996 Cairo Economic Conference, which will continue to advance both Middle East peace and U.S. trade policies.

USIS Doha's coordination of media activities for the February 1995 visit of Secretary of Commerce Ron Brown resulted in positive coverage in all Qatar media. When Secretary Brown visited India, he participated in a "town meeting" which USIS arranged to have broadcast live on television to an audience of 20 million.

USIS Colombo joined with the Embassy Economic Office to promote U.S. trade opportunities at the second annual American Trade Fair in Sri Lanka in November 1995. In addition to providing complete media support, USIS mounted two exhibits, a multi-media show on U.S. environmental technology, and a booth with materials about U.S. higher education.

Posts have used Agency programs to address intellectual property issues. USIS Abu Dhabi has sent officials on International Visitor programs and held information programs that encouraged implementation in 1994 of a new copyright law in the United Arab Emirates. USIS Bombay arranged with an Indian trade association to print a USIA paper on intellectual property rights; the association distributed the paper to 1,000 trade mark attorneys, lawyers and CEOs.

Promoting sustainable development and providing humanitarian assistance: Post programming on building market economies is an integral part of programming on trade initiatives. Posts are also involved in other sustainable development efforts such as environmental protection. A USIS Madras monthly video discussion series prompted the state's Environmental Secretary to pledge that he would hasten introduction of legislation to reduce ozone-depleting chemicals.

U.S. Embassy goals in Bangladesh include helping the host government improve its disaster relief capabilities. USIS Dhaka has consistently provided public affairs support for training by the U.S. military in rapid deployment of food and other relief during flood disasters. USIS-written stories describing these efforts have been widely published in the Bangladesh media.

Building democracy: USIA-administered rule of law programs in the West Bank and Gaza have introduced critical concepts of the American legal system to the Palestinian legal community. USIS Tel Aviv and USIS Jerusalem have drawn on the range of USIA programs and products to help enhance due process and strengthen the administration of criminal and civil court cases under the Palestinian National Authority. One example is a project undertaken with an American non-governmental organization, the Institute for the Study and Development of Legal Systems (ISDLs). Palestinian jurists, in cooperation with ISDLs, have drafted a working document that the legal community and the Palestinian Authority are using as the basis for continuing work on judicial reform.

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NORTH AFRICA, NEAR EAST AND SOUTH ASIA PROGRAM

III. 1995 AND 1996 PROGRAMS - HIGHLIGHTS (CONTINUED)

Palestinian journalists benefitted from a series of programs designed to enhance journalistic professionalism and news gathering abilities. The programs were conducted in the West Bank, Gaza, Salzburg and the United States; they brought together American journalists, editors and academics with Palestinian journalists and officials responsible for setting up the first-ever Palestinian radio and television station. The impressive outcomes include a Palestinian radio and TV station in operation with USIS donated equipment; the first Palestinian committee formed to protect journalists' rights; and proposed legislation, drafted by participants of a USIS exchange program, establishing press and broadcast rights. USIS Jerusalem arranged for two American experts to help the Palestinian Broadcast Corporation produce public service announcements to educate citizens about the January 1996 elections.

Women's rights were a central theme of the First Lady's 1995 trip to Pakistan, India, Nepal, Bangladesh and Sri Lanka. USIS posts provided media support and advised the travelling party on the public affairs aspects of each event. The resulting media coverage not only highlighted women's rights but also helped broaden and strengthen U.S. ties with South Asia.

USIS posts have conducted a number of drug prevention workshops in coordination with the State Department's Bureau of International Narcotics and Law Enforcement Affairs. The result of a program conducted by USIS Madras in May 1995 is the formation of a national forum of counselors to fight the scourge of drugs at the national level.

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Advancing diplomacy: Many programs which advance other goals also support Administration objectives of engaging Americans more directly in the process of international affairs. For example, a study tour to the U.S. by 20 Israeli mayors and municipal leaders resulted in new coordination among the mixed group of Jewish, Arab and Druze mayors. Another outcome was the establishment of professional links between the Israeli municipalities and their counterparts in Charleston, Baltimore and Indianapolis.

USIS Muscat worked with USIA's Bureau of Educational and Cultural Affairs to arrange a visit by Dr. John Kerrigan, Chancellor of the University of Wisconsin-Oshkosh. Dr. Kerrigan taught a two-week seminar in university administration for virtually every mid-level administrator and manager at Sultan Qaboos University, Oman's only university. Seminar participants were energized to improve and develop their administrative skills along the American model. Another outcome was that Dr. Kerrigan was able to initiate linkages and potential exchanges between the faculty of Sultan Qaboos University and his own university in Wisconsin.

III. 1997 PLANS - INPUTS/EXPECTED OUTCOMES

In 1997, a total of \$33,417,000 is requested for North Africa, Near East and South Asia programs. The net increase of \$374,000 is requested to provide \$685,000 for foreign national employee wage scale increases; \$898,000 for inflationary price increases; \$45,000 for full-year costs of the 1996 Federal pay raises and \$189,000 for the estimated costs of a 3.0 percent Federal pay raise in January 1997; \$22,000 for Foreign Service retirement, FICA, and other benefit increases; and \$242,000 for a relocation project in Saudi Arabia.

NORTH AFRICA, NEAR EAST AND SOUTH ASIA PROGRAM

III. 1997 PLANS - INPUTS/EXPECTED OUTCOMES - (CONTINUED)

These increases are offset, in part, by nonrecurring costs of \$195,000 for the annualization of 1996 program reductions in American salaries (\$178,000) and domestic salaries (\$17,000); \$406,000 for severance payments and terminal leave costs for Americans (\$164,000) and foreign nationals (\$242,000); \$100,000 for space restoration costs in Peshawar, Pakistan; \$594,000 for reduced publications, books, English-teaching and library services costs funded in 1996 with fees carried over from 1995 and 1997 program reductions of \$412,000 to implement the President's government-wide deficit reduction efforts.

In 1997, NEA will continue reordering field operations at the lower levels dictated by the FY 1996 budget restrictions. The emphasis will be on policy advocacy. Essential activities will include personal contact work, the Embassy press spokesman role, media support for high-level visitors, and carefully targeted exchange programs to advance U.S. Government goals. The NEA office anticipates that its top priorities will be support for the Middle East peace process and for the Administration's non-proliferation efforts.

The creative use of advances in information technology such as the Internet will compensate in some ways for personnel cuts and post closings. However, technology is not a substitute for personal contact, the "last three feet" of public diplomacy. This contact is particularly important in the traditional societies of North Africa, the Near East and South Asia.

IV. PROGRAM PERFORMANCE INFORMATION

Through the Distribution Record System, NEA posts track program participation by their most important contacts; posts also use the DRs to record distribution of hard-copy materials to these contacts. On-line interaction with contacts and publics using USIS documentation is recorded as part of each transaction.

Overseas USIS posts report by e-mail and cable about their activities and programs. They evaluate how the results of these activities support the pursuit of foreign policy goals identified in the Mission Program Plan and USIS Country Plan. Posts also debrief exchange visitors upon their return and advise the Agency about how their perceptions of the United States may have changed because of their programs.

Senior officials of stakeholder agencies and Ambassadors provide direct and rapid assessment of USIS support for high-level visits and other public affairs activities to the PAOs and the Agency.

The NEA office assembles weekly reports which cover highlights of post reporting as well as comments from other U.S. Government agencies. The NEA office uses these reports to track overall trends about progress or problems in advancing important issues.

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NORTH AFRICA, NEAR EAST AND SOUTH ASIA PROGRAM
 (\$ in thousands)

Summary of Requirements

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)	Page
POSITIONS:					
A. Domestic.....	21	19	19	--	
B. Overseas American.....	102	87	87	--	
C. Foreign National.....	674	520	520	--	
Total, Positions.....	<u>797</u>	<u>626</u>	<u>626</u>	--	7-10
FUNDS:					
A. Domestic Employee Compensation and Benefits.....	\$ 1,628	\$ 1,387	\$ 1,399	\$ 12	7-8
B. Overseas American Employee Compensation & Benefits.....	10,043	9,161	9,103	-58	7-8
C. Foreign National Employee Compensation & Benefits.....	10,312	10,110	10,553	443	7-9
D. Program Activity Costs:					
1. Radio.....	18	15	16	1	7-11
2. Press and Publications.....	1,504	1,648	1,703	55	7-11
3. Television and Films.....	332	279	294	15	7-12
4. American Centers and Related Activities.....	6,807	5,940	5,728	-212	7-12
5. Program Direction.....	619	441	496	55	7-13
6. Other Program Expenses.....	6,783	6,132	6,214	82	7-13
Subtotal, Activity Costs.....	<u>16,063</u>	<u>14,453</u>	<u>14,451</u>	-4	
Total, Gross Funds.....	<u>38,046</u>	<u>35,113</u>	<u>35,506</u>	<u>393</u>	
E. Deduct Reimbursements.....	<u>-2,496</u>	<u>-2,070</u>	<u>-2,089</u>	<u>-19</u>	
Total, Direct Funds.....	<u>35,550</u>	<u>33,043</u>	<u>33,417</u>	<u>374</u>	

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NORTH AFRICA, NEAR EAST AND SOUTH ASIA PROGRAM
(\$ in Thousands)

A. Domestic Employee Compensation and Benefits (1995 Actual, \$1,628; 1996 Estimate, \$1,387; 1997 Estimate, \$1,399; Increase, \$141).

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Positions.....	21	19	19	--
Salary and direct benefit costs.....	\$1,628	\$1,387	\$1,399	\$12

The net increase of \$12,000 is requested to provide \$9,000 for the full-year costs of the 1996 Federal pay raises and \$30,000 for the estimated costs of a 3.0% Federal pay raise in January 1997, and \$6,000 for Foreign Service retirement, FICA, and other benefit increases.

These increases are offset, in part, by full-year savings of \$17,000 resulting from the elimination of two domestic positions in 1996 and nonrecurring costs of \$16,000 for severance and terminal leave.

B. Overseas American Employee Compensation and Benefits (1995 Actual, \$10,043; 1996 Estimate, \$9,161; 1997 Estimate, \$9,103; Decrease, \$-58).

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Positions.....	102	87	87	--
1. Salary and direct benefit costs.....	\$ 8,403	\$7,772	\$7,677	\$-95
2. Hardship post differentials.....	922	699	679	-20
3. Foreign Service allowances.....	566	595	630	35
4. Rest and recuperation travel.....	152	95	117	22
Total.....	<u>10,043</u>	<u>9,161</u>	<u>9,103</u>	<u>-58</u>

The net decrease of \$58,000 consists of full-year savings of \$178,000 resulting from the elimination of 15 American positions in 1996, in India (4), Pakistan (4), Morocco (2), Algeria (1), Bangladesh (1), Egypt (1), Nepal (1), and Sri Lanka (1), and nonrecurring costs of \$148,000 for severance and terminal leave.

These decreases are offset, in part, by \$36,000 for the full year costs of the 1996 Federal pay raises and \$159,000 for the estimated costs of a 3.0% Federal pay raise in January 1997; \$16,000 for Foreign Service retirement, FICA, and other benefit costs increases; and \$57,000 for anticipated costs increases for Foreign Service allowances and rest and recuperation travel.

NORTH AFRICA, NEAR EAST AND SOUTH ASIA PROGRAM
(\$ in Thousands)

c. Foreign National Employee Compensation and Benefits (1995 Actual, \$10,312; 1996 Estimate, \$10,110; 1997 Estimate, \$10,553; Increase, \$443).

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Full-time permanent positions.....	674	520	520	--
Salary and direct benefit costs.....	\$10,312	\$10,110	\$10,553	\$443

The net increase of \$443,000 is requested to provide full-year costs of \$239,000 for wage scale increases effective for part of 1996, primarily in Syria (\$113,000), Egypt (\$48,000), and India (\$30,000); and \$446,000 for wage scale increases anticipated in 1997, primarily in India (\$89,000), Pakistan (\$91,000), Israel (\$71,000), Morocco (\$36,000), Egypt (\$32,000), and Saudi Arabia (\$23,000).

These increases are offset, in part, by nonrecurring costs of \$242,000 for severance and terminal leave payments resulting from the elimination of 154 positions in 1996 in India (75), Pakistan (30), Bangladesh (11), Sri Lanka (11), Morocco (10), Nepal (8), Tunisia (7) and Algeria (2).

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NORTH AFRICA, NEAR EAST AND SOUTH ASIA PROGRAM

Domestic, overseas American and foreign national employee compensation and benefits provide for positions in the Area as follows:

	1995 Actual			1996 Estimate			1997 Estimate		
	American	Foreign National	Total	American	Foreign National	Total	American	Foreign National	Total
Domestic.....	21	--	21	19	--	19	19	--	19
<u>Country or Regional Element:</u>									
Afghanistan.....									
Afghanistan.....	--	2	2	--	2	2	--	2	2
Algiers.....	2	7	9	1	4	5	1	4	5
Bahrain.....	1	6	7	1	6	7	1	6	-
Bangladesh.....	4	21	25	3	10	13	3	10	13
Egypt.....	9	52	61	8	52	60	8	52	60
India.....	23	275	298	19	198	217	19	198	217
Israel.....	5	39	44	5	39	44	5	39	44
Jordan.....	4	15	19	4	15	19	4	15	19
Kuwait.....	2	6	8	2	6	8	2	6	8
Lebanon.....	--	3	3	--	4	4	--	4	4
Morocco.....	8	29	37	6	19	25	6	19	25
Nepal.....	3	22	25	2	14	16	2	14	16
Oman.....	1	4	5	1	5	6	1	5	6
Pakistan.....	13	94	107	9	64	73	9	64	73
Qatar.....	1	3	4	1	4	5	1	4	5
Saudi Arabia.....	7	15	22	7	15	22	7	15	22
Sri Lanka.....	4	21	25	3	10	13	3	10	13
Sudan.....	1	7	8	1	7	8	1	7	8
Syria.....	6	11	15	4	11	15	4	11	15
Tunisia.....	4	25	29	4	18	22	4	18	22
UAE.....	1	6	7	1	6	7	1	6	7
Yemen.....	3	5	8	3	5	8	3	5	8
Jerusalem.....	2	5	7	2	5	7	2	5	7
ARS Paris.....	--	1	1	--	1	1	--	1	1
Subtotal, Country or Regional.....	102	674	776	87	520	607	87	520	607
Total, Positions.....	123	674	797	106	520	626	106	520	626

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NORTH AFRICA, NEAR EAST AND SOUTH ASIA PROGRAM
(\$ in Thousands)

D. Program Activity Costs (1995 Actual, \$16,063; 1996 Estimate, \$19,435; 1997 Estimate, \$19,451; Decrease, \$-4).

Program activity costs derive from the following: radio, press and publications, television and films, American centers and related activities, program direction, and other program expenses. The estimates for each of these activities are shown below in detail, and consist of local operating costs and the costs of program materials and services acquired or produced in Washington. (See Overseas Mission Operations Summary, Section 4 of the S&E budget, for a general description of the nature of these activities.)

1. Radio Activities (1995 Actual, \$18; 1996 Estimate, \$15; 1997 Estimate, \$16; Increase, \$1).

This program activity consists of the production and adaptation of radio programs, including VOA package programs and music transcription libraries, for placement on local stations; promotion of VOA broadcasts; and the purchase of radio supplies, equipment, and maintenance services.

The increase of \$1,000 in 1997 is requested to provide for full-year and new inflationary cost increases for locally procured services, materials and supplies.

2. Press and Publications Activities (1995 Actual, \$1,504; 1996 Estimate, \$1,648; 1997 Estimate, \$1,703; Increase, \$55).

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
a. Periodicals.....	\$ 271	\$ 349	\$ 338	\$-11
b. Information materials.....	551	492	521	29
c. Pamphlets and leaflets.....	379	492	515	23
d. Materials and equipment.....	303	315	329	16
Total.....	1,504	1,648	1,703	55

This program activity consists of: (a) production and distribution of periodicals; (b) reception and distribution of the Agency's Wireless File and other informational materials (special articles, features, reprints, and photos); (c) production and distribution of pamphlets, leaflets, posters, and photo displays; and (d) purchase of paper, supplies, equipment and related materials required to support these activities.

The net increase of \$55,000 in 1997 is requested to provide \$88,000 for cost increases for postage, printing, procurement of paper, equipment, materials and supplies and international shipping for India (\$39,000), Pakistan (\$10,000), Israel (\$7,000) and 18 other countries (\$32,000).

This increase is offset, in part, by nonrecurring costs of \$33,000 for publication services funded in 1996 with fees carried over from 1995.

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NORTH AFRICA, NEAR EAST AND SOUTH ASIA PROGRAM
(\$ in Thousands)

3. Television and Film Activities (1995 Actual, \$332; 1996 Estimate, \$279; 1997 Estimate, \$294; Increase, \$15).

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
a. Production and adaptation.....	\$123	\$147	\$154	\$ 7
b. Distribution and promotion.....	176	99	105	6
c. Audio-visual equipment and maintenance.....	23	13	15	2
Total.....	<u>332</u>	<u>279</u>	<u>294</u>	<u>15</u>

This program activity consists of: (a) acquisition, production, and adaptation of television and film programs for placement by the posts, including language versions and release prints; (b) distribution, exhibition, promotion, travel and other costs incurred in reaching selected audiences; and (c) purchase and shipment of projectors and parts, screens, videotape equipment, rawstock, maintenance supplies, and other audio-visual materials.

The increase of \$15,000 in 1997 is requested to cover cost increases for services, procurement of supplies, materials and equipment and international shipping.

4. American Centers and Related Activities (1995 Actual, \$6,807; 1996 Estimate, \$5,940; 1997 Estimate, \$5,728; Decrease, \$-212).

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
a. American center operations.....	\$3,216	\$2,470	\$2,634	\$ 164
b. Book programs.....	97	100	100	0
c. Exhibits.....	43	25	27	2
d. Presentations.....	4	7	7	0
e. English-teaching.....	2,125	2,455	2,040	-415
f. Lectures, seminars and other programs.....	<u>3,222</u>	<u>2,622</u>	<u>2,920</u>	<u>37</u>
Total.....	<u>6,807</u>	<u>5,940</u>	<u>5,728</u>	<u>-212</u>

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NORTH AFRICA, NEAR EAST AND SOUTH ASIA PROGRAM

(\$ in Thousands)

In each city, where the local situation permits, the American center operates as the focus of coordinated and targeted post programming. This program activity consists of: (a) operating, support, and space costs for 22 American centers; (b) book publication, translation and distribution costs; (c) production and display of small-scale exhibits; (d) purchase and presentation of books and magazines to carefully selected government officials, educators, opinion leaders, schools, and other groups and institutions; (e) English-teaching activities, including seminars and programs designed to encourage the use of cultural and communication programs, including Agency-sponsored lectures, seminars, concerts, workshops and similar functions; promotion of events under the special Cultural Presentations Program; and local support of the Exchange-of-Persons Programs and similar privately-sponsored programs. These activities are designed to promote wide appreciation of America's cultural, political, economic, and scientific achievements. The costs of English-teaching materials, supplies and equipment and certain library services are financed by receipts from English language students and library users at a number of posts. Such fees are included in the reimbursement figures displayed in the summary tables in this section.

The net decrease of \$212,000 consists of nonrecurring costs of \$561,000 for English-teaching, books, and library services costs funded in 1996 with fees carried over from 1995.

This decrease is offset, in part, by \$349,000 to cover increases for rent, contractual services, transportation, international shipping and procurement of supplies and materials in India (\$80,000), Syria (\$76,000), Israel (\$34,000), Yemen (\$29,000), Pakistan (\$27,000) and 16 other countries (\$83,000).

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5. Program Direction (1995 Actual, \$619; 1996 Estimate, \$441; 1997 Estimate, \$496; Increase, \$55).

These funds provide for travel by the Area Director and staff; workshops and conference travel; travel within each country by the Public Affairs Officers and their staffs to supervise and direct post activities; the procurement of reference books, magazines, and newspapers for staff use; and travel and other expenses for local research activities.

The increase of \$55,000 in 1997 is requested to cover cost increases for international air fares and locally procured services and materials.

6. Other Program Expenses (1995 Actual, \$6,783; 1996 Estimate, \$6,132; 1997 Estimate, \$6,214; Increase, \$82).

These funds provide for residential and non-residential space costs, cleaning and custodial services, vehicle purchases and operations, purchase of furniture, supplies and equipment, communication costs, and related expenses to support post programs.

The net increase of \$82,000 consists of \$352,000 for cost increases for office and residential lease renewals, utilities, international shipping and procurement of vehicles, supplies and materials in India (\$98,000), Israel (\$57,000), Pakistan (\$56,000), Egypt (\$24,000), Morocco (\$17,000) and 16 other countries and domestic direction and support (\$100,000) and \$242,000 for USIS relocation in Saudi Arabia.

NORTH AFRICA, NEAR EAST AND SOUTH ASIA PROGRAM
(\$ in Thousands)

These increases are offset, in part, by decreases of \$100,000 for nonrecurring space restoration costs in Peshawar, Pakistan and 1997 program reductions of \$412,000 to implement the President's government-wide deficit reduction efforts.

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NORTH AFRICA, NEAR EAST AND SOUTH ASIA PROGRAM
Recapitulation of Costs by Country and Area-Wide Costs
~~(\$ In thousands)~~

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
POSITIONS:				
Domestic.....	21	19	19	--
Overseas American.....	102	87	87	--
Foreign National.....	<u>574</u>	<u>520</u>	<u>520</u>	--
Total, Positions.....	797	626	626	--
COSTS BUDGETED BY COUNTRY:				
Afghanistan Country Program.....	\$ 67	\$ 69	\$ 74	\$ 5
Algiers.....	209	278	264	-14
Bahrain.....	326	309	307	-2
Bangladesh.....	882	810	830	20
Egypt.....	1,977	1,841	1,914	73
India.....	5,840	5,229	5,439	10
Israel.....	3,508	3,101	3,241	140
Jordan.....	899	812	800	-12
Kuwait.....	389	368	370	2
Lebanon.....	161	173	180	7
Morocco.....	1,009	1,718	1,761	43
Nepal.....	575	418	431	13
Oman.....	286	300	305	5
Pakistan.....	2,798	2,295	2,354	59
Qatar.....	417	443	444	1
Saudi Arabia.....	1,202	1,285	1,551	266
Sri Lanka.....	481	439	461	22
Sudan.....	293	279	294	15
Syria.....	1,510	1,803	1,876	73
Tunisie.....	957	742	751	9
United Arab Emirates.....	419	445	454	9
Yemen.....	1,221	1,013	716	-297
Jerusalem.....	456	554	589	35
ARS Paris.....	96	129	133	4
RRU London.....	9	29	29	0
Subtotal, Country costs.....	<u>26,867</u>	<u>24,882</u>	<u>25,368</u>	<u>486</u>

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NORTH AFRICA, NEAR EAST AND SOUTH ASIA PROGRAM
Recapitulation of Costs by Country and Area-Wide Costs (continued)
 (\$ in Thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
AREA-WIDE COSTS:				
Domestic Employee Compensation & Benefits.....	\$ 1,628	\$ 1,387	\$ 1,399	\$ 12
Overseas American Employee Compensation and Benefits g/..	9,325	8,471	8,356	-115
Regional Services.....	226	373	383	10
Subtotal, Area-Wide Costs.....	<u>11,179</u>	<u>10,231</u>	<u>10,138</u>	<u>-93</u>
Total, Gross Funds.....	38,046	35,113	35,536	393
Deduct Reimbursements.....	<u>-2,496</u>	<u>-2,070</u>	<u>-2,482</u>	<u>-19</u>
Total, Direct Funds.....	<u>35,550</u>	<u>33,043</u>	<u>33,417</u>	<u>374</u>

g/ Excludes Foreign Service allowances and rest and recuperation travel which are paid at posts and included above in costs budgeted by country.

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INTER-AMERICAN PROGRAM
 (\$ in Thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Summary of Requirements.....	\$40,585	\$39,906	\$39,867	-\$39

General Statement

I. SUMMARY - GOALS/OBJECTIVES/INPUTS

Goals: The Office of Inter-American Affairs' (AR) goals are those set forth by the Secretary of State: Building democracy; promoting U.S. prosperity, free trade and investment; promoting peace and providing humanitarian assistance; promoting sustainable development; and advancing diplomacy. These goals form the basis for USA's public diplomacy program in our region.

Objectives: The Office of Inter-American Affairs' objectives are those established through the interagency process by the State Department's Bureau of Inter-American Affairs and which are amenable to pursuit through public diplomacy activities.

In building democracy, AR promotes and preserves democratic processes, institutions and values, to create and solidify a Western Hemisphere Community of Democracies based on honest, effective government. Our objectives are to:

- Promote and protect human rights
- Continue to assist Haiti in its transition to democracy
- Facilitate the growth and strengthening of judicial systems throughout the region
- Promote linkages between established U.S. civil society networks and emerging counterpart networks in the hemisphere
- Encourage anti-corruption and anti-money laundering efforts in the region
- Promote the growth of a civil society in Cuba.

In promoting U.S. prosperity, free trade and investment, AR encourages U.S. and hemispheric prosperity through economic integration and free trade. Our objectives are to:

- Promote the establishment of legal, regulatory and institutional frameworks conducive to private investment
- Safeguard intellectual property rights and interests of American business
- Support implementation of NAFTA and negotiations for Chile's accession to NAFTA
- Continue a dialogue with regional trade groups such as the Andean Pact and Mercosur
- Support negotiations of the "Free Trade Area of the Americas", to be concluded by the year 2005.

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INTER-AMERICAN PROGRAM

I. SUMMARY - GOALS/OBJECTIVES/INPUTS - (CONTINUED)

In promoting peace, AR supports U.S. national security interests in the hemisphere. Our objectives are to:

- Support sustained growth, economic reform, greater investment and a reinvigorated private sector throughout the hemisphere
- Support U.S. anti-terrorist policies and initiatives
- Support efforts to stem the illegal flow of narcotics from the region
- Encourage narcotics demand reduction initiatives throughout the nations of the hemisphere
- Encourage regional arms control
- Support confidence- and security-building measures throughout the hemisphere
- Engage countries of the region in addressing problems posed by illegal immigration
- Implement and consolidate peace accords in Central and South America.

In promoting sustainable development, AR advances sustainable management of the environment, with the goal of protecting the U.S. against specified global dangers, while encouraging environmentally safe economic reforms in developing countries. Our objectives are to:

- Address environmental issues in the hemisphere, by implementing action items agreed upon at the Summit of the Americas, in regard to sustainable energy use, bio-diversity and pollution prevention
- Encourage responsible management of natural resources
- Encourage a reduction in the threat of global climate change.

In advancing diplomacy, AR promotes a better understanding of U.S. society and values in the countries of the hemisphere in order to build support for U.S. policy. Our objectives are to:

- Support implementation of the Summit of the Americas declaration of principles and plan of action
- Build lasting relationships and linkages to enhance mutual understanding between Americans and U.S. institutions and their counterparts in the region
- Broaden cooperation and consensus with key partners on political and financial support for regional and global U.S. policy initiatives
- Increase cooperation in key transnational issues, such as narcotics and illegal immigration
- Encourage a concerted hemispheric response to effect political and economic change in Cuba
- Support efforts by the guarantor nations in resolving the conflict between Peru and Ecuador
- Encourage efforts by U.S. and Latin American/Caribbean private and public sector institutions to create lasting relationships and linkages.

INTER-AMERICAN PROGRAM

I. SUMMARY - GOALS/OBJECTIVES/INPUTS - (CONTINUED)

Inputs: The United States Information Agency Office of Inter-American Affairs (AR) will continue informational and cultural programs in the countries of Latin America and the Caribbean. In 1997, operations at 29 posts in the 24 AR countries will be supported by a domestic area office of 19. The overseas staff will consist of 91 Americans and 411 foreign national employees. The net decrease of \$39,000 for AR programs results from full-year savings of \$1,606,000 related to 1996 program reductions, including one-time costs of \$781,000 for severance payments and terminal leave; \$248,000 for other decreases; and 1997 program reductions of \$492,000 to implement the President's government-wide deficit reduction efforts. These decreases are offset, in part, by increased operating requirements of \$2,307,000, mainly for overseas wage and price increases.

II. 1998 AND 1999 PROGRAMS - HIGHLIGHTS

Unique to the Inter-American region are the Summit of the Americas Declaration of Principles and Plan of Action, enabling the United States to pursue national objectives in full partnership with the 33 other democracies of the hemisphere. The declaration of principles and plan of action propose a series of objectives under the categories of 1) Preserving and Strengthening the Community of Democracies of the Americas, 2) Promoting Prosperity through Economic Integration and Free Trade, 3) Eradicating Poverty and Discrimination in our Hemisphere, and 4) Guaranteeing Sustainable Development and Conserving our Natural Environment for Future Generations. These goals clearly track with the overall foreign policy objectives of the United States, and provide extraordinary opportunities for USIA/AR to employ Agency products and services, as well as other government resources, and join local initiatives to further U.S. national interests in the Inter-American region.

By sustaining direct contact with Latin American and Caribbean opinion leaders and elites through a network of field posts, USIA/AR provides voice and profile to U.S. Ambassadors, the President's resident representatives. Public affairs output by USIA overseas staff includes the drafting of speeches, statements and press guidance, and the organization of public functions and press interviews and conferences. At the direction of the Ambassador, USIS press functions include the timely development of press releases and clarifications as warranted by unfolding foreign press treatment of issues and stories of priority to the U.S. Government, importance to the conduct of diplomatic relations or sensitivity to the U.S. resident community.

AR has diversified its public diplomacy efforts to support the Administration's policies of integrating trade and economic growth in the Inter-American region, strengthening the prospects of the development of politically stable and democratic societies throughout the Americas. The consolidation of democracy and economic reform are interdependent. If fragile democracies cannot meet the legitimate economic demands of their populations, democracy will be jeopardized. Further, if democracy is usurped, investment and aid will decrease, and economic progress will be imperiled. Corruption threatens progress in both of these areas.

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INTER-AMERICAN PROGRAM

II. 1995 AND 1996 PROGRAMS - HIGHLIGHTS - (CONTINUED)

USIA continues to place a high priority on civic education -- the formal education, especially through the schools, of citizens about their rights and responsibilities under a democratic system. USIA will co-sponsor a major hemispheric conference on this subject in Buenos Aires in September 1996, Civitas Panamericano. AR has actively sought ways to support anti-corruption measures, such as USIS Brasil's nationwide conference on "Democracy, Effective Government and the Struggle Against Corruption." Administration of Justice as an underpinning of good governance also has a high priority. For instance, USIS San Jose helped establish, with USAID assistance, a national commission for the administration of justice.

In Haiti, USIS Port-au-Prince developed journalists' roundtables on elections and established a unique election central to support Haiti's first-ever peaceful transition of power from one democratically elected president to another. U.S. trade with the hemisphere is expanding rapidly -- exports to the Inter-American region have more than quadrupled since 1985, and continue to grow at a higher rate than in any other region of the world. Thus U.S. prosperity, free trade and investment are high-priority items. AR posts provide public affairs support for a number of high-level trade missions and develop programs with local institutions to focus on economic and financial issues. Protection of intellectual property rights is a major focus, since it is so important to U.S. business interests. USIS posts in Buenos Aires, Panama and Brasilia, among many others, have carried out major IPR informational campaigns to educate opinion leaders on the importance of such protections. USIS Mexico is deeply involved in the Mission's efforts to implement NAFTA, developing programs for business and media leaders on both sides of the border. USIS Santiago is actively engaged in providing support for public and private discussions with Chile regarding possible entrance into NAFTA. USIS posts throughout the hemisphere contributed to the success of both the June 1995 Trade Ministerial in Denver and the March 1996 Trade Ministerial in Cartagena, Colombia, follow-ons to the Summit of the Americas, through briefings for media, business and government leaders.

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In the area of promoting peace, USIA has been in the forefront of educating opinion leaders to the direct and destructive impact of the illegal narcotics trade on democratic societies. With the President's decision to "decertify" Colombia for U.S. assistance because of that nation's lack of progress against narcotrafficking, USIS Bogota and other posts in the hemisphere were able to provide the text of the announcement and background briefings to government and media figures immediately, explaining the decision. USIS Panama worked with the government of Panama to create a National Drug Awareness Center. USIS La Paz is planning a major three-stage drug-education project with local organizations.

In Haiti, USIS provided extensive expertise and facilitative support to the Department of Defense and the United Nations, and worked closely with the VOA's Creole Service, USIA TV and the Wireless File to ensure an open flow of information about the crisis in Haiti. USIS Guatemala provided public affairs assistance during humanitarian exercises by U.S. forces, while USIS Managua established a National Institute for Strategic Studies, training civilians in national security affairs and USIS San Salvador brought together former guerrillas and military officers in a civilian-military relations program -- all designed to encourage the implementation of Central American peace accords.

INTER-AMERICAN PROGRAM

II. 1995 AND 1996 PROGRAMS - HIGHLIGHTS -(CONTINUUED)

Latin American posts have supported efforts by the Secretary of Defense to foster better civilian-military relations in the area. USIS Lima worked with the University of Maryland on a program designed to show faculty in military academies how to teach human rights. As part of USIA efforts to support resolution of the border conflict between Peru and Ecuador, USIS posts in Lima and Quito countered rumors of U.S. favoritism for one side or the other in the conflict, while USIS Brasilia, Santiago and Buenos Aires in particular focused attention on the increasingly successful negotiation efforts by the four guarantor nations, including the United States.

USIA public diplomacy supports in concrete ways U.S. national goals to advance sustainable management of the environment, given its effect on the well-being of U.S. citizens and the U.S. economy. USIA/AR has carried out a wide variety of programs to support sustainable development, such as USIS Caracas' participation in the World Conference on Environmental Education. USIA is vigorously engaged in planning for the Bolivia Sustainable Development Summit planned for December 1996 (another follow-on to the Summit of the Americas).

USIA personnel and resources are key to advancing the diplomatic goals of the United States. Direct contact with opinion leaders and elites provides unique opportunities to express our message. Throughout 1994 and 1995 the PAO in Haiti was a central player in the Mission's efforts to focus international attention on the democracy-building initiatives of "Operation Restore Hope." As U.S. troops began to withdraw, USIS Port-au-Prince supported the democratic transition in government by developing programs with the newly installed parliament, including special international visitor programs, Worldnet dialogues and training for Haitian journalists covering the legislature. In February 1996, posts all over the area reacted quickly in the wake of the downing of two small planes by the Cuban government, getting the facts of the matter out to a wide range of opinion leaders throughout the hemisphere and countering the Castro government's attempts to justify its action. USIS Havana kept U.S. officials apprised of public reaction in Cuba to this event and to changes in U.S. Government policies as a result, and will continue to play a major role in implementing U.S. policies toward Cuba in the coming months.

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USIS posts in El Salvador, Chile, Argentina, Brasil and Trinidad and Tobago handled all public affairs support for Secretary of State Christopher's February 1996 trip to seven cities in five Latin American nations, the first such high level visit since 1988. USIS personnel worked with Department of State colleagues to ensure the maximum impact from the trip.

In Caracas and Managua, American musicians, whose visits were sponsored by USIS, created the first openings in many years for U.S. diplomatic contact with anti-American universities and radical Sandinista media outlets. The U.S. Ambassador to Brasil used a USIS-sponsored performance of the Lar Lubovitch Dance Company to engage the nation's vice president in discussions of pending matters. The CPDAO in Mexico developed a public affairs strategy for the high-profile state visit of President Zedillo to Washington. By sponsoring American studies seminars and curricula and supporting Fulbright programs throughout the hemisphere, USIA/AR also worked toward increased understanding of U.S. society and institutions.

INTER-AMERICAN PROGRAM

III. 1995 AND 1996 PROGRAMS - HIGHLIGHTS - (CONTINUED)

In 1996, as a result of government-wide deficit reduction efforts, the Area implemented program cuts totalling \$4,446,000. The reductions included the elimination of 18 American and 69 foreign national positions.

III. 1997 PLANS - INPUTS/EXPECTED OUTCOMES

In 1997, a total of \$39,867,000 is requested for the Office of Inter-American Affairs. The net decrease of \$39,000 results from full-year savings of \$825,000 related to 1996 program reductions; \$781,000 for nonrecurring severance payments and terminal leave costs; other built-in reductions of \$248,000; and 1997 program reductions of \$492,000 to implement the President's government-wide deficit reduction efforts. These reductions include the following: Argentina (\$47,000); Bahamas (\$4,000); Barbados (\$9,000); Bolivia (\$15,000); Brasil (\$146,000); Chile (\$31,000); Colombia (\$18,000); Costa Rica (\$8,000); Dominican Republic (\$10,000); Ecuador (\$13,000); San Salvador (\$10,000); Guatemala (\$10,000); Haiti (\$7,000); Honduras (\$7,000); Jamaica (\$7,000); Mexico (\$51,000); Nicaragua (\$8,000); Panama (\$20,000); Paraguay (\$8,000); Peru (\$19,000); Trinidad (\$6,000); Uruguay (\$17,000); Venezuela (\$16,000); and the domestic Area Office (\$5,000).

These decreases are offset, in part, by increases requested to provide \$1,101,000 for foreign national employee wage scale increases; \$892,000 for inflationary price increases; \$36,000 for multi-year lease payments due in 1997; and \$278,000 for other requirements.

USIA/AR will continue to further U.S. foreign policy objectives, particularly as the hemisphere grows as a community of democracies. The Summit of the Americas plan of action lays out specific but ambitious goals for the region, including the major one of a hemisphere-wide free trade area by 2005. A high priority for USIA/AR is to work with other government agencies to ensure that the Summit accomplishments continue to reflect U.S. objectives. The late-1996 Sustainable Development Summit in Bolivia will be among the first major opportunities for this, and the Second Summit of the Americas is planned for late 1997. Economic growth and increased trade with the U.S. can be expected to accompany democratic growth, and in FY-1997 USIA will encourage a clearer understanding on the part of regional opinion leaders about the importance of lowering trade barriers and building reliable economic infrastructures. USIA will continue to support democracy in Haiti and in Cuba, where we will continue to work within Administration guidelines to promote the growth of a civil society. Our broad policy goals are to sustain and deepen democratic institutions in the hemisphere, encourage strong and free market economies to join in the largest free trade area in the world, strengthen respect for human rights and provide economic opportunity.

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IV. PROGRAM PERFORMANCE INFORMATION

While it is difficult to establish exact measures of the success of public diplomacy programs, the Distribution and Record System at each AR post tracks program attendance of our most important contacts and distribution of materials to them. Each USIA post annually produces an Institutional Analysis which defines the relative influence of different sectors of society in each nation. Our Information Resource Centers prepare periodic reports using this data to identify trends of usage. Systematic debriefing of International Visitor grantees and Fulbright grantees by field staff provides information on the effectiveness of their programs.

Progress by posts toward achieving the broader policy goals identified in each Mission Program Plan and USIA Country Plan is evaluated through quarterly letters from the PAO to the AR Area Director. This process ensures a critical qualitative assessment of the overall success of our public diplomacy efforts at each post at regular intervals throughout the year. In addition, computer software for developing Country Plans will call for evaluations of specific programs at the end of the fiscal year.

Posts report by cable and/or e-mail to AR on the effectiveness of specific programs soon after they take place. The effectiveness of labor-intensive media support for high-level visits and the public affairs activities of Chiefs of Mission is made known to PAOs and the Agency by senior USA officials of stakeholder agencies who utilize our posts' support.

The "Program Activity Costs" displayed in the justifications that follow consist of local operating costs and program materials and services acquired or produced in direct support of the overseas missions' programs by the Bureaus of International Broadcasting, Educational and Cultural Affairs, Information (which replaced the Bureau of Policy and Programs in 1995), and Management in Washington from funds allocated by the posts for this purpose. In addition, the Department of State provides administrative support services to the overseas missions on a reimbursable basis, details for which are contained in the Administrative Support from Other Agencies section of this budget.

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INTER-AMERICAN PROGRAM

Summary of Requirements
 (\$ in Thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)	Page Ref.
POSITIONS:					
A. Domestic.....	19	19	19	--	
B. Overseas American.....	109	91	91	--	
C. Foreign National.....	480	411	411	--	
Total, Positions.....	<u>608</u>	<u>521</u>	<u>521</u>	<u>--</u>	8-11
FUNDS:					
A. Domestic Employee Compensation and Benefits.....	\$ 1,497	\$ 1,348	\$ 1,392	\$ 44	8-9
B. Overseas American Employee Compensation & Benefits.....	11,029	10,600	10,136	-464	8-9
C. Foreign National Employee Compensation & Benefits.....	14,915	15,063	15,269	206	8-10
D. Program Activity Costs:					
1. Radio.....	76	84	89	5	8-12
2. Press and Publications.....	690	1,000	1,052	52	8-12
3. Television and Films.....	329	451	474	23	8-13
4. American Centers and Related Activities.....	3,985	3,399	3,490	91	8-14
5. Binational Centers.....	1,016	329	354	25	8-14
6. Program Direction.....	639	615	659	44	8-14
7. Other Program Expenses.....	6,816	7,134	7,069	-55	8-15
Subtotal, Activity Costs.....	<u>13,551</u>	<u>13,012</u>	<u>13,187</u>	<u>175</u>	
Total, Gross Funds.....	40,992	40,023	39,984	-39	
E. Deduct Reimbursements.....	<u>-407</u>	<u>-117</u>	<u>-117</u>	<u>--</u>	
Total, Direct Funds.....	<u>40,585</u>	<u>39,906</u>	<u>39,867</u>	<u>-39</u>	

INTER-AMERICAN PROGRAM
(\$ in Thousands)

A. Domestic Employee Compensation and Benefits (1995 Actual, \$1,497; 1996 Estimate, \$1,348; 1997 Estimate, \$1,392; Increase, \$44).

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Full-Time Permanent Positions.....	19	19	19	--
Salary and direct benefit costs.....	\$1,497	\$1,348	\$1,392	\$44

The increase of \$44,000 in 1997 is requested to provide \$8,000 for the full-year costs of the 1996 Federal pay raises and \$29,000 for the estimated costs of a 3.0% Federal pay raise in January 1997; and \$7,000 for Foreign Service retirement, FICA, and other benefit cost increases.

B. Overseas American Employee Compensation and Benefits (1995 Actual, \$11,029; 1996 Estimate, \$10,600; 1997 Estimate, \$10,136; Decrease, \$-464).

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Full-Time Permanent Positions.....	109	91	91	--
1. Salary and direct benefit costs.....	\$ 9,613	\$ 9,159	\$ 8,681	\$-478
2. Hardship post differentials.....	715	738	716	-22
3. Foreign Service allowances.....	662	648	680	32
4. Rest and recuperation travel.....	39	55	59	4
Total.....	11,029	10,600	10,136	-464

The net decrease of \$464,000 in 1997 results from full-year savings of \$748,000 resulting from the elimination of 18 American positions in 1996 including one-time costs of \$181,000 for severance and terminal leave, in Argentina (1), Bahamas (1), Barbados (1), Bolivia (1), Brazil (4), Chile (1), Colombia (1), Costa Rica (1), Guatemala (1), Jamaica (1), Mexico (2), Peru (1) and Venezuela (2).

These decreases are offset, in part, by increases of \$39,000 for full-year costs of the 1996 Federal pay raise and \$178,000 for the estimated costs of a 3.0% Federal pay raise in January 1997; \$17,000 for Foreign Service retirement, FICA, and other benefit costs increases; and \$50,000 for anticipated cost increases for Foreign Service allowances and rest and recuperation travel.

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INTER-AMERICAN PROGRAM
(\$ in Thousands)

C. Foreign National Employee Compensation and Benefits (1995 Actual, \$14,915; 1996 Estimate, \$15,063; 1997 Estimate, \$15,269; Increase, \$206).

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Full-Time Permanent Positions.....	480	411	411	--
Salary and direct benefit costs.....	\$14,915	\$15,063	\$15,269	\$206

The net increase of \$206,000 in 1997 is requested to provide \$1,101,000 for foreign national employee wage scale increases, consisting of \$258,000 for increases effective for part of 1996 and \$843,000 for increases anticipated in 1997, primarily in Brazil (\$280,000), Chile (\$97,000), Colombia (\$83,000), Ecuador (\$50,000), Mexico (\$167,000), Peru (\$45,000), and Venezuela (\$61,000).

These increases are offset, in part, by full-year salary savings of \$293,000 resulting from the 1996 program reductions of 69 positions in Argentina (7), Bahamas (1), Barbados (2), Bolivia (1), Brazil (5), Chile (2), Colombia (5), Dominican Republic (1), Ecuador (3), El Salvador (2), Guatemala (3), Guyana (4), Honduras (2), Jamaica (2), Mexico (9), Panama (2), Paraguay (1), Peru (5), Suriname (2), Uruguay (6), and Venezuela (4); \$600,000 for nonrecurring severance pay costs related to the 1996 program reductions; and \$2,000 for full-year savings for exchange rate adjustments through November 30, 1995.

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INTER-AMERICAN PROGRAM

Domestic, overseas American and foreign national employee compensation and benefits provide for positions in the area as follows:

<u>Country</u>	1995 Actual			1996 Estimate			1997 Estimate		
	American	Foreign National	Total	American	Foreign National	Total	American	Foreign National	Total
Domestic.....	19	--	19	19	--	19	19	--	19
Argentina.....	7	28	35	6	21	27	6	21	27
Bahamas.....	1	3	4	--	2	2	--	2	2
Barbados.....	2	10	12	1	8	9	1	8	9
Bolivia.....	4	19	23	3	18	21	3	18	21
Brazil.....	20	82	102	16	77	93	16	77	93
Chile.....	5	24	29	4	22	26	4	22	26
Colombia.....	5	29	34	4	24	28	4	24	28
Costa Rica.....	4	12	16	3	12	15	3	12	15
Cuba.....	2	--	2	2	--	2	2	--	2
Dominican Republic...	3	11	14	3	10	13	3	10	13
Ecuador.....	3	15	18	3	12	15	3	12	15
El Salvador.....	3	12	15	3	10	13	3	10	13
Guatemala.....	4	14	18	3	11	14	3	11	14
Guyana.....	--	4	4	--	--	--	--	--	--
Haiti.....	3	9	12	3	9	12	3	9	12
Honduras.....	3	12	15	3	10	13	3	10	13
Jamaica.....	2	9	11	1	7	8	1	7	8
Mexico.....	16	73	89	14	64	78	14	64	78
Nicaragua.....	3	10	13	3	10	13	3	10	13
Panama.....	4	17	21	4	15	19	4	15	19
Paraguay.....	2	7	9	2	6	8	2	6	8
Peru.....	4	27	31	3	22	25	3	22	25
Suriname.....	--	2	2	--	--	--	--	--	--
Trinidad.....	1	7	8	1	7	8	1	7	8
Uruguay.....	2	18	20	2	12	14	2	12	14
Venezuela.....	6	26	32	4	22	26	4	22	26
Subtotal, Country...	102	480	589	91	411	521	91	411	521
Total, Positions....	128	480	608	110	411	521	110	411	521

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INTER-AMERICAN PROGRAM
(\$ in Thousands)

D. Program Activity Costs (1995 Actual, \$13,551; 1996 Estimate, \$13,012; 1997 Estimate, \$13,187; Increase, \$175).

Program activity costs derive from the following: radio, press and publications, television and films, American centers and related activities, binational centers, program direction, and other program expenses. The estimates for each of these activities are shown below in detail, and consist of local operating costs and the costs of program materials and services acquired or produced in Washington.

1. Radio Activities (1995 Actual, \$76; 1996 Estimate, \$64; 1997 Estimate, \$89; Increase, \$5).

This program activity consists of the production and adaptation of radio programs, including VOA package programs and music transcription libraries, for placement on local stations; promotion of VOA broadcasts; and the purchase of radio supplies, equipment, and maintenance services.

The increase of \$5,000 in 1997 is requested to provide for cost increases for services, materials and international shipping.

2. Press and Publications Activities (1995 Actual, \$690; 1996 Estimate, \$1,000; 1997 Estimate, \$1,052; Increase, \$52).

	1995 <u>Actual</u>	1996 <u>Estimate</u>	1997 <u>Estimate</u>	Increase or Decrease (-)
a. Periodicals.....	\$ 33	\$ 74	\$ 79	\$ 5
b. Information materials.....	353	394	414	20
c. Pamphlets and leaflets.....	208	405	425	20
d. Materials and equipment.....	96	127	134	7
Total.....	690	1,000	1,052	52

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This program activity consists of: (a) production and distribution of periodicals; (b) reception and distribution of the Agency's Wireless File and other informational materials (special articles, features, reprints, and photos); (c) production and distribution of pamphlets, leaflets, posters, and photo displays; and (d) purchase of paper, supplies, equipment and related materials required to support these activities.

The net increase of \$52,000 in 1997 is requested to provide \$56,000 for cost increases for postage, printing, procurement of paper, equipment, materials and supplies and international shipping. These increases are offset, in part, by a decrease of \$4,000 related to full-year savings resulting from the 1996 program reductions.

INTER-AMERICAN PROGRAM
(\$ in Thousands)

3. Television and Film Activities (1995 Actual, \$329; 1996 Estimate, \$451; 1997 Estimate, \$474; Increase, \$23).

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
a. Production and adaptation.....	\$ 46	\$ 46	\$ 49	\$ 3
b. Distribution and promotion.....	89	94	101	7
c. Audio-Visual equipment and maintenance.....	124	311	324	13
Total.....	<u>329</u>	<u>451</u>	<u>474</u>	<u>23</u>

This program activity consists of: (a) acquisition, production, and adaptation of television and film programs for placement by the posts, including language versions and release prints; (b) distribution, exhibition, promotion, travel and other costs incurred in reaching selected audiences; and (c) purchase and shipment of projectors and parts, screens, videotape equipment, rawstock, maintenance supplies, and other audio-visual materials.

The increase of \$23,000 in 1997 is requested to provide for cost increases for services, procurement of supplies, materials and equipment and international shipping.

4. American Centers and Related Activities (1995 Actual, \$3,985; 1996 Estimate, \$3,399; 1997 Estimate, \$3,490; Increase, \$91).

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
a. American center operations.....	\$1,922	\$1,811	\$1,926	\$115
b. Book programs.....	73	42	45	3
c. Exhibits.....	47	51	54	3
d. Presentations.....	3	4	4	--
e. English-teaching.....	46	114	111	-3
f. Lectures, seminars and other programs.....	<u>1,694</u>	<u>1,377</u>	<u>1,350</u>	<u>-27</u>
Total.....	<u>3,985</u>	<u>3,399</u>	<u>3,490</u>	<u>91</u>

INTER-AMERICAN PROGRAM
(\$ in Thousands)

In each city, where the local situation permits, the American center operates as the focus of coordinated and targeted post programming. This program activity consists of: (a) operating, support, and space costs for 14 American centers; (b) book publication, translation and distribution costs; (c) production and display of small-scale exhibits; (d) purchase and presentation of books and magazines to carefully selected government officials, educators, opinion leaders, schools, and other groups and institutions; (e) English-teaching activities, including seminars and programs designed to encourage the use of American-oriented teaching aids and contractual arrangements for English-teaching programs; and (f) other cultural and communication programs, including Agency-sponsored lectures, seminars, concerts, workshops and similar functions; promotion of events under the special Cultural Presentations Program; and local support of the Exchange-of-Persons Programs and similar privately-sponsored programs. These activities are designed to promote wide appreciation of America's cultural, political, economic, and scientific achievements. At a number of posts, the costs of English-teaching materials, supplies and equipment and certain library services are financed by receipts from English students and library users. Such fees are included in the reimbursement figures displayed in the summary tables in this section.

The net increase of \$91,000 in 1997 is requested to provide \$221,000 for cost increases for services, rents, utilities, contractual services, transportation, international shipping and procurement of supplies and materials. These increases are offset, in part, by \$10,000 for nonrecurring costs associated with the English-teaching and library services recycling programs; \$2,000 for full-year savings resulting from the 1996 program reductions; and \$118,000 due to the 1997 program reductions to implement the President's government-wide deficit reduction efforts.

5. Binational Center Assistance (1995 Actual, \$1,016; 1996 Estimate, \$329; 1997 Estimate, \$354; Increase, \$25).

These funds provide for Agency assistance to binational center organizations in 16 countries. The funds are used to support operating expenses of the centers and special activities undertaken by the centers in support of Agency programs. In addition, a total of three American officers are assigned to selected class "A" binational center organizations in Brazil, Costa Rica and Uruguay. Salary and allowance costs for these positions are included under "Overseas American Employee Compensation and Benefits".

The increase of \$25,000 in 1997 is requested to provide for cost increases for locally procured services, supplies and materials.

6. Program Direction (1995 Actual, \$639; 1996 Estimate, \$615; 1997 Estimate, \$659; Increase, \$44).

These funds provide for travel by the Area Director and staff; workshops and conference travel; travel within each country by the Public Affairs Officers and their staffs to supervise and direct post activities; the procurement of reference books, magazines, and newspapers for staff use; and travel and other expenses for local research activities.

The net increase of \$44,000 in 1997 is requested to provide \$45,000 for cost increases for international air fares and locally procured services and materials. These increases are offset, in part, by a decrease of \$1,000 for full-year savings resulting from the 1996 program reductions.

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INTER-AMERICAN PROGRAM
(\$ in Thousands)

7. Other Program Expenses (1995 Actual, \$6,816; 1996 Estimate, \$7,134; 1997 Estimate, \$7,069; Decrease, \$-65).

These funds provide for residential and non-residential space costs, cleaning and custodial services, vehicle purchase and operations, purchase of furniture, supplies and equipment, communication costs, and related expenses to support post programs.

The net decrease of \$65,000 is due to the following:

- a. \$2,000 for full-year savings for exchange rate adjustments through 11/30/95;
- b. \$57,000 for full-year savings resulting from the 1996 program reductions;
- c. \$135,000 for nonrecurring space restoration costs; and
- d. \$374,000 due to 1997 program reductions to implement the President's government-wide deficit reduction efforts.

These decreases are offset, in part, by the following increases:

- a. \$467,000 for cost increases for office and residential lease renewals, utilities, shipping and procurement of vehicles, supplies and materials; and
- b. \$36,000 for multi-year lease payments due in 1997.

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INTER-AMERICAN PROGRAM

**Recapitulation of Costs by Country and Area-Wide Costs
(\$ in Thousands)**

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
POSITIONS:				
Domestic.....	19	19	19	--
Overseas American.....	109	91	91	--
Foreign Nationals.....	480	411	411	--
Total, Positions.....	608	521	521	--
COSTS BUDGETED BY COUNTRY:				
Argentina.....	\$ 2,519	\$ 2,668	\$ 2,488	\$-180
Bahamas.....	271	234	230	-4
Barbados.....	592	541	519	-22
Bolivia.....	876	881	906	25
Brazil.....	7,868	8,158	8,436	278
Chile.....	1,713	1,798	1,869	71
Colombia.....	1,178	1,069	1,140	71
Costa Rica.....	485	470	517	47
Cuba.....	378	342	357	15
Dominican Republic.....	569	586	612	26
Ecuador.....	803	771	804	33
El Salvador.....	554	567	585	18
Guatemala.....	651	612	552	-60
Guyana.....	82	45	--	-45
Haiti.....	471	430	461	31
Honduras.....	438	412	392	-20
Jamaica.....	402	394	403	11
Mexico.....	3,390	3,009	3,151	142
Nicaragua.....	520	468	500	32
Panama.....	1,081	1,191	1,182	-9
Paraguay.....	499	472	479	7
Peru.....	1,200	1,093	1,121	28
Suriname.....	45	25	--	-25
Trinidad.....	367	362	374	12
Uruguay.....	1,143	1,003	913	-90
Venezuela.....	816	960	981	21
Subtotal, Country Costs.....	28,911	28,561	28,974	413

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Subtotal, Country Costs.....

INTER-AMERICAN PROGRAMRecapitulation of Costs by Country and Area-Wide Costs (continued)
(\$ in Thousands)

	1995 <u>Actual</u>	1996 <u>Estimate</u>	1997 <u>Estimate</u>	Increase or <u>Decrease (-)</u>
<u>AREA-WIDE COSTS:</u>				
Area-Wide Program Funds.....	\$ 256	\$ 217	\$ 221	\$ 4
Domestic Employee Compensation and Benefits.....	1,497	1,348	1,392	44
Overseas American Employee Compensation & Benefits a/.....	<u>10,328</u>	<u>9,897</u>	<u>9,397</u>	<u>-500</u>
Subtotal, Area-Wide Costs.....	<u>12,081</u>	<u>11,462</u>	<u>11,010</u>	<u>-452</u>
Total, Gross Funds.....	40,992	40,023	39,984	-39
<u>Deduct Reimbursements.....</u>	<u>-407</u>	<u>-117</u>	<u>-117</u>	<u>--</u>
Total, Direct Funds.....	<u>40,585</u>	<u>39,906</u>	<u>39,867</u>	<u>-39</u>

a/ Excludes Foreign Service allowances and rest and recuperation travel which are paid at posts and included above in costs budgeted by country.

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WEST EUROPEAN AND CANADIAN PROGRAM
(\$ in Thousands)

	1995 <u>Actual</u>	1996 <u>Estimate</u>	1997 <u>Estimate</u>	Increase or <u>Decrease (-)</u>
Summary of Requirements.....	\$64,749	\$61,965	\$59,448	-\$2,517

General Statement

I. SUMMARY - GOALS/OBJECTIVES/INPUTS

Goals: The goals of the United States Information Agency Office of West European and Canadian Affairs (WEU), like those of USIA as a whole, are those stated by the Secretary of State. They are: Promote Peace; Promote U.S. Prosperity, Free Trade and Investment; Build Democracy; Advance Diplomacy; and Promote Sustainable Development.

Objectives: WEU's objectives derive from the State Department Office of European Affairs (EUR). WEU and its field posts work closely with the USIA Office of East European and NIS Affairs (EEN) and its field posts in pursuing EUR objectives which can be addressed through public diplomacy activities.

In promoting peace, WEU's objectives are:

- Maintenance of peace and stability in Europe through U.S. engagement and leadership;
- Construction of a new European security architecture, building on existing institutions;
- Support of U.S. policy in Bosnia and the former Yugoslavia.;
- Reduction of Greek-Turkish tensions, securing Turkey's place in the west, and a peaceful solution to the Cyprus problem;
- Increased and more effective cooperation, through the frameworks of the Comprehensive Test Ban Treaty, a possible fissile material production ban, the Chemical Weapons Convention, and the Biological Weapons Convention, to halt the spread of weapons of mass destruction and their delivery systems; and
- Compliance with the CFE treaty, providing for Nordic and Turkish concerns on flank limits.

In the promotion of U.S. prosperity, free trade and investment, WEU's objectives are:

- Steady progress, under the Transatlantic Economic Initiative, toward the long-term objective of the integration of the economies of Europe and North America;
- Expansion of U.S. exports to Europe and Canada; and
- Renovation of critical economic institutions to support U.S. post-Cold War goals.

In building democracy, WEU's objective is:

- Working with our Western European Allies, to ensure the integration of the nations of central Europe into western institutions, particularly NATO and the European Union (EU).

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WEST EUROPEAN AND CANADIAN PROGRAM

I. SUMMARY (CONTINUED)

In advancing diplomacy, WEU's objectives are:

- Deepening of the U.S.-European Transatlantic partnership, and consequent enhanced cooperation with European allies on issues of priority concern to the U.S.; and
- Promotion of a political settlement in Northern Ireland.

In the promotion of sustainable development, WEU's objectives are:

- More effective coordination of U.S. and European humanitarian and development assistance;
- Broad U.S.-European cooperation in human rights, migration, health, population, environment, and science and technology; and
- Consensus with the EU and its member states on political and financial support for regional and global U.S. policy initiatives.

Inputs: The WEU area office and its field posts pursue USG goals and objectives through sustained direct contact with opinion leaders and elites overseas. The budget for West Europe and Canada covers 22 country programs and four regional offices. These operations will be directed by a domestic complement of 16 and staffed by 102 overseas American and 435 foreign national employees in 1997. A total of \$59,448,000 is requested for the West European and Canadian Affairs Program in 1997. The net decrease of \$2,517,000 from the 1996 level results from 1997 program reductions of \$733,000 and three positions to implement the President's government-wide deficit reduction efforts; full-year savings of \$4,024,000 resulting from 1996 program reductions, including \$1,833,000 for one-time severance and terminal leave payments; and other decreases of \$211,000. These decreases are offset, in part, by increased operating requirements of \$2,451,000 mainly for overseas wage and price increases.

II. 1995 AND 1996 PROGRAMS - HIGHLIGHTS

WEU sustains direct contact with West European opinion leaders and elites through a network of USIS field posts. The first priority of the staffs is the conduct of public affairs activities at U.S. Embassies, Consulates and branch posts, under the direction and in the service of U.S. Ambassadors. This is the field post's core function, even in the smallest Missions. Giving voice and profile to the President's resident representative is the first means by which all goals and objectives are pursued. Ambassadorial public affairs support output includes the drafting of speeches, statements, and press guidance; and the organization of public functions, including interviews and press conferences. USIS press functions, under the direction of the Ambassador, include the timely development of press releases and documents explaining policy on issues of priority to the U.S. Government in the conduct of diplomatic relations, or affecting the U.S. resident community. For example, USIS posts in Greece, Turkey and Cyprus are engaged in fighting the brush fires of inaccurate, but locally believed, reporting in which U.S. initiatives and interests become proxy targets, such as during a recent dispute over a small island. Similarly, USIS posts in London and Dublin currently deal with the explication of U.S. efforts to help achieve a peace settlement in Northern Ireland.

Using ongoing relationships with the journalistic community, USIS press offices work to shape positive coverage of U.S. policy. The effort depends critically on the Wireless File (WF), USIA and increasingly on post "home pages" on the Internet, as well as other USIA information resources. All posts make regular targeted distribution

WEST EUROPEAN AND CANADIAN PROGRAM

II. 1995 AND 1996 PROGRAMS - HIGHLIGHTS (CONTINUED)

of policy statements carried daily in the *Wireless File*, and some (notably USIS Madrid) place translated WP-derived articles, under the by-lines of U.S. policy-makers, such as the Secretaries of State, Defense and Commerce, directly in major newspapers and magazines. Since the WP is the key USIS source of official texts and transcripts on key USG policy issues, USIS posts use various means to ensure that the information reaches the proper audience, e.g., a speechwriter of German Chancellor Kohl or the Secretary General of NATO. USIS press sections also handle the press needs of visiting USG delegations, as well as military exercises and port calls. Delegations led by heads of USG departments and agencies transit the region on an almost constant basis, and typically require comprehensive public affairs support. The cultural offices of WEU posts, through educational exchanges and other cultural programs conducted by USIA, serve Ambassadors' needs for sustained direct contact with academic and cultural communities in host countries.

Goal: Peace. The largest flow of WEU outputs is directed to develop and maintain public support for U.S. engagement and leadership in Europe. In FY 1995/96 the USG tactical objective has been to place the "how and why" of NATO's eastward enlargement on the common agenda. USIS U.S. Mission to the North Atlantic Treaty Organization plays a key role in support of WEU post programs, through the scheduling of its Ambassador and other senior officials as speakers; sharing information on key developments at NATO, including the outcome of ministerial meetings; organizing a prestigious annual Security Studies conference; and supporting an innovative NATO tour program, in which approximately 30 groups of key journalists, parliamentarians and other opinion leaders from all over Europe, visit NATO and other locations, including occasionally central European capitals, for programs which focus on current policy issues, such as peacekeeping or NATO enlargement. WEU and EEU posts frequently collaborate in setting up tours, particularly if the sponsor post wishes to highlight local concerns, e.g., Polish or Czech views of NATO membership. The tours have been a useful vehicle to stress allied cooperation in peacekeeping or humanitarian operations, or to explore Turkey's integration into Western institutions. Working with the Washington Foreign Press Center, USIS USNATO organizes an annual press visit to Washington for key European journalists from western and central Europe and Russia, who explore security issues with senior officials, members of Congress and private experts. Other groups of journalists were brought to the U.S. in August 1995 to cover the first Partnership for Peace training exercise on U.S. soil, and in October for a special meeting of NATO defense ministers at Williamsburg, Va. The payoffs from these programs are immediately and dramatically evident in articles published (and reported by posts) in the sponsor countries, but the main benefit is to shape long-term perceptions. Many WEU posts regularly conduct or co-sponsor security conferences or seminars, often reaching high levels of government or other influential groups. USIS Berlin and USIS Leipzig have used such programs to reach significant segments of the former leadership, civilian and military, in the former East Germany. Through sustained contact with their audiences, USIS posts develop relationships which provide opportunities to collaborate with influential -- established and up-and-coming -- foreign relations and security studies institutes, think tanks, defense academies and university faculties. Such contacts provide fora in which to present U.S. policy views. In FY 1995, delivering the message of U.S. engagement and leadership was complicated by the lack of international consensus in the former Yugoslavia, but decisive U.S. leadership in brokering the Bosnia peace accords has rekindled interest in security issues and provided WEU posts with many new program opportunities. USIS Geneva ensures that USIS posts worldwide receive public affairs guidance on the international talks held there involving U.S. representatives to the Conference on Disarmament, the World Trade Organization, the Organization for Economic Cooperation and Development and the International Atomic Energy Agency, among others. USIA's audience reach, through daily distribution of the *Wireless File*, is unmatched. WEU support for disarmament centers on USIS Geneva, which serves the U.S. Representative to the Conference on Disarmament, who has arranged for numerous U.S. texts in Russian translation

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II. 1995 AND 1996 PROGRAMS - HIGHLIGHTS (CONTINUED)

from the Wireless File to serve as official CD documents. WEU posts generate public understanding and support for major U.S. policy initiatives, such as the indefinite extension of the Nuclear Non-proliferation Treaty in May 1995, the Korean Peninsula Energy Development Organization (KEDO) and the Dayton agreement on Bosnia. Effort is currently directed at achieving a Comprehensive Test Ban Treaty (CTBT) this year.

Goal: Promoting U.S. Prosperity, free trade and investment. Promotion of U.S. trade interests is a key objective. WEU field posts provide the public affairs dimension to U.S. business and trade delegations, and give voice to the Ambassador's salesmanship of U.S. products and services. Having closed public access libraries throughout the region, WEU has collaborated with the Foreign Commercial Service (FCS) to establish a number of Business Information Centers which have the objective of expanding business contacts and increasing exports. Through staff retraining and acquisition of new on-line services, these Centers have proven their worth. USIS at the U.S. Mission to the European Union (USIS/USEU) provides USG public affairs support in the broadening and deepening of U.S.-EU dialogue, including the Transatlantic Economic Initiative. USIS/USEU enhanced the USG message of open access and competition at the E.U.-hosted Information Society Summit (attended by Vice President Gore) by subsequently organizing a delegation of European journalists to visit U.S. locations associated with the National Information Infrastructure. Since participants were known to the nominating posts, USEU was able to tailor the program to specific interests and concerns. Close collaboration with the Vice President's office, Department of Commerce and NTIA resulted in comprehensive, informed media reporting. USEU also organizes an annual journalist delegation to cover the OECD ministerial. USIS Paris provides support to the U.S. delegation to OECD and arranges occasional U.S. visitor programs for OECD staff. It also ensures that developments which are important to the U.S. at OECD, such as the Multilateral Investment Agreement, or stressing the need for efforts against corrupt business practices, are shared with USIS posts worldwide. USIS Geneva supports regular visits by the U.S. Trade Representative for meetings at the World Trade Organization, which commenced operations in January 1995, and will increasingly provide the forum for the resolution of international trade disputes. Significantly, ad hoc bilateral U.S.-Japan automotive trade negotiations in June 1995 occurred in Geneva, near the precincts of the WTO. WEU posts also give wide attention to annual summit meetings of the G-7. USIS Canada provided major logistical and public affairs support to the White House and U.S. delegation, headed by the President, for the 1995 summit in Halifax. USIS Paris will support the 1996 meeting in Lyon.

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Goal: Building Democracy. Democracy programming is a major priority for USIS Turkey. WEU's Regional Resources Unit, attached to USIS London, recruits and programs speakers resident in Western Europe to audiences in Eastern Europe and North Africa. The CIVITAS initiative promotes communication among U.S. and European NGOs involved in civic education. WEU posts have promoted the initiative, and have identified and funded numerous West European participants in CIVITAS activities. USIA and the Council of Europe have facilitated the establishment of an independent CIVITAS network. This effort was advanced at an inaugural conference in Prague in June 1995, and through the subsequent establishment of a "CIVNST" site on the World Wide Web (WWW).

Goal: Advance Diplomacy. The range of USIA's academic exchange and American studies programs deepens the U.S.-European Transatlantic partnership. American studies programs build understanding of U.S. society and values, blunt and reverse negative reactions to pervasive U.S. mass culture; and build lasting relationships to enhance mutual understanding between Americans and U.S. institutions and their counterparts in Western Europe and Canada. The bilateral Fulbright academic exchanges overseen by posts expose Europeans to American perspectives in a wide

WEST EUROPEAN AND CANADIAN PROGRAM

II. 1995 AND 1996 PROGRAMS - HIGHLIGHTS (CONTINUED)

range of fields. The value of such exchanges is recognized by European governments, who now contribute more to support them than does the USG. USIS posts in London and Dublin are deeply engaged in efforts to win and sustain support for the active U.S. role in seeking a peaceful settlement in Northern Ireland. U.S. interest was manifested in President Clinton's highly successful visit to London, Dublin and Belfast in November 1995, and the earlier White House Conference on Trade and Investment. Both were given broad attention by USIS posts throughout Europe.

Goal: Sustainable Development. WEU posts work to match the agenda of international organizations to USG policy priorities. Multilateral posts do so directly, and bilateral posts sustain contact with host country media and NGOs to the same end. The projection of USG priorities for the reform of the IMF and World Bank continues as a public affairs priority following the Halifax G-7 Summit. The goal of harmonic reinforcing messages among the developed western countries was largely achieved at the U.N. Development Conference in Copenhagen in 1995, attended by the First Lady and Vice President. USIS Geneva serves the U.S. Representative to the U.N. and affiliated organizations, with which USIA works extensively in target countries worldwide during the annual meeting of the U.N. Human Rights Commission. This event now focusses as never before on human rights pariahs such as China, thanks to agenda-setting electronic distribution by USIS of the State Department's annual country human rights reports precisely as the Commission convenes.

In FY 1996, program reductions totaling \$8,120,000 were made as a result of overall USIA budgetary constraints. This included conversion of active public access libraries in Vienna and Portugal to information resource centers, and the elimination of 22 American and a net of 58 foreign national positions in 20 countries.

III. 1997 PLANS - INPUTS/EXPECTED OUTCOMES

In 1997, emphasis will be placed on reordering field operations at the lower levels dictated by the FY 1996 budget reductions. We have determined that at the expected funding levels for FY 1997 our fundamental public affairs priority must be public advocacy of current policy goals and objectives as determined by the President and the Secretary of State. We will emphasize personal contact work, USIS-sponsored programs and media support activities for Ambassadors and high level visitors, and continue to invest in information technology and training. WEU posts will utilize to the extent possible new information technology, including extensive use of the Internet, to electronically deliver policy texts and documentation to West European and Canadian policy-makers, opinion leaders and their advisors. Our second priority will be to explore efficiencies that will enable us to maintain, at anticipated further reduced funding levels, International Visitor Programs which are crucial to building new connections between American and influential young European leaders in politics, government, media, academia, and business. Our third priority will be to work to maintain the integrity and prestige of Fulbright academic exchanges in the new funding environment by encouraging new ways of administering this program that reduce overhead and encourage financial support from host governments and private institutions. Our fourth priority will be, wherever feasible, to continue to establish American Business Information Centers as integral parts of WEU's system of on-line information resource (Documentation) capabilities, in cooperation with PCS. In FY 1997, unless central to Mission goals and objectives as defined by an Ambassador, or the Department of State, WEU posts will not normally initiate cultural programs beyond facilitating contacts between European and American cultural organizations.

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III. 1997 PLANS - INPUTS/EXPECTED OUTCOMES (CONTINUED)

In 1997, a total of \$59,448,000 is requested for West European and Canadian Programs. The net decrease of \$2,517,000 results from 1997 program reductions of \$733,000 and three positions to implement the President's government-wide deficit reduction efforts; nonrecurring costs of \$1,952,000 funded in 1996 and consisting of severance and terminal leave payments (\$1,833,000), conversion of the public access library in Lisbon to a research/documentation center (\$50,000), English-teaching and library services costs funded in 1996 with fees carried over from 1995 (\$44,000), and buyout payment costs (\$25,000); savings of \$92,000 due to favorable rates of exchange abroad and full-year savings of \$2,191,000 resulting from 1996 program reductions.

These decreases are offset, in part, by \$1,311,000 for foreign national employee wage scale increases; \$806,000 for inflationary price increases; \$28,000 for FICA and other benefit cost increases; \$58,000 for full-year costs of the 1996 Federal pay raises and \$248,000 for the estimated cost of a 3.0 percent Federal pay raise in January 1997.

IV. PROGRAM PERFORMANCE INFORMATION

The Distribution Records System at each WEU post tracks program attendance of our most important contacts and hard copy distribution of materials sent to them. On-line interaction with contacts and publics using USIS-provided documentation is tracked automatically as part of each transaction. Our Information Resources staffs make periodic reports using this data to identify trends of usage. Systematic de-briefing of returned International Visitor grantees and returned Fulbright scholars by field staff take place to assess how their programs affected their views of the U.S. WEU posts' progress toward achieving the broader policy goals identified in each Mission's Program Plan and post Country Plan is the subject of trimestral letters from the PAO to the WEU Area Director. This provides a critical qualitative assessment of the overall success of our public diplomacy efforts at each post at regular intervals through the year. Posts report by cable and/or E-Mail to WEU on the effectiveness of specific programs shortly after they take place. The effectiveness of labor-intensive media support for high level visits and the public affairs activities of Chiefs of Mission are made known to PAOs and the Agency directly by the senior USG officials of stakeholder agencies whom our posts support.

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WEST EUROPEAN AND CANADIAN PROGRAM

**Summary of Requirements
(\$ in Thousands)**

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)	Page Ref.
POSITIONS:					
Domestic.....	16	16	16	--	
Overseas American.....	125	103	102	-1	
Foreign National.....	495	437	435	-2	
Total, Positions.....	636	556	553	-3	9-10
FUNDS:					
A. Domestic Employee Compensation and Benefits.....	\$ 1,295	\$ 1,443	\$ 1,463	\$ 20	9-8
B. Overseas American Employee Compensation & Benefits.....	14,101	13,867	12,900	-967	9-8
C. Foreign National Employee Compensation & Benefits.....	28,137	29,078	27,737	-1,341	9-9
D. Program Activity Costs.....					
1. Radio.....	15	16	17	1	9-11
2. Press and Publications.....	1,809	1,571	1,582	11	9-11
3. Television and Films.....	234	273	281	8	9-12
4. American Centers and Related Activities.....	8,794	7,631	7,720	89	9-12
5. Binational Centers.....	170	62	64	2	9-13
6. Program Direction.....	764	548	479	-69	9-13
7. Other Program Expenses.....	9,641	7,754	7,483	-271	9-13
Subtotal, Activity Costs.....	<u>21,427</u>	<u>17,855</u>	<u>17,626</u>	<u>-229</u>	
Total, Gross Funds.....	64,960	62,243	59,726	-2,517	
E. Product Reimbursements.....	-211	-278	-278	--	
Total, Direct Funds.....	<u>64,749</u>	<u>61,965</u>	<u>59,448</u>	<u>-2,517</u>	

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WEST EUROPEAN AND CANADIAN PROGRAM
(\$ in Thousands)

A. Domestic Employee Compensation and Benefits (1995 Actual, \$1,295; 1996 Estimate, \$1,443; 1997 Estimate, \$1,463; Increase, \$20).

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Positions.....	16	16	16	--
Salary and Direct Benefit Costs.....	\$1,295	\$1,443	\$1,463	\$20

The net increase of \$20,000 is requested to provide \$9,000 for full-year costs of the 1996 Federal pay raises and \$31,000 for the estimated 3.0 percent Federal pay raise in January 1997; and \$5,000 for FICA and other benefit cost increases, partially offset by nonrecurring costs of \$25,000 for buyout payment costs.

B. Overseas American Employee Compensation and Benefits (1995 Actual, \$14,101; 1996 Estimate, \$13,867; 1997 Estimate, \$12,900; Decrease, -\$967).

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Positions.....	125	103	102	-1
1. Salary and Direct Benefit Costs.....	\$11,919	\$11,401	\$10,503	-\$898
2. Hardship Post Differentials.....	70	72	72	--
3. Foreign Service Allowances.....	2,112	2,383	2,314	-69
4. Rest and Recuperation Travel.....	--	11	11	--
Total.....	14,101	13,867	12,900	-967

The net decrease of \$967,000 in 1997 results from full-year savings of \$1,258,000 related to the 1996 program reductions of 22 positions in Austria (1), Belgium (1), France (3), Germany (7), Greece (2), Italy (3), Portugal (1), Spain (2), Turkey (1) and the United Kingdom (1); and a 1997 program reduction of \$72,000 and one position in Ireland (\$68,000 in salary and \$4,000 in Foreign Service allowances) to implement the President's government-wide deficit reduction efforts. These decreases are offset, in part, by the following increases: \$49,000 for full-year costs of the 1996 Federal pay raise and \$217,000 for the estimated costs of a 3.0 percent Federal pay raise in January 1997; \$23,000 for FICA and other benefit cost increases and \$74,000 for Foreign Service allowances and rest and recuperation travel cost increases.

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(\$ in Thousands)

C. Foreign National Employee Compensation and Benefits (1995 Actual, \$28,137; 1996 Estimate, \$29,078; 1997 Estimate, \$27,737; Decrease, -\$1,341).

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Positions.....	495	437	435	-2
Salary and Direct Benefit Costs.....	\$28,137	\$29,078	\$27,737	\$-1,341

The net decrease of \$1,341,000 is due to full-year savings of \$873,000 resulting from 1996 program reductions of a net cut of 58 positions in Austria (4), Belgium (2), Denmark (2), Finland (2), France (3), Germany (21), Greece (3), Italy (8), Portugal (5), Spain (1), Sweden (3) and Turkey (4); nonrecurring costs of \$1,672,000 for severance and terminal leave pay; full-year savings of \$57,000 due to favorable rates of exchange abroad and 1997 program reductions of \$50,000 and two positions in Ireland (one) and Turkey (one).

These decreases are offset, in part, by full-year costs of \$552,000 for wage scale increases effective for part of 1996 and \$759,000 for wage scale increases anticipated in 1997.

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WEST EUROPEAN AND CANADIAN PROGRAM

Domestic, overseas American, and foreign national employee compensation and benefits provide for positions in the Area as follows:

	1995 Actual			1996 Estimate			1997 Estimate		
	Foreign	American	National Total	Foreign	American	National Total	Foreign	American	National Total
<u>Domestic Program Direction...</u>									
Country and Regional Elements	16	--	16	16	--	16	16	--	16
Austria.....	3	15	18	2	11	13	2	11	13
Belgium.....	4	20	24	3	18	21	3	18	21
Canada.....	6	14	20	6	14	20	6	14	20
Cyprus.....	1	7	8	1	7	8	1	7	8
Denmark.....	2	10	12	2	8	10	2	8	10
Finland.....	2	14	16	2	12	14	2	12	14
France.....	11	41	52	8	38	46	8	38	46
Germany.....	26	126	152	19	105	124	19	105	124
Greece.....	6	29	35	4	26	30	4	26	30
Iceland.....	1	2	3	1	2	3	1	2	3
Ireland.....	1	3	4	1	3	4	--	2	2
Italy.....	14	55	69	11	47	58	11	47	58
Luxembourg.....	--	1	1	--	1	1	--	1	1
Malta.....	1	2	3	1	2	3	1	2	3
Netherlands.....	3	9	12	3	9	12	3	9	12
Norway.....	2	8	10	2	8	10	2	8	10
Portugal.....	3	18	21	2	13	15	2	13	15
Spain.....	10	33	43	8	32	40	8	32	40
Sweden.....	2	13	15	2	10	12	2	10	12
Switzerland.....	1	3	4	1	3	4	1	3	4
Turkey.....	9	41	50	8	37	45	8	36	44
United Kingdom.....	8	19	27	7	19	26	7	19	26
RRU London.....	--	3	3	--	3	3	--	3	3
USIO Geneva.....	2	5	7	2	5	7	2	5	7
USEU Brussels.....	2	4	6	2	4	6	2	4	6
USNATO Brussels.....	5	--	5	5	--	5	5	--	5
Subtotal, Country and Regional Elements.....	125	495	620	103	437	540	102	435	537
Total, Positions.....	141	495	636	119	437	556	118	435	553

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WEST EUROPEAN AND CANADIAN PROGRAM
 (\$ in Thousands)

D. Program Activity Costs (1995 Actual, \$21,427; 1996 Estimate, \$17,851; 1997 Estimate, \$17,626; Decrease, \$-229).

Program activity costs derive from the following: radio, press and publications, television and films, American centers and related activities, binational centers, program direction, and other program expenses. The estimates for each of these activities are shown below in detail, and consist of local operating costs and the costs of program materials and services acquired or produced in Washington.

1. Radio Activities (1995 Actual, \$15; 1996 Estimate, \$16; 1997 Estimate, \$17; Increase, \$1).

This program activity consists of the production and adaptation of radio programs, including VOA package programs and music transcription libraries, for placement on local stations; promotion of VOA broadcasts; and the purchase of radio supplies, equipment, and maintenance services. The increase of \$1,000 in 1997 is requested to provide for full year and new cost increases for services and materials.

2. Press and Publications Activities (1995 Actual, \$1,809; 1996 Estimate, \$1,571; 1997 Estimate, \$1,582; Increase, \$11).

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
a. Periodicals.....	\$ 39	\$ 20	\$ 23	\$ 3
b. Information materials.....	1,451	1,035	1,042	7
c. Pamphlets and leaflets.....	240	375	372	-3
d. Materials and equipment.....	79	181	145	-4
Total.....	1,809	1,571	1,582	11

This program activity consists of: (a) production and distribution of periodicals in most West European countries; (b) reception and distribution of the Agency's Wireless File and other informational materials (special articles, features, reprints, and photos); (c) production and distribution of pamphlets, leaflets, posters, and photo displays; and (d) purchase of paper, supplies, equipment and related materials required to support these activities. The net increase of \$11,000 in 1997 is requested to provide \$57,000 for full-year and new inflationary cost increases for the procurement of services, equipment and materials offset, in part, by full-year savings of \$2,000 due to favorable rates of exchange abroad and 1997 program reductions of \$44,000 in France (\$10,000), Germany (\$20,000), and Ireland (\$14,000) to implement the President's government-wide deficit reduction efforts.

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(\$ in Thousands)

3. Television and Film Activities (1995 Actual, \$234; 1996 Estimate, \$273; 1997 Estimate, \$281; Increase, \$8).

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
a. Production and adaptation.....	\$ 71	\$ 121	\$ 125	\$4
b. Distribution and promotion.....	163	152	156	4
Total.....	234	273	281	8

This program activity consists of: (a) acquisition, production, and adaptation of television and film programs for placement by the posts, including language versions and release prints; (b) distribution, exhibition, promotion, travel and other costs incurred in reaching selected audiences; and (c) purchase and shipment of projectors and parts, screens, videotape equipment, rawstock, maintenance supplies, and other audio-visual materials. The increase of \$8,000 in 1997 is requested to meet full-year and new cost increases for services and materials.

4. American Centers and Related Activities (1995 Actual, \$8,794; 1996 Estimate, \$7,631; 1997 Estimate, \$7,720; Increase, \$89).

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
a. American center operations.....	\$4,999	\$4,123	\$4,194	\$ 71
b. Book programs.....	17	6	7	1
c. Exhibits.....	67	30	31	1
d. Presentations.....	32	15	15	--
e. English-teaching.....	135	206	200	-6
f. Lectures, seminars, and other programs.	1,524	3,251	3,223	22
Total.....	8,794	7,631	7,720	89

This program activity consists of: (a) operating, support, and space costs of small Information Resource Centers and ten American centers; (b) book publication, translation and distribution costs; (c) production and display of small-scale exhibits; (d) purchase and presentation of books and magazines to carefully selected government officials, educators, opinion leaders, schools, and other groups and institutions; (e) English-teaching activities, including seminars and programs designed to encourage the use of American-oriented teaching aids and contractual arrangements for English-teaching programs; and (f), other cultural and communication programs, including Agency-sponsored lectures, seminars, concerts, workshops and similar functions; promotion of events under the special Cultural Presentations Programs; and local support of the Exchange-of-Persons Programs and similar privately-sponsored programs.

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These activities are designed to promote wide appreciation of America's cultural, political, economic, and scientific achievements. At a number of posts, the costs of English-teaching materials, supplies and equipment and certain library services are financed by receipts from English students and library users. Such fees are included in the reimbursement figures displayed in the summary tables in this section. The net increase of \$89,000 will provide \$319,000 for full-year and new inflationary cost increases in rents, utilities, supplies, and contractual services for American centers. These increases are offset, in part, by full-year savings of \$19,000 due to favorable rates of exchange abroad; nonrecurring costs of \$42,000 for the office and center relocation and conversion of the public access library in Lisbon to an information resource center and \$44,000 for English-teaching and library services costs funded in 1996 with fees carried over from 1995; and 1997 program reductions of \$125,000 in France (\$15,000), Germany (\$60,000), Ireland (\$3,000), Italy (\$10,000), Spain (\$20,000), and the United Kingdom (\$17,000) to implement the President's government-wide deficit reduction efforts.

5. Binational Center Assistance (1995 Actual, \$170; 1996 Estimate, \$62; 1997 Estimate, \$64; Increase, \$2).

These funds provide for Agency assistance to binational center organizations in Greece, Spain and Turkey, including operating expenses of the centers and special activities undertaken by the centers in support of Agency programs. The increase of \$2,000 in 1997 will provide for full-year and new price increases.

6. Program Direction (1995 Actual, \$764; 1996 Estimate, \$548; 1997 Estimate, \$479; Decrease, \$-69).

These funds provide for travel by the Area Director and staff; workshops and conference travel; travel within each country by the Public Affairs Officers and their staffs to supervise and direct post activities; the procurement of reference books, magazines, and newspapers for staff use; and travel and other expenses for local research activities. The net decrease of \$69,000 results from 1997 program reductions of \$77,000 in Canada (\$8,000), France (\$5,000), Germany (\$50,000), Italy (\$5,000) and Turkey (\$9,000) to implement the President's government-wide deficit reduction efforts. These decreases are offset, in part, by an increase of \$8,000 for full-year and new price increases for travel, materials and services.

7. Other Program Expenses (1995 Actual, \$9,643; 1996 Estimate, \$7,754; 1997 Estimate, \$7,483; Decrease, \$-271).

These funds provide for residential and non-residential space costs, cleaning and custodial services, vehicle purchase and operations, purchase of furniture, supplies and equipment, communication costs, and related expenses to support post programs. The net decrease of \$271,000 in 1997 results from full-year savings of \$221,000 in residential space costs associated with the elimination of 22 positions in 1996; full-year savings of \$13,000 due to favorable rates of exchange abroad; nonrecurring costs of \$7,000 related to the office/center relocation project in Lisbon; and 1997 administrative cost reductions of \$365,000 in Canada (\$10,000), France (\$51,000), Germany (\$86,000), Ireland (\$87,000), Italy (\$60,000), Spain (\$36,000), Turkey (\$20,000), and the United Kingdom (\$15,000) to implement the President's government-wide deficit reduction efforts. These decreases are offset, in part, by full-year and new inflationary cost increases of \$335,000.

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 (\$ in Thousands)

Recapitulation of Costs by Country and Area-Wide Costs

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
<u>POSITIONS</u>				
Domestic.....	16	16	14	--
Overseas American.....	125	103	104	-1
Foreign National.....	495	437	435	-2
Total, Positions.....	<u>636</u>	<u>556</u>	<u>553</u>	<u>-3</u>
<u>COSTS BUDGETED BY COUNTRY</u>				
Austria.....	\$ 2,186	\$ 2,159	\$ 1,871	\$-288
Belgium.....	2,396	2,389	2,401	12
Canada.....	1,115	1,055	1,059	4
Cyprus.....	576	573	589	16
Denmark.....	1,113	979	954	-25
Finland.....	1,096	1,074	1,065	-9
France.....	4,766	4,781	4,624	-157
Germany.....	14,896	13,824	12,986	-838
Greece.....	1,694	1,650	1,840	190
Iceland.....	338	317	327	10
Ireland.....	301	333	198	-135
Italy.....	5,593	4,906	4,694	-212
Luxembourg.....	131	131	136	5
Malta.....	171	185	191	6
Netherlands.....	1,284	1,076	1,058	-18
Norway.....	728	748	775	27
Portugal.....	1,260	1,721	1,061	-660
Spain.....	3,362	3,231	3,310	79
Sweden.....	770	690	679	-11
Switzerland.....	506	505	518	13
Turkey.....	2,399	2,296	2,564	268
United Kingdom.....	2,062	1,939	1,946	7
Regional Resource Unit, London.....	168	188	194	6

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(\$ in Thousands)

Recapitulation of Costs by Country and Area-Wide Costs

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
<u>COSTS BUDGETED BY COUNTRY (continued)</u>				
USIO Geneva.....	\$ 890	\$ 847	\$ 869	\$ 22
USEU Brussels.....	733	737	755	18
USNATO Brussels.....	902	825	849	24
Subtotal, Country Costs.....	<u>51,436</u>	<u>49,159</u>	<u>47,513</u>	<u>-1,646</u>
<u>AREA-WIDE COSTS</u>				
Domestic Employee Compensation & Benefits.....	1,295	1,443	1,463	20
American Employee Compensation & Direct Benefits a/.....	11,989	11,473	10,575	-898
Regional Services.....	240	168	175	7
Subtotal, Area-wide Costs.....	<u>13,524</u>	<u>13,084</u>	<u>12,213</u>	<u>-871</u>
Total, Gross Funds.....	64,960	62,243	59,726	-2,517
Deduct Reimbursements.....	-211	-278	-278	--
Total, Direct Funds.....	<u>64,749</u>	<u>61,965</u>	<u>59,448</u>	<u>-2,517</u>

a/ Excludes Foreign Service allowances and rest and recuperation travel which are paid at posts and included above in costs budgeted by country.

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(\$ in Thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Summary of Requirements.....	\$33,607	\$33,246	\$33,927	\$681

General Statement

I. SUMMARY--Goals/Objectives/Inputs

Goals:

The "areas of opportunity" set forth by the Secretary of State in 1995 -- promoting U.S. prosperity, free trade and investment; building democracy; promoting sustainable development; promoting peace; providing humanitarian assistance; and advancing diplomacy -- continue to provide the overall policy framework for USIA's Office of East European and New Independent States Affairs (EEN).

Objectives:

Through coordination with the State Department Bureau of European Affairs (EUR) and the participation of EEN overseas posts in planning and implementing each mission's multi-year program plan (MPP) and individual USIS country plans, direct linkage is established between USIA programs and policy goals. EEN's objectives are those set forth by EUR which are amenable to pursuit through public diplomacy: achieving a new security architecture in Europe, including enhancing the Organisation for Security Cooperation in Europe's (OSCE) peacekeeping capabilities; achieving peace in the former Yugoslavia; supporting democratic and economic integration of European states; expanding U.S. exports to the region; promoting U.S. - European economic integration; strengthening the U.S. - European partnership; and revamping international institutions to support U.S. goals. Serving these policy goals are distinct USIA goals -- promoting understanding and acceptance of U.S. policies; providing foreign audiences with accurate, authoritative information to advance U.S. national interests; broadening the dialogue between Americas and U.S. institutions and their counterparts abroad; advising the President and other policy makers on foreign attitudes; and achieving high performance through Agency employees and programs -- which flow directly from USIA's public diplomacy mission.

To promote peace, EEN's objectives are the maintenance of peace and stability in Europe through U.S. engagement and leadership; the construction of a new European security architecture, building on existing institutions, including the OSCE; intensification of cooperation to halt the spread of weapons of mass destruction and their delivery systems; and promotion of U.S. policy in former Yugoslavia aimed at ending the bloodshed, reducing ethnic tensions, and minimizing human suffering of the civilian population through humanitarian assistance.

In building democracy, EEN promotes democratic processes and values in the countries of East and Central Europe and the former Soviet Union. Its objectives are the consolidation of democracy and economic liberalization and stability in Central Europe--including the Baltic states--and integration of these nations into western institutions; promotion of democratization and economic restructuring in the New Independent States as a means to building cooperative relations between these countries and western institutions; assistance to countries in developing their law enforcement capacities and in building the institutions and the commitment to a free and democratic society that underpins the rule of law; strengthening of decentralization through public administration support; and continued development of citizens groups and NGOs to help build democratic societies.

In promoting U.S. prosperity, free trade and investment, EEN encourages the development of free market economies and

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promotes U.S. trade in the countries of Eastern and Central Europe and the former Soviet Union. Its objectives are coordination with key partners on the transition from "aid to trade" (assistance-based to market-based systems); ensuring the integration of Central European and NIS economies with European, transatlantic, and global markets and financial structures; promotion of the establishment of legal, regulatory, and institutional frameworks conducive to private investment; safeguarding of U.S. company interests and intellectual property rights; and provision of business outreach to the new emerging markets of the region.

In advancing diplomacy, EEN promotes a better understanding of U.S. society and values in the countries of Eastern Europe and the former Soviet Union in order to build support for U.S. policy; and builds lasting relationships to enhance mutual understanding between Americans and U.S. institutions and their counterparts in Eastern and Central Europe and the former Soviet Union. Its objectives are the development of a broad transatlantic agenda for common political and economic action encompassing a broad range of initiatives; and strengthening cooperation against international crime, terrorism, nuclear smuggling, and narcotic trafficking.

In promoting sustainable development, EEN's objectives are to broaden cooperation in human rights, migration, health, population, and science and technology; and consensus with key partners on political and financial support for regional and global U.S. policy initiatives.

INPUTS:

The United States Information Agency Office of East European and New Independent States Affairs (EEN) plans to continue informational and cultural programs in the New Independent States (NIS), the three Baltic countries, and the Central European countries. The Area also maintains a regional support operation in Vienna (RPO) which provides administrative, procurement, logistical and training support for the region. In 1997, operations at 31 posts in the 25 EEN countries will be supported by a domestic area office staff of 23. The overseas staff will consist of 79 Americans and 236 foreign national employees. The net increase of \$681,000 for East European and NIS programs is requested to provide for increased operating requirements of \$2,144,000 mainly for overseas wage and price increases (\$1,784,000) and full-year costs for an expanded presence in the Balkans (\$360,000). These increases are offset by full-year savings of \$556,000 resulting from 1996 program reductions; non-recurring costs of one-time requirements of \$479,000 for expanding Balkan and Bosnia support; recycling carryover of \$4,000; and 1997 program reductions of \$424,000 and two Overseas American positions to implement the President's government-wide deficit reduction efforts.

II. 1995 AND 1996 PROGRAMS: Highlights

Taking advantage of the increasing openness in Eastern and Central Europe and the New Independent States, USIA has expanded and diversified its public diplomacy efforts supporting the Administration's comprehensive strategy for building democracy, building stable societies based on free enterprise and open political discourse, and ultimately building a stable and just peace across an undivided Europe, "a Europe whole and free." Topping the issues agenda is the creation of new European security arrangements based on Europe's integration--an integration of security forces, of market economies, of national democracies--which recognize that in the post-Cold War period the threat to security is creeping instability rather than advancing armies. As President Clinton remarked in his January 1994 speech to young European leaders in Brussels: "Countering that threat requires not only military security, but also the promotion of democratic and economic renewal. Combined, these forces are the strongest bulwark against Europe's current dangers--against ethnic conflict, the abuse of human rights, the destabilizing refugee flows, the rise of aggressive regimes and the spread of weapons of mass destruction." USIA programs and initiatives support the gradual, transparent process of NATO enlargement and the strengthening of the Partnership for Peace as a cornerstone of the new security architecture; an enhanced role for the OSCE, which can and should play a central role in conflict prevention and crisis management; the enlargement of the European Union

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as a means of extending prosperity to all of Europe; and the entry of EEN countries in other institutions of economic and political cooperation such as OECD and the Council of Europe. At the same time, USIA public diplomacy supports in concrete, measurable ways the Secretary of State's much broader goals for U.S. leadership and engagement critical to achieving stability and security in the post-Cold War era.

To promote free market-driven democracy in Russia, USIA since 1993 has cooperated with the Russian Federal Employment Service to develop five-week internships in the U.S. for Russian entrepreneurs. Russian participants selected from 23 different regions are provided with individual internships and home stays in 29 U.S. communities, each committed to hosting at least three groups of ten entrepreneurs from small or medium-sized businesses. From March 1995 through March 1996, the Business For Russia Program hosted 1,100 interns. The first round of BFR internships fostered new business linkages, such as the following: a Portland intern chartered a U.S. corporation, purchased and shipped foodstuffs to Russia and is planning to return to the U.S. to buy a sawmill to ship to Siberia; a marine insurance intern has worked out a method with his former U.S. host company for insuring inland freight after its arrival in Russia; a Louisville contractor is shipping storm doors and windows to Russia; a Jackson, Mississippi, intern has formed a joint venture with a U.S. company to provide translation services; a Baltimore machine corporation is employing a former intern as its sales representative in Russia. Business linkages are expected to strengthen and expand as the program continues. In the same vein, Collin County Community College, Texas, conducts a business training partnership with Ivanovo State Power University in Russia through a grant from USIA. The academic partnership has led to the establishment of a training center for educators, managers and entrepreneurs in Ivanovo. Award of a 60 million ruble grant by the Ministry of Education has enabled the center to expand its operations to eleven neighboring regions which together comprise more than half of European Russia. In 1996, the program was expanded at the request of the Department of State to include entrepreneurs, local government officials, and legal professionals from Russia, Ukraine and Moldova. In FY96 and 97, some 1,700 US individuals are expected to participate in the new "Community Connections" program.

To build democracy in Kazakhstan, Kazakhstani professionals who came to the U.S. last year on USIA-sponsored grants are putting the experience gained during their American program stays to good use: The Director of the Center of Legal Research at the nation's law institute has used the information gathered during his trip to draft important legislation such as the code on mineral resources, which is designed to create a favorable legal climate for foreign investors in the extraction industry. Regional environmental officials have overcome differences to establish a productive government-MOO partnership as a direct result of participation in a U.S. program. The Deputy Chair of the State Committee on Anti-monopoly policy used her time in the U.S. to consult with legal experts on a case pending before the Kazakhstani Supreme Court regarding the constitutionality of parliamentary elections in her district, a case she ultimately won. The Chair of the Organization for the Legal Development of Kazakhstan is developing a proposed standard of human rights for the nation.

To promote U.S. prosperity, free trade and investment, USIA is developing a Business Information Center at its Information Resource Center in Riga, Latvia. Cooperating with local American Chamber of Commerce and the Embassy's Economic and Foreign Commercial sections, USIA will replicate on a smaller scale the Frankfurt Business Information Center. Riga is already on its way to becoming a regional business center for German and Scandinavian firms. The new center is expected to provide opportunities and incentives for Latvian firms to develop closer business ties with American companies. In FY95, OPIC President Ruth Harkin opened the East European Business Information Center (EEBIC) in Vilnius, Lithuania, culminating three years of effort by USIA and Foreign Commercial staff at the Embassy. This new partnership has already stimulated increased business and investment activity between the U.S. and EEN areas, a trend expected to continue in FY96 and beyond. Work is continuing on developing similar co-located centers in Baku and Tashkent.

To promote peace and advance U.S. diplomacy, USIA in FY96 has supported vigorously the implementation of the Dayton peace

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agreement on Bosnia. A language-qualified PAO and two additional USIA officers are on the ground in Sarajevo, a USIA officer is providing public affairs support for IFOR deployment in Hungary, and since the establishment of the OSCE Mission to Bosnia and Herzegovina in late December 1995, a USIA officer has been assigned to the mission as Senior Advisor for Public Policy. USIA is also conducting a number of initiatives supporting civil implementation in Bosnia, including OSCE election training, independent media training, exchange programs on democracy and governance, civics education, and public opinion research. In addition, USIA in FY96 is carrying out a comprehensive program of briefings by senior U.S. Government officials with influential publics in key European and NIS capitals to support the critical foreign policy goal of expanding transatlantic security institutions. In Russia, for example, USIS Moscow has arranged a series of interviews and round tables for Ambassador Pickering with influential television and print media to stress USG policy emphasis on the importance of democratic reforms, creation of a market economy, and on Russia's playing an active and constructive role in international affairs, from world trade to peacekeeping efforts. A Worldnet interactive dialogue with Under Secretary of Defense Slocombe on European security issues received extensive media coverage in Ukraine, Hungary, Romania and Serbia. In Poland, USIS Warsaw has continued its efforts to promote the U.S. perspective on European security through an extensive program of exchanges involving parliamentarians, government officials and security analysts, and development of regular Worldnet television dialogues between U.S. security experts and Polish journalists and security analysts. In addition, USIS Warsaw arranged the local translation and distribution of USIA's new pamphlet on European security architecture; contributed curriculum development support in strategic planning and English language to the Polish Military Academy; and participated in NATO-sponsored tours to promote informed dialogue on expansion, PFP, and other alliance issues.

Supporting the promotion of democracy in Albania, in FY96 American court administrative specialist Nora Hughes spent two months on a USIA grant traveling throughout Albania to district courts, meeting with Ministry of Justice functionaries, and in the process analyzing procedural rules, structures, job functions and case flow. Among other contributions, Ms. Hughes produced the first ever complete organizational chart of the Ministry, accompanied by recommendations for changes that would improve the functioning of the system and create greater judicial independence. As a direct result of her hard work and substantial influence, the Albanian Ministry of Justice has granted the courts a separate budget-- an important first step on the road to independence.

To build democracy in Ukraine, USIA in FY96 organized a Freedom Support Act program to enable a five-member delegation from the Supreme Court of Ukraine to visit the U.S. Ukraine is undertaking a major reorganization and reform of its court system and the two week visit, which included meetings in Washington with Supreme Court Justices, representatives of the Department of Justice and Congress, as well as visits to Ohio and Virginia to examine the federal district and state supreme court systems, helped the Ukrainian chief justice and his colleagues gain a better understanding of the U.S. legal system and the administration of courts.

In FY-96, EEN opened a country post in Moldova and one branch post each in Russia and the Former Republic of Yugoslavia.

To manage the growing number of exchange programs, a permanent USIS office was established in Chisinau, Moldova--a country which has been in the lead among NIS countries in the transition to a market economy and democratic political system. Staffed by one American, the post represents EEN's new scaled-down, issue-oriented programs in the NIS, focussing on exchanges and grants management, with a very limited reference/information outreach function.

A branch post staffed by one American, to focus on personal contact and exchanges, was opened in the important industrial city of Yekaterinburg, Russia. With exchange programs expanding in Russia, a USIS presence was needed to ensure more effective management and programming in this hub of the Urals region.

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Reflecting the importance of the Balkans region, USIA also opened a branch post in Pristina, the capital of the autonomous province of Kosovo in the Former Republic of Yugoslavia. With no U.S. consulate in Kosovo, the one American officer will represent U.S. interests there at a time in which the Administration is attempting to build links with the FRY as a key component in stabilizing the region.

In addition to opening Pristina, EEN made a major commitment to U.S. peace initiatives by significantly enhancing USIA's programs in Bosnia-Herzegovina. USIS Sarajevo will be a focussed operation with five main policy objectives, as defined by Agency management and the Department of State: (1) support for free elections, (2) support of independent media, (3) civics education, (4) opinion polling, and (5) public diplomacy. The post is staffed by one permanent American. However, until IFOR withdraws, two additional temporary duty personnel will remain on the ground.

In 1996, EEN closed a branch post in Poznan, Poland. In addition, 12 American and 22 foreign national positions were eliminated in Hungary, Austria (RPO), Poland, Former Republic of Yugoslavia, Russia, Belarus, Croatia, Czech Republic, and Romania. These staff cuts, together with general reductions in post budgets, totalled \$3,226,000.

III. 1997 PLANS--Inputs/Expected Outcomes

In 1997, a total of \$33,927,000 is requested for East Europe and New Independent States programs. The net increase of \$681,000 results from increases of \$594,000 for foreign national employee wage scale increases, \$940,000 for inflationary price increases and \$610,000 for other changes.

These increases are offset in part, by full-year savings of \$556,000 related to the elimination of 12 American and 22 foreign national employees in 1996, \$479,000 for non-recurring costs related to the expansion in the Balkans, 1997 program reductions of \$424,000 and two positions to implement the President's government-wide deficit reduction efforts and other built-in decreases of \$4,000.

USIA's growing network of institutional linkages and the expanding opportunities anticipated for public diplomacy outreach and initiatives as EEN countries seek to establish the economic, social, and political conditions prerequisite to membership in western institutions such as NATO and the European Union will ensure a continued high level of activity at home and abroad. Several EEN countries are already engaged in pre-accession negotiations aimed at securing EU membership by the year 2000. As part of the pre-accession process, prospective members will be working to harmonize their legal structures in areas such as business regulations, competition and antitrust laws, health and safety rules, etc. They will also be exploring ways to rationalize top-heavy industries, downsize some labor-intensive sectors, and become more competitive for entry into the EU's single market. Continuing efforts in democracy-building will be required of applicant countries to both the EU and NATO. Membership will carry with it substantial burdens and responsibilities, and vigorous action will be required to meet stringent economic, political and other criteria for accession. USIA has much to offer to assist nations in pursuing their membership goals and thus anticipates very high demand in EEN countries for its programs, products, and services during the enlargement process, which is expected to accelerate following the 1996 EU intergovernmental conference set to convene in late March 1996 and to pick up greater speed as the year 2000 approaches. Countries not being actively considered for membership or whose membership appears distant are likely to seek closer ties to western security and economic institutions, thus increasing their drive to reform and restructure their economic and political systems. USIA with its broad mix of programs and activities promoting democracy and free enterprise will be an important source of information, training, and experience for these countries as well.

In 1997, EEN will continue to reorder its field operations at the lower levels dictated by reductions in the FY 1996 budget

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and Agency streamlining under the National Performance Review (NPR). Our fundamental public diplomacy priorities will be (1) public advocacy of U.S. policy goals and objectives and (2) the strengthening of democratic and economic reform efforts by the nations of Central Europe and the NIS. For the first priority, we will stress personal contact work to build relationships overseas; USIS-sponsored programs and media support activities for ambassadors, country teams, high level visitors, and continued investment in new information technologies to deliver relevant policy texts and documentation to

To respond positively and forcefully to foreign policy initiatives in key countries of the region, USIA is undertaking the steps necessary to establish a USIA presence in Pristina, Kosovo (Serbia), and to open posts in Yekaterinburg, Russia, and Chisinau, Moldova. These are expected to be operational in 1996 or early 1997.

IV Program Performance Information

The Distribution Record System (DRS) at each EEN post should track contacts with our most important individuals and audiences (as determined by each post's Institutional Analysis) in terms of our interaction with them on policy issues. DRS should also provide the capability to track on-line interaction with contacts and publics using USIS-provided documentation. DRS will be the basis for systematic follow-through, in person or on-line, with returning grantees, exchangees, voluntary visitors, and other participants in USIA programs conducted in their countries or in the U.S. Properly used, the DRS should provide data for more in-depth assessment of the impact of USIA programs, including information/advocacy programs and activities and exchanges. Surveys, including attitude surveys, focus groups, and in-depth discussions with alumni of USIA programs will be conducted, for activities funded from USIA's base budget as well as for those supported by transfers from the foreign assistance appropriation (Freedom Support Act in the NIS, and Support for East European Democracy in Central Europe). These measures should show whether progress is being made toward the achievement of our mission, goals and objectives, which include the creation and support of long-lasting, productive relationships between U.S. and foreign individuals and institutions and the development of a core of trained professionals in EEN countries better able to support reform by their exposure to American methods, experiences, and traditions. EEN posts will continue to report by cable and/or e-mail regarding the effectiveness of particular programs shortly after they take place, and the effectiveness of USIS support, including media support, for high level visits will continue to be made known to ambassadors, PMOs, and the Agency directly by the senior USG officials of stakeholder agencies whom our posts support. Energetic implementation of these different approaches and coordination with Agency support elements and other USA stakeholders will help us over time develop meaningful, specific performance indicators for each of our programs as well as for measuring the performance of individual posts and the Area office as a whole.

The "Program Activity Costs" displayed in the justifications that follow consist of local operating costs and program materials and services acquired or produced in direct support of the overseas missions' program by the Bureaus of International Broadcasting, Educational and Cultural Affairs, Information, and Management in Washington from funds allocated by the posts for this purpose. In addition, the Department of State provides administrative support services to the overseas missions on a reimbursable basis, details for which are contained in the Administrative Support from Other Agencies section of this budget.

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Summary of Requirements
 (\$ in Thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)	Page Ref.
POSITIONS:					
Domestic.....	23	23	23	--	
Overseas American.....	94	81	79	-2	
Foreign National.....	<u>256</u>	<u>234</u>	<u>234</u>	--	
Total, Positions.....	<u>373</u>	<u>338</u>	<u>336</u>	-2	10-10
FUNDS:					
A. Domestic Employees Compensation and Benefits.....	\$ 1,526	\$ 1,797	\$ 1,854	\$ 57	10-8
B. Overseas American Employees Compensation & Benefits.....	9,390	8,421	8,333	-88	10-8
C. Foreign National Employees Compensation & Benefits.....	6,743	7,669	8,131	462	10-9
D. Program Activity Costs					
1. Radio.....	23	9	9	--	10-11
2. Press and Publications.....	1,354	1,360	1,466	106	10-11
3. Television and Films.....	252	275	263	-12	10-12
4. American Centers and Related Activities.....	6,099	4,631	4,894	263	10-12
5. Program Direction.....	919	973	994	21	10-13
6. Democracy Commission Small Grants Program.....	709	1,472	1,472	--	10-13
7. Other Program Expenses.....	7,683	7,489	6,642	-847	10-14
Subtotal, Activity Costs.....	<u>17,039</u>	<u>16,209</u>	<u>15,740</u>	<u>-469</u>	
A. Total, Gross Funds.....	34,698	34,096	34,058	-38	
B. Deduct Reimbursements.....	<u>-1,091</u>	<u>-850</u>	<u>-131</u>	<u>719</u>	
Total, Direct Funds.....	<u>33,607</u>	<u>33,246</u>	<u>33,927</u>	<u>681</u>	

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A. Domestic Employee Compensation and Benefits (1995 Actual, \$1,526; 1996 Estimate, \$1,797; 1997 Estimate, \$1,854; Increase, \$57)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Positions.....	23	23	23	--
Salary and Direct Benefit Costs.....	\$1,526	\$1,797	\$1,854	\$57

The increase of \$57,000 in 1997 is requested to provide \$11,000 for full-year costs of the 1996 Federal pay raise; \$40,000 for the estimated costs of a 3.0 percent Federal pay raise in January 1997; and \$6,000 for FICA, Medicare, and other benefit cost increases.

B. Overseas American Employee Compensation and Benefits (1995 Actual, \$9,390; 1996 Estimate, \$8,421; 1997 Estimate, \$8,333; Decrease, -\$88)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Positions.....	94	81	79	-2
1. Salary and Direct Benefit Costs.....	\$7,917	\$7,187	\$7,082	\$ -105
2. Hardship Post Differentials.....	645	633	612	-21
3. Foreign Service Allowances.....	758	557	595	38
4. Rest and Recuperation Travel.....	70	44	44	--
Total.....	9,390	8,421	8,333	-\$88

The net decrease of \$88,000 in 1997 results from 1997 program reductions of \$95,000 and two positions in Russia to implement the President's government-wide deficit reduction efforts and \$291,000 for full-year savings due to the elimination of twelve positions in 1996, including the closing of the branch post at Poznan, Poland, and eleven other positions in Belarus, Croatia, Czech Republic, Hungary, Romania, Russia, Slovak Republic, Serbia and PPO Vienna. These decreases are offset in part by increases of \$32,000 for full-year costs of the 1996 Federal pay raise; \$146,000 for the estimated costs of a 3.0 percent Federal pay raise in January 1997; \$15,000 for Foreign Service retirement, FICA and other benefit cost increases; \$38,000 for Foreign Service allowance cost increases; and \$67,000 for full-year costs of the new American officer position in Pristina.

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(\$ in thousands)

- C. Foreign National Employee Compensation and Benefits (1995 Actual, \$6,743; 1996 Estimate, \$7,669; 1997 Estimate, \$8,131; Increase, \$462).

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Positions.....	256	234	234	--
Salary and Direct Benefit Costs.....	\$6,743	\$7,669	\$8,131	\$462

The net increase of \$462,000 in 1997 is requested to provide \$176,000 for foreign national employee wage-scale increases effective for part of 1996; \$418,000 for increases anticipated in 1997; and \$123,000 for full-year costs of five positions added in 1996 to open a post in Chisinau, Moldova. These increases are offset, in part, by full-year savings of \$182,000 resulting from the elimination of ten positions in 1996 at RPO Vienna and \$73,000 for terminal leave costs. An additional seventeen positions were discontinued at the end of FY-1995 in Bosnia (five positions), Poland (four positions), and Serbia (eight positions).

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Domestic, overseas American, and foreign national employee compensation and benefits provide for positions in the Area as follows:

	1995 Actual			1996 Estimate			1997 Estimate		
	Foreign	National	Total	American	National	Total	American	National	Total
Eastern Program Directorate.....									
Soviet and Regional Elements.....	23	--	23	23	--	23	23	--	23
Albania.....	1	7	8	1	7	8	1	7	8
Armenia.....	2	5	7	2	5	7	2	5	7
Azerbaijan.....	2	5	7	1	5	6	1	5	6
Belarus.....	2	5	7	1	5	6	1	5	6
Bosnia.....	1	5	6	1	3	4	1	3	4
Bulgaria.....	4	10	14	4	10	14	4	10	14
Croatia.....	3	10	13	2	10	12	2	10	12
Czech Republic.....	6	14	20	4	14	18	4	14	18
Estonia.....	1	5	6	1	5	6	1	5	6
Georgia.....	1	5	6	1	5	6	1	5	6
Hungary.....	6	13	19	5	13	18	5	13	18
Kazakhstan.....	3	5	8	3	5	8	3	5	8
Kyrgyzstan.....	1	4	5	1	4	5	1	4	5
Latvia.....	1	5	6	1	5	6	1	5	6
Lithuania.....	1	5	6	1	5	6	1	5	6
Macedonia.....	1	6	7	1	6	7	1	6	7
Moldova.....	--	--	--	1	5	6	1	5	6
Poland.....	11	29	40	9	25	34	9	25	34
Romania.....	6	16	22	5	16	21	5	16	21
Russia.....	24	31	55	23	31	34	21	31	32
Serbia.....	3	22	25	2	19	21	2	19	21
Slovak Republic.....	2	5	7	2	5	7	2	5	7
Slovenia.....	1	6	7	1	6	7	1	6	7
Ukraine.....	4	13	17	4	13	17	4	13	17
Turkistan.....	1	5	6	1	5	6	1	5	6
PPO Vienna.....	5	42	47	3	38	45	2	22	22
Subtotal: Country and Regional Elements.....	99	255	354	81	234	315	19	234	313
Total Positions.....	112	264	373	124	234	318	102	234	325

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D. Program Activity Costs (1995 Actual, \$17,039; 1996 Estimate, \$16,209; 1997 Estimate, \$15,740; Decrease, \$-469).

Program activity costs derive from the following: radio, press and publications, television and films, American centers and related activities, program direction, the Democracy Commission Small Grants Program, and other program expenses. The estimates for each of these activities are shown below in detail, and consist of local operating costs and the costs of program materials and services acquired or produced in Washington. (See "Overseas Missions Operations Summary," Section 4 of the S & E budget, for a general description of the nature of each of these activities.)

1. Radio Activities (1995 Actual, \$23; 1996 Estimate, \$9; 1997 Estimate, \$9; No Change).

This activity provides for the production and adaptation of radio programs, including VOA package programs and music transcription libraries, for placement on local stations; promotion of VOA broadcasts; and the purchase of radio supplies, equipment, and maintenance services. (The International Broadcasting Bureau maintains a separate office in Europe for placement and promotion of Bureau programs.)

2. Press and Publications Activities (1995 Actual, \$1,354; 1996 Estimate, \$1,360; 1997 Estimate, \$1,466; Increase, \$106).

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
a. Periodicals.....	\$ 8	\$ 6	\$ 7	\$ 1
b. Information materials.....	636	728	821	93
c. Pamphlets and leaflets.....	642	501	508	7
d. Materials and equipment.....	68	125	130	5
Total.....	1,354	1,360	1,466	106

This program activity consists of: (a) production and distribution of periodicals; (b) reception and distribution of the Agency's Wireless File and other informational materials (special articles, features, reprints, and photos); (c) production and distribution of pamphlets, leaflets, posters, and photo displays; and (d) purchase of paper, supplies, equipment and related materials required to support these activities. The Regional Program Office (RPO) in Austria produces window displays, small exhibits and various publications in language versions for distribution in the NIS, former Yugoslavia and East Europe.

The net increase of \$106,000 in 1997 will provide \$123,000 for full-year and new inflationary cost increases for postage, shipping, supplies, materials, equipment and other services. These increases are offset in part by 1997 program reductions of \$17,000 in Poland and Slovenia to implement the President's government-wide deficit reduction efforts.

EAST EUROPEAN AND NEW INDEPENDENT STATES PROGRAM
 (\$ in Thousands)

3. Television and Film Activities (1995 Actual, \$252; 1996 Estimate, \$275; 1997 Estimate, \$263; Decrease, \$-12).

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
a. Production and Adaptation.....	558	\$158	\$145	\$-13
b. Distribution and Promotion.....	157	66	70	4
c. Audio-Visual Equipment and Maintenance..	37	51	48	-3
Total.....	252	275	263	-12

This program activity consists of: (a) acquisition, production, and adaptation of television and film programs for placement by the posts, including language versions and release prints; (b) distribution, exhibition, promotion, travel and other costs incurred in reaching selected audiences; and (c) purchase and shipment of projectors and parts, screens, videotape equipment, rawstock, maintenance supplies, and other audio-visual materials.

The net decrease of \$12,000 results from 1997 program reductions of \$26,000 in Poland and Slovenia, offset in part by an increase of \$14,000 to provide for full-year and new inflationary cost increases for services and materials.

4. American Centers and Related Activities (1995 Actual, \$6,099; 1996 Estimate, \$4,631; 1997 Estimate, \$4,894; Increase, \$263).

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
a. American Center Operations.....	\$3,316	\$2,354	\$2,433	\$79
b. Book Programs.....	82	42	46	4
c. Exhibits.....	15	11	12	1
d. Presentations.....	13	6	6	--
e. English-teaching.....	143	257	262	5
f. Lectures, Seminars, and Other Programs.....	2,530	1,961	2,135	174
Total.....	6,099	4,631	4,894	263

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EAST EUROPEAN AND NEW INDEPENDENT STATES PROGRAM
(\$ in Thousands)

This program activity consists of: (a) operating, support, and space costs for 12 American centers; (b) book publication, translation and distribution costs; (c) purchase and presentation of books and magazines to carefully selected government officials, educators, opinion leaders, schools, and other groups and institutions; (d) English-teaching activities, including seminars and programs designed to encourage the use of American-oriented teaching aids and contractual arrangements for English-teaching programs; and (e) other cultural and communication programs, including Agency-sponsored lectures, seminars, concerts, workshops and similar functions; promotion of events under the special Cultural Presentations Program; and local support of the Exchange-of-Persons Programs and similar privately-sponsored programs. These activities are designed to promote wide appreciation of America's cultural, political, economic, and scientific achievements. At a number of posts, the costs of English-teaching materials, supplies and equipment and certain library services are financed by receipts from English students and library users. Such fees are included in the reimbursement figures displayed in the summary tables in this section.

The increase of \$263,000 in 1997 will provide \$354,000 for full-year and new inflationary cost increases for rents, utilities, contractual services, transportation, supplies, and materials for American centers and related activities and \$49,000 for full-year costs of the expansion in the Balkans. These increases are offset in part by non-recurring costs of \$100,000 for lower USAID reimbursements; \$1,000 for English teaching carryover; \$3,000 for library recycling carryover; and \$36,000 for 1997 program reductions in Poland and Slovenia to implement the President's government-wide deficit reduction efforts.

5. Program Direction (1995 Actual, \$919; 1996 Estimate, \$973; 1997 Estimate, \$994; Increase, \$21).

These funds provide for travel by the Area Director and staff; workshop and conference travel; travel within each country by the Public Affairs Officers and their staffs to supervise and direct post activities; the procurement of reference books, magazines, and newspapers for staff use; and travel and other expenses for local research activities.

The increase of \$21,000 is requested to provide for full-year costs of the expansion in the Balkan countries begun in 1996.

6. Democracy Commissions Small Grants Program (1995 Actual, \$709; 1996 Estimate, \$1,472; 1997 Estimate, \$1,472; No Change).

These funds were transferred from USAID to USIA to provide Democracy Commissions in 13 Eastern European countries with resources to give small grants to local organizations for projects and initiatives that support and further democracy.

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EAST EUROPEAN AND NEW INDEPENDENT STATES PROGRAM
(\$ in Thousands)

7. Other Program Expenses (1995 Actual, \$7,683; 1996 Estimate, \$7,489; 1997 Estimate, \$6,642; Decrease, \$-847).

These funds provide for residential and non-residential space costs, cleaning, custodial services, vehicle purchase and operations, furniture, supplies, equipment, communication costs, and related expenses to support post programs.

The net decrease of \$847,000 results from 1997 program reductions of \$250,000 in rent savings in Poland and Macedonia to implement the President's government-wide deficit reduction efforts; non-recurring costs of \$619,000 in a reimbursement from USAID for America Houses; and \$473,000 in one-time costs for the expansion in the Balkans.

These decreases are offset in part by increases of \$411,000 to provide for full-year and new inflationary cost increases in residential and office rents, utilities, maintenance costs, vehicle purchases, shipping, and other related expenses and full-year costs of \$84,000 for expanded Balkan support.

EAST EUROPEAN AND NEW INDEPENDENT STATES PROGRAM
 (\$ in Thousands)

Recapitulation of Costs by Country and Area-Wide Costs

	1995 ACTUAL	1996 Estimate	1997 Estimate	Increase or Decrease (-)
POSITIONS:				
Domestic.....	23	23	23	--
Overseas American.....	94	81	79	-2
Foreign National.....	<u>236</u>	<u>214</u>	<u>214</u>	--
Total, Positions.....	<u>373</u>	<u>338</u>	<u>336</u>	-2
COSTS BUDGETED BY COUNTRY:				
Albania.....	\$ 465	\$ 462	\$ 493	\$ 31
Armenia.....	205	272	289	17
Azerbaijan.....	225	256	275	19
Belarus.....	369	334	357	23
Bosnia.....	253	634	806	172
Bulgaria.....	842	822	865	43
Croatia.....	759	941	1,004	63
Czech Republic.....	1,062	921	990	69
Estonia.....	414	428	456	28
Georgia.....	171	178	186	8
Hungary.....	1,456	1,308	1,320	12
Kazakhstan.....	632	1,214	640	-574
Kyrgyzstan.....	137	111	117	6
Latvia.....	422	403	434	31
Lithuania.....	439	435	456	21
Macedonia.....	576	603	582	-21
Moldova.....	--	360	238	-122
Poland.....	2,535	2,194	2,126	-68
Romania.....	1,138	1,214	1,282	68
Russia.....	2,829	2,815	3,038	223
Serbia.....	1,026	1,681	1,459	34
Slovak Republic.....	480	509	545	36
Slovenia.....	564	650	638	-12
Ukraine.....	1,080	1,047	1,180	133
Uzbekistan.....	517	493	520	27
APO Vienna.....	<u>5,914</u>	<u>4,124</u>	<u>4,414</u>	<u>40</u>
Subtotal, Country Costs.....	<u>24,610</u>	<u>24,479</u>	<u>24,510</u>	<u>31</u>

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EAST EUROPEAN AND NEW INDEPENDENT STATES PROGRAM
 (\$ in thousands)

Reimbursement of Costs by Country and Area-Wide Costs (continued)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-+)
AREA-WIDE COSTS:				
Domestic Employee Compensation & Benefits	\$ 1,526	\$ 1,797	\$ 1,854	\$ 57
Overseas American Employee Compensation				
6 Direct Benefits a/.....	8,562	7,820	7,694	-126
Subtotal, Area-wide Costs.....	<u>10,088</u>	<u>2,617</u>	<u>9,288</u>	<u>-62</u>
Total, Gross Funds.....	34,698	34,096	34,058	-38
Less Reimbursements.....	-1,021	-820	-121	719
Total, Direct Funds.....	<u>33,677</u>	<u>33,276</u>	<u>33,937</u>	<u>\$81</u>

a/ Excludes Foreign Service allowances and rest and recuperation travel which are paid at posts and included above in costs budgeted by country.

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WORLD-WIDE MISSION COSTS
(\$ in thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Summary of Requirements.	\$38,241	\$38,289	\$37,041	-\$1,248

General Statement

This section covers funds for those overseas mission expenses that are administered on a world-wide basis. These items are: training, Foreign Service Pipeline costs, home leave, transfer and related costs, representation, Foreign Service medical expenses, emergency travel, personal property claims, overseas security expenses, and air pouch shipping costs. To the maximum extent possible, the goals, objectives, outcomes and performance indicators outlined in the Bureau of Management section of this document will be applied to these costs.

In 1996, as a result of the government-wide deficit reduction efforts, program cuts were implemented totaling \$4,689,000 and 34 positions. The Junior Officer Trainee (JOT) program was reengineered in conjunction with the Agency's downsizing of its Foreign Service core, including the State Department absorption of 35 JOT's which precluded the necessity of a reduction-in-force (RIF) in the Foreign Service.

In 1997, a total of \$37,041,000 is requested for World-Wide Mission costs. The net decrease of \$1,248,000 results from full-year savings of \$1,945,000 and 22 positions associated with the 1996 program reductions, and nonrecurring costs of \$913,000 for overseas security construction projects funded in 1996 from prior year balances (\$550,000), and for home leave and direct transfer trips (\$363,000).

These decreases are offset, in part, by requested increases of \$1,610,000, consisting of \$1,178,000 for inflationary price increases primarily for travel, shipping, tuition, and medical costs; \$78,000 for full-year costs of the 1996 Federal pay raise and \$280,000 for the estimated costs of a 3% Federal pay raise in January 1997; and \$74,000 for Foreign Service retirement, FICA and other benefit cost increases.

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WORLD-WIDE MISSION COSTS
Summary of Requirements
 (\$ in thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)	Page Ref.
POSITIONS:					
1. Training.....	119	93	71	-22	
2. Foreign Service Pipeline.....	69	69	69	--	
Total, Positions.....	188	162	140	-22	
FUNDS:					
1. Training.....	\$16,178	\$16,057	\$14,797	-\$1,260	11-2
2. Foreign Service Pipeline.....	6,209	6,412	6,628	216	11-6
3. Home Leave, Transfer & Related Costs.....	9,370	9,674	9,838	164	11-6
4. Foreign Service Medical Expenses.....	1,244	1,247	1,304	57	11-8
5. Emergency Travel & Claims.....	253	262	279	17	11-8
6. Representation Allowance.....	1,375	1,379	1,379	--	11-8
7. Overseas Security Expenses.....	1,861	1,764	1,273	-491	11-9
8. Board of Examiner Costs.....	371	194	199	5	11-9
9. New York Air Pouch Shipping.....	1,400	1,300	1,344	44	11-9
Total, Direct Obligations.....	38,241	38,289	37,041	-1,240	

1. Training (1995 Actual, \$16,178; 1996 Estimate, \$16,057; 1997 Estimate, \$14,797; Decrease, -\$1,260).

The Agency's training program for American and foreign national staffs is composed of the categories listed below. All overseas American positions are computed on the basis of work years.

	1995 Actual Fdn. Funds	1996 Estimate Fdn. Funds	1997 Estimate Fdn. Funds	Increase or Decrease (-) Fdn. Funds
a. Area and Language Training.....	34 87,787	44 \$10,072	44 \$10,326	-- \$ 254
b. Professional & Technical Training.....	16 3,333	16 3,561	16 3,657	-- 76
c. Junior Officer Training.....	69 5,014	33 2,386	11 796	-22 -1,590
d. Training Aids.....	-- 64	-- 18	-- 18	-- --
Total, Training.....	119 16,178	93 16,057	71 14,797	-22 -\$1,260

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WORLD-WIDE MISSION COSTS
(\$ in thousands)

a. Area & Language Training:

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
1. Trainee Compensation & Benefits.....	\$3,276	\$4,533	\$4,659	\$126
2. Travel & Per Diem.....	825	1,000	1,022	22
3. FSI Language Training.....	2,772	3,369	3,443	74
4. Training Fees, Materials & Other Expenses.....	914	1,170	1,202	32
Total, Area & Language Training.....	7,787	10,072	10,326	254

These funds provide for Agency Foreign Service employees and dependents who are enrolled in area and language training programs, primarily at the Foreign Service Institute, including language training costs (non-salary) for Junior Officer Trainees. Officers are also enrolled at selected American universities and in privately operated language courses.

The requested increase of \$254,000 provides for full-year costs of \$22,000 for the 1996 Federal pay raise and \$82,000 for the estimated costs of a 3% Federal pay raise in January 1997; \$22,000 for Foreign Service retirement, FICA and other benefit cost increases; and \$128,000 for tuition and travel price increases.

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WORLD-WIDE MISSION COSTS
(\$ in thousands)

b. Professional & Technical Training:

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
1. Trainee Compensation & Benefits.....	\$1,671	\$1,840	\$1,906	\$66
2. Travel and Per Diem.....	97	104	107	3
3. Training Fees and Materials.....	1,585	1,617	1,644	7
Total, Professional & Technical Training.	3,333	3,561	3,657	76

These funds provide for salaries, travel, per diem, and other training costs for Agency Foreign Service employees who (1) attend the Foreign Service Institute, the Service Colleges of the Defense Department and American universities; and (2) are assigned to the Agency's mid-career media training and other career development programs. This training category also provides for the cost of tuition, travel, per diem, and training materials for other professional and technical training of both Civil Service and Foreign Service employees. Salaries for Civil Service employees undergoing this type of training are budgeted against positions and funds for the Agency elements to which they are assigned.

The requested increase of \$76,000 provides for full-year costs of \$12,000 for the 1996 Federal pay raise and \$40,000 for the estimated costs of a 3% Federal pay raise in January 1997; \$14,000 for Foreign Service retirement, FICA, and other benefit cost increases; and \$10,000 for tuition and travel price increases.

WORLD-WIDE MISSION COSTS
(\$ in thousands)

c. Junior Officer Training:

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
1. Trainee Compensation &				
Benefits.....	\$3,285	\$1,686	\$607	\$-1,079
2. Travel & Per Diem.....	571	100	0	-100
3. Overseas Allowances.....	1,119	574	175	-399
4. Training Fees & Materials.....	<u>39</u>	<u>26</u>	<u>14</u>	<u>-12</u>
Total, Junior Officer Training....	5,014	2,386	796	-1,590

This program provides the Agency with well qualified men and women who fill officer requirements resulting from turnover in the Foreign Service. The training period for Junior Officers averages 16 months, including language training. No appointments in 1997 are anticipated.

The net decrease of \$1,590,000 results from full-year savings of \$1,642,000 and 22 positions associated with the 1996 program reductions related to reengineering the JOT program in conjunction with transferring 35 JOT's to the State Department as part of the Agency's downsizing of the Foreign Service core. This decrease is offset, in part, by requested increases of \$52,000, consisting of \$28,000 for inflationary price increases; \$2,000 for full-year costs of the 1996 Federal pay raise and \$16,000 for the estimated costs of a 3% Federal pay raise in January 1997; and \$6,000 for Foreign Service retirement, FICA, and other benefit cost increases.

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d. Training Aids (1995 Actual, \$44; 1996 Estimate, \$18; 1997 Estimate, \$18; No Change).

These funds provide for the purchase, maintenance, and replacement of training films and slides, books, maps, exhibits, and other training materials and exhibits. No change is proposed from the 1996 level of \$18,000.

WORLD-WIDE MISSION COSTS
(\$ in thousands)

2. Foreign Service Pipeline (1995 Actual, \$6,209; 1996 Estimate, \$6,412; 1997 Estimate, \$6,628; Increase, \$216).

These funds cover compensation and benefits for 69 pipeline positions, computed on the basis of work-years resulting from (1) overlap in Foreign Service assignments; (2) administrative and special assignments and periods between formal assignments; and (3) medical emergencies and care.

The increase of \$216,000 in 1997 is requested to provide \$42,000 for full-year costs of the 1996 Federal pay raise and \$142,000 for the estimated costs of a 3% Federal pay raise in January 1997, and \$32,000 for Foreign Service retirement, FICA, and other benefit cost increases.

3. Home Leave, Transfer and Related Costs (1995 Actual, \$9,370; 1996 Estimate, \$9,674; 1997 Estimate, \$9,938; Increase, \$164).

This activity provides for: (a) appointment travel for new employees in the Foreign Service; (b) home leave travel for eligible Foreign Service employees; (c) direct transfer travel for changes of duty station; and (d) storage of effects, separate travel of dependents, and other related costs.

The net increase of \$164,000 is requested to provide \$830,000 for travel and shipping rate increases, consisting of \$374,000 for increases effective for part of 1996 and \$456,000 for increases anticipated in 1997. This increase is offset, in part, by full-year savings of \$303,000 associated with the 1996 program reductions related to reengineering the JOT program in conjunction with the Agency's downsizing of the Foreign Service core, and nonrecurring costs of \$363,000 for home leave and direct transfer trips.

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WORLD-WIDE MISSION COSTS
(\$ in thousands)

	1995 Actual		1996 Estimate		1997 Estimate		Increase or Decrease (-)	
	No. of Trips	Amount	No. of Trips	Amount	No. of Trips	Amount	No. of Trips	Amount
Type of Trip:								
Appointment Trips:								
To Washington.....	11	\$ 35	11	\$ 35	--	\$ --	-11	\$ -35
To Posts.....	38	499	14	191	11	165	-3	-28
Subtotal.....	49	534	25	228	11	165	-14	-63
Separation Trips.....	57	641	55	644	55	674	--	30
Home Leave Trips:								
Round Trips.....	97	789	100	840	95	866	-5	26
Combined with Transfer.....	157	3,187	119	3,014	130	3,378	--	344
Subtotal.....	254	3,976	230	3,874	225	4,244	-5	370
Direct Transfers:								
U.S. to Post.....	75	1,391	90	1,661	80	1,618	-10	-43
Post to U.S.....	33	480	73	1,132	50	850	-23	-282
Post to Post.....	65	1,027	65	1,086	65	1,188	--	102
Subtotal.....	173	2,898	228	3,879	195	3,656	-33	-223
Total, Trips.....	533	8,049	538	8,625	486	8,739	-52	114
Related Costs:								
Storage of Household Effects.....	--	885	--	700	--	723	--	23
Separate Travel of Dependents.....	--	241	--	195	--	221	--	26
Separate Shipment of Effects.....	--	95	--	68	--	75	--	7
Home Service Allowances.....	--	100	--	86	--	80	--	-6
Total, Related Costs.....	--	1,321	--	1,049	--	1,099	--	50
Total, Home Leave, Transfer and Related Costs.....	533	9,370	538	9,674	486	9,838	-52	164

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WORLD-WIDE MISSION COSTS
(\$ in thousands)

4. Foreign Service Medical Expenses (1995 Actual, \$1,244; 1996 Estimate, \$1,247; 1997 Estimate, \$1,304; Increase, \$57).

The 1996 and 1997 estimates are based on 1995 average costs for hospitalization, medical evacuation travel, immunization, and examination of overseas American employees and their dependents.

An increase of \$57,000 is requested in 1997 to provide for inflationary price increases.

5. Emergency Travel and Claims (1995 Actual, \$253; 1996 Estimate, \$262; 1997 Estimate, \$279; Increase, \$17).

This activity provides for: (a) emergency travel costs and subsistence allowances of Agency personnel and their dependents evacuated from troubled areas overseas; (b) emergency visitation travel costs of Agency overseas personnel in instances of serious illness or death of a member of the immediate family; and (c) claims for personal property losses by Agency personnel incident to their service.

An increase of \$17,000 is requested in 1997 to provide for inflationary price increases.

6. Representation Allowance (1995 Actual, \$1,375; 1996 Estimate, \$1,379; 1997 Estimate, \$1,379; No Change).

Representation expenses cover costs incurred by USIA officers overseas in establishing and maintaining effective relationships with officials, journalists, academics and other influential leaders in the host country. Representational events usually occur in conjunction with screenings, seminars, discussion programs, lectures, and other substantive program activities. As such, they provide opportunities to effectively broaden and deepen understanding of American policies, as well as building invaluable professional relationships. Reimbursement for this type of expense is made on the basis of a detailed voucher submitted by the officer after a representation event has occurred. Representation for cultural presentations (\$21,000) is included in the appropriate section of this document. No change is proposed from the 1996 level of \$1,379,000.

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WORLD-WIDE MISSION COSTS
(\$ in thousands)

7. Overseas Security Expenses (1995 Actual, \$1,841; 1996 Estimate, \$1,764; 1997 Estimate, \$1,273; Decrease, \$491).

In 1993, this activity funded routine security needs for the Agency's overseas personnel and for minimal or emergency security requirements for the Agency's separate facilities which were not co-located in Department of State buildings. It also funded security construction requirements in 1994 for new posts opened in the New Independent States.

Beginning in 1994, responsibility for funding all major security upgrades for USIA buildings not co-located in Department of State buildings was transferred to USIA. State formerly budgeted for these costs in its Acquisition and Maintenance of Buildings Abroad appropriation and then made the funds available to USIA to improve security at our separate sites overseas. A total of \$3 million was made available to USIA in 1992 and \$3.5 million in 1993 for this purpose. These improvements include access control systems, perimeter improvements to deny vehicle access, relocations of most-threatened facilities which are too vulnerable to be adequately secured, contract security engineering assistance, and Binational Center security requirements. The Department of State will continue to be responsible for overseas security requirements where USIA is located in Department of State buildings, and for overseas security guard requirements. The Department also provides \$1.2 million in annual funds to the Agency each year to enable us to provide posts with communications equipment, engineering services, vehicle armoring and metal detection devices.

The net decrease of \$491,000 in 1997 results from nonrecurring costs of \$550,000 for overseas security construction projects funded in 1996 with remaining carry-over balances, partially offset by \$59,000 for inflationary price increases.

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8. Board of Examiner Costs (1995 Actual, \$171; 1996 Estimate, \$194; 1997 Estimate, \$199; Increase, \$28).

This activity provides for reimbursement to the Department of State for recruitment, examination and security investigation costs incurred in connection with the hiring of Junior Foreign Service Officer career candidates for USIA. The reimbursement covers a pro-rata share of the Department's Board of Examiners (BEX) costs incurred for recruitment and examination of potential Foreign Service Officers and actual background investigations conducted by the Bureau of Diplomatic Security for potential BEX Junior Officer career candidates for USIA.

An increase of \$5,000 in 1997 is requested to provide for inflationary price increases.

9. New York Air Pouch Shipping (1995 Actual, \$1,400; 1996 Estimate, \$1,300; 1997 Estimate, \$1,344; Increase, \$44).

This activity covers the costs of shipping program equipment, supplies and materials purchased in the United States for our overseas posts from their direct support allocations, including books and other printed materials, audio visual equipment and supplies, VCR tapes and certain paper shows and small exhibits.

An increase of \$44,000 in 1997 is requested to provide for inflationary price increases.

BUREAU OF EDUCATIONAL AND CULTURAL AFFAIRS

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I. SUMMARY - GOALS/OBJECTIVES/INPUTS

The mission of the Bureau of Educational and Cultural Affairs is to foster mutual understanding between people of the United States and the people of other countries through programs of educational and cultural exchanges and training in the long-term interest of the United States.

Mutual understanding is essential to the protection of U.S. national interests, to the effectiveness of the United States in dealing with other nations, and to the promotion of American foreign policy objectives such as promoting the development of civil societies, free markets, peace and international cooperation. The dissolution of the bipolar system has resulted in a world fraught with sectarian, ethnic and political conflict, but rich with new opportunities for international cooperation. The mutual understanding borne of exchanges and related programs lays the foundation for the pursuit of American foreign policy objectives in such a climate.

The Bureau strives to conduct and support programs of the highest academic and cultural quality which will advance the growth of international mutual understanding in support of overall U.S. foreign policy objectives. In 1995 the Agency began the development of a strategic plan to implement performance-based budgeting and management, as mandated by the Government Performance and Results Act of 1993 (GPR). The Bureau will measure the success of programs in reference to the following goals and objectives:

- I. Increased understanding and acceptance of U.S. policies and U.S. society by foreign audiences.
 - a. USIA will provide accurate and authoritative information to target audiences.
- II. Broadened dialogue between Americans and U.S. institutions and their counterparts overseas.
 - a. USIA will create and promote long-lasting and productive relationships between U.S. and foreign individuals and institutions.
 - b. USIA will enhance the knowledge, understanding, appreciation and skills of people abroad through programs that provide direct experiences with American values, ideas, models and traditions.

BUREAU OF EDUCATIONAL AND CULTURAL AFFAIRS**c. USIA programs will increase Americans' knowledge and understanding of foreign viewpoints and international issues important to U.S. interests.**

This appropriation supports the staff and administrative costs of exchange and training programs. It also funds selected Academic Programs, and the Arts America Program. In 1997, a total of \$26,844,000 is requested for the Bureau of Educational and Cultural Affairs, a net decrease of \$2,113,000.

USIA international exchanges and training programs promote personal, professional and institutional ties between private citizens and organizations in the United States and abroad ranging across the full gamut of human endeavor. Underlying these USIA exchange activities is the belief that mutual understanding is of vital importance in an increasingly interdependent world; that person-to-person exchanges and training is the most effective way to promote mutual understanding; that international exchanges enhance the effectiveness of the United States in dealing with other nations; and that the exchange of persons and ideas is essential to the promotion of democracy, economic prosperity, international cooperation and global peace.

USIA has an explicit worldwide exchanges and training mission. Our posts in some 140 countries are a unique resource which sustains our exchange relationships in every region of the world. USIA's field officers have a profound grasp of the societies in which they work, and help ensure that our programs achieve maximum impact with limited resources. The Bureau of Educational and Cultural Affairs is experienced in developing and implementing exchange programs that are policy-driven, as well as flexible and broad-based. The Agency's domestic and overseas operations, complemented by a vast network of private partners within the United States represent the keys to the organization's success with international exchanges and training programs.

BUREAU OF EDUCATIONAL AND CULTURAL AFFAIRS
SUMMARY OF REQUIREMENTS
~~(IN THOUSANDS)~~

	1985 ACTUAL	1986 ESTIMATE	1987 ESTIMATE	INC. ON BUD. (1)	PAGE NO.
POSITIONS					
DOMESTIC	310	276	270		3
OVERSEAS AMERICAN	12	12	12		
TOTAL, POSITIONS	<u>322</u>	<u>287</u>	<u>282</u>		<u>3</u>
FUNDS					
A. EMPLOYEE COMPENSATION AND BENEFITS	\$19,826	\$19,306	\$19,800	(\$636)	12-4
B. ACADEMIC PROGRAMS					12-6
1. STUDENT SUPPORT SERVICES	2,860	2,822	2,865	63	
2. STUDY OF THE U.S.	308	300	300	12	
3. J. WILLIAM FULBRIGHT FOREIGN SCHOLARSHIP BOARD	10	10	10	..	
4. ENGLISH LANGUAGE PROGRAMS	1,702	1,690	1,777	85	
TOTAL, ACADEMIC PROGRAMS	<u>4,270</u>	<u>4,790</u>	<u>4,762</u>	<u>(52)</u>	
C. PROFESSIONAL AND CULTURAL PROGRAMS					12-8
1. ARTS AMERICA PROGRAM	2,060	2,091	2,132	(189)	
2. CITIZEN EXCHANGES PROGRAM	321	329	343	12	
TOTAL, PROFESSIONAL AND CULTURAL PROGRAMS	<u>2,381</u>	<u>2,420</u>	<u>2,474</u>	<u>(148)</u>	
D. SUPPORT TO OVERSEAS SCHOOLS	1,790	12-11
E. PROGRAM DIRECTION AND ADMINISTRATION	1,618	1,111	1,673	(36)	12-11
F. SEED PROGRAMS	864	467	279	(184)	12-12
G. FREEDOM SUPPORT ACT PROGRAMS	84	1,212	..	(1,212)	12-12
TOTAL, CROSS FUNDS (COMPARATIVE BASIS)	<u>31,878</u>	<u>29,400</u>	<u>37,292</u>	<u>(2,118)</u>	
H. DEDUCT REIMBURSEMENTS	(1,919)	(449)	(449)	..	
TOTAL, DIRECT FUNDS (COMPARATIVE BASIS) /1	<u>30,959</u>	<u>28,951</u>	<u>36,844</u>	<u>(2,119)</u>	
RECONCILIATION TO 1986 APPROPRIATIONS ALIENATION & REIMBURSEMENT					
L. DEDUCT COMPARATIVE TRANSFER FOR EXCHANGES SUPPORT FUNDED IN THE EXCHANGES APPROPRIATION IN 1986 & 1987	(14,800)	(12,640)	XXX	XXX	
86/1986 APPROPRIATIONS AS ENACTED & ESTIMATED	<u>10,295</u>	<u>10,417</u>	<u>XXX</u>	<u>XXX</u>	

1FOR COMPARATIVE PURPOSES, 1987 USES \$14,800,000 IN 1986 AND \$12,640,000 IN 1986 FOR STAFF AND OTHER SUPPORT COSTS FUNDED IN THE EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS ACCORDING TO 1986 AND 1987. THESE COSTS ARE REQUESTED IN THE SALARIES AND EXPENSES ACCOUNT IN 1987.

BUREAU OF EDUCATIONAL AND CULTURAL AFFAIRS

II. 1995 AND 1996 PROGRAMS

A. EMPLOYEE COMPENSATION AND BENEFITS

This account provides the domestic staff salaries and benefits associated with the management, administration and implementation of programs described above, and as described in the Exchange Programs section of this document. Additionally, it provides support for 12 American Regional English Language Officers (RELO's) in Berlin, Budapest, Cairo, Dakar, Jakarta, Mexico City, Pretoria, Salzburg, San Jose, Sao Paulo, Tashkent, and Tunis. The Bureau eliminated 34 domestic positions and one overseas American position in 1996. Also in 1996, one domestic position was shifted overseas to create the RELO Salzburg position. The 1997 request includes a further reduction of five domestic positions as a result of the Bureau restructuring effort described later in this section.

The net decrease of \$526,000 results from full-year savings of \$889,000 associated with the elimination of 35 positions in 1996, including \$47,000 for severance pay and \$35,000 for terminal leave payments; a further program reduction of \$225,000 and five positions in 1997 due to the President's overall deficit reduction efforts; and non-recurring costs of \$36,000 related to prior-year buyouts. These decreases are partially offset by increases of \$624,000 to provide \$119,000 for full-year costs of the 1996 Federal pay raise; \$437,000 for an anticipated 3.0% Federal pay raise in January 1997; and \$68,000 for full-year and new FICA and health benefit rate increases.

In 1995 and 1996 the domestic personal compensation requirements of the Bureau were funded in part from the Educational and Cultural Exchange Programs account. In 1997, the Administration proposes to shift funding of these costs back to S&E. For comparative purposes, the 1995 and 1996 funds are displayed in S&E in this document.

BUREAU OF EDUCATIONAL AND CULTURAL AFFAIRS
EXPLANATION OF REQUIREMENTS
(\$* IN THOUSANDS)*

FUNDA

A. EMPLOYEE COMPENSATION AND BENEFITS (1996 ACTUAL, \$19,825; 1996 ESTIMATE, \$19,296; 1997 ESTIMATE, \$18,696; DECREASE, \$-629).

	--1996 ACTUAL--		--1996 ESTIMATE--		--1997 ESTIMATE--		INC. OR DEC. (-)	
	POSITIONS	FUNDS	POSITIONS	FUNDS	POSITIONS	FUNDS	POSITIONS	FUNDS
1. DOMESTIC EMPLOYEES								
OFFICE OF THE ASSOCIATE DIRECTOR	14	900	11	800	11	800	0	(84)
OFFICE OF THE EXECUTIVE DIRECTOR	29	1,463	23	1,366	23	1,250	0	(16)
OFFICE OF ACADEMIC PROGRAMS	100	5,102	92	5,119	90	5,011	(2)	(28)
OFFICE OF INTERNATIONAL VISITORS	98	5,067	90	5,190	88	5,022	(2)	(178)
OFFICE OF CITIZEN EXCHANGES	24	2,000	20	2,417	20	2,306	(1)	(111)
OFFICE OF ARTS AMERICA	27	1,864	22	1,600	22	1,636	0	(36)
OFFICE OF POLICY AND EVALUATION	10	800	8	800	8	800	0	(8)
TOTAL, DOMESTIC	310	19,825	279	19,181	279	17,896	(3)	(829)
2. OVERSEAS AMERICAN EMPLOYEES								
REGIONAL ENGLISH LANGUAGE OFFICERS	12	900	12	1,050	12	1,061	0	21
TOTAL, GROSS FUNDS	322	19,825	307	19,296	303	18,696	0	(829)

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(\$ In Thousands)

B. ACADEMIC PROGRAMS (1995 Actual, \$4,880; 1996 Estimate, \$4,799; 1997 Estimate, \$4,792; Decrease, \$-7):

The Bureau supports academic exchange programs authorized by the Mutual Educational and Cultural Exchange Act of 1961, as amended. Funding from this account provides program costs for English Language Programs, student advising and counseling, and study of the U.S. programs. The net decrease of \$7,000 in 1997 results from program reductions of \$43,000 (\$35,000 student advising, \$8,000 English language programs) and non-recurring balances of \$149,000 in English language programs, partially offset by full year and new price increases of \$185,000.

English Language Programs serve Agency posts in more than 140 countries with support to the development of host country English teaching curricula, textbook, and teacher training programs. Regional field- and Washington-based English as a Foreign Language (EFL) Specialist Officers cover these needs in six geographical areas, playing a significant role in fostering foreign understanding of American society, culture and institutions through the medium of American English. Officers work with ministries of education, universities and teacher training institutions, organize and conduct seminars, consult on curriculum design and development, and provide materials to improve the teaching of English abroad. Funds provide support for the production of supplementary texts and manuals, audio-visual materials, review and bibliographic information on commercially produced materials from American publishers, and the publication of the English Teaching Forum, a quarterly professional journal with worldwide recognition. Funds also include support to binational centers, cultural centers and direct English teaching programs at USIS posts, and special programs to support English Language programming in the NIS.

Included in the English Language Programs amount are operating expenses for Regional English Language Offices as follows:

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 REGIONAL ENGLISH LANGUAGE PROGRAMS
 EXPLANATION OF REQUIREMENTS /
 (\$ IN THOUSANDS)

<u>RELO OFFICES</u>	<u>1986 ACTUAL</u>	<u>1987 ESTIMATE</u>	<u>1987 ESTIMATE</u>	<u>INC. or DEC. (%)</u>
BERLIN	\$116	\$100	\$106	6
BUDAPEST	69	64	67	3
CAIRO	46	54	57	3
DAKAR	47	70	73	3
JAKARTA	75	68	74	6
LOME	60	34	36	1
MEXICO CITY	75	63	60	6
MOSCOW	121	-	-	-
PRETORIA	57	60	63	3
SAN JOSE	66	58	64	6
SAO PAULO	96	101	107	6
TASHKENT	-	123	129	6
TUNIS	77	81	86	4
TOTAL, GROSS FUNDS	931	877	892	4

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The Bureau also supports student advising and counseling programs for foreign students on non-immigrant visas enrolling in U.S. colleges and universities. These students represent the political and economic futures of their countries, and are important contributors to public perceptions of the U.S. upon their return home. They also make an important impact on the U.S. economy, investing in the American education system and spending money in the consumer economy. Despite long-term efforts on the part of many American institutions, large numbers of such students receive inadequate orientation and guidance in selecting study fields and institutions as well as in adapting fully to life in the U.S. USIA activities are designed to improve services both in the U.S. and overseas, for foreign students seeking admission to, or already attending American colleges and universities.

Study of the U.S. programs develop, acquire and distribute materials in support of foreign educators and institutions involved in the study of the United States.

This appropriation also supports the administrative costs associated with the J.W. Fulbright Foreign Scholarship Board.

1995 AND 1996 PROGRAM HIGHLIGHTS

- English Language Programs broke new ground in private sector cooperation in 1995. A cooperative agreement was signed with the Texas International Educational Consortium (representing 32 American colleges and universities) to run the USIS English Teaching Program in Dakar. TIEC will manage the program for USIS and remit a portion of tuition income to USIA as provided by the recycling legislation.
- The Bureau actively promoted American English language educational materials abroad. "Family Album USA" was broadcast in over 70 countries including France, Germany, Russia, Korea.
- Five hundred thousand copies of USIA materials in support of English teaching and teacher training were distributed worldwide.
- The Bureau maintains an English language Internet gopher at City University of New York (CUNY) with hundreds of resources

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(\$ in Thousands)

for English language educators and supports the CUNY TESL-L which is one of the largest listservs on the Internet with over 10,000 subscribers in over 90 countries.

- In response to a National Performance Review directive from the Vice-President's Office, the Bureau is working to identify alternate sources of funding for educational advising. In addition to encouraging centers to charge for services and exploring ways of generating funds by facilitating the administration of standardized tests overseas, the Bureau has entered into a cooperative agreement with Peterson's Higher Education Services, that will allow Peterson's to take over financial and administrative responsibility for educational advising in Singapore under the direction of USIA for a one-year trial period, beginning in March 1996. This agreement marks the first time that a public-private partnership has been formed with a U.S. business to conduct student advising overseas. If successful, this model will be expanded to other countries, by offering the opportunity for interested parties to compete to run advising centers in selected locations worldwide, and ensure continuation of worthwhile services in a period of diminished Federal funding.
- USIA received a donation, of test study materials from Educational Testing Services of Princeton, N.J., valued at more than \$600,000, for use by educational advising centers worldwide for the benefit of students preparing to study in the U.S.

C. PROFESSIONAL AND CULTURAL PROGRAMS (1995 Actual, \$2,898; 1996 Estimate, \$2,620; 1997 Estimate, \$2,474; Decrease, \$-146):

This account provides program costs for the Bureau's *Arts America Program*. The Bureau, through the Arts America Program, administers fine and performing arts programs in response to overseas post requests. The programs involve American visual arts exhibitions, performing artists and groups, speakers on the arts, and Cultural Specialists (practitioners of the arts). It also provides facilitative assistance to American artistic institutions engaged in activities overseas and manages U.S. participation in major international cultural events. Additionally, it partners with the Fund for U.S. Artists at International Festivals and Exhibitions to support the participation of American artists at international festivals.

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The Arts America Program also supports Artistic Ambassadors. This activity uses the wealth of often undiscovered musical talent in the United States to carry out USIA's mission of enhancing cross-cultural understanding. Musicians travel on four to six week tours world-wide, and conduct workshops with music students and faculties in conservatories.

The Bureau also supports, through the *Citizen Exchange Program*, youth exchange programs with Germany and Korea.

The net decrease of \$146,000 results from non-recurring balances of \$197,000 in the Special International Exhibitions account and program reductions of \$21,000 in Arts America programs, partially offset by full year and 1/2 price increases of \$72,000.

1995 AND 1996 PROGRAM HIGHLIGHTS

- In FY 1995, the Bureau conducted performing arts presentations in approximately 80 countries.
- Major activities included a presentation of the Eugene Ballet (Oregon) featuring their signature work based on Native American stories of the Pacific Northwest; a cooperative presentation with the Thelonious Monk Institute of Jazz of award-winning young jazz artists; and a presentation in Latin America of the "King of New Orleans jazz," the trumpeter Terence Blanchard.
- The Bureau circulated over 20 visual arts exhibitions worldwide and developed eight more for tours scheduled to commence in 1996. Among the most successful current tours are "Chicano Expressions" in Africa and Europe; "Spirit of Native America" in Latin America; "Crossing Over/Changing Places" in Europe; "Tell Me A Story" in East Asia, and "Signs and Symbols" in the Near East.
- In cooperation with the fund for U.S. Artists at International Festivals and Exhibitions, the Bureau supported the Bill Viola exhibition at the Venice Biennale as well as exhibitions for the Cuenca Bienal (Ecuador) and the Cairo Biennale which are touring Latin America and the Near East.

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(\$ In Thousands)

D. SUPPORT TO OVERSEAS SCHOOLS (1995 Actual, \$1,799; 1996 Estimate, \$—; 1997 Estimate, \$—; No change):

Funding in 1995 assisted in supporting programs at American schools abroad which are intended to increase mutual understanding between the peoples of the United States and of other countries. This activity supported studies, instruction and other educational activities for nationals of foreign countries in American schools abroad to demonstrate educational methods and practices employed in the United States. Funding for this activity was eliminated in FY 1996 due to overall budgetary constraints and deficit reduction efforts.

E. PROGRAM DIRECTION AND ADMINISTRATION (1995 Actual, \$1,515; 1996 Estimate, \$1,111; 1997 Estimate, \$1,073; Decrease, \$-38):

This category provides funds for program and administrative travel performed by Bureau staff and for other support costs of administering the Bureau's programs. Domestic travel is required to consult with and evaluate the performance of programming organizations which receive contract or grant support; to consult with educational institutions and other public and private organizations; and to attend conferences and meetings relevant to the Agency's programs. Overseas travel includes participation in regional conferences and seminars and visits to individual posts to consult with and provide guidance to field program operations and consultation with foundations and institutions to coordinate governmental and private programs. Shipping, communications, administrative supplies and technology support costs are all included under this category. In 1996, the Bureau continued with the development of integrated data systems to increase the efficiency of the administration of exchange programs.

Also included in this item is funding to support the Presidentially appointed Cultural Property Advisory Commission. An important outcome for the Commission is the signature of a memorandum of understanding by the U.S. and El Salvador restricting certain categories of prehispanic archaeological material from being imported into the U.S. unless accompanied by an export permit issued by El Salvador. This is the first such cultural property agreement under the authority of the Convention on Cultural Property Implementation Act, and it advances the promotion of cultural values, one of the action items agreed upon at the 1994 Summit of the Americas.

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(*\$ in Thousands*)

The net decrease of \$38,000 results from program reductions of \$50,000, partially offset by full year and new price increases of \$12,000.

F. SEED PROGRAMS (1995 Actual, \$964; 1996 Estimate, \$457; 1997 Estimate, \$273; Decrease, \$-184):

In 1995 and 1996, under the Support for East European Democracy (SEED) legislation, the Bureau continues to support programs with funds transferred from USAID. The Agency will conduct these programs for East Europe and the Baltic countries in 1996 with funding provided under the SEED VII interagency agreements. Additional SEED Programs are conducted under the Exchange Programs account and are described in that section of this document. The SEED activities funded under Salaries and Expenses include:

Administrative costs related to SEED programs.

English Language Programs - Textbooks, materials, and audio/video materials and equipment are purchased and distributed to English language programs in East Europe, including those of Agency-sponsored English Language Officers and Fellows.

The net decrease of \$184,000 results from non-recurring appropriation transfer balances.

G. FREEDOM SUPPORT ACT PROGRAMS (1995 Actual, \$94; 1996 Estimate, \$1,212; 1997 Estimate, \$-; Decrease, \$1,212):

This activity funds administrative costs necessary for the Bureau to conduct exchanges authorized by the FREEDOM Support Act, and described under the Exchange Programs section of this document, including secondary school exchanges, scholarship top-up grants, undergraduate and graduate exchanges, university partnership grants, local and regional government exchanges, international visitor exchanges, and business exchanges. USAID made interagency transfers to USIA's Salaries and Expenses and Exchange Programs account to support these costs in 1995. The Agency expects that the anticipated transfer in 1996, and estimated transfer in 1997 will include administrative funds not displayed in this presentation. The net decrease of \$1,212,000 results from non-recurring appropriation transfer balances.

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H. EXPLANATION OF 1996 PROGRAM CHANGES:

The 1996 Program Plan includes reductions of \$6,640,000, including: the elimination of 34 domestic positions and one overseas American position (\$1,595,000); major reductions to performing and visual Arts America programs (\$823,000); elimination of the Regional English Language Office in Lome, and reductions to English Language materials programs (\$137,000); reductions in domestic and overseas student advising (\$269,000); the elimination of Support for Overseas Schools (\$1,799,000); elimination of base funding for administration costs of NIS Exchanges (\$1,817,000); and reductions in administrative services including program travel (\$200,000).

Included in the 1996 Program Plan are carry-in balances of \$1,742,000, comprised of \$1,212,000 for NIS FREEDOM Support Exchanges administration received by appropriation transfer, \$184,000 for SEED VI Exchanges administration also received by appropriation transfer, \$149,000 in English Teaching proceeds, and \$197,000 for Arts America Special International Exhibitions. In 1996, as in previous years, a portion of Bureau staff salaries and program costs (\$12,540,000) is being supported by the Exchange Appropriation. In 1997, the Administration proposes to shift funding of these activities back to S&E. For comparative purposes, the 1995 and 1996 funds are displayed in the S&E details in this justification document.

III. 1997 PLANS - INPUTS/EXPECTED OUTCOMES

Explanation of 1997 Built-in Requirements:

A net decrease of \$1,774,000 results from full-year savings of \$889,000 associated with the elimination of 35 positions in 1996, including \$47,000 for severance pay and \$35,000 for terminal leave payments; non-recurring costs of \$1,742,000 for programs funded in 1996 with balances carried in, mainly for FREEDOM Support program administration; and \$36,000 related to prior-year buyouts. These decreases are partially offset by increases of \$893,000, consisting of \$269,000 for full-year and new price increases; \$556,000 for full-year costs of the 1996 Federal pay raise (\$119,000) and an anticipated 3.0% Federal pay raise in January 1997 (\$437,000), and full-year and new FICA and health benefit rate increases of \$68,000.

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Program Reductions:

The 1997 request level assumes new 1997 reductions of \$339,000, including: the elimination of five domestic positions (\$225,000); and reductions in program travel (\$50,000); student advising programs (\$35,000); Arts America programs (\$21,000) and English language programs (\$8,000). The 1997 position reductions will be implemented according to the outcome of the Bureau's ongoing restructuring effort, described below.

Bureau Restructuring:

The Bureau is now engaged in the process of adopting a new organizational structure that is leaner, less hierarchical and fragmented, and more flexible to address the dramatically changed international environment of the post-Cold War period.

The four central objectives guiding the restructuring process are:

1. Reduce fragmentation and multiple operational units.
2. Reduce layering in the Bureau's organizational hierarchy.
3. Encourage empowerment, teamwork, staff cohesion and cross-functional communication.
4. Implement downsizing of overall staff levels in order to meet National Performance Review and budget requirements.

The significant restructuring and downsizing of the Bureau will parallel similar fundamental change in how programs are administered by the Agency and by our partner organizations. Use of new technologies, a reduction in centralized workshops/orientations, simplification and streamlining of the Bureau application and grant-making processes, an emphasis on cost-sharing, and program prioritization and coordination will all contribute to making exchange programs more efficient and cost-effective. The Bureau will be making final restructuring decisions in 1996 for immediate, phased implementation.

The Bureau continued in 1995 to build its evaluation capacity to provide program managers, Agency officials and the President and Congress with knowledge about the results and effectiveness of programs. The Bureau's Office of Policy and Evaluation

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performs and supports evaluations of program processes and results within priority program areas. Evaluations undertaken directly by the office focussed on improving longer-term program implementation and effectiveness. Other studies undertaken by program staff with office support sought to analyze, compare and synthesize the factors influencing program performance.

The Bureau has developed a strategic framework for measurement of the performance of all Exchange programs in accordance with the Government Performance and Results Act of 1993 (GPRA). The Bureau plans to develop a GPRA Performance Plan in 1996 to establish specific measurements for key programs, and an implementation time line.

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SUMMARY OF REQUIREMENTS
 6/17/1986

	1986 ACTUAL	1986 ESTIMATE	1987 ESTIMATE	INC. OR DEC. CH.
POSITIONS				
DOMESTIC	210	270	270	(6)
OVERSEAS AMERICAN	12	12	12	..
TOTAL, POSITIONS	222	282	282	(60)
FUNDS				
OFFICE OF THE ASSOCIATE DIRECTOR	9000	9000	3802	(518)
OFFICE OF THE EXECUTIVE DIRECTOR	1,403	1,200	1,200	(18)
OFFICE OF ACADEMIC PROGRAMS	12,067	11,973	11,704	(163)
OFFICE OF INTERNATIONAL VISITORS	5,067	5,100	5,022	(178)
SUPPORT TO OVERSEAS SCHOOLS	1,790
OFFICE OF CITIZEN EXCHANGES	2,829	2,740	2,840	(80)
OFFICE OF ARTS AMERICA	4,433	3,947	3,700	(173)
OFFICE OF POLICY AND EVALUATION	66	600	602	(5)
PROGRAM DIRECTION AND ADMINISTRATION	1,616	1,111	1,873	(28)
SEED PROGRAMS	664	467	373	(190)
FREEDOM SUPPORT ACT PROGRAMS	91	1,212	..	(1,212)
TOTAL, GROSS FUNDS (COMPARATIVE BASIS)	91,879	90,405	27,282	(64,115)
DEDUCT REIMBURSEMENTS	(1,818)	(448)	(448)	..
TOTAL, DIRECT FUNDS (COMPARATIVE BASIS)	90,061	89,957	26,844	(2,115)
RECONCILIATION TO 1986 & 1986 APPROPRIATIONS AS ENACTED & ESTIMATED				
DEDUCT COMPARATIVE TRANSFER FOR EXCHANGES SUPPORT FUNDED IN THE EXCHANGES APPROPRIATION IN 1986 & 1986	(14,800)	(12,540)	XXX	XXX
1986/1986 APPROPRIATIONS AS ENACTED & ESTIMATED	10,261	10,417	XXX	XXX

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(\$ in thousands)

	1995 <u>Actual</u>	1996 <u>Estimate</u>	1997 <u>Estimate</u>	Increase or <u>Decrease (-)</u>
Summary of Requirements.....	\$31,067	\$31,314	\$30,356	-\$958

General Statement

I. SUMMARY - GOALS/OBJECTIVES/INPUTS

Goals/Objectives: The Bureau of Information supports overall U.S. foreign policy goals as identified by Secretary of State Christopher in February 1995 and USIA goal to increase understanding and acceptance of U.S. policies and U.S. society by foreign audiences. The Bureau's goals are: Goal 1: Develop a coherent, innovative and cost effective menu of products and services in support of Country Plan Themes and the Administration's foreign policy priorities. Goal 2: Consolidate the Bureau's new structure around self-directed teams to provide products and services in ways that are flexible, innovative and responsive. Goal 3: Exploit, develop and promote new technologies to provide information and products to the field quickly and to reliably link customers and stakeholders.

Inputs: The Bureau of Information comprises four offices under the overall direction of a six person Office of the Associate Director. A total of \$30,356,000 and 372 positions is requested in 1997 for these activities, a net decrease of \$958,000 from the lower program levels established in 1996.

Thematic Units, forming a mutually supporting matrix with the Geographic Units, focus on the issues of greatest importance in the conduct of public diplomacy. Five Thematic Units tailor products and services to the specific thematic needs of country, regional and global audiences. They ensure information is provided on a worldwide, multi-national or thematic basis for USIS posts' use with those individuals, institutions and groups which influence or are likely to influence the understanding and opinions of foreign publics and the policies of their governments and other institutions as they relate to U.S. interests. They serve as thematically-specific points of contact for USIA, other government agencies and the private sector, coordinate thematic initiatives and manage Agency-directed Bureau program budgets on a thematic basis. Two units in this office (Print Publications and Copyright and Electronic Media) are a major source of information (including database development and access) for all elements in the Agency and overseas. They support U.S. foreign policy objectives overseas through press articles, pamphlets, photos and other visual materials. Increasingly these units are producing high quality virtual publications for electronic delivery around the world. The 1997 request provides for a staff of 101.

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BUREAU OF INFORMATION

Geographic Units ensure a single, accountable point of contact between field posts and the Bureau. They are critical in determining how the field posts are served. Differences in technology, social structures, political realities, and economic development are among the many factors they take into account to determine type and level of products and services. The geographic units are designed to be responsive to the Agency's overseas posts and to identify and provide appropriate products and services as needed. Five of these units are organised to serve specific regions. Another two units provide comprehensive information resource services and text editing and delivery on a global basis. The 1997 request provides for a staff of 107.

Foreign Press Centers in Washington, D.C., New York City, and Los Angeles provide facilitative services and conduct thematic working tours and policy briefings for foreign correspondents assigned to the U.S., all of which contribute to a better understanding of American policies and motives. Also, the Centers establish press information desks at international summits, conferences and Chief of State visits to the United States and sponsor internships and journalist training programs for foreign media representatives from the MIS and Eastern Europe. The 1997 request provides for a staff of 22.

Support Services Units are charged with administrative, telecommunications, computer, organisational development and printing and distribution needs of the bureau. Especially noteworthy is the printing unit which prints and distributes publications for USIA and other foreign affairs agencies. Products include pamphlets, posters, books and other printed materials identified as necessary for their public diplomacy initiatives. This unit operates a state of the art printing facility in Manila, thereby substantially reducing the Agency's print costs. The 1997 request for Support Services provides for a staff of 136.

II. 1995 AND 1996 PROGRAMS - HIGHLIGHTS

During the Bureau of Information's first year of operation (FY95), its Offices of Geographic Liaison (I/G) and Thematic Programs (I/T) facilitated more than 1,000 Speaker and Academic Specialist programs; arranged 200 electronic speaker programs; transmitted a "Wireless File" of key U.S. Government policy statements worldwide five times weekly in English, Spanish, French, Arabic and Russian; translated 135 American books; supported and designed information resource centers overseas that provide official USG and other primary source documentation, both electronic and print-based, to key foreign audiences; and responded to enormous volume of reference questions on significant issues from USIA field posts around the world. Through these products and services, U.S. Missions are able to clarify and advocate U.S. positions and to explain American society and institutions. They developed, maintained and operated USIA's presence on the Internet. They launched Agency Web and Gopher sites, providing information about the Agency and its programs, and timely access to Agency products and services. They also developed special Internet sites in support of important foreign affairs events and Agency initiatives, including the USG's official homepage for the Beijing Women's Conference and CIVNET--a major, ongoing, interactive Internet presence developed for the international civil society/civic education conference in Prague. They produced an exciting new multimedia CD-ROM on student advising, and established an expanding array of electronic policy and issue-oriented databases. They worked cooperatively with the private sector to exploit, for Agency purposes, independently developed electronic products, and to develop joint products in support of USG policy. As a result of a Bureau-wide study of how library support

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with the private sector to exploit, for Agency purposes, independently developed electronic products, and to develop joint products in support of USG policy. As a result of a Bureau-wide study of how library support programs should operate, they undertook responsibility for Bureau-wide coordination, providing a locus of professional support and guidance for the management of information resource centers, documentation centers and libraries abroad. I/O leads the Agency's progressive move from a print-reliant, traditional library presence overseas to state-of-the-art electronic-based information resource centers. I/T supported major foreign policy events, e.g., intellectual property rights and President Clinton's peace-making trip to the Middle East. A new series of pamphlets focused on the global information infrastructure; another on democracy and rule of law; and a third on preserving the environment.

The offices have conducted a comprehensive review of all I Bureau publications and developed new product concepts while phasing out materials less relevant to current Agency programming. The emphasis is on increasing reliance on less expensive, easily accessed electronic presences, consistent with USG policy goals and foreign target population needs and interests. The Foreign Press Centers provide timely, accurate and authoritative information about U.S. Government policies to journalists working for international print and broadcast media. In FY95, it organized more than 160 briefings by senior U.S. officials and other experts to advocate U.S. programs and positions and to help the journalists interpret American society. It also arranged appointments with leaders and experts in Washington and across the country for more than 2,000 reporters and designed and managed thematic tours for foreign correspondents.

The Office of Support Services analyzed physical and personnel infrastructures and work methods, and embarked on a concentrated effort to rebuild the Bureau's computer infrastructure; train employees in critical applications; introduce modern management concepts and develop team skills, and devise the means to move fiscal responsibility to the team level while maintaining accountability. In printing emphasis was on readjusting its operations to a very different product mix, while downsizing employment by 30%. More than 40 workshops and seminars were held to immerse teams, team leaders, facilitators and others in the culture of team work and empowerment that has come to represent the Bureau of Information. The success of this effort is measured in the growing satisfaction expressed by our primary customers, USIS field posts, in the quality and responsiveness of Bureau services. Based largely on this Bureau's accomplishments, the Agency adopted the development of an Agency-wide team-based environment as a major goal for the year 2000. I Bureau's reputation for innovation brings frequent calls from other agencies for help in their reinvention. In 1996, the Office plans to move the Bureau closer to its objectives of creating genuinely self-directed work teams; undertake comprehensive strategic measurement of Bureau products and services and make more systematic its ongoing program of skills assessment and training. It also upgraded all the Bureau's computers to the 486 level; installed Windows throughout; routinized the use of E-mail for in-house and external communications, and began the introduction of Lotus Notes and CalNDAR as management tools. Intensive and highly personalized training made this possible. Success is measured by a steady increase in skilled use of these tools. Increasing emphasis has been given to telecommunications skills and computer trouble shooting, leading to the development of growing cadres able comfortably to navigate the Internet and to assist colleagues in resolving minor computer glitches without drawing on scarce expert resources. Efforts are underway to centralize databases on common platforms, open access to other elements, and further develop the means to ensure agency-wide technology sharing.

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III. 1997 PLANS - INPUTS/EXPECTED OUTCOMES

The Offices of Geographic Liaison and Thematic Programs will be working to offer more flexibility to U.S. Missions in selecting many I Bureau products and services according to what works best in different overseas environments. Working with the Country Plans created by USIS posts, the Offices will utilize new tracking procedures and software to tailor programs and products more closely to Post goals. With fewer resources available, this market-based approach should ensure that our efforts are more efficient. They will focus on providing timely, inexpensive, "user-friendly" electronic information to field posts. Their programs will become increasingly integrated as electronic media. This will require significant cooperation among its various teams, with the field, and with the Agency as a whole to determine the most essential subject foci and the appropriate electronic platforms. The offices will aggressively pursue developing technologies and increase contacts with private sector organizations to expand the information available to the field.

The Office of Support Services needs to help the Bureau adapt to technological innovation as it changes its mix of products and services to meet audience needs. This will require continued emphasis on systematic evaluation and training and continuous upgrading of the tools of information technology, while consolidating the Bureau's ethos of perpetual learning and reinvention. To ensure that applications are tuned to the very special requirements of a unique organization, the Bureau will need to interpret the experience of others in the public and private sectors while becoming more self-reliant in technology and training.

In 1997, a total of \$30,356,000 is requested for the Bureau of Information, a net decrease of \$958,000. This decrease results from full-year savings of \$1,066,000 related to 1996 program reductions, including one-time requirements of \$227,000 for foreign national separation payments (\$97,000), domestic severance pay (\$65,000), and closing of the Regional Book Office in Mexico (\$65,000); 1997 program reductions of \$375,000 and seven positions in printed materials, book translations, and efforts to improve the use of ADP technology skills within the Bureau to continue the President's government-wide deficit reduction efforts; and non-recurring costs in 1996 of \$92,000 for payments to the Civil Service Retirement Fund related to prior-year buyouts and \$553,000 for balances carried into 1996 for SEED/FSA programs funded by USAID (\$462,000), recycling programs (\$12,000) and Multi-Media programs (\$79,000).

These decreases are offset, in part, by built-in requirements of \$1,128,000, consisting of \$429,000 for full-year and new price increases; \$122,000 for full-year costs of the 1996 Federal pay raise and \$445,000 for the estimated costs of a 3.0% Federal pay raise in January 1997; and 132,000 for full-year and new foreign national employee wage scales and FICA and health benefit increases.

BUREAU OF INFORMATION

IV. PROGRAM PERFORMANCE INFORMATION

The Country Plan process, in which Posts annually identify for the Agency their public diplomacy themes and objectives, is the I Bureau's guide for generating and designing products, programs, and services. The key performance indicator of much of the I Bureau's programming will be relevance to Country Plan themes and timeliness. Other indicators are:

- o The extent to which Posts continue ordering and paying for one product over another when given the freedom to choose in a market-based system.
- o The consonance of "Wireless File" and "Electronic Journal" content with Country Plan themes worldwide and use of its materials by key foreign audiences.
- o The quality and speed of responsiveness to Post requests, as evidenced by Post reporting.
- o The increased use of electronic publication and staff development of related skills.
- o An increase in the number and range of availability to the field of relevant electronic databases.
- o An increase in the use of the private sector's intellectual resources and new electronic platforms to support I Bureau activities.
- o An increase in requests for Bureau services by other Agency elements and other USG agencies.
- o The development of policy-relevant publications.
- o Reduced dependence on outside contractors for training and technology support.
- o An increase in the number and measurable skills of in-house, core team-level trainers in technology, team-based management and financial management and accountability.
- o An ability to measure production efficiency and customer satisfaction quantitatively and continually.
- o The ability to track budgets quickly and accurately throughout the year.

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BUREAU OF INFORMATION
(\$ in Thousands)

Summary of Requirements

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)	Page Ref.
POSITIONS:					
Domestic.....	274	260	255	-5	
Overseas Americans.....	22	18	18	..	
Foreign National.....	113	101	99	-2	
Total, Positions.....	409	379	372	-7	13-7
FUNDING:					
A. Employee Compensation and Benefits....	\$21,892	\$22,053	\$21,353	\$-700	13-7
B. Indirect and World-wide Programs.....	11,242	9,876	9,618	-258	13-8
Total, Gross Funds.....	33,134	31,929	30,971	-958	
Deduct Reimbursements.....	-2,067	-615	-615	..	
Total, Direct Funds.....	31,067	31,314	30,356	-958	

Detailed requirements by type of expense for the Bureau of Information follow. A combined summary of employee compensation and benefits and program expenses by office is reflected on page 13-13.

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BUREAU OF INFORMATION
(\$ in Thousands)

FUNDS:

A. Employee Compensation and Benefits (1995 Actual, \$21,892; 1996 Estimate, \$22,053; 1997 Estimate, \$21,353; Decrease, \$-700).

	1995 Actual		1996 Estimate		1997 Estimate		Increase or Decrease (-)	
	Pos.	Funds	Pos.	Funds	Pos.	Funds	Pos.	Funds
1. Domestic Employees:								
Office of the Associate Director.....	6	\$ 546	7	\$ 641	6	\$ 587	-1	\$-54
Thematic Units.....	115	7,867	102	8,092	101	7,660	-1	-432
Geographic Units.....	94	6,000	95	6,261	93	6,187	-2	-74
Foreign Press Centers.....	22	1,500	22	1,581	22	1,630	--	49
Office of Support Services Units.....	37	2,493	34	2,531	33	2,336	-1	-195
Total, Domestic Employees.....	274	18,406	260	19,106	255	18,400	-5	-706
2. Overseas American Employees:								
Geographic Units.....	16	1,472	12	1,125	12	1,150	--	25
Office of Support Services Units.....	6	548	6	570	6	586	--	16
Total, Overseas American Employees.	22	2,020	18	1,695	18	1,736	--	41
3. Foreign National Employees:								
Geographic Units.....	10	480	2	145	2	53	--	-92
Office of Support Services Units.....	103	986	99	1,107	97	1,164	-2	57
Total, Foreign National Employees..	113	1,466	101	1,252	99	1,217	-2	-35
Total, Gross Employee Comp. & Benefits	409	21,892	379	22,053	372	21,353	-7	-700

The net decrease of \$700,000 results from full-year savings of \$1,001,000 related to the elimination of 18 domestic positions in 1996 due to overall budgetary constraints and deficit reduction efforts, including one-time 1996 requirements of \$162,000 for foreign national separation costs (\$97,000) and domestic severance payments (\$65,000); a 1997 program decrease of \$306,000 and seven positions (\$292,000 for five domestic and \$14,000 for two foreign national positions) to continue the overall deficit reduction efforts; and 1996 contributions of \$92,000 to the Civil Service Retirement and Disability Fund related to prior-year buyouts. These decreases are offset, in part, by increases of \$122,000 for full-year costs of the 1996 Federal pay raise; \$445,000 for the estimated cost of a 3.0% Federal pay raise in January, 1997; \$56,000 for full-year and new FICA and health benefit rate increases; and \$76,000 for full-year and new foreign national wage scale increases.

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BUREAU OF INFORMATION
(\$ in Thousands)

Summary of Requirements

- D. Indirect and World-wide Programs (1995 Actual, \$11,242; 1996 Estimate, \$9,876; 1997 Estimate, \$9,618; Decrease, -238).**

Activity	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)	Page Ref.
1. Office of the Associate Director.....	\$ 21	\$ 20	\$ 22	\$ 2	14-8
2. Thematic Units.....	3,000	2,070	1,548	-522	14-9
3. Geographic Units.....	4,907	4,849	4,980	131	14-10
4. Foreign Press Centers.....	518	519	531	12	14-11
5. Office of Support Services Units.....	2,786	2,618	2,517	-119	14-12
Total, Gross Funds.....	\$11,242	\$9,876	\$9,618	-238	

Detailed requirements by type of expense for this activity follow:

- 1. Office of the Associate Director (1995 Actual, \$21; 1996 Estimate, \$20; 1997 Estimate, \$22; Increase, \$2).**

These funds provide for travel within the U.S. and overseas for program direction and for attendance at meetings relevant to Agency operations; and for miscellaneous team based program expenses. The increase of \$2,000 is requested to cover inflationary cost increases.

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BUREAU OF INFORMATION
(\$ in Thousands)

2. Thematic Units (1995 Actual, \$3,000; 1996 Estimate, \$2,070; 1997 Estimate, \$1,548; Decrease, -\$522).

Activity	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
a. Administrative Support.....	\$ 164	\$107	\$105	\$ -2
b. General Program Direction.....	129	21	23	2
c. US Society/Value Programs.....	22	20	21	1
d. Economic Security Programs.....	104	20	21	1
e. Political Security Programs.....	32	20	21	1
f. Democracy/Human Rights Programs.....	36	20	21	1
g. Information/Communications Programs.....	6	20	21	1
h. Global Issues Programs.....	491	320	321	1
i. Print Publications.....	476	343	347	4
j. Electronic Media.....	172	538	547	9
k. USAID-SEED/PSA.....	<u>1,368</u>	<u>641</u>	<u>100</u>	<u>-541</u>
Total.....	<u>3,000</u>	<u>2,070</u>	<u>1,548</u>	<u>-522</u>

The Thematic Units coordinate development of media components to complement and reinforce USIS posts' communication with those individuals, institutions and groups which influence the understanding and opinions of foreign publics and the policies of their governments and other institutions as they relate to U.S. interests.

The Print Publication and Electronic Media Units develop and coordinate electronic publication initiatives for the Agency including the Agency gopher/web site. The units also provide special materials and arrange copyright clearances for domestically-produced articles upon post requests; produce book, article, and document alerts on high priority issues for post outreach programs; and prepare special bibliographies to support a variety of field programs.

Pamphlets and special publications are produced on aspects of American foreign policy, culture, scientific development, economy, government and other themes. They are produced in English, Spanish, French, and Arabic and many field posts publish other language versions.

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BUREAU OF INFORMATION
(*\$ in Thousands*)

Under this activity in 1997, and based on current estimates of 1996 support, the Agency expects to receive \$100,000 through USAID-funded Support for Eastern Europe (SEED) programs for democracy building and development of independent international media in Central and Eastern Europe.

The net decrease of \$522,000 results from non-recurring costs of \$541,000 for programs funded in 1996 with carry-over balances consisting of \$79,000 for the Media-Media Program and \$462,000 for SEED/PFA programs funded by USAID; and 1997 program reductions of \$14,000. These decreases are offset, in part, by an increase of \$33,000 for full-year and new inflationary cost increases.

3. Geographic Units (1995 Actual, 1996 Estimate, 1997 Estimate, Increase, ~~Decrease~~)

Activity	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
a. Administrative Support.....	\$ 690	\$ 182	\$ 187	\$ 5
b. Wireless File Support.....	168	36	37	1
c. Translation Services.....	102	250	237	7
e. IRO Program Support.....	--	52	56	4
f. I/G Program Support.....	--	51	52	1
g. Program Funds African Area.....	219	250	265	15
h. Program Funds Inter-American Area.....	438	516	530	14
i. Program Funds East Asia and Pacific Area.....	190	474	487	13
j. Program Funds Eastern European and NIS Area.....	610	604	636	32
k. Program Funds North African, Near East and South Asian Area.....	366	474	487	13
l. Program Funds Western European and Canadian Area.....	210	230	236	6
m. Legislate.....	346	391	402	11
n. Library Services.....	496	371	361	-10
o. Regional Library Office Support.....	863	963	962	-1
p. Central Processing.....	29	5	5	--
Total.....	4,207	4,842	4,980	131

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BUREAU OF INFORMATION
(\$ in Thousands)

This activity, in support of overseas post initiatives and with the cooperation of other Agency elements and public and private institutions, provides American experts to address foreign publics on the issues of greatest importance in the conduct of public diplomacy. These U.S. speakers, through overseas seminars and lectures and international teleconferences (often with video scene-setters), cover a broad range of topics from government and politics, economics, and science to sports and social aspects of American life. These funds also provide basic support functions of the Agency Library, including acquisitions, cataloguing, and circulation of materials, and coordinates agency library, and information resource programs worldwide and support for: (a) library resources (including reference and research materials, data base access, and other general library services); (b) the Agency's worldwide book publishing and promotion activities, including translation and reprinting of significant books relating to Agency themes in English and other languages; and (c) translation of wireless file materials -- including texts of major speeches and official government statements, analytical and background articles explaining foreign policy and domestic developments -- which are placed in indigenous media and post-produced publications, distributed directly to target audiences, or used as background and policy sources by mission staffs. A net increase of \$131,000 is requested to provide \$242,000 for full-year and new price increases, offset, in part, by non-recurring costs of \$77,000 (related to the closure of the Regional Book Office in Mexico (\$65,000) and carryover balances from the library recycling program (\$12,000) and 1997 program reductions of \$34,000.

4. Foreign Press Centers (1996 Actual, \$518; 1996 Estimate, \$519; 1997 Estimate, \$531; Increase, \$13).

The Foreign Press Centers provide textual, visual and electronic materials produced in the United States for use by overseas missions distribution to foreign media and influential leaders abroad, and for use in post-produced publications, all targeted to promote support for U.S. policies and understanding of the U.S.

The Foreign Press Centers conduct regular briefings on key foreign policy issues by senior administrative officials, other topical briefings, and orientation and training programs in the United States for foreign correspondents from media institutions abroad; press support at international summits, conferences, and other special events; and for miscellaneous program expenses. A net increase of \$12,000 is requested to provide \$18,000 for full-year and new price increases, offset, in part, by 1997 program reductions of \$6,000.

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BUREAU OF INFORMATION

(\$ in Thousands)

**5. Office of Support Services (1995 Actual, \$2,796; 1996 Estimate, \$2,418; 1997 Estimate, \$2,537;
Increase, \$119).**

This unit provides funds for administrative support and coordination related to personnel, budget, procurement and other general administrative functions. It also oversees telephone costs; purchase of program and administrative supplies and materials; procurement of reference books, magazines, and newspapers for staff use; general administrative travel; and other support for planning and administering Bureau programs. A net increase of \$119,000 is requested to provide \$134,000 for full-year and new price increases, offset, in part, by 1997 program reductions of \$15,000.

Printing Services

These funds provide for support related to the production of Agency publications, posters, books, other printed materials and operating expenses -- including rent, utilities, plant maintenance and the purchase of new and replacement equipment -- for a full service printing facility in Manila, the Philippines.

Telecommunications and Computer Operations

This unit, in cooperation with the M Bureau's Office of Technology, provides a full range of support services in the telecommunication and computer fields to all Bureau program operations and to overseas posts linked to the Bureau. These services encompass local area network and computer management and operations; user support; acquisition of software, equipment and related contractual services; development and maintenance of information data bases which serve Agency offices in Washington and overseas; and training (including application usage, computer management, hardware use and trouble-shooting). This unit also has oversight responsibility for user training, both classroom and one-on-one; telecommuting; coordination for use of the DVC and Bulletin Board system; and technical management of the Bureau's presentation and training facilities.

Development, Evaluation, Training

This unit's prime concern is to support and enhance Bureau performance through a team-based culture; provide teams and individuals within those teams appropriate training; evaluate the effectiveness and the efficiency of Bureau products and services; and help to develop and promote good inter-office and intra-office communications.

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BUREAU OF INFORMATION
(\$ in Thousands)

Summary of Requirements by Office

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
POSITIONS:				
Domestic.....	274	260	255	-5
Overseas Americans.....	22	18	18	--
Foreign National.....	113	101	99	-2
Total, Positions.....	<u>409</u>	<u>379</u>	<u>372</u>	<u>-7</u>
FUNDS:				
Office of the Associate Director.....	\$ 567	\$ 661	\$ 609	\$ -52
Thematic Units.....	10,867	10,178	9,241	-937
Geographic Units.....	12,859	12,364	12,337	-27
Foreign Press Centers.....	2,018	2,100	2,161	61
Office of Support Services.....	6,823	6,826	6,823	-3
Total, Gross Funds.....	<u>33,134</u>	<u>31,929</u>	<u>30,971</u>	<u>-958</u>
Deduct Reimbursements.....	<u>-2,067</u>	<u>-615</u>	<u>-615</u>	<u>--</u>
Total, Direct Funds.....	<u>31,067</u>	<u>31,314</u>	<u>30,356</u>	<u>-958</u>

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AGENCY DIRECTION AND MANAGEMENT
(\$ in Thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Summary of Requirements	\$70,020	\$60,823	\$59,206	\$-1,617

General Statement

Offices under the heading Agency Direction and Management consist of: Office of the Director; Office of Civil Rights; Office of Research and Media Relations; Office of the General Counsel; Office of Congressional and Intergovernmental Affairs; Office of Public Liaison; U.S. Advisory Commission on Public Diplomacy; and the Bureau of Management.

In 1996, as a result of the government-wide deficit reduction efforts, program cuts totaling \$8,473,000 and 113 positions were implemented. The reductions included staffing cuts in all elements, reflecting the impact of the Agency's efforts to downsize and streamline administrative and related operations. The specific reductions are identified in each element's section of this document.

In 1997, a total of \$59,206,000 is requested for this activity. The net decrease of \$1,617,000 results from full-year savings of \$1,810,000 related to 1996 program reductions; nonrecurring costs of \$1,010,000 for severance pay and other costs associated with the 1996 program reductions (\$510,000), and carryover of administrative proceeds from 1995 (\$500,000); and 1997 program reductions of \$679,000 and one domestic position to implement the President's government-wide deficit reduction efforts.

These decreases are offset, in part, by requested increases of \$1,882,000, consisting of \$497,000 for inflationary price increases; \$259,000 for full-year costs of the 1996 Federal pay raises and \$946,000 for the estimated costs of a 3% Federal pay raise in January 1997; \$139,000 for retirement, FICA and other benefit costs increases; \$33,000 for added costs for workers' unemployment compensation; and \$8,000 for foreign national employee wage scale increases.

A description of each element's major functions, and position and funding levels follows.

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AGENCY DIRECTION AND MANAGEMENT
Summary of Positions

Agency Direction	1996 Actual			1996 Estimate			1997 Estimate			Increased or Decreased (-)		
	Dom.	Amer.	FME	Total Positions	Dom.	Amer.	FME	Total Positions	Dom.	Amer.	FME	Total Positions
Office of the Director.....	63	--	--	63	44	--	--	44	44	--	--	44
Office of Civil Rights.....	18	--	--	18	8	--	--	8	8	--	--	8
Office of Research and Mc Kinney Revision.....	80	--	--	80	46	--	--	46	44	--	--	44
Office of the General Counsel.....	63	--	--	63	40	--	--	40	40	--	--	40
Office of Congressional and Intergovernmental Affairs.....	8	--	--	8	7	--	--	7	7	--	--	7
Office of Public Liaison.....	16	--	--	16	14	--	--	14	14	--	--	14
U.S. Advisory Commission on Public Diplomacy.....	8	--	--	8	4	--	--	4	4	--	--	4
Subtotal, Agency Direction.....	196	--	--	196	171	--	--	171	170	--	--	170
Management.....										-1	--	--
Office of Associate Director and Other Staff.....	7	--	--	7	7	--	--	7	7	--	--	7
Executive Office.....	17	--	--	17	14	--	--	14	14	--	--	14
Office of Administration.....	120	10	8	138	112	10	4	128	112	10	4	128
Office of Technology.....	137	--	--	137	129	--	--	129	129	--	--	129
Office of the Comptroller.....	106	--	--	106	67	--	--	67	67	--	--	67
Office of Contracts.....	26	--	--	26	27	--	--	27	27	--	--	27
Office of Human Resources.....	98	--	--	98	66	--	--	66	66	--	--	66
Office of Security.....	98	--	--	98	50	--	--	50	50	--	--	50
Subtotal, Management.....	654	10	8	667	466	10	4	666	466	10	4	666
Total, Positions.....	779	19	8	796	625	19	4	622	625	19	4	622
										-1	--	--

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AGENCY DIRECTION AND MANAGEMENT
Summary of Funds Requirements
(\$ in Thousands)

Agency Directorate	1996 Actual			1996 Estimate			1997 Estimate			Increase or Decrease (-)			Page Ref.
	Salaries and Benefits	Program Expenditures	Total Funds										
Office of the Director.....	64,912	8,980	64,870	64,104	8,175	64,275	63,982	8,184	64,166	-918	98	-8175	14-4
Office of Civil Rights.....	545	162	707	468	180	648	472	144	616	-89	-6	-59	14-7
Office of Research and Media Relations.....	5,269	2,192	5,810	5,212	2,172	5,364	5,192	2,051	5,473	-39	160	00	14-10
Office of the General Counsel.....	3,330	147	3,466	3,062	302	3,264	3,572	298	3,775	-36	1	-46	14-18
Office of Congressional and Intergovernmental Affairs.....	610	66	676	631	66	691	661	66	674	-19	-7	-17	14-19
Office of Public Liaison.....	1,132	168	1,315	1,167	96	1,229	1,174	47	1,221	7	-16	-6	14-21
U.S. Advisory Commission on Public Diplomacy.....	269	61	327	267	146	413	267	139	447	--	8	2	14-22
Subtotal, Agency Directorate.....	18,066	2,182	18,677	18,066	2,000	18,407	18,300	3,068	18,312	-276	66	-106	
Management.....													14-22
Office of Associate Director and Other Staff.....	884	114	998	888	41	931	944	48	988	94	1	56	
Executive Office.....	1,180	282	1,422	1,279	166	1,375	1,289	168	1,368	-98	3	-55	
Office of Administration.....	7,664	8,000	12,664	8,000	8,294	11,912	8,067	8,067	11,904	-81	-207	-596	
Office of Technology.....	7,434	10,164	17,600	7,411	8,797	11,198	7,579	8,371	10,944	128	-410	-386	
Office of the Comptroller.....	4,864	113	4,988	4,474	66	4,544	4,995	66	4,466	-98	2	-66	
Office of Contracts.....	8,190	66	8,256	8,064	66	8,040	7,768	57	7,842	-100	1	-106	
Office of Human Resources.....	8,360	2,073	7,433	8,060	2,167	7,198	4,948	2,002	7,050	-143	-58	-106	
Office of Security.....	3,493	2,499	5,992	3,293	2,145	5,431	3,677	2,304	5,981	-299	19	-171	
Subtotal, Management.....	55,299	81,224	95,519	51,691	18,349	44,991	53,301	12,092	45,192	-799	-672	-1,426	
Total, Gross Funds.....	46,994	84,412	70,306	44,579	18,980	61,660	43,841	18,000	50,471	-1,688	-579	-1,017	
Deduct Reimbursements.....	--	-279	-279	--	-395	-395	--	-395	-395	--	--	--	
Total, Direct Funds.....	46,715	84,133	70,027	44,184	18,585	60,265	43,446	18,000	50,081	-1,399	-579	-1,017	

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Best Available Copy

OFFICE OF THE DIRECTOR AND RELATED STAFF
(\$ in thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Summary of Requirements	\$4,870	\$4,279	\$4,106	\$-173

General Statement

1. Major Element Objectives:

Directs and coordinates the total effort of all Agency elements toward efficient and effective fulfillment of the Agency's mission. Determines basic policy for the planning, development and execution of information and educational and cultural exchange activities of the Agency and of the U.S. Government. Serves on the Board of Governors of the International Broadcasting Bureau. Maintains liaison with the White House, the National Security Council, the Department of State, and U.S. Government officials who report to the Chief Executive, and advises them on the implications of U.S. foreign policy decisions for overseas audiences and on questions concerning worldwide communications and the dissemination of information across national borders.

2. Current Method of Operation:

The Director oversees the planning and implementation of basic policy and coordinates Agency efforts to fulfill the Agency's Mission.

The Deputy Director serves as Acting Director in the absence of the Director. The Deputy Director shares responsibility with the Director for the execution of the overall mission of USIA and chairs the Resource Management Committee.

The Counselor's Office provides advice to the Director on high-priority projects, ensures the Agency's responsiveness to the Director, works with other Agency elements to focus resources on overall Agency priorities and objectives, and carries out a variety of important ad hoc assignments. The office works closely with area offices to assure that field operations perspectives are a principal component of Agency policies and programs. The Counselor's Office provides guidance on a range of major policy questions facing USIA and coordinates the annual program planning process.

The Office of Strategic Communication (O/C) is responsible for issues-oriented interface between the Office of the Director and the rest of the Agency. Under the supervision of the Deputy Director of the Agency, O/C focuses on the public diplomacy implications of global issues and events, and strategic review of long-term and developing issues. Officers assigned to the Office of Strategic Communication chair long-term teams drawn from throughout USIA and coordinate Agency representation on inter-Agency working groups and task forces.

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OFFICE OF THE DIRECTOR AND RELATED STAFF (continued)
(\$ in thousands)

2. Current Method of Operation (continued):

The Executive Secretariat (D/S) of the Office of the Director provides information management, administrative, and operations support to the Office of the Director. D/S tracks major Agency and interagency projects, assigns action for a variety of Agency correspondence and projects, serves as Agency liaison with the Executive Secretariats of the National Security Council, the Department of State, and other agencies, and provides administrative support for all offices of the Directorate. The Executive Secretariat has two major sub-units:

The DSIA Operations Center (D/SO) is open 24 hours a day, 365 days a year. The Center monitors developments around the world, reviews all cable traffic, takes action on urgent or restricted distribution messages, prepares daily summaries for the Director and Agency management, and assists Agency field posts during non-working hours.

The Secretariat Staff (D/SS) receives all correspondence and internal Agency documents addressed to or prepared for the Director, Deputy Director, and Counselor of the Agency. The Secretariat Staff analyzes correspondence, assigns action as appropriate, follows up, and maintains the permanent files for the Office of the Director, Deputy Director, and Counselor as well as the Agency's correspondence with the White House and the Congress.

In 1996, as a result of the government-wide deficit reduction efforts, program cuts were implemented totaling \$262,000 and nine positions.

3. Summary of Requirements:

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
A. Positions - Domestic.....	53	44	44	--
B. Funds.....	\$4,570	\$4,279	\$4,106	\$-173
C. Employee Compensation and Benefits (1995 Actual: \$4,221; 1996 Estimate: \$4,104; 1997 Estimate: \$4,022; Decrease: \$-182)				

The net decrease of \$182,000 results from full-year savings of \$260,000 related to the 1996 program reduction of nine positions, and nonrecurring costs of \$61,000 for severance pay. These decreases are offset, in part, by requested increases of \$24,000 for full-year costs of the 1996 Federal pay raises and \$63,000 for the estimated costs of a 3% Federal pay raise in January 1997, and \$10,000 for retirement, FICA, and other benefit cost increases.

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OFFICE OF THE DIRECTOR AND RELATED STAFF (continued)
(\$ in thousands)

- D. Program Activity Costs (1995 Actual, \$158; 1996 Estimate, \$175; 1997 Estimate, \$184) Increase, \$21.

The program costs provide for travel in the United States by the Director and his staff for consultation with public and private sector officials regarding the Agency's programs; overseas travel by the Director and his staff for consultation and conferences with Agency and Embassy officials; and for miscellaneous program expenses. The increase of \$9,000 is requested to cover inflationary price increases for travel.

1034

OFFICE OF CIVIL RIGHTS
(\$ in thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Summary of Requirements	\$707	\$645	\$616	\$-29

General Statement

I. SUMMARY GOALS/OBJECTIVES/INPUTS

Goals: The primary goal of the Office of Civil Rights (OCR) is to assure that the Agency provides equal opportunity in employment to all employees and applicants for employment by prohibiting discrimination and reprisal in employment because of race, color, religion, sex (including sexual harassment), national origin, age, mental or physical disability, and to promote full equal employment opportunity through a continuing affirmative employment program.

Objectives: OCR's objectives are: (1) To implement, administer and monitor anti-discrimination laws, regulations, executive orders, procedures and programs applicable to the Agency, its employees or to any person, organization, or business relating to the Agency. (2) To oversee and direct the investigation, resolution and settlement of any and all complaints against the Agency arising out of or based upon allegations of prohibited discriminatory acts by or on behalf of the Agency employees, and to issue Final Agency Decisions. (3) To perform reviews of organizations and businesses receiving funds or assistance from the Agency as required under applicable statutes and regulations and to ensure their compliance with anti-discrimination and affirmative action laws, regulations, and executive orders.

Inputs: In meeting its goals and objectives, the Director of OCR has direct access to the head of the Agency and to all elements of senior management. OCR maintains communication with the Directors of Personnel for USIA and the Bureau of Broadcasting (which includes the Voice of America, the Office of WORLDNET Television and Film Service and the Office of Cuba Broadcasting), the Affirmative Employment Committee, the Equal Employment Advisory Committee, as well as Agency supervisors and managers at all levels.

Resources allocated to the OCR are monitored, as are all Agency resources, by the appropriate offices of the Bureau of Management. In addition to salaries and operating expenses, funds are allocated to OCR to cover travel, and the conduct of outreach and special emphasis Programs, such as the Federal Women's Program, Hispanic Employment Program and the Minority Employment Program. In addition, OCR works closely with employee organizations within the Agency such as, the Women's Action Organization, the Thursday Luncheon Group, Blacks in Government, and union officials. Extensive contacts with the private sector, universities and other Federal agencies contribute to awareness of important issues and "best practices" in the management of a diverse workforce.

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OFFICE OF CIVIL RIGHTS (continued)

II. 1995-1996 PROGRAMS-HIGHLIGHTS

(1) OCR continued to improve in the areas of employee counseling and the resolution of alleged complaints of discrimination. It continues to work on reducing the time it takes for a complaint to move through the administrative process.

(2) Outreach efforts to focus on the concerns of employees and employee interest groups have expanded to include active participation in the Agency's Joint Partnership Council, the Affirmative Employment Committee, and the Equal Employment Advisory Committee. OCR has jointly sponsored special emphasis programs with the Department of State, Health and Human Services, and the Federal Asian Pacific Advisory Committee to commemorate the special contributions of minorities, women and the disabled.

In 1996, as a result of the government-wide deficit reduction efforts, program cuts were implemented totaling \$81,000 and two positions.

III. 1997 PLANS-INPUTS/EXPECTED OUTCOMES

In 1997, budget reductions will reduce OCR's participation in some of its previous outreach activities. Resources will be concentrated on the counseling, investigation, resolution, and compliance functions which constitute the essential mandate of the Office of Civil Rights in the conduct of its Title VI and Title VII program areas.

OCR submits annually the Agency's Affirmative Employment Plan, the Accomplishment Report for Minorities and Women, the Accomplishment Report for Persons with Disabilities, and the Statistical Report for Complaints of Discrimination to the Equal Employment Opportunity Commission (EEOC). In addition, the Federal Equal Opportunity Recruitment Plan, the Disabled Veterans Affirmative Action Plan are submitted to the Office of Personnel Management (OPM). Other requirements include submission of the Age Discrimination Report to the Department of Health and Human Services (HHS); and the Civil Rights Implementation Plan to the Department of Justice (DOJ).

In 1997, program reductions of \$8,000 to implement the President's government-wide deficit reduction efforts will be absorbed.

IV. PROGRAM PERFORMANCE INFORMATION

OCR reviews, on a regular basis, the automated reports generated on the Agency's workforce. These reports provide OCR with some measurement instruments with which to assess the EEO profile of various components of the Agency's workforce and to prepare the various reports to EEOC, OPM and the Congress. The data also aids OCR staff to monitor and evaluate progress including identifying problem areas which are apparent barriers to achieving a balanced workforce. Those barriers which are within the control of the Agency form the basis of a continuing dialogue with Management and the various Offices of Personnel, as well as forming the basis of new initiatives to enhance USA's EEO program.

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OFFICE OF CIVIL RIGHTS (continued)
(\$ in thousands)

V. SUMMARY OF REQUIREMENTS:

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
A. Positions - Domestic.....	10	0	0	--
B. Funds.....	\$707	\$645	\$616	\$-29
C. Employee Compensation and Benefits (1995 Actual. \$242; 1996 Estimate. \$495; 1997 Estimate. \$472; Decrease. \$-23).				

The net decrease of \$23,000 results from full-year savings of \$35,000 related to the 1996 program reduction of two positions and nonrecurring costs of \$3,000 for severance pay. These decreases are offset, in part, by requested increases of \$3,000 for full-year costs of the 1996 Federal pay raises and \$10,000 for the estimated costs of a 3% Federal pay raise in January 1997, and \$2,000 for retirement, FICA, and other benefit costs increases.

D. Program Activity Costs (1995 Actual. \$162; 1996 Estimate. \$180; 1997 Estimate. \$164;
Decrease. \$-6).

The program costs provide for the development and administration of the Agency's EEO program and the monitoring of grant programs for civil rights compliance. The net decrease of \$6,000 results from a 1997 program reduction of \$9,000 to implement the President's government-wide deficit reduction efforts offset, in part, by \$3,000 for inflationary price increases.

1087

OFFICE OF RESEARCH AND MEDIA REACTION
(\$ in thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Summary of Requirements.....	\$5,238	\$5,284	\$5,373	\$89

General Statement

I. SUMMARY - GOALS/OBJECTIVES/INPUTS

The Office of Research and Media Reaction is the primary supporter of the USIA Director's statutory role to advise the President, Secretary of State, and National Security Council on foreign public opinion and its implications for U.S. foreign policy. The Office systematically measures and interprets elite and mass public opinion through surveys and focus groups in some 75 countries in every region of the world on issues of critical importance to the U.S. foreign policy community. The Office provides the expertise, experience, and infrastructure to support the evaluation of Agency programs and products from the design phase through implementation. It conducts research activities on behalf of the International Broadcasting Bureau on the size of audiences for VOA, Worldnet, and Radio and TV Marti, on foreign public media behavior and program interests, on media gatekeepers, and on local foreign media environments. The Office also collects and analyzes print and electronic media commentary from all over the world every day. In 1997, the Office plans to commission over 125 surveys and focus groups in some 75 countries. These will be supported by a domestic staff of 38. Media Reaction reporting is the responsibility of a domestic staff of six, supported by foreign service nationals in over 100 USIS posts abroad. The Office's analyses are provided regularly to the White House, principal U.S. foreign policy officials and USG missions overseas.

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II. 1995 AND 1996 PROGRAMS - HIGHLIGHTS

The Office of Research and Media Reaction oversees the collection and analysis of foreign public opinion, from preparation of the questionnaire and selection of the contractor to final analysis and presentation of the results. Surveys and focus groups probe public attitudes on issues of importance to U.S. policy makers, including political-military, economic, and social concerns, as well as specific themes such as the environment, democratisation, the role of Islam, and the role of women. Foreign opinion is compared with American opinion obtained from secondary sources. Results of these surveys are published as Opinion Analyses, Opinion Alerts, Research Reports, Special Reports, and Briefing Papers and widely distributed within the foreign affairs community and to U.S. missions abroad, as well as to NGOs in the U.S. Customized briefings of key findings are also provided to agencies in Washington and to U.S. Ambassadors, Country Teams, and CODELs. Special briefing papers are provided to the President and to senior USG foreign policy officials in advance of high-level meetings at home and abroad.

OFFICE OF RESEARCH AND MEDIA REACTION. (continued)

II. 1995 AND 1996 PROGRAMS - HIGHLIGHTS (continued)

The Media Reaction Branch serves as a unique wire service, issuing to over 2,000 members of the foreign affairs community twice-daily up-to-the-minute reports summarizing and analyzing foreign editorial commentary in both the print and broadcast media on issues and their implications for U.S. policy. The Early Report is transmitted electronically to the White House and other senior policy makers first thing in the morning summarizing and analyzing that morning's media commentary. A more in-depth Daily Digest is issued early in the afternoon. Special reports on major issues are issued frequently. Daily Digest reports are made available to foreign and domestic audiences via the USIA World Wide Web page.

A major highlight of FY 1995 was reporting of path-breaking surveys in Cuba and Haiti which provided USG policy makers with the only hard information on public attitudes in those countries. The Office issued seminal multi-region reports on Muslim and non-Muslim views of Islam, Islamic politics, and each other, and on the new European security architecture. In a first-of-its-kind effort, the Office was asked by the Department of the Treasury and the Federal Reserve to assess attitudes about U.S. currency and evaluate potential messages for a public information campaign to accompany the introduction of a newly redesigned one hundred dollar bill. USIA-commissioned focus groups were conducted in Argentina, the Czech Republic, Egypt, Israel, Kazakhstan, Russia, Thailand, Turkey, and Ukraine. This study is one example of front-end evaluation research conducted by the Office. Another evaluation study, undertaken in cooperation with the Office of East European and NIS Affairs and the Bureau of Educational and Cultural Affairs, assessed several of the Agency's most important exchange programs with Russia involving undergraduate, graduate, and faculty participants. The study assessed participants' reactions to exchange programs such as the Freedom Support Act and the Muskin Fellowship Program, their experiences in the U.S., their objectives in coming here, and their views of the programs themselves. The report shows the impact abroad of some of USIA's most high-profile programs. The Office also conducted major studies on political and economic issues in Cameroon, Senegal, Ghana, Nigeria, Kenya, and Tanzania. Survey work continued in Serbia and Croatia, as well as in other European countries on Bosnia. A major study was completed comparing the content of CRII and VOA. Reports were prepared on attitudes in Jordan on the Middle East situation. The Office worked closely with the USIS post and contractors in Mali, conducting training in public opinion polling and assisting in the first scientific poll conducted by Malians in that country. The Media Reaction Branch continued to expand its reach to very senior officials in the Executive Branch and in the Congress.

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During FY 1996, the Office played an important role in the implementation of the Dayton Accords and the NATO peace-keeping deployment by commissioning and reporting the results of the first-ever public opinion surveys in Bosnia Hercegovina and Kosovo. These surveys in the predominantly Serb, Croat, and Muslim areas of Bosnia and among Serb and Albanian residents of Kosovo provided the only hard information on the public mood after Dayton and on the future of ethnic relations in Bosnia. Its polling for the Department of the Treasury and Federal Reserve in Russia and other countries provided

OFFICE OF RESEARCH AND MEDIA REACTION (continued)
(\$ in thousands)

II. 1995 AND 1996 PROGRAMS - HIGHLIGHTS (continued)

the information to build and assess the effect of public information campaigns to precede the introduction of new U.S. currency. Working closely with Palestinian pollsters in the West Bank, the Office collected and prepared authoritative reports on Palestinian popular views of the likelihood of peace with Israel. Similarly, working with Israeli pollsters, it covered national security and other issues, such as flash poll results following the assassination of Israeli Prime Minister Rabin. In addition to its ongoing polling in Korea and Japan, the Office conducted polls in China on the future of U.S. troop presence. The Office issued a major study of West European public opinion on the new European security architecture providing a systematic assessment of public views of the building blocks of European security. USIA's first-ever attitude polls were commissioned in Ethiopia and Angola. Surveys were fielded to provide input for the CIVITAS conference in the fall in Buenos Aires.

In 1996, as a result of the government-wide deficit reduction efforts, program cuts were implemented totaling \$562,000 and five positions.

III. 1997 PLANS - INPUTS/EXPECTED OUTCOMES

In 1997, program reductions of \$66,000 and one position to implement the President's government-wide deficit reduction efforts will be absorbed.

IV. PROGRAM PERFORMANCE INFORMATION

Office products are developed in close cooperation with high-ranking policymakers and are often supplied in response to specific requests from these officials. This consultation process reflects the Office's conscious effort to ensure that products support specific USG policy initiatives, such as in Bosnia, on NATO expansion, on the Middle East peace process, with Russia, in APAC; and in many other bilateral and multilateral fora. The primary indicator of performance is use of office products within the government in: USG initiatives, visits by the President and cabinet secretaries, official visits to Washington by foreign governments, and international meetings; USIA element planning processes; U.S. Mission element planning processes; interagency planning processes; and in other US foreign and domestic affairs agencies. In addition, unsolicited user feedback, customer surveys, and regular address list monitoring (e.g., once a week on average a senior administration official requests special media reaction reports on key timely issues) serve as performance indicators.

INFO

OFFICE OF RESEARCH AND MEDIA RELATION (continued)
(\$ in thousands)

V. SUMMARY OF REQUIREMENTS:

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
A. Positions - Domestic.....	50	45	44	-1
B. Funds.....	\$5,818	\$5,364	\$5,473	\$99
C. Employee Compensation and Benefits. (1995 Actual: \$1,226; 1995 Estimate: \$1,212; 1997 Estimate: \$1,111; Decrease: -101.)				

The net decrease of \$20,000 results from full year savings of \$47,000 related to the 1996 program reduction of five positions; nonrecurring costs of \$47,000 for severance pay (\$38,000) and a 3% supplemental CERS payment to OPM for early-out retirees receiving VSIP (\$9,000); and 1997 program reductions of \$13,000 and one position to implement the President's government-wide deficit reduction efforts. These decreases are offset, in part, by requested increases of \$19,000 for full-year costs of the 1996 Federal pay raises and \$69,000 for the estimated costs of a 3% Federal pay raise in January 1997, and \$9,000 for full-year and new retirement, FICA, and other benefit cost increases.

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OFFICE OF RESEARCH AND MEDIA REACTION (continued)
 (\$ in thousands)

V. SUMMARY OF REQUIREMENTS (continued)

D. Program Activity Costs (1993 Actual, 12,192; 1994 Estimate, 12,172; 1997 Estimate, 12,191; Increase, \$109)

	1993 Actual	1996 Estimate	1997 Estimate	Increases or Decrease (-)
Research Studies and Media Reaction.....	\$1,810	\$1,872	\$1,966	\$94
Travel and Miscellaneous Research Services... Total, Gross Funds.....	182 2,192	300 2,172	318 2,201	18 109
Deduct Reimbursements.....	-280	-100	-100	--
Total, Direct Funds.....	1,912	2,072	2,181	109

Research Studies and Media Reaction: The Office of Research and Media Reaction provides support for: (a) the Agency's mandated role as an advisor in foreign policy deliberations; (b) the Agency's communications programming; and (c) activities by USIS posts abroad in support of U.S. policy objectives. The Office conducts three basic types of research: (1) attitudinal research on foreign public opinion about key foreign policy issues; (2) communications research, including evaluations of International Broadcasting Bureau program effectiveness, descriptions of foreign media and their audiences, and studies of international communications policy issues; and (3) daily analysis of foreign media commentary on: (a) U.S. policies; (b) major international events; and (c) special topics.

The net increase of \$94,000 will provide \$131,000 to cover inflationary price increases. This increase is offset by a 1997 program reduction of \$37,000 to implement the President's government-wide deficit reduction efforts.

Travel and Miscellaneous Research Services: These funds provide for travel within the United States and overseas for the initiation and supervision of research studies; consultation with private research institutions; and miscellaneous research costs including data processing facilities and services.

The net increase of \$18,000 will provide \$21,000 to cover inflationary price increases. This increase is offset by a 1997 program reduction of \$6,000 to implement the President's government-wide deficit reduction efforts.

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OFFICE OF THE GENERAL COUNSEL
(\$ in thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Summary of Requirements.....	\$3,685	\$3,824	\$3,775	\$-49

General Statement

I. Major Element Objectives:

General Counsel - The task of the office, broadly defined, is to provide legal services to the Agency in support of the Agency's domestic and international activities. Performance of this task has multiple components. By way of illustration, these include drafting and interpreting statutes and regulations, preparing for and negotiating VOA site agreements, educational and cultural treaties and other international agreements, representing the Agency in litigation (both administrative and judicial), and providing advice on matters as diverse as telecommunication issues, procurement, cultural property, labor relations, ethical constraints on the activities of USG officials, personal liability of federal officers and employees, security issues, personnel matters, and FOIA and Privacy Act. The office also is responsible for administering the Ethics in Government Act and the Immunity from Judicial Seizure Program.

The office acquires copyright clearances for materials broadcast by VOA; acquires rights for materials produced and acquired by the motion picture and television service (which also includes Worldnet, the Agency's video club, and secondary and subdistribution programs); acquires rights for copyrighted or otherwise controlled products used in Agency exhibits; and advises all elements of the Agency, including overseas posts, on the use of copyrighted materials as well as on copyright and trademark clearance procedures and issues. This position will be cut in FY 1996, and the functions revert to IBB.

The Office of Exchange Visitor Program Services designates, monitors and provides general oversight for the program sponsors who have been authorized by the Agency to make use of the J-visa as a means by which exchange visitors enter the United States. The office is also responsible for the review and recommendation on applications from foreign exchange visitors for waivers of the J-1 statutory requirement that participants return to their home countries for two years after completing their program activity in the U.S. These functions represent a major effort, which is subject to active litigation and Congressional and media interest.

The Freedom of Information/Privacy Act (FOI/PA) Unit of the office of the General Counsel is the Agency element responsible for receiving and processing an ever-increasing number of requests for USIA documents from the public. The FOI/PA Unit refers each request to the appropriate Agency element where a search is made for relevant documents. When responsive documents are located, they are forwarded to

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OFFICE OF THE GENERAL COUNSEL (continued)

I. Major Element Objectives (continued):

the FOI Unit for review and a determination as to whether they are subject to release. This unit also manages the Agency's law library, Historical collection library, public reading room and functions as a secretariat to the Access Appeal Committee and Secretary to the newly-formed Data Integrity Board. These are labor intensive activities and sources of potential litigation.

Under the terms of the Beirut Agreement of 1948 and pursuant to the authorities of P.L. 89-634, USIA issues international certificates attesting to the educational, scientific or cultural character of qualifying United States produced audiovisual materials for the purpose of encouraging their duty-free import by other nations. USIA also authenticates international certificates issued by foreign governments covering qualifying audiovisual materials being imported into the United States.

II. Current Method of Operation:

All objectives are achieved through the services of the staff which consists of the General Counsel, a Deputy General Counsel, and 13 other attorneys, one staff assistant, one administrative officer, one office assistant, one supervisory Educational and Cultural Exchange officers, five Educational and Cultural Exchange specialists, four waiver review specialists, four program assistants, one FOIA/PA officer, two FOIA/Declassification specialists, one Library/Declassification specialist, one freedom of information assistant, two legal technicians, two secretaries, and five clerk typists and one file clerk. GC is transferring a position from GC/FOI to GC/V as a waiver review specialist.

The Attestation Staff was functionally shifted from the Bureau of Broadcasting to the Office of the General Counsel because of lengthy on-going litigation, which is now over. This staff consists of two positions, Chief of the Attestation Division, and one Attestation Specialist, both of which have additional duties with Exchange Visitor Program Services.

The office also established a Special Litigation Task Force consisting of five attorneys, five paralegals, one administrative officer and five clerical positions (all full-time temporary) to litigate a class-action sex discrimination lawsuit. As a result of fiscal retrenchment, the Task Force now consists of two attorneys, two paralegals, one administrative officer and one clerical position.

III. Accomplishments Toward Meeting Major Objectives in FY 1996:

The legal staff handled a large number of cases, issues, projects and other matters relating to international agreements, litigation, administrative proceedings before the federal courts, Foreign Service Grievance Board, Merit Systems Protection Board, Federal Labor Relations Authority, and EEOC, contracts, grants, and other legal issues. The office also processed approximately 4,000 requests for rights clearance for Agency programs, including cable and music rights for many of the programs

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OFFICE OF THE GENERAL COUNSEL (continued)
(\$ in thousands)

III. Accomplishments Toward Meeting Major Objectives in FY 1996 (continued):

transmitted via Worldnet, as well as for all of the copyrighted materials broadcast by VOA; researched and negotiated acquired rights information on Agency produced films from private organizations and private individuals, as well as the National Archives. A law signed by the President in February 1990 now automatically releases any agency produced program that is 12 years or older for dissemination in the U.S. The Rights Clearance position is being cut in FY 1996. The Exchange Visitor Program Services received approximately 31,900 pieces of correspondence and handled more than 63,000 telephone calls. The action items included waiver cases, advisory opinions, Congressional inquiries, sponsor program determinations, applications for program sponsorship, extensions and change of category requests, FOIA/privacy act and individual public requests for informational materials. There were 226,941 IAP-66 forms dispersed to program sponsors. The Freedom of Information/Privacy Act Unit processed over 800 cases and reviewed over 500,000 pages of materials. As part of the ethics program conducted by the Office of the General Counsel, we reviewed over 1,000 public and confidential disclosure reports.

The Special Litigation Task Force will eventually litigate anywhere from several hundred to over 1,000 individual claims arising out of an adverse Federal Court decision in a class-action lawsuit concerning sex discrimination in hiring. This task force operates pursuant to general guidance from the Office of the United States Attorney and responds to a litigation schedule set by a Special Master appointed by the Court. When this task force is abolished in FY 1997, the Office of the General Counsel staff attorneys now are slated to handle the 1,100 claim-hearings.

In 1996, as a result of the government-wide deficit reduction efforts, program cuts were implemented totaling \$546,000 and four positions. In 1997, program reductions of \$47,000 to implement the President's government-wide deficit reduction efforts will be absorbed.

IV. SUMMARY of Requirements:

	1995 Actual	1996 Estimate	1997 Estimate	Increases or Decreases (-)
A. Positions - Domestic.....	53	49	49	--
B. Funds.....	\$3,685	\$3,824	\$2,775	\$-49

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OFFICE OF THE GENERAL COUNSEL (continued)
(\$ in thousands)

IV. Summary of Requirements (continued):

C. Employee Compensation and Benefits (1995 Actual, \$3,538; 1996 Estimate, \$3,622; 1997 Estimate, \$3,572; Decrease, -\$50).

The net decrease of \$50,000 results from full-year savings of \$64,000 related to the 1996 program reduction of four positions; nonrecurring costs of \$50,000 in severance pay; and 1997 program reductions of \$47,000 to implement the President's government-wide deficit reduction efforts. These decreases are offset, in part, by requested increases of \$22,000 for the full-year costs of the 1996 Federal pay raises and \$76,000 for the estimated costs of a 3% Federal pay raise in January 1997, and \$11,000 for retirement, FICA, and other benefit increases.

D. Program Activity Costs (1995 Actual, \$147; 1996 Estimate, \$202; 1997 Estimate, \$203; Increase, \$1).

These funds provide for travel within the United States and overseas for consultation and negotiations on Agency contracts and other legal matters; contracted services and other costs for the litigation of Hartman v. Duffey, a class action lawsuit on sex discrimination; and for miscellaneous program expenses. The increase of \$1,000 provides for inflationary price increases.

1049

OFFICE OF CONGRESSIONAL AND INTERGOVERNMENTAL AFFAIRS
(\$ in thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Summary of Requirements.....	\$675	\$691	\$674	-\$17

General Statement

I. Major Element Objectives:

The Congressional Liaison Office (CL) is the principal point of contact for the Agency with the U.S. Congress and the OMB Legislative offices. The Congressional Liaison staff prepares Agency officials for Congressional testimony and meetings, keeps interested Congressional committees and Members of Congress informed of Agency activities which affect them or their constituents, and keeps appropriate Agency officials fully informed of Congressional concerns regarding USIA. The office also responds to proposed legislation and Congressional inquiries on a multitude of issues. Another integral component of the Office of Congressional Liaison is its "outreach" effort. Members of Congress are informed of specific Agency activities that are directly tied to their districts, constituents, or special interests, and invited to participate in such Agency programs as Worldnet and the Speakers Program. The Intergovernmental Affairs component of this office has been established to expand Agency contact and outreach with state and local elected officials, who are increasingly interested in and affected by transnational issues. The 1996 program reductions eliminated one full-time permanent position. The 1997 estimate provides for a staff of seven.

II. Current Method of Operations:

All objectives are achieved through a staff of a Director, three Congressional Liaison Officers, one Special Assistant for Intergovernmental Affairs, a Secretary and a Congressional Assistant.

III. Accomplishments Towards Meeting Major Objectives in FY 1996

The Congressional Liaison Office coordinated the Agency's participation in authorization hearings, as well as numerous confirmation and oversight hearings. CL thoroughly briefed all new political appointees on Agency programs and operations. CL maintained close contact with key committee and subcommittee staff to insure full Agency involvement in all legislative initiatives. The office also coordinated and prepared briefing materials for the Director's calls on numerous members of Congress. The CL office has also undertaken extensive tracking and coordination of congressional COONELS and STAFFDELS through briefings of members and staff on Agency programs, activities, and initiatives. This includes close coordination with overseas posts, the Department of State and intra-Agency elements. The office initiated or responded to over 20,000 Congressional letters and telephone requests in FY 1996.

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OFFICE OF CONGRESSIONAL AND INTERGOVERNMENTAL AFFAIRS (continued)
(\$ in thousands)

III. Accomplishments Towards Meeting Major Objectives in FY 1996 (continued):

In 1996, as a result of the government-wide deficit reduction efforts, program cuts were implemented totaling \$84,000 and one position. In 1997, program reductions of \$8,000 to implement the President's government-wide deficit reduction efforts will be absorbed.

IV. Summary of Requirements:

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
A. Positions - Domestic.....	8	7	7	--
B. Funds.....	\$675	\$691	\$674	\$-17
C. Employee Compensation and Benefits (1995 Actual, \$616; 1996 Estimate, \$631; 1997 Estimate, \$621; Decrease, \$-10).				
D. Program Activity Costs (1995 Actual, \$59; 1996 Estimate, \$60; 1997 Estimate, \$53; Decrease, \$-7).				

The net decrease of \$10,000 results from full-year savings of \$17,000 related to the 1996 program reduction of one position, and nonrecurring costs of \$13,000 for severance pay. These decreases are offset, in part, by requested increases of \$4,000 for full-year costs of the 1996 Federal pay raises and \$13,000 for the estimated costs of a 3% Federal pay raise in January 1997, and \$3,000 for retirement, FICA, and other benefit cost increases.

D. Program Activity Costs (1995 Actual, \$59; 1996 Estimate, \$60; 1997 Estimate, \$53; Decrease, \$-7).

These funds provide for program expenses and miscellaneous administrative expenses for the office. The net decrease of \$7,000 results from a 1997 program reduction of \$8,000 to implement the President's government-wide deficit reduction efforts offset, in part, by \$1,000 for inflationary price increases.

1000

OFFICE OF PUBLIC LIAISON
(\$ in thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Summary of Requirements.....	\$1,315	\$1,229	\$1,221	\$-8
<u>General Statement</u>				

I. SUMMARY - GOALS/OBJECTIVES/INPUTS

The Office of Public Liaison (PL) serves as the public affairs office for the U.S. Information Agency in the United States; the PL director serves as official spokesperson for the Agency and its Director. PL is responsible for planning, directing, coordinating and evaluating USIA's domestic public affairs program and for developing its communications strategy. In order to increase public understanding of USIA, PL provides information about the Agency's policies, mission, and programs to the American people, the communications media, academic institutions and educational organizations.

Inputs: Specifically, in fiscal years 1995 and 1996, the Office of Public Liaison will continue public information programs in major U.S. media markets about the Agency's work, and is continuing a regional and hometown press campaign highlighting U.S. grant recipients and host institutions. It will continue to arrange speaking opportunities for Agency management around the country; promote private sector participation in USIA's public affairs programs; continue improvement in the quality and content of PL-produced materials, such as brochures, fact sheets, and newsletters.

II. 1995 AND 1996 PROGRAMS - HIGHLIGHTS

Under the supervision of an Office Director and Deputy Director, the Office of Public Liaison is divided into three units, each headed by a section chief:

Media Relations

- PL issued more than 180 news releases and media advisories on the work of USIA, setting forth important initiatives, new programs and new appointments. Among these were: First American Center Opens in Lithuania; USIA Director Recommends that Congress Maintain Radio and TV Marti Broadcasts to Cuba; Representatives Lewis and McKinney, Senator Coverdell and USIA Director Duffey to Announce Major Conference on South Africa.
- Handled more than 400 media calls about USIA programs and activities. Major subjects of interest included the Agency's democracy-building efforts; the St. Louis Conference on MIS Business Exchanges; the US-South Africa Conference on Democracy and Economic Development; international broadcasting consolidation;

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OFFICE OF PUBLIC LIAISON (continued)

II. 1995 AND 1996 PROGRAMS - HIGHLIGHTS (continued)

- Arranged interviews for senior Agency personnel, and coordinated and prepared briefing materials for these engagements for such major media as NEW YORK TIMES, USA TODAY, WASHINGTON POST, U.S. NEWS & WORLD REPORT, CHRISTIAN SCIENCE MONITOR, NEWSWEEK, CHICAGO TRIBUNE, MIAMI HERALD, ECONOMIST, BOSTON GLOBE, WASHINGTON TIMES, CLEVELAND PLAIN DEALER, ATLANTA JOURNAL & CONSTITUTION, C-SPAN, and REUTERS.
- Conducted a major outreach program to local news media across the United States to inform them of USIA grants and programs involving institutions and residents of their communities.

External Affairs:

- Arranged six public invitational discussions involving representatives from educational thinktanks, foreign affairs and corporate organizations in the D.C. area and dealing with Agency programs, new initiatives and current issues pertinent to USIA's work abroad.
- Arranged numerous briefings about USIA's work and mission both on and off Agency premises for some 500 representatives of U.S. and foreign military groups, foreign affairs related organizations, college and high school classes.
- Responded to approximately 350 public inquiries per month regarding the Agency's mission and programs, in addition to preparing responses to a high volume of Secretariat-assigned correspondence.
- Proposed and subsequently coordinated speaking trips for the Agency Director to Chicago, St. Louis, Cleveland and Boston, where he addressed academic groups, the National Council for International Visitors, the City Club, and the World Affairs Council respectively, in addition to various media events.
- Coordinated a series of internal briefings for Agency employees on various aspects of current Agency projects and operations, including reports on South Africa after elections, the situation in Cuba and the new democracy in Bulgaria.
- Prepared approximately 50 awards for outside-Agency individuals and organizations who have substantially supported Agency work.

Editorial Services:

- Did wide distributions of the three new brochures ("Overview," "Exchange Programs," and "Educational and Cultural Programs") the section produced last year and received countless requests from both within and outside of the Agency for them. Won the Potlatch Award for the "Overview"

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OFFICE OF PUBLIC LIAISON (continued)

II. 1995 AND 1996 PROGRAMS - HIGHLIGHTS (continued)

- brochure from the Potlatch Corporation, for the best publication design, graphics, text content and printing quality of the mid-Atlantic states.
- Continued producing a series of thematic newsletters which substantially increased PL's public outreach in the following areas: Democracy Building, the Environment, Economics and Trade.
- Produced the house organ USIA World.
- Devised media strategies and stimulated media interest in a number of Agency activities, including the USIA Alumni Association's 40th anniversary symposium, the first Corridors of Culture program, and the swearing-in of the new director of the Bureau of Educational and Cultural Affairs.
- Devised and executed a media strategy for the Agency's conference on South Africa in Atlanta, which produced more media coverage for a USIA event than has been produced in years. Handles the press operation at the conference, including setting up the press room, credentialing more than 130 media and arranging interviews with conference principals. After the conference, produced and distributed a bound book of speeches from the conference.
- Worked on publicity and promotion of the Fulbright program nationwide among constituency groups, the media and the general public. Assisted the Fulbright office and its contract organizations in creating and establishing a consistent graphic design for all their printed materials.

In 1996, as a result of the government-wide deficit reduction efforts, program cuts were implemented totaling \$164,000 and two positions.

III. 1997 PLANS - INPUTS/EXPECTED OUTCOMES

In 1997, program reductions of \$15,000 to implement the President's government-wide deficit reduction efforts will be absorbed.

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OFFICE OF PUBLIC LIAISON (continued)
(\$ in thousands)

IV. Summary of Requirements:

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
A. Positions - Domestic.....	16	14	14	--
B. Funds.....	\$1,315	\$1,229	\$1,221	\$-8
C. Employee Compensation and Benefits (1995 Actual, \$1,132; 1996 Estimate, \$1,167; 1997 Estimate, \$1,174; Increase, \$7).				

The net increase of \$7,000 will provide \$7,000 for full-year costs of the 1996 Federal pay raises and \$25,000 for the estimated costs of a 3% Federal pay raise in January 1997, and \$3,000 for retirement, FICA, and other benefit cost increases. These increases are offset by full-year savings of \$16,000 resulting from the 1996 program reduction of two positions, and nonrecurring costs of \$12,000 for severance pay.

D. Program Activity Costs (1995 Actual, \$183; 1996 Estimate, \$62; 1997 Estimate, \$47; Decrease, \$-131).

The decrease of \$15,000 results from a 1997 program reduction to implement the President's government-wide deficit reduction efforts.

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U.S. ADVISORY COMMISSION ON PUBLIC DIPLOMACY
(\$ in thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
<u>Summary of Requirements.....</u>	\$407	\$445	\$447	\$2

General Statement

I. SUMMARY - GOALS/OBJECTIVES/INPUTS

Goals: The U.S. Advisory Commission on Public Diplomacy is a bipartisan Presidentially-appointed panel created by Congress to oversee U.S. Government activities intended to understand, inform, and influence foreign publics.

Objectives: The Commission is required by law to assess and make recommendations on the public diplomacy activities of the United States government, including the policies and programs of the U.S. Information Agency. Through reports to the Congress, the President, the Secretary of State, the Director of USIA and the American people, the Commission seeks to improve public diplomacy programs and develop understanding and support for them.

Inputs: The Commission will continue to meet once a month. The Commission's seven members, supported by a staff of four, will examine public diplomacy policies and programs in the United States and at U.S. missions overseas. The Commission may occasionally retain consultants to conduct special studies of public diplomacy activities.

II. 1995 and 1996 PROGRAMS - HIGHLIGHTS

The communications revolution, the spread of democracy, the globalization of the world economy, the end of the Cold War, and U.S. agency funding reductions are altering the conduct of public diplomacy in fundamental ways. The Commission is rethink basic functions and priorities. It is addressing such issues as the use and potential of the Internet and other digital technologies, the changing roles of ambassadors and embassies, foreign opinion research, use of a wider variety of open source information in determining the influence of foreign publics, public diplomacy activities of the Department of Defense and other U.S. agencies, and selected public diplomacy operations in Europe, the M1S, East Asia, Africa, the Middle East, and the Western Hemisphere.

The Commission met with Dr. Joseph Duffey, Director, U. S. Information Agency; Mr. Penn Kemble, Deputy Director, U. S. Information Agency; Ms. Elaine Kamarck, Senior Policy Advisor to the Vice President; Mr. Richard Moose, Under Secretary of State for Management; Senator Hank Brown, Committee on Foreign Relations; Representative Lee Hamilton, Committee on International Relations; Rep. Jerry Weller, Assistant Majority Whip, Member, House Republican Steering Committee; Rep. Mark Foley, Assistant Majority Whip; Rep. Mark Sanford, Committee on International Relations;

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U.S. ADVISORY COMMISSION ON PUBLIC DIPLOMACY (continued)

II. 1995 and 1996 PROGRAMS - HIGHLIGHTS (continued)

Dr. Joseph S. Nye, Jr., Assistant Secretary of Defense for International Security Affairs; Mr. James Hoge, Editor, Foreign Affairs; Mr. Nicholas Burns, Spokesperson, Department of State; Ms. Christine Shelly, Deputy Spokesperson, Department of State; Ambassador Genta Hawkins Holmes, Mr. Barry Weiss, Acting Deputy Director, National Foreign Affairs Training Center; Professor Russell Newman, Tufts University; Dr. Olin Robinson, President, Salzburg Seminar; Senator Edmund Muskie; Mr. Stanley Greenberg, Greenberg Research, Inc.; Mr. Kenneth D. Wolack, President, National Democratic Institute for International Affairs; Mrs. Toby Gati, Assistant Secretary of State for Intelligence and Research; Col. Jeffrey Jones, Assistant Deputy Director for Operations, The Joint Staff; Col. Daniel C. Devlin, Chief of Psychological Operations and Civil Affairs, The Joint Staff; Ambassador Robert Hunter, U.S. Mission to NATO; Ambassador Robert Pringle, Dean, the Senior Seminar, Department of State; former Ambassador to Canada James Blanchard; Mr. Douglas Macquin, chief, Global Services Group, Foreign Broadcast Information Service; Mr. Robert Steele, President, Open Source Systems, Inc.; Mr. David Burke, Chairman, Broadcasting Board of Governors; Ms. Kathleen Harrington, Chief of Staff, Broadcasting Board of Governors.

The Commission also sponsored a public symposium on "American Interests Abroad and Budget Realities" for journalists, NGOs, scholars and government officials.

In 1996, as a result of the government-wide deficit reduction efforts, program cuts were implemented totaling \$25,000 and one position.

III. 1997 PLANS - INPUTS/EXPECTED OUTCOMES

The U.S. Advisory Commission on Public Diplomacy will continue its examination of the information age diplomacy and report as required by law. Consistent with their responsibilities, Commissioners will carry out oversight visits to U.S. missions abroad and meet monthly with government officials and other Americans engaged in the conduct of public diplomacy.

In 1997, program reductions of \$5,000 to implement the President's government-wide deficit reduction efforts will be absorbed.

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U.S. ADVISORY COMMISSION ON PUBLIC DIPLOMACY (continued)
(\$ in thousands)

IV. PROGRAM PERFORMANCE INFORMATION

The Commission's findings and recommendations are contained in reports to Congress, the President, Secretary of State, and USIA Director. Formal replies to these and comments on actions taken by the U.S. Information Agency are made by the USIA Director. Comments on Commission findings and recommendations also occur in correspondence to the commission, and in reports of Committees of Congress, the General Accounting Office, and the Congressional Reference Service.

V. SUMMARY OF REQUIREMENTS

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
A. Positions - Domestic.....	5	4	4	--
B. Funds.....	\$407	\$445	\$447	\$2
C. Employee Compensation and Benefits (1995 Actual, \$326; 1996 Estimate, \$297; 1997 Estimate, \$297; <u>No change</u> .)				
	No increase in funds will be required to provide \$1,000 for full-year costs of the 1996 Federal pay raises and \$6,000 for the estimated costs of a 3% Federal pay raise in January 1997. These increases are offset by nonrecurring costs of \$4,000 for severance pay and \$3,000 for a 9% supplemental CSDR payment to OPM for early-out retirees receiving VSIP.			
D. Program Activity Costs (1995 Actual, \$81; 1996 Estimate, \$148; 1997 Estimate, \$150; Increase, \$2).				
	The net increase of \$2,000 provides \$7,000 for inflationary price increases offset, in part, by a 1997 program reduction of \$5,000 to implement the President's government-wide deficit reduction efforts.			

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BUREAU OF MANAGEMENT
(\$ in Thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Summary of Requirements	\$53,423	\$44,426	\$42,994	\$-1,432

General Statement

I. SUMMARY - GOALS/OBJECTIVES/INPUTS

Goals: The mission of the Bureau of Management is to maximize the impact of USIA programs through innovative planning and quality customer-driven management services. The resulting efforts are in support of the Agency's mission to understand, inform, and influence foreign publics in promotion of the national interest, and to broaden the dialogue between Americans and U.S. institutions and their counterparts abroad. To strategically focus the Bureau's activities, four goals have been established: (1) develop and support a flexible and responsive management structure; (2) use technology to increase the cost-effectiveness and quality of Agency operations; (3) maximize employee contributions; and (4) increase the Agency's effectiveness and efficiency through various reinvention tools.

Objectives: In support of these four goals, the following objectives have been identified.

To develop and support a flexible and responsive management structure, the Bureau will:

- delegate responsibilities and authorities to the most effective level in the organization, and
- streamline and improve the quality of the Bureau's interaction with its customers.

In using technology to increase the cost-effectiveness and quality of Agency operations, the Bureau will:

- emphasize a proactive application of hardware/software to increase the Agency's strategic management of information/data.

To maximize employee contributions, the Bureau will:

- build a foundation for training based on a systemic needs assessment; and,
- apply that data to a refocusing of the Agency's training programs both domestically and overseas.

To increase the Agency's effectiveness and efficiency through various reinvention tools, the Bureau will:

- apply methods such as benchmarking, reengineering, team structures, reducing organization layer, and general quality management.

Inputs: For FY 1997, we are requesting a funding level of \$42,994,000 and 495 domestic, ten overseas American, and four foreign national positions. This represents a net decrease of \$1,432,000 resulting primarily from full-year savings of 1996 program reductions and new cuts in 1997.

II. 1995 AND 1996 PROGRAMS - HIGHLIGHTS

The Bureau of Management develops, interprets, and implements administrative, budget, financial, personnel, security, contractual, technology, and management policies and procedures for the Agency. In doing so, the Bureau provides a full-range of administrative services to the domestic and overseas operations of the USIA. The Bureau serves as the principal advisor to the USIA Director on all matters of administration, technology, personnel, and budget, as well as administering resource allocations and acting as the control point for the allocation of fiscal and personnel resources.

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BUREAU OF MANAGEMENT

III. 1995 AND 1996 PROGRAMS - HIGHLIGHTS (continued)

In FY 1995, the Bureau of Management conducted a comprehensive review of the Agency's administrative activities, focusing on the requirements of the Agency's domestic and overseas activities, work processes, organizational structure and costs. As a result, over 40 priority projects were initiated to streamline and automate the Agency's work flow. Those efforts included: restructuring our print operations; reducing warehousing requirements; decentralizing the ordering of office supplies; implementing automated travel software; testing decentralized data input into the Agency's financial system; electronic time and attendance; automating the manual process of receiving overseas fiscal data; grant reconciliation; establishing union-management partnership teams; restructuring personnel operations; review of junior officer recruitment; streamlining security investigation procedures; restructuring technology activities; and automating unclassified cable distribution.

The Bureau will focus in FY 1996 on priority strategic projects in keeping with the Agency's mission and goals. To improve Agency efficiency, quality, and customer service so that program and management products and services are maximizing the available resources inside and outside the Agency, the Bureau will continue to initiate business process re-engineering pilots and to benchmark those efforts. The Bureau will also continue its development of a new financial management system. The new financial management system, being developed in conjunction with USAID, will not only modernize our accounting operations, but will also provide a decentralized financial information system for Agency managers, which is structured around the one-time capture of data.

To create and maintain information technology which produces quality products and services so that the Agency can move aggressively and strategically in the worldwide information arena, the Bureau will continue to explore development of a high-speed data platform for communicating with our overseas operations, to expand the use of new software applications such as groupware which provides for elimination of duplicative administrative interactions, while at the same time promoting new quality-focused interactions in program development, and to upgrade the computer hardware infrastructure so that domestic and overseas operations can interface seamlessly. Testing of the high-speed data platform is planned for FY 1996 and, if successful, will allow overseas posts access to information worldwide and make possible the implementation of applications which expand direct servicing of USIS posts by Washington. Other benefits include reduced overseas telephone costs, improved coordination and communications between USIS posts and the Washington geographic Area offices, and full Internet/database access by USIS posts.

To maximize the ability of each employee to perform his/her duties so that the Agency's workforce can contribute effectively to the accomplishment of the Agency's mission-related projects include the establishment of individual development plans and the subsequent development of a training needs database, targeted supervisory training to assist individuals in managing and leading the changes occurring within the Agency and in "tapping" the potential of employees, expanded software and computer management training, and enhanced Career Center services focused on career development and outplacement activity. Further, the Bureau will continue to develop new performance appraisal forms that will enhance the communication between employees and their supervisors, and to retarget funds to the extent possible to enhance our training programs.

BUREAU OF MANAGEMENT

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II. 1995 AND 1996 PROGRAMS - HIGHLIGHTS (continued)

In 1996, as a result of the government-wide deficit reduction efforts, the Bureau implemented program cuts totaling \$6,779,000 and 89 domestic positions. The reductions included staffing cuts in all Bureau offices, the elimination of our Maryland warehousing operations; reductions in mainframe maintenance costs as well as maintenance of domestic systems and hardware; and reductions in foreign service recruitment.

III. 1997 PLANS - INPUTS/EXPECTED OUTCOMES

In FY 1997 the Bureau's top priority will be the deployment of a new integrated database financial management system. Particularly important to increasing efficiency and effectiveness in the Agency's operations will be the implementation of key financial management modules, such as core accounting, procurement, travel, personnel and payroll, and property management. In a continuing plan to improve customer service, the Agency will, also, be implementing a one-stop shop for use by USIS posts in ordering products and services from Washington. The concept of the individual development plan will be expanded to our field operations and an Agency strategic outcome of having a complete training needs database will be achieved. This will allow further refocusing of training programs to more directly support the achievement of the Agency's mission and goals. We will also conduct a pilot test of a high-speed data platform in FY 1996 and in FY 1997 to allow posts to improve the quality and effectiveness of their program and management operations and, at the same time, allow Washington to provide more cost-effective direct servicing of overseas posts.

In 1997, a total of \$42,894,000 is requested for the Bureau of Management. The net decrease of \$1,432,000 results from full-year savings of \$1,371,000 related to 1996 program reductions; nonrecurring costs of \$837,000 for severance pay and other costs associated with the 1996 program reductions (\$337,000), and carryover of administrative proceeds from 1995 (\$500,000); and 1997 program reductions of \$830,000 to implement the President's government-wide deficit reduction efforts.

These decreases are offset, in part, by requested increases of \$1,306,000, consisting of \$325,000 for inflationary price increases; \$175,000 for full-year costs of the 1996 Federal pay raise and \$660,000 for the estimated costs of a 1% Federal pay raise in January 1997; \$101,000 for retirement, FICA and other benefit cost increases; \$33,000 for added costs for workers' unemployment compensation; and \$6,000 for foreign national employee wage scale increases.

BUREAU OF MANAGEMENT
Summary of Requirements
 (\$ in Thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (1)	Page Ref.
POSITIONS:					
Domestic.....	584	495	495	--	14-32
Overseas American.....	10	10	10	--	14-32
Foreign National.....	1	4	4	--	14-32
Total, Positions.....	<u>597</u>	<u>509</u>	<u>509</u>	--	14-32
FUNDS:					
A. Employee Compensation and Benefits \$32,289	\$32,289	\$31,051	\$30,291	\$ -760	14-32
B. Program Expenses.....	21,230	13,540	12,868	-672	14-33
Total, Gross Funds.....	<u>53,519</u>	<u>44,591</u>	<u>43,159</u>	<u>-1,432</u>	14-38
C. Deduct Reimbursements.....	-96	-165	-165	--	
Total, Direct Funds.....	<u>53,423</u>	<u>44,426</u>	<u>42,994</u>	<u>-1,432</u>	14-38

Detailed requirements by type of expense follow. A combined summary of Employee Compensation and Benefits and Program Expenses by office is reflected on page 14-38.

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BUREAU OF MANAGEMENT
Explanation of Requirements
(\$ in Thousands)

ITEMS:

A. Employee Compensation and Benefits (1995 Actual, \$12,281; 1996 Estimate, \$11,051; 1997 Estimate, \$10,281; Decrease, -\$760).

	1995 Actual		1996 Estimate		1997 Estimate		Increase or Decrease (-)	
	Pos.	Funds	Pos.	Funds	Pos.	Funds	Pos.	Funds
1. Domestic Employees:								
Office of Associate Director and Other Staffs.....	7	\$ 324	7	\$ 820	7	\$ 844	--	\$ 24
Executive Office.....	17	1,130	14	1,279	14	1,223	--	-56
Office of Administration.....	138	6,151	112	5,700	112	5,438	--	-262
Office of Technology.....	137	7,434	129	7,411	129	7,573	--	162
Office of the Comptroller.....	103	4,904	87	4,474	87	4,386	--	-88
Office of Contracts.....	35	2,130	27	1,984	27	1,783	--	-129
Office of Human Resources.....	88	5,360	69	5,089	69	4,946	--	-143
Office of Security.....	59	3,451	50	3,304	50	3,077	--	-223
Total, Domestic Employees.....	584	31,386	495	30,063	495	29,272	--	-791
2. Overseas American Employees:								
Regional Executive Assistants in Ivory Coast, South Africa, Camaroon, Kenya, Senegal, Ecuador, Kazakhstan, Togo, Ukraine and Slovak Republic....	10	825	10	853	10	876	--	23
3. Foreign National Employees:								
Regional Systems Analyst-Zaire.....	1	9	1	10	1	11	--	1
Regional Systems Analyst-Mexico.....	1	44	1	74	1	79	--	5
Regional Systems Analyst-Thailand....	1	21	2	51	2	53	--	2
Total, Foreign Nationals.....	3	78	4	135	4	141	--	8
Total.....	597	32,289	509	31,051	509	30,291	--	-760

The net decrease of \$760,000 results from full-year savings of \$1,371,000 associated with the elimination of 89 positions in 1996 as part of the overall deficit reduction efforts, and nonrecurring costs of \$337,000 for severance pay, buyout costs and a 3% supplemental CSRD payment to OPM for early-out retirees receiving VSIP. These decreases are offset, in part, by requested increases of \$179,000 for full-year costs of the 1996 Federal pay raise and \$650,000 for the estimated costs of a 3% Federal pay raise in January 1997; \$101,000 for cost increases in retirement, health insurance, TSP and FICA costs; and \$8,000 for full-year FY 1996 and anticipated FY 1997 wage scale increases for foreign national employees.

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BUREAU OF MANAGEMENT
(\$ in Thousands)

B. Program Expenses (1995 Actual, \$21,230; 1996 Estimate, \$13,540; 1997 Estimate, \$12,868; Decrease, \$-672).

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
1. Entertainment in the United States.....	\$ 16	\$ 25	\$ 25	\$ --
2. Administrative Expenses:				
(a) Administrative Supplies and Materials.....	802	1,208	934	-274
(b) Office Furniture and Equipment.....	178	98	100	2
(c) Reproduction and Printed Materials...	1,080	943	879	-64
(d) Overseas Servicing Expenses.....	1,174	905	946	41
(e) Space Modification/Relocation.....	1,199	789	811	22
(f) U.S. Postal Service Contract.....	1,022	1,035	1,063	28
(g) Other Administrative Expenses.....	512	381	337	-44
Subtotal, Administrative Expenses..	<u>5,967</u>	<u>5,359</u>	<u>5,070</u>	<u>-289</u>
3. Communication and Technology Expenses:				
(a) Communications.....	2,422	2,199	1,734	-465
(b) Domestic and Overseas Technology.....	2,875	488	503	15
(c) Computer Management.....	1,673	965	991	26
(d) Financial Management System.....	3,146	--	--	--
Subtotal, Communication and Technology Expenses.....	<u>10,116</u>	<u>3,632</u>	<u>3,228</u>	<u>-424</u>
4. Other Bureau Expenses:				
(a) Human Resources Expenses.....	2,073	2,107	2,082	-25
(b) Security Expenses.....	2,489	2,145	2,204	59
(c) Other Management Expenses.....	569	252	259	7
Subtotal, Other Bureau Expenses....	<u>5,127</u>	<u>4,504</u>	<u>4,545</u>	<u>41</u>
Total	<u><u>21,230</u></u>	<u><u>13,540</u></u>	<u><u>12,868</u></u>	<u><u>-672</u></u>

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BUREAU OF MANAGEMENT

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1. Entertainment, including official receptions, within the United States: The mission of the U.S. Information Agency embraces substantial international negotiating and public diplomacy responsibilities. These responsibilities require the Agency to conduct negotiations in the U.S. for cultural exchange agreements between the U.S. and other governments, and agreements with private and semi-public organizations. They also require the Agency to develop and maintain relationships with foreign diplomats and important foreign visitors to the United States.

In order to discharge these duties effectively, the Director and other senior Agency officials in the U.S. host official receptions, luncheons, and dinners. These well-recognized expressions of welcome and hospitality are offered as polite reciprocity for similar, but usually more generous events given by foreign and private dignitaries when they serve as hosts. Reimbursement for this type of expense is made after careful review of vouchers submitted by officials incurring the costs. Each voucher details the purpose of the expense, the names of the guests, and the type of function held. No change is proposed from the 1996 level of \$25,000.

2. Administrative Expenses:

- (a) Administrative Supplies and Materials: This activity provides \$934,000 in 1997 for the purchase of office supplies and administrative forms; computer supplies; shipping of non-program materials to domestic locations outside of the Washington area; and purchase of gas, oil and parts for administrative vehicles. The net decrease of \$274,000 results from a 1997 program reduction of \$100,000 in overseas ADP supplies to implement the President's government-wide deficit reduction efforts, offset by \$26,000 for inflationary price increases.
- (b) Office Furniture and Equipment: This activity provides \$100,000 in 1997 for the rental and repair of office equipment, refinishing of office furniture, and the installation of carpeting. An increase of \$2,000 is requested for inflationary price increases.
- (c) Reproduction and Printed Materials: This activity provides \$879,000 in 1997 for support of the Agency's central reproduction centers, including equipment rental and purchase, supplies and maintenance. Also included are funds for purchase of Congressional documents and other publications obtained primarily from the Government Printing Office. The net decrease of \$64,000 results from a 1997 program reduction of \$90,000 for office copier paper to implement the President's government-wide deficit reduction efforts, offset by \$26,000 for inflationary price increases.

BUREAU OF MANAGEMENT

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- (d) Overseas Servicing Expenses: This activity provides \$946,000 in 1997 for reimbursement to the Department of State for services provided by U.S. Despatch Agents; purchase of lumber, boxes and other packing materials used to prepare program materials and equipment for overseas shipment; travel and operating expenses for ten existing Regional Management Assistance Officers in South Africa, Togo, Ivory Coast, Cameroon, Kenya, Senegal, Ecuador, Kazakhstan, Ukraine, and the Slovak Republic; and for the overseas travel of Washington-based personnel providing design and technical assistance on post renovation projects, equipment repair, and special project management assistance on a temporary basis. The increase of \$41,000 is requested to provide for inflationary price increases.
- (e) Space Modification and Relocation Expenses: This activity provides \$811,000 in 1997 for modifications and office moves not handled by GSA. An increase of \$22,000 is requested to provide for inflationary price increases.
- (f) U.S. Postal Service Contract: This activity provides \$1,063,000 in 1997 for reimbursement to the Postal Service for postage and mail services. The increase of \$28,000 is requested to provide for inflationary price increases.
- (g) Other Administrative Expenses: This activity provides for \$337,000 in 1997 for public transportation expenses, general administrative travel, and other miscellaneous costs. The net decrease of \$46,000 results from a 1997 program reduction of \$54,000 in public transportation expenses to implement the President's government-wide deficit reduction efforts, offset by \$10,000 for inflationary price increases.

3. Communications and Technology Expenses:

- (a) Communications: This activity provides \$1,734,000 in 1997 for the equipment, engineering and technical support necessary for fast internal and world-wide distribution of news and feature materials; transmission of outgoing cables; the automated distribution of incoming cable traffic; and reimbursement to the General Services Administration for telephone usage, equipment rental, and service. Included are funds for equipment, supplies, paper, leased circuit costs, the Agency's pro-rata share of the National Emergency Telecommunications System facilities, as well as the Agency's share of the Federal Telecommunications System (FTS). The net decrease of \$465,000 results from nonrecurring costs of \$500,000 for carryover of administrative proceeds from 1995, and a 1997 program reduction of \$11,000 in toll calls to implement the President's government-wide deficit reduction efforts, offset by \$46,000 for inflationary price increases.

BUREAU OF MANAGEMENT

- (b) **Domestic and Overseas Technology:** This activity provides \$503,000 in 1997 for acquisition of software, equipment and services for posts overseas; purchase and maintenance of domestically located equipment; software, equipment and training materials in support of the Agency's End-User Information Center; and general technology administration and travel. The increase of \$15,000 is requested to provide for inflationary price increases.
- (c) **Computer Management:** This activity provides \$991,000 in 1997 to support the operation of all central computer facilities, including the support of communication hub systems at field posts, office automation systems, electronic mail systems domestically and overseas, and related contract services. These services include data conversion, microfiche development, user support, systems programming and computer operations to support a 24-hour operation. The increase of \$26,000 is requested to provide for inflationary price increases.
- (d) **Financial Management System:** Work continues on modernization and improvement of the Agency's Financial Management System, a multi-year improvement plan initiated in 1992. The plan includes the use of modern technology and implementation of information systems technology to meet OSIA's needs and requirements over the next decade. Efforts are underway to upgrade or replace the Agency's core accounting system, property inventory and procurement systems, and the personnel/payroll systems. In 1996, funding for the Financial Management System was budgeted under the new Technology Fund appropriation.
4. **Other Bureau Expenses:**
- (a) **Human Resources Expenses:** This activity provides \$2,082,000 in 1997 for personnel recruitment expenses; appointment of clerical employees; incentive awards programs; reimbursement to the Public Health Service, Department of Health and Human Services, for health room services; reimbursement to the U.S. Department of Labor for the Employee Compensation and Unemployment Compensation Funds; and other personnel expenses. The net decrease of \$25,000 results from a 1997 program reduction of \$75,000 to implement the President's government-wide deficit reduction efforts, offset by requested increases of \$17,000 for inflationary price increases and \$33,000 for additional requirements as identified by the Department of Labor.

BUREAU OF MANAGEMENT

- (b) Security Expenses: This activity provides \$2,204,000 in 1997 for security investigations, domestic guard services, travel, technical security equipment, supplies and services. Security investigations are conducted on all citizens or residents of the United States employed by the Agency. Applicants for positions designated as "critical sensitive" receive a full-field investigation. Less extensive pre-employment checks are given applicants for "non-critical sensitive" positions. The increase of \$59,000 is requested to provide for inflationary price increases.
- (c) Other Management Expenses: This activity provides \$259,000 for office automation and other operating expenses for the Executive Office, the Office of the Comptroller, the Office of Contracts and the Office of the Associate Director for Management. An increase of \$7,000 is requested to cover inflationary price increases.

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BUREAU OF MANAGEMENT
Summary of Requirements by Office
 (\$ in Thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
POSITIONS:				
Domestic	584	495	495	--
Overseas American	10	10	10	--
Foreign National	1	4	4	--
Total, Positions.....	597	509	509	--
FUNDS:				
Entertainment in the United States.....	\$ 16	\$ 25	\$ 25	\$ --
Office of Associate Director and Staff Offices.....	922	836	861	25
Executive Office.....	1,422	1,379	1,326	-33
Office of Administration.....	12,943	11,912	11,384	-528
Office of Technology.....	17,628	11,198	10,944	-284
Office of the Comptroller.....	5,023	4,554	4,468	-86
Office of Contracts.....	2,190	2,040	1,842	-198
Office of Human Resources.....	7,433	7,196	7,028	-168
Office of Security.....	5,842	5,451	5,281	-170
Total, Gross Funds.....	<u>53,519</u>	<u>44,591</u>	<u>43,159</u>	<u>-1,432</u>
Deduct Reimbursements.....	<u>-36</u>	<u>-168</u>	<u>-168</u>	<u>--</u>
Total, Direct Funds.....	<u>53,483</u>	<u>44,423</u>	<u>42,924</u>	<u>-1,432</u>

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ADMINISTRATIVE SUPPORT FROM OTHER AGENCIES
(\$ in thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Summary of Requirements	\$67,536	\$72,555	\$75,238	\$2,683

General Statement

This activity covers the Agency's reimbursement to the Department of State for its share of the cost of Distributed Administrative Support (DAS), to the General Services Administration for space and standard levels of service provided under the Federal Building Rent System, and to the Department of Defense for world-wide postal services.

The 1997 estimate for this activity totals \$75,238,000.

The net increase of \$2,683,000 in 1997 is requested to provide an increase of \$3,320,000 for added reimbursements to the Department of State, the General Services Administration, and the Department of Defense for overseas wage scale and price increases, rate increases in the cost of rent for domestic space, transportation costs for postal services, and other net built-in changes.

These increases are partially offset by space cost savings of \$637,000 in 1997 based on elimination of office space in both 1996 and 1997 resulting from Agency restructuring, personnel reductions and subsequent space consolidation to implement the President's government-wide deficit reduction efforts.

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ADMINISTRATIVE SUPPORT FROM OTHER AGENCIES

Summary of Requirements
(\$ in thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)	Page Ref.
A. Reimbursement to Department of State for Distributed Administrative Support	\$31,996	\$34,426	\$35,828	\$1,402	15-2
B. Reimbursement to General Services Administration for Rent and Utilities	35,314	37,309	36,892	-417	15-7
C. Reimbursement to Department of Defense for World-Wide Postal Services	226	820	2,518	1,692	15-9
Total, Direct Obligations	\$7,536	72,553	75,238	2,685	

A. Reimbursement to the Department of State (1995 Actual, \$31,996; 1996 Estimate, \$34,426; 1997 Estimate, \$35,828; Increase, \$1,402).

The Department of State provides administrative support services for USIA's and other agencies' operations overseas. The Department is reimbursed for the Distributed Administrative Support (DAS) portion of most of these services by participating agencies under the Foreign Affairs Administrative Support System (FAASS). DAS represents those added costs for additional positions and administrative services necessary to bring the Department's administrative resources to the level which -- when combined with the Department's personnel and other administrative "CORE" capability for its own traditional functions -- enables it to provide administrative servicing required by other agencies operating abroad. USIA and other participating agencies are billed for their appropriate share of the DAS costs.

The FAASS system is being replaced with an International Cooperative Administrative Support Services (ICASS) system. The ICASS system is being developed in response to bipartisan political consensus on the need to reduce government spending and the recognition that a more equitable means of sharing the overseas administrative cost burden is necessary. The ICASS system places the emphasis on cost and quality control at the operating post level. The basic principles are: A) local empowerment; B) transparency of cost determination; C) selection of the most cost-effective service provider; and D) establishment of customer service standards and an evaluation mechanism to enforce the standards. In 1996 four pilot programs were established - Rome, Italy; Warsaw, Poland; Riga, Latvia; and San Salvador, El Salvador. The pilot programs will be expanded in 1997 and world-wide implementation is expected to begin in 1998.

100%

ADMINISTRATIVE SUPPORT FROM OTHER AGENCIES

Summary of Requirements
(\$ in thousands)

Support services provided by the Department fall into three categories: (1) the full range of administrative services for the Agency's overseas mission posts, radio relay stations, and other overseas regional support operations; (2) services in the United States which support the Agency's overseas operations, including communications between the Agency and its overseas posts, medical services, family liaison services and regional finance centers, plus the home leave and transfer costs of DAS American personnel; and (3) services in support of Agency operations in the United States including Foreign Service Retirement administration, health room and translation services.

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ADMINISTRATIVE SUPPORT FROM OTHER AGENCIES

**Summary of Requirements
(\$ in thousands)**

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Administrative Support Category:				
At Overseas Posts	\$27,204	\$29,268	\$30,525	\$1,257
In the U.S., Overseas Operations	4,561	4,914	5,054	140
In the U.S., Agency Operations	231	244	242	-2
Total, Direct Funds	<u>31,996</u>	<u>34,426</u>	<u>35,821</u>	<u>1,402</u>

Explanation of Requirements

1. At Overseas Posts (1995 Actual, \$27,204; 1996 Estimate, \$29,268; 1997 Estimate, \$30,525; Increase, \$1,257).

Activity	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
a. Overseas Mission Operations:				
East Asia and Pacific	8,287	8,326	8,363	\$ 107
Africa	4,431	4,696	4,896	200
North Africa, Near East and South Asia	3,094	3,320	3,437	117
Inter-American	3,337	3,533	3,736	203
West Europe and Canada	6,323	6,700	6,945	245
Eastern Europe and New Independent States	5,416	5,941	6,253	312
Subtotal, Overseas Missions Operations	25,484	27,446	28,630	1,184
b. Radio Installations				
c. Other Regional Support				
Total, At Overseas Posts	<u>27,204</u>	<u>29,268</u>	<u>30,525</u>	<u>1,257</u>

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ADMINISTRATIVE SUPPORT FROM OTHER AGENCIES
(\$ in thousands)

An increase of \$1,257,000 is requested in 1997 to provide \$169,000 for foreign national wage scales effective for part of 1996 and \$320,000 for new wage scales in 1997; \$62,000 for changes in overseas American salary costs; and \$706,000 for cost increases for goods and services.

The increase of \$1,257,000 is summarized by activity and category below (:n thousands of dollars).

Explanation of Requirements

	Overseas Increases	Total	
	Wage	Cost	Requirements
East Asia and Pacific	\$ 39	\$ 68	\$ 107
Africa	82	118	200
North Africa, Near East and South Asia.....	63	94	117
Inter-American	118	85	203
West Europe and Canada	160	85	245
East Europe and New Independent States	36	276	312
Radio Installations	47	17	64
Other Regional Support	6	3	9
Total	<u>551</u>	<u>706</u>	<u>1,257</u>

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ADMINISTRATIVE SUPPORT FROM OTHER AGENCIES
(\$ in thousands)

2. In the U.S., Overseas Operations (1995 Actual, \$4,561; 1996 Estimate, \$4,914; 1997 Estimate, \$5,054; Increase, \$140).

These estimates provide for Department of State costs against central accounts, primarily for costs in the U.S. for support to the overseas Distributed Administrative Support program of the Department; and support to Agency operations overseas. The following items are included:

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
a. Regional Finance Centers	\$1,349	\$1,428	\$1,483	\$ 55
b. Communication Costs	2,604	2,842	2,908	66
c. Shared Staff Home Leave and Transfer Costs	216	229	241	12
d. Medical Costs	372	394	401	7
e. Family Liaison Operations	20	21	21	--
Total	<u>4,561</u>	<u>4,914</u>	<u>5,054</u>	<u>140</u>

The increase of \$140,000 in 1997 is requested for inflationary increases for the Regional Administrative Management Centers in Bangkok, Mexico and Paris, and increases in air fare and shipping costs, communications costs, and medical expenses.

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ADMINISTRATIVE SUPPORT FROM OTHER AGENCIES
(\$ in thousands)

3. In the U.S., Agency Operations (1995 Actual, \$231; 1996 Estimate, \$244; 1997 Estimate, \$249; Increase, \$5).

This item covers the Department of State's costs incurred against Washington accounts for Distributed Administrative Support provided for Agency operations in the United States. The following services are included in the estimates:

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
a. Retirement Administration	\$ 41	\$ 43	\$ 43	\$--
b. VSM Supplement Annuity	34	36	36	--
c. Health Room	76	80	82	2
d. Translation and Official Visit Support Services	80	85	88	3
Total	231	244	249	\$

The increase of \$5,000 in 1997 is requested for inflationary increases in administrative costs, airfare and health room support.

- B. Reimbursement to General Services Administration (1995 Actual, \$35,314; 1996 Estimate, \$37,309; 1997 Estimate, \$36,892; Decrease, \$-417).

The Agency reimburses the General Services Administration under the Federal Building Fund Rent System for space and for standard levels of service provided in Agency occupied buildings under the control of the Administrator of General Services. The basic rent rate, which covers a five-day week, one shift operation, varies from building to building and approximates commercial charges for equivalent office space, storage space, and special space, such as studios for the Voice of America and the Agency's automatic data processing center. The rate also covers basic security, cleaning, heating, air conditioning, and maintenance and repair of all mechanical and electrical equipment.

In addition to the basic rent charges, these estimates cover fees to be paid to GSA for services supplied to Agency operations that extend beyond the normal 40-hour week (e.g. Voice of America, Operations Center, Wireless File) and other special services. The rates established for each type of space in a building are based on the geographic location and the quality rating of that building.

The 1997 estimate of \$36,892,000 is requested to provide space and services at the following locations for Agency personnel and facilities:

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ADMINISTRATIVE SUPPORT FROM OTHER AGENCIES
(\$ in thousands)

Name of Building	Location	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
1. Washington Locations					
USIA Building	301 4th Street, S.W.	\$11,169	\$11,559	\$11,567	\$ 8
FEMA Building	501 C Street, S.W.	645	658	658	--
Cohen Building	4th and C Street, S.W.	14,450	14,752	14,803	51
Switzer Building	3rd and C Street, S.W.	1,609	1,558	1,558	--
Patrick Henry Bldg.	6th and D Street, N.W.	3,898	5,266	5,406	160
National Press Bldg.	14th and F Streets, N.W.	569	585	585	--
Donohoe Building	400 6th Street, S.W.	574	515	73	-442
Agency Warehouse	4801 Beech Pl., Temple Hills	539	540	345	-195
Subtotal, Washington		33,453	35,413	34,995	-418
2. New York Locations					
Int'l. Arrival Bldg.	JFK International Airport	12	12	12	--
Continental Terminal	212 Wolcott Street	527	540	540	--
666 Fifth Avenue	666 Fifth Avenue	185	190	190	--
Jacob K.Javits Bldg.	26 Federal Plaza	621	631	632	1
110 East 59th St.	110 East 59th Street	272	279	279	--
Subtotal, New York		1,617	1,652	1,653	1
3. Other Locations in the U.S.					
Three locations.....		244	244	244	--
Total		35,314	37,309	36,892	-417

The net decrease of \$417,000 in 1997 is due to a program reduction of \$637,000 to implement the President's government-wide deficit reduction efforts. This reduction is based on delayed space savings of \$442,000 from FY-96 as well as \$195,000 due to the elimination of office space resulting from Agency restructuring, personnel reductions, the merger of the USIA and Department of State offices of Inspector Generals under state and subsequent space consolidation.

These decreases are offset, in part, by increases of \$220,000 for rate increases in utilities (\$62,000) and full-year costs for the space realignment in the Patrick Henry Building (\$158,000).

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ADMINISTRATIVE SUPPORT FROM OTHER AGENCIES
(\$ in thousands)

- c. Reimbursement to the Department of Defense (1995 Actual, \$226; 1996 Estimate, \$320; 1997 Estimate, \$2,518; Increase, \$1,692).

The Agency reimburses the Department of Defense (DOD) for transportation costs associated with postal services provided to Agency personnel and their dependents abroad. The increased billing level of \$2,518,000 in 1997 (and 1996 as well) is due to DOD's new method for calculating charges. The new method is based on actual mail weights and transportation costs versus the current method of using a ratio of total population/total cost applied to an individual agency's overseas staffing level.

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TECHNOLOGY FUND

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Summary of Requirements.....	\$ --	\$5,050	\$10,000	\$4,950

General Statement

Beginning in FY 1996, the technology investment fund will be utilized to modernize the Agency's non-broadcasting computer and telecommunications infrastructure (e.g., hardware, software and applications). The investment program will permit USIA to remain technologically viable while fulfilling its global responsibilities in an increasingly sophisticated world. The annual program will replace an investment strategy that followed adopted technology plans but relied heavily on available year-end funds. Investments in upgrading telecommunications connectivity with our overseas posts and target audiences will be a high priority, as well as investments in new technologies such as digital video, CD-ROMs, and Internet applications.

The proposed FY 1997 increase to the Technology Fund reflects USIA's commitment to the digital vision articulated by the Vice President and the Speaker of the House. While there is no substitute for personal experience, electronic exposure through on-line discussion groups, collaborative efforts and person-to-person communication via electronic mail and digital video conferencing develops relationships that help build understanding of the United States. Prominent use and display of these technologies help reinforce the image of the U.S. as a forward-thinking, technologically-advanced nation seeking to make dialogue and advanced technologies open to all. Because of its rich access to opinion leaders and decision makers abroad, USIA will not only be able to sustain its traditional role in influencing foreign publics on issues of national interest, but will also demonstrate the hardware and software that constitute an increasing percentage of our exports.

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TECHNOLOGY FUND

Summary of Requirements

specifically, the proposed increase of \$4,950,000 covers costs related to (a) investments in the Agency's technology infrastructure (hardware, software, network components, and training); (b) development of innovative products; and (c) the exploration of establishing a High-speed Digital Network. These increases are detailed below.

Technology Infrastructure and Training, \$2,500,000

The Agency has more than 6,000 computers worldwide. This computer environment and the network infrastructure that supports it, must be maintained. We must not allow it to atrophy, which can occur quickly as the pace of technological obsolescence increases. This increase provides for a regular replacement cycle for desktop hardware and software, and an expanded funding base for replacement and upgrade to key network components. Also included is an increase for technology training provided to employees worldwide so that we can fully realize the benefits of our investment in hardware and software. This fund would also increase the training for those technicians that support the information technology environment to keep their skills current.

Electronic Product Development, \$1,450,000

More USIA posts are accessing Internet services, including the World Wide Web. There are many other new users as well. It is estimated that there are 10 million international users of the Internet. In another several years, the number will increase to 100 million-- including opinion leaders and decision makers around the globe.

The Agency's Bureau of Information's dynamic presence on the Internet World Wide Web, its use of digital videoconferencing, its development of Electronic Journals, and its planning for a Virtual Library in association with the Library of Congress and the Smithsonian

TECHNOLOGY FUND

Summary of Requirements, Continued

(i.e., "libraries without walls" -- access to extremely large amounts of information electronically via the worldwide Digital Network) will prepare USIA to move into the forefront of the Information Age.

USIA's Two-way High-speed Digital Network, \$1,000,000

These added funds, plus an additional \$1,000,000 in the Radio Construction account, will be used for a feasibility assessment and study of a program to provide significantly enhanced, cost-effective telecommunications services to our overseas posts. In a pilot project, a Digital Network will directly connect USIA Washington with key posts abroad via a 64 kilobit/per second (kb/s) capacity network (i.e., six times greater than current 9.6 kb/s service). In this project USIA will work with other Federal agencies to ensure that there will be no duplicate services otherwise available.

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EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS

I. SUMMARY - GOALS/OBJECTIVES/INPUTS

The mission of the Bureau of Educational and Cultural Affairs is to foster mutual understanding between people of the United States and the people of other countries through programs of educational and cultural exchanges and training in the long-term interest of the United States.

Mutual understanding is essential to the protection of U.S. national interests, to the effectiveness of the United States in dealing with other nations, and to the promotion of American foreign policy objectives such as promoting the development of civil societies, free markets, peace and international cooperation. The dissolution of the bipolar system has resulted in a world fraught with sectarian, ethnic and political conflict, but rich with new opportunities for international cooperation. The mutual understanding borne of exchanges and related programs lays the foundation for the pursuit of American foreign policy objectives in such a climate.

The Bureau strives to conduct and support programs of the highest academic and cultural quality which will advance the growth of international mutual understanding in support of overall U.S. foreign policy objectives. In 1995 the Agency began the development of a strategic plan to implement performance-based budgeting and management, as mandated by the Government Performance and Results Act of 1993 (GPRRA). The Bureau will measure the success of programs in reference to the following goals and objectives:

- I. Increased understanding and acceptance of U.S. policies and U.S. society by foreign audiences.**
 - a. USIA will provide accurate and authoritative information to target audiences.**
- II. Broadened dialogue between Americans and U.S. institutions and their counterparts overseas.**
 - a. USIA will create and promote long-lasting and productive relationships between U.S. and foreign individuals and institutions.**

EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS

- b. USIA will enhance the knowledge, understanding, appreciation and skills of people abroad through programs that provide direct experiences with American values, ideas, models and traditions.**
- c. USIA programs will increase Americans' knowledge and understanding of foreign viewpoints and international issues important to U.S. interests.**

USIA international exchanges and training programs promote personal, professional and institutional ties between private citizens and organizations in the United States and abroad ranging across the full gamut of human endeavor. Underlying these USIA exchange activities is the belief that mutual understanding is of vital importance in an increasingly interdependent world; that person-to-person exchanges and training are the most effective ways to promote mutual understanding; that international exchanges enhance the effectiveness of the United States in dealing with other nations; and that the exchange of persons and ideas is essential to the promotion of democracy, economic prosperity, international cooperation and global peace

USIA invests its resources in such a way as to focus the energy of public diplomacy actors -- here and abroad -- towards goals and objectives which promote and support U.S. national interests. Some USIA programs are targeted at long-term strategic policy objectives such as promoting democracy, the rule of law, economic reform and free and independent media. Others are designed to involve foreign publics in a broad-based dialogue that presents U.S. history, arts, society, scholarship and culture to foreign audiences and strengthens our own understanding of foreign societies and cultures. Still other programs respond directly to urgent, shorter-term foreign policy needs identified by the executive and legislative branches.

USIA has an explicit worldwide exchanges and training mission. Our posts in some 140 countries are a unique resource which sustains our exchange relationships in every region of the world. USIA's field officers have a profound grasp of the societies in which they work, and help ensure that our programs achieve maximum impact with limited resources. The Bureau of Educational and Cultural Affairs is experienced in developing and implementing exchange programs that are policy-relevant, as well as flexible

EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS

and broad-based. The Agency's domestic and overseas operations, complemented by a vast network of private partners within the United States represent the keys to the organization's success with international exchanges and training programs.

Soft power, as defined by Joseph S. Nye Jr., in his work, Bound to Lead: The Changing Nature of American Power, "is the ability to achieve desired outcomes in international affairs through attraction rather than coercion. It works by convincing others to follow, or getting them to agree to, norms and institutions that produce the desired behavior. If a state can make its power legitimate in the perception of others and establish international institutions that encourage them to channel or limit their activities, it may not need to expend as many of its costly traditional economic or military resources." Exchanges and training programs are an essential instrument of "soft power" and remain a comparatively inexpensive mode of achieving desired foreign policy outcomes; one in which the U.S. enjoys a distinct comparative advantage. The recent political and technological changes have created an international scene fertile with opportunities for the U.S. to increase awareness of, and openness to American ideas and values.

The sharp decline in funding for exchanges in 1996 has seriously impaired the country's ability to engage important unofficial foreign audiences in meaningful dialogue with their American counterparts. Exchange programs are essential tools in the conduct of the nation's foreign policy. While the Agency is forging ahead with streamlining and realizing program efficiencies, the resource reductions are having a profound effect on the numbers of targeted grants and merit scholarships we can offer, and the number of international relationships we can create or strengthen. Leaders from F.W. DeKlerk to Anwar Sadat have acknowledged that the impact of participation in USIA exchange programs early in their careers helped to shape their perceptions of the benefits of a peaceful international environment for their own peoples. Less exchanges means less peace and less mutual understanding, and also less successful implementation of foreign policy.

The partial restoration requested in 1997 is necessary to ensure the integrity of Exchange Programs. At the levels in the 1997 request, the Agency can continue to implement our Fulbright Academic, International Visitor, and Professional and Cultural Exchanges on a worldwide basis. As the U.S. scales back the level of its engagement abroad, the relatively modest investment

EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS

we make in long-term efforts to promote understanding of civil societies, open economies, respect for human rights, peaceful resolution of conflicts, becomes even more important.

This appropriation provides funding for programs authorized by the Mutual Educational and Cultural Exchange Act of 1961, as amended (Fulbright-Hays Act), including Fulbright academic exchanges, short term International Visitor programs for emerging foreign leaders and professionals in the United States, and for Hubert H. Humphrey Fellowships to foreign national mid-career professionals. Through the Citizen Exchange program, USIA operates a variety of cooperative programs with NGO's designed to accomplish mutual public diplomacy objectives. Staff and some program and administrative support costs are funded from the Agency's Salaries and Expenses (S&E) appropriation. In 1996, as in previous years, a portion of these support costs (\$12,540,000) is being funded from the Exchange Appropriation. In 1997 the Administration proposes to shift funding of these activities back to S&E to reestablish a single account from which administrative costs are funded. For comparative purposes, the 1995 and 1996 funds for "Exchanges Support" are displayed in the S&E details in this justification document. As a result of extraordinary downsizing costs primarily relating to staff cuts, the Agency proposes to shift \$9,000,000 in 1996 from the Exchange appropriation to the S&E account. Without added S&E resources in 1996, USIA would have to effect more reductions-in-force or furloughs.

In 1997, a total of \$202,412,000 is requested for the Educational and Cultural Exchange Programs, a net increase of \$23,952,000 over comparative 1996 levels. A series of charts depicting the regional distribution of resources for the Agency's two largest Exchange Programs begins on page 25. Data by country is included for 1995.

EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS

SUMMARY OF REQUIREMENTS
as of 10/1/1988

	1988 ACTUAL	1989 ESTIMATE	1990 ESTIMATE	1991 ESTIMATE	PAGE #
A. ACADEMIC PROGRAMS					
1. FULBRIGHT AREA & WORLDWIDE ACADEMIC EXCHANGES	103,388	123,334	144,000	153,000	
2. OTHER SPECIAL ACADEMIC EXCHANGES					
3. ALUMNI FELLOWSHIPS	2,417	2,688	2,687	2,687	
4. SCHOLAR FELLOWSHIP	1,088	1,088	1,088	1,088	
5. CENTRAL AMERICAN PROGRAM FOR UNDERGRADUATE STUDENTS (CAMPUS)	1,091	1,090	1,110	1,110	
6. NEAR AND MIDDLE EAST RESEARCH AND TRAINING	2,000	2,000	2,000	2,000	
7. SOUTH PACIFIC SCHOLARSHIPS	388	388	388	388	
8. DISABILITY EXCHANGE CLEARINGHOUSE	1,000	1,000	1,000	1,000	
9. CYPRUS AMERICAN SCHOLARSHIP PROGRAM	1,000	1,000	1,000	1,000	
10. OTHER PROGRAMS	1,211	1,211	1,211	1,211	
SUBTOTAL, OTHER ACADEMIC EXCHANGES	1,211	1,211	1,211	1,211	
TOTAL, ACADEMIC EXCHANGES	106,888	125,824	145,411	154,411	
B. PROFESSIONAL AND CULTURAL PROGRAMS					
1. INTERNATIONAL VISITOR EXCHANGES	89,447	93,888	93,888	93,888	
2. ARTS EXCHANGE PROGRAM	1,038	1,038	1,110	1,110	
3. CITIZEN EXCHANGES					
4. CITIZEN EXCHANGE PROGRAM	1,002	1,000	1,000	1,000	
5. CONGRESS-BUNDESTAG YOUTH EXCHANGES	1,000	1,000	1,000	1,000	
6. PEPPER SCHOLARSHIPS	1,000	1,000	1,000	1,000	
7. SHAPIRO FELLOWSHIPS	1,000	1,000	1,000	1,000	
8. PARATRIPAD	1,000	1,000	1,000	1,000	
9. REFUGEE TRAINING	1,000	1,000	1,000	1,000	
10. U.S.-AFRICA CONFLICT RESOLUTION	1,000	1,000	1,000	1,000	
SUBTOTAL, CITIZEN EXCHANGES	1,000	1,000	1,000	1,000	
TOTAL, PROFESSIONAL AND CULTURAL PROGRAMS	70,447	75,888	75,888	75,888	
C. OTHER PROGRAMS					
1. PELL GRANT SUPPORT ACT PROGRAMS	10,771	10,200	10,200	10,200	
2. USAID PROGRAMS	1,000	1,000	1,000	1,000	
3. AMERICAN STUDIES COLLECTIONS	1,000	1,000	1,000	1,000	
SUBTOTAL, OTHER PROGRAMS	1,000	1,000	1,000	1,000	
TOTAL, GROSS PAYROLL (COMPARATIVE BASIS)	106,888	125,824	145,411	154,411	
REIMBURSEMENTS					
FOREIGN GOVERNMENT CONTRIBUTIONS	20,114	20,214	20,214	20,214	
OTHER FUNDING SOURCES	10,000	10,000	10,000	10,000	
REIMBURSEMENTS	10,000	10,000	10,000	10,000	
TOTAL, DIRECT PAYROLL (COMPARATIVE BASIS)	40,114	40,214	40,214	40,214	
ADJUSTMENT TO APPROPRIATIONS (COMPARATIVE BASIS)					
DEDUCT BALANCES CARRIED IN AND RECOVERIES	(20,501)	(18,492)	(18,492)	(18,492)	
ADD BALANCES CARRIED OUT	10,000	10,000	10,000	10,000	
TOTAL, DIRECT PAYROLL (COMPARATIVE BASIS)	10,613	12,722	12,722	12,722	
ADD COMPARATIVE TRANSFER TO B&E	1,000	1,000	1,000	1,000	
TOTAL DIRECT & ESTIMATED APPROPRIATIONS	11,613	13,722	13,722	13,722	
EXCAP OF APPROPRIATIONS					
APPROPRIATED TO VISA	30,000	30,000	30,000	30,000	
REBORROW	1,000	1,000	1,000	1,000	
TRANSFER TO B&E	1,000	1,000	1,000	1,000	
APPROPRIATIONS TRANSMITTED FROM USAID	1,000	1,000	1,000	1,000	
TOTAL	33,000	33,000	33,000	33,000	

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EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS
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II. 1995 AND 1996 PROGRAMS

- A. ACADEMIC PROGRAMS (1995 Actual \$190,829; 1996 Estimate \$145,634; 1997 Estimate \$160,259; Increase \$14,625):** The Bureau plans and administers Fulbright and other academic exchange and training programs in cooperation with binational Fulbright Commissions overseas, Agency overseas posts, the American academic community, and non-governmental organizations.

The Fulbright Program, founded in 1946, remains the U.S. Government's premier vehicle for intellectual interchange with foreign societies. Through the exchange of nearly 200,000 scholars since its inception, the program has earned a reputation at home and abroad for academic excellence and the pursuit of long-term U.S. interests in promoting international understanding. Approximately 2,000 new grants are awarded annually to Americans to go abroad to study, teach, and conduct research, and nearly 3,000 foreign Fulbrighters study in the U.S. from over 140 countries each year. Virtually all academic disciplines are represented.

The J. William Fulbright Foreign Scholarship Board continues to carry out its statutory oversight responsibilities as the Presidentially-appointed body selecting and supervising exchanges of students, teachers and scholars between the United States and over 140 participating countries.

The Bureau also administers a number of other institutional and individual grant programs designed for U.S. and foreign students, scholars, academics, and professionals. Programs include: the Hubert H. Humphrey Fellowship Program, College and University Affiliations Program, Student Advising and Student Services, English Teaching Programs, Edmund S. Muskie Fellowship Program, the Fulbright Teacher Exchange Program and activities designed to promote the Study of the United States.

Fulbright Commissions play a critical role in the administration of the Fulbright Program in over fifty countries, including raising funds for the program and providing advising and counseling services on the U.S. educational system to self-sponsored foreign students. These students strengthen the American economy by spending nearly \$7 billion annually in tuition and living expenses to U.S. universities and local communities.

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I. Fulbright Area and Worldwide Academic Exchanges (1995 Actual, \$152,352; 1996 Estimate, \$132,334; 1997 Estimate, \$164,855; Increase, \$12,524):

The Bureau conducts exchange programs in 30 countries and territories in the East Asia and Pacific geographic area. Asian alumni of sponsored exchange programs, particularly the Fulbright Program, continue to move into prominent government and private sector organizations, particularly in Indonesia, Vietnam, Thailand and the Philippines. The Fulbright program in the East Asia/Pacific region continues to receive growing support from foreign governments and private organizations. The Government of Japan contributes over \$2,500,000. Official 50/50 cost-sharing agreements exist with Japan, Korea, Australia and New Zealand. Official foreign government contributions to the program also come from The Philippines, Thailand and Malaysia. The total contributions from Asian/Pacific sources (Taiwan not included) in 1995 in support of Fulbright exchanges total over \$4 million.

USIA conducts exchanges and training with 43 sub-Saharan African countries. The Agency's engagement with this part of the world is more important than ever given the movement towards democracy in many African countries, the successful transition to majority rule in South Africa, and our continued commitment to development on the continent. A Fulbright experience continues to be a common element in the resumes of large numbers of African cabinet officers. Planning is on a regional basis, but programs are concentrated in countries whose infrastructure can support two-way exchanges. These also tend to be countries whose strategic location, size, and/or influence make them important to U.S. foreign policy objectives.

In March 1995, the initial meeting of the newly established U.S. - South Africa Binational Commission was held at the White House. The Commission, also known as the Gore-Mbeki Commission, was created to encourage and facilitate the expansion of educational, commercial, scientific and other significant contacts between the United States and South Africa. USIA has begun to play a key role towards the implementation of these goals.

Academic exchanges with sub-Saharan Africa significantly strengthen both U.S. and African institutions, enhance political and cultural relationships, and build bridges of understanding. A variety of African and American academic exchanges have resulted

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in the introduction of new programs; enrichment of curricula; strengthening of libraries; creation of research centers; joint publications; and establishment of long-term relationships.

Programs conducted in North Africa, the Middle East and South Asia further cultural contacts between the U.S. and the Islamic world, where cultural differences and misunderstanding have contributed to political frictions. There is a relative paucity of private contacts between American academic institutions and counterpart organizations in the NEA region, and therefore Fulbright and other American programs take on a special importance.

Spurred by the Middle East peace process, the rise of political Islam, and America's strategic and economic links to the area, the issues of peace and mutual understanding in this region have assumed renewed urgency. Relations between the U.S. and the NEA region are complex and often marked by profound misunderstanding. Despite these challenges, the Fulbright Program and other USIA academic exchanges are respected throughout the region. In 1995, host countries throughout the area increasingly demonstrated their support for the Fulbright program by providing increased financial support.

USIA conducts Fulbright exchanges with the 26 countries in Latin America and the Caribbean. Latin American governments recognize the value of the investment, as shown by their increasing financial support to the Fulbright Program. Mexico, Argentina and Colombia are now major program contributors.

The Fulbright Program nurtures individual leadership in all sectors of public and private life. Business and economics are increasingly the choice of the best students, as trade, rather than aid, characterizes U.S. relations with Latin America. Other program priorities are environmental studies, computer science, communications, and education. In Central America, returned Fulbrighters typically see themselves as partners with the United States as they help to guide their countries' institutions. These results are especially impressive among the Central American Program of Undergraduate Scholarships Program (CAMPUS) alumni, who now number more than 500.

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The Government of Chile has approved a loan program for graduate studies abroad. The fund, approximately \$5 million in FY -1996, reflects the Chilean government's commitment to supporting/co-financing of various in-country scholarship programs, with special emphasis on the Fulbright program. The Chilean Fulbright Commission is the entity authorized to provide required academic accreditation for study in the United States.

Continued cooperation with West Europe and Canada, our most important trading partners, is central to the achievement of U.S. foreign policy and international economic goals. Educational exchange has played a key role in building relations with Europe, and many of the continent's current business leaders, academics, and politicians are Fulbright Program alumni.

Over the years, foreign government contributions to the Fulbright program in West Europe have gradually increased from a zero base in the 1940s to the present situation in which 18 nations in the region contribute. In half the countries, the host's contribution equals or surpasses that of the United States; and in Spain and Germany these contributions are significantly more. During this past year, Italy and France have increased their contributions, demonstrating the value that European governments place on the Fulbright program.

Fulbright, as well as other programs described elsewhere in this section, play a vital role in transforming the educational systems of the New Independent States (NIS), and the countries of Central and Eastern Europe (CEE). By introducing the scholars and future leaders of the NIS and CEE to the ideas, values, and processes that support free market economies, civil society and democratic institutions, academic exchange programs empower participants to contribute to the reform and development of their societies. NIS and CEE exchanges involve disciplines from business, economics, law, and criminal justice to government, public policy, and conflict resolution. Domestically, these academic exchanges introduce American citizens to the more than 1,700 NIS and CEE participants who study, lecture, or conduct research at colleges and universities in all 50 states.

Concrete evidence of the impact of these academic programs on the countries of Central and Eastern Europe is exemplified by the fact that several exchange alumni now occupy high positions in government, academe, and the private sector. The Polish Deputy

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Prime Minister and the Romanian Minister of Education, for example, are Fulbright alumni. The Polish Fulbright Alumni Association has over 1,000 members.

The Bureau is encouraging and supporting the use of Internet connectivity as an effective way of following up on exchanges; allowing grantees to maintain rapid, extensive, and inexpensive contact with their host institutions and with colleagues throughout the region. Electronic contact extends the impact of Fulbright grants, perhaps through a lifetime.

Worldwide programs funded under this heading include Fulbright Teacher Exchange, Student Advising and Support Services, Study of the U.S. Programs, University Affiliations, Academic Specialists, English Language Fellows and Specialists, and U.S. Graduate Student Enhancement Programs.

- The Bureau established new Fulbright Teacher Exchange Programs (FTEP) in Uruguay and Japan and expanded the Mexican program with full funding of participants by their respective governments. The FTEP has retained its compelling cost effectiveness with a ratio of eight dollars of private-sector and foreign government funding generated for every one Federal dollar spent.
- The College and University Affiliations Program awarded eighteen grants in 1995 including support for "Asia Pacific Economic Cooperation" linkages, involving U.S. and East Asian APEC member nations.
- In 1995, the Bureau awarded over 80 individual grants to support American English Teaching Specialists who conducted workshops, seminars and training programs overseas. The Bureau placed approximately 40 American M.A.-level EFL academics in teaching and training institutions in approximately 30 countries for the academic year.
- The Bureau provided cd-rom equipment and computer and Internet training to educational advising centers worldwide to allow them to take advantage of new technologies and operate more efficiently and cost-effectively. The Agency's first

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multimedia cd-rom, an introduction to study in the U.S., is scheduled to be made available during the Spring of 1996 to a vast, worldwide audience.

- In 1995, the Bureau supported 55 American studies conferences in 40 countries, including 10 major regional conferences. The Bureau also sponsored the attendance of 76 foreign scholars at five major scholarly association meetings in the United States.
- One hundred and seventy-four university and secondary level participants attended eight American Studies Institutes during FY-95. USIS Damascus reported that as a result of Syrian participation in the Summer Institute in American Literature, a graduate program in American studies is currently in development at Baath University in Syria.
- In cooperation with the National Endowment for the Humanities, 15 foreign university level teachers of American studies and 26 secondary school educators participated in a series of NEH Summer Seminars that focused on various aspects of American studies. This collaborative effort made it possible for the Bureau to offer fellowship support to leading Americanists abroad at minimal cost to USIA.

The net increase of \$12,524,000 results from full-year and new price increases of \$3,176,000 and program restoration increases of \$11,690,000, partially offset by non-recurring balances carried in of \$2,342,000. For a regional distribution of Fulbright resources, including 1995 resources by country, please refer to the series of charts beginning on page 25.

2. Other Special Academic Programs (1995 Actual, \$38,468; 1996 Estimate, \$13,300; 1997 Estimate, \$15,401; Increase, \$2,101):

The Bureau conducts a variety of other academic programs including:

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The Humphrey Fellowship Program, under which promising mid-career professionals from developing countries receive a year of specially designed academic study and practical work-related experience. The Humphrey Fellowship Program awarded 166 fellowships to professionals representing eighty-six countries. Administrative cost savings were realized through the expanded use of e-mail between all Fellows on participating campuses. Alumni frequently continue productive collaboration with U.S. counterparts after the fellowship. Many return to their countries and become change-agents and leaders, as demonstrated by a recent 1994-95 Fellow who was recently elected to the newly formed Palestinian Parliament.

The Muskie Fellowship Program provides scholarships for graduate study in the United States in the fields of business administration, economics, law and public administration to qualified young and mid-career individuals who are citizens of the New Independent States. Last year there were 137 Muskie Fellows, with an average age of 27.5, from each of the 12 NIS and the three Baltic countries, studying and interning in the U.S. The relatively young Muskie alumni now include the chief counsel for the Armenian Parliament's Standing Committee on Human Rights, the legal advisor for technical and economic assistance for Uzbekistan, the Director of Foreign Economic Relations for the city of Kaliningrad, Russia, and the Head of Information Services for the Nakhodka Free Economic Zone in the Russian Federation.

The Central American Program for Undergraduate Students (CAMPUS) provides undergraduate training for economically disadvantaged Central American students.

The Near and Middle East Research and Training Program (NMERTA) supports graduate and post-doctorate studies by U.S. scholars and students on the Near and Middle East, including Turkey.

The South Pacific Scholarships Program provides support for undergraduate and post-graduate academic exchange programs in addition to our traditional Fulbright exchanges for this region. In 1995 this program supported five new students at the East-West Center, one U.S. researcher conducting work in the Marshall Islands, and three individual grants to students from the Solomon Islands, Tonga and Vanuatu.

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The Disability Exchange Clearinghouse was established in 1995 to promote, increase and expand the participation of people with disabilities in international exchanges, and to provide training and technical assistance to exchange organizations to allow them to facilitate the participation of this important audience.

The net increase of \$2,101,000 in 1997 results from full-year and new price increases of \$216,000 and a program restoration increase of \$1,885,000.

B. PROFESSIONAL AND CULTURAL PROGRAMS (1995 Actual, \$73,054; 1996 Estimate, \$63,790; 1997 Estimate, \$66,915; Increase, \$3,125):

The Bureau supports a range of professional and cultural exchange and training programs including the International Visitor, Arts America Programs, and Citizen Exchanges. In addition, the Bureau conducts earmarked programs such as the Mike Mansfield Fellowships, and support for the Atlanta Paralympic Games in 1996.

1. International Visitor Program (1995 Actual, \$50,747; 1996 Estimate, \$42,240; 1997 Estimate, \$48,469; Increase, \$6,229):
The International Visitor Program emphasizes professional and cultural learning experiences for emerging foreign leaders. The program directly addresses foreign policy issues given highest priority by American embassies worldwide. Program themes include political pluralism, the rule of law, environmental protection and sustainable economic development, civilian-military relations, conflict resolution, development of free market economies, and protection of international property rights among others.

The Bureau supports individual, and single-country, regional or multiregional group projects for International Visitor grantees nominated by overseas posts in accordance with USIA Country Plan objectives. The Voluntary Visitor Program provides

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programming for visitors whose travel to the U.S. is funded by sources other than USIA. Posts use the same selection criteria for Voluntary Visitors as for those nominated for the grants program.

The International Visitor Reception Center in New York and the nation-wide network of 102 Councils for International Visitors throughout the United States meet and assist arriving International Visitors and plan local professional programs. In addition, the Bureau assists other U.S. Government agencies in arranging training programs for foreign nationals sponsored by their governments. Escorts/interpreters are provided when needed for both programs.

In 1995, approximately 3,000 International Visitors and 1,800 Voluntary Visitors participated in projects thematically tailored to fulfill Agency policy objectives. Although often the fulfillment of project objectives occurs over the long term, the following is a sampling of 1995 projects which addressed important public diplomacy objectives or showed significant immediate results.:
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- After returning home from her program, an Ethiopian lawyer charged with drafting legislation to establish a new court system was convinced that the American federal model would be of significant assistance in defining the precise relationship between central and regional judiciaries in Ethiopia. Also, the Ethiopian Justice Minister has requested the assistance of USIS Addis Ababa in providing an American advisor to help restructure his Ministry along U.S. lines. The Minister is following up on a proposal he made to USIS officials shortly after his July 1993 International Visitor program to replicate aspects of the U.S. justice system in Ethiopia.
- The Attorney General of El Salvador and his Deputy and Special Assistant participated in a program to observe U.S. prosecutor-police coordination at a critical point in the implementation of U.S.-supported judicial reform efforts in El Salvador.
- The Bureau conducted several projects for Haiti at a critical time in that country's democratization efforts. Themes included "Labor Unions and the Democratic Process," "Civil-Police Relations in a Democratic Society," and "Economics of Public Policy, Civic Education."

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- Six projects were designed for Russian parliamentarians to provide opportunities for dialogue between Russian and American lawmakers. As a result of one such project, members of the Defense and Security Committees of the Russian Parliament were challenged to rethink points of view on such issues as NATO expansion, START 2, parliamentary control over the military and security forces, and cooperation with the FBI on organized crime and high-level corruption.
- Another Russian project was designed for defense plant managers and government officials. The participants' detailed discussion with Secretary of Defense Perry on defense conversion in both countries left a powerful impression.
- The Minister of Justice of Bosnia's Tuzla canton participated in a program on the U.S. judicial system. The program was instrumental in helping him develop the canton's judicial system within the framework of the new federation between the Muslims and the Croatians that was created with the direct involvement of U.S. negotiators.
- USIS Tel Aviv confirms that 50% of the Ministers in the newly-formed Israeli cabinet are alumni of the International Visitor Program, including the Ministers of Interior, Environment, Internal Security, Agriculture, and Labor and Social Affairs.
- A former International Visitor, publisher of the leading Guatemalan daily, *Siglo XXI*, was one of four journalists awarded the prestigious *Marla Moors Cabot Gold Medal* in October 1995 at Columbia University in New York. He was recognized for having created a model of independent journalism in Guatemala and expanding the limits of the freedom of the press.
- A recent participant in an International Visitor Program, "Legislative Oversight of the Executive Branch," has been named Nicaragua's Vice-President.
- Fourteen former alumni of the International Visitor Program were among the new 32 member government announced in France in November 1995. These include the Prime Minister.

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- Fourteen former alumni of the International Visitor Program were among the new 32 member government announced in France in November 1995. These include the Prime Minister.

The net increase of \$6,229,000 results from full-year and new price increases of \$1,100,000 and a program restoration increase of \$6,129,000, partially offset by non-recurring balances carried in of \$1,000,000. For a regional distribution of International Visitor Program resources, including 1995 resources by country, please refer to the series of charts beginning on page 25.

2. Arts America Programs (1995 Actual, \$1,576; 1996 Estimate, \$1,000; 1997 Estimate, \$1,110; Increase, \$110):

The Agency administers an institutional Creative Arts Grant Program for U.S. non-profit organizations to encourage two-way exchanges and training of artists and museum professionals. The Bureau leveraged over \$1,800,000 from the private sector in support of this program. This program facilitated the exchange of 176 American and 180 foreign participants in 1995.

The Bureau also sponsored 105 cultural specialist residency programs in FY-1995 in the arts and arts management. The Cultural Specialist Program recruits American authorities and practitioners in the arts and literature to speak, conduct master classes and workshops, and work directly with foreign counterparts overseas. The Corridors of Culture program provides support for writers and other members of the intellectual community in emerging democracies. An American delegation introduces foreign writers to the American publishing business, the role of literary agents and the practicalities of publishing in the global marketplace.

The net increase of \$110,000 results from full-year and new price increases of \$27,000 and a program restoration increase of \$83,000.

3. Citizen Exchange Programs (1995 Actual, \$20,731; 1996 Estimate, \$20,550; 1997 Estimate, \$17,336; Decrease, \$3,214):

The Bureau develops cooperative exchange-of-persons projects with private sector institutions in support of Agency goals and objectives. Citizen Exchange Programs are conducted in partnership with American non-profit institutions and associations which share the Bureau's commitment to increased understanding. These partnerships seek to create or reinforce relationships that will

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cultural agreements and executive orders. In all projects, American grantee organizations are encouraged to work with reliable organizations overseas to insure program benefits which go beyond the period of the grant.

Citizen Exchange program models and processes have been adopted in the implementation of many earmark, bilateral and interagency exchange programs.

The flexibility, versatility and diversity of the Citizen Exchange Program resulted in significant contributions to Agency goals and objectives in 1995. A series of focussed exchanges directly supported policy interests in important regions of the world. Programs facilitated durable and productive relations, expanding the critical mass of American and international professionals with cross-cultural experience. Important program results included the following:

- The Vietnam Business Fellowship Program was designed to assist Vietnam as it moves in the direction of a free market economy. The grant was awarded in cooperation with 47 American companies and local communities, brought 50 business executives and government officials from Vietnam to the U.S. for consultations, training and internships with U.S. counterparts in telecommunications, pharmaceutical, manufacturing, finance and insurance fields. This historic exchange marked an important step in the normalization of business and cultural ties between the two countries.
- The Bureau supported the administration's policy of supporting British and Irish efforts to promote peace and reconciliation in Northern Ireland by awarding a grant to Fordham University's School of Law in collaboration with the University of Ulster to establish a center designed to ease tensions and increase understanding between Northern Ireland's historically divided traditions. This initiative was announced by the President at a conference on Northern Ireland held in Washington in May 1995.
- The Bureau continued to support the momentum created by the Israeli-Jordanian peace accord, by creating an American-Israeli-Jordanian Joint Experts Group which is tasked with paving avenues of trilateral cooperation in the physical and social sciences and in education.

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- A 1994 grant to Georgia State University gave strong evidence of having generated a fruitful "longstanding" relationship. The grant supported a six-week journalism education project at Georgia State, which linked journalism educators from Algeria, Egypt, Jordan, Syria, Tunisia, the West Bank and Gaza with counterparts in Georgia. In 1995, the exchange's "veterans" created a new professional association, the Arab-U.S. Association for University Educators. The Association has published its first newsletter and plans to exchange students, faculty and information.
- Cost sharing highlights include a contribution by Warner Music of \$375,000 over three years to support linkages between the New School for Social Research and historically black colleges in South Africa.
- Our South Africa programs also obtained \$600,000 to support an innovative training program which will place South African interns in at least a dozen state and local government offices, businesses, and NGOs.
- A program designed for Ethiopian government and non-governmental professionals, resulted in the creation of an organization entitled, "The Society for the Advancement of Human Rights Education," which recently published Ethiopia's first textbook on civic education. The text includes chapters on the rights of women, children and other minorities.
- As part of a presidential initiative, lawmakers from South Africa's nine provincial parliaments completed a two-week exchange program which focused on legislative management and intergovernmental relations through workshops, professional consultations and meetings with their U.S. legislative counterparts in Kentucky and New Hampshire. The program was a follow-on to USIA - sponsored workshops in South Africa presented by state legislators from Maryland, Arizona and Kentucky.
- In August 1995, mayors from nine major U.S. cities and many corporate leaders traveled to South Africa in a historic, first link with counterparts in the newly established democracy. Sponsored by the Bureau and organized by Sister Cities

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International, the delegation met with South African officials and business leaders to promote economic development, municipal cooperation and free trade.

The net decrease of \$3,214,000 in 1997 results from non-recurring costs of \$7,860,000 for balances carried in (\$1,860,000), the Paralympiad (\$5,000,000), Mansfield Fellowships (\$600,000) and the NIS/East Europe Training Program (\$400,000); partially offset by increases of \$4,646,000 for full-year and new price increases (\$299,000), a program restoration increase (\$1,347,000), and a Civic Education program enhancement (\$3,000,000). This initiative will coordinate and encourage private support for educational programs designed to build democracy, tolerance and civic responsibility. In many countries innovative civic education efforts are underway. We will work with these organizations and individuals to expand citizen participation and encourage the growth of civic culture. In 1996, USIA has established Civic Education as a primary program theme.

C. OTHER PROGRAMS (1995 Actual, \$90,118; 1996 Estimate, \$24,289; 1997 Estimate, \$14,000; Decrease, \$10,289):

1. FREEDOM Support Act NIS Exchange Programs (1995 Actual, \$78,791; 1996 Estimate, \$19,207; 1997 Estimate, \$10,000; Decrease, \$9,207):

In 1995, the Bureau received an additional \$42 million from USAID to support exchange activities begun in 1993 authorized under the Freedom Support Act (FSA). These programs include both short-and-long term youth exchange programs under the Secondary School Initiative, support for undergraduate and graduate exchanges, university affiliations, English teaching activities, international visitor programs, business/professional exchanges and workshops. In 1996, this presentation assumes that programs will be supported by balances carried in totaling \$10,207,000 and funds from the Exchanges account totaling \$9,000,000 for Secondary School Exchanges. A transfer of \$30.2 million to support these programs is anticipated in 1996 and estimated for 1997, but excluded from this presentation. Important 1995 program results included the following:

- The NIS Secondary School Exchange Programs encourage exchanges between secondary school students in the New Independent States and the United States. The 1995 Foreign Operations Appropriation included \$21.5 million for the

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continuation of this initiative, which includes an Academic Year Program, Semester Program, School Linkage Program and Short-term Thematic Projects.

- USIA supported the U.S. Eurasia Internet Access and Training Program as a public-private sector partnership which is designed to foster access to, training in and effective use of the Internet among alumni of USIA academic exchanges in Russia, Ukraine, Uzbekistan, and Belarus.
- As part of the New Independent States University Partnerships Program, a "challenge grant" of one million dollars was offered by a private donor at the annual University of California at Berkeley and the University of St. Petersburg School of Management board meeting in October 1995 at Berkeley. The grant will continue the joint effort of training undergraduate and graduate students in Western business theory and practice at Russia's second largest university.
- The Bureau increased the number of teacher exchanges with Russia from 2 to an unprecedented 81. One of these educators, assigned to teach calculus in Filer, Idaho, so impressed local school authorities that they asked him to assist in developing a teacher training program for utilizing computers to enhance math and physics instruction.
- Evaluations of the U.S./Russian College and University Partnership program determined that these grants are establishing new curricula and degree programs in business education, developing civics education programs, opening access to educational materials and computer laboratories, and creating a draft American English text for future high school teachers. In Minsk, Belarus, a partnership grant is supporting the setting up of two business incubators for innovative technologies, creating accredited business programs, and helping Belarusian entrepreneurs develop business plans.
- The Bureau worked with 28 local communities across the U.S. to bring Russian entrepreneurs to the United States for a hands-on practical training experience in American host businesses. This grass roots program, known as the Business for Russia initiative, is hosting approximately 650 Russians in local communities across America in 1995.

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- The FSA Graduate and Undergraduate Exchange programs continued to provide fellowships to Russian and other NIS students to study at American universities.
- The Bureau also implemented approximately 500 additional FREEDOM Support Visitor Grants for participants from the former Soviet Union. One example of the impact of these programs occurred in June 1995, as the Siberian International Center of Regional Research and the Institute of Economy and Organization of Industrial Production, began publication of a series of books on federalism. The editor of the series was a participant in the FY 93 IV program "State and Local Government in the U.S." The books will concentrate on problems of regulation of regional and inter-regional development; economic and political interaction among the regions; and division of power between the federal center and regions in Russia and other countries. The first book in the series contains articles by several leaders of the Siberian regions who participated in IV programs.

Other programs supported under the Freedom Support Act include Scholarship "Top-Up" Grants, Local and Regional Government Exchanges, Faculty Development grants, Civics Education Institutes, Social Science Curriculum Reform Exchanges and Federalism Programs.

The net decrease of \$9,207,000 in 1997 results from non-recurring balances carried in of \$10,207,000, partially offset by a program restoration increase of \$1,000,000 for Secondary School Exchange Programs.

2. SEED Programs (1995 Actual, \$9,327; 1996 Estimate, \$5,082; 1997 Estimate, \$4,000; Decrease, \$1,082):

Since 1991, under the Support for Eastern European Democracy (SEED) legislation, the Bureau has implemented exchange programs for the new democracies of the region funded by interagency transfers. Topic areas include: Management Training and Market Economics Education, English Teaching, Participant Training, Educational Reform, Media Training, Public Administration and Local Government, Civic Education and Social Science, and the Rule of Law. The Bureau will implement SEED VI Programs in 1996. The 1997 estimate assumes a continuation of some interagency funding.

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The net decrease of \$1,082,000 in the 1997 estimate results from non-recurring balances carried in.

3. American Studies Collections (1995 Actual, \$2,000; 1996 Estimate, \$--; 1997 Estimate, \$--; No change):

In 1995, the Agency established an American Studies Collections Endowment fund with \$2,000,000 appropriated to the Exchange account in 1994 and 1995. Please refer to the American Studies Collections Endowment section of this justification document for program and financial details.

D. EXPLANATION OF 1996 PROGRAM CHANGES:

The 1996 Program Plan is based upon the level specified in the 1996 Appropriations Conference Report. This level does not provide for any mandatory increases, and requires net reductions to base exchange programs of \$47,279,000. The 1996 Exchange account is further reduced by \$9,000,000 for a one-time transfer to offset the deficit in the Agency's S&E account. Offsetting these reductions are increases of \$14,000,000, consisting of \$9,000,000 for NIS Secondary School Programs, and Congressionally designated increases of \$5,000,000 for the Paralympiad (\$3,700,000) and the Mansfield Fellowship Program (\$1,300,000). The following specific programs are terminated in the 1996 estimate, listed with the corresponding 1995 levels: Samantha Smith Memorial Exchanges \$1,770,000; Presidents' U.S./NIS Student Exchange (1000/1000) \$5,539,000. Included in the 1996 Program Plan are carry-in balances of \$16,491,000, which include \$10,207,000 for FREEDOM Support NIS Exchanges, and \$1,082,000 for SEED VI Exchanges. In 1996, as in previous years a portion of Bureau staff salaries, administrative and program costs (\$12,540,000) will be funded from the Exchange Appropriation. In 1997, the Administration proposes to shift funding of these activities back to S&E. For comparative purposes, the 1995 and 1996 "Exchange Support" amounts are displayed in the S&E details in this justification document.

III. 1997 PLANS - INPUTS/EXPECTED OUTCOMES

Explanation of 1997 Built-in Requirements and Program Restoration Increases:

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A net increase of \$23,952,000 results from increases of \$29,952,000, consisting of full-year and new price increases of \$4,818,000, restoration of the one-time shift to S&E of \$9,000,000, and program restoration increases of \$16,134,000. These increases are partially offset by a decrease of \$6,000,000 resulting from the non-recurring of all program costs for the Paralympiad of \$5,000,000, and the NIS/East Europe Training Program of \$400,000; along with the partial non-recurring costs of \$600,000 associated with the Mansfield Fellowship Program.

Bureau Restructuring:

The Bureau is now engaged in the process of adopting a new organizational structure that is leaner, less hierarchical and fragmented, and more flexible to address the dramatically changed international environment of the post-Cold War period.

The four central objectives guiding the restructuring process are:

1. Reduce fragmentation and multiple operational units.
2. Reduce layering in the Bureau's organizational hierarchy.
3. Encourage empowerment, teamwork, staff cohesion and cross-functional communication.
4. Implement downsizing of overall staff levels in order to meet National Performance Review and budget requirements.

The significant restructuring and downsizing of the Bureau will parallel similar fundamental change in how programs are administered by the Agency and by our partner organizations. Use of new technologies, a reduction in centralized workshops/orientations, simplification and streamlining of the Bureau application and grant-making processes, an emphasis on cost-sharing, and program prioritization and coordination will all contribute to making exchange programs more efficient and cost-effective. The Bureau will be making final restructuring decisions in 1996 for immediate, phased implementation.

EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS

The Bureau continued in 1995 to build its evaluation capacity to provide program managers, Agency officials and the President and Congress with knowledge about the results and effectiveness of programs. The Bureau's Office of Policy and Evaluation performs and supports evaluations of program processes and results within priority program areas. Evaluations undertaken directly by the office focussed on improving longer-term program implementation and effectiveness. Other studies undertaken by program staff with office support sought to analyze, compare and synthesize the factors influencing program performance.

The Bureau has developed a strategic framework for measurement of the performance of all Exchange programs in accordance with the Government Performance and Results Act of 1993 (GPRA). The Bureau plans to develop a GPRA Performance Plan in 1996 to establish specific measurements for key programs, and an implementation time line.

EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS
ACADEMIC AND INTERNATIONAL VISITORS PROGRAM SUMMARY
(\$ IN THOUSANDS)

	-- 1988 ACTUAL --		-- 1989 ESTIMATE --		-- 1990 ESTIMATE --		INC. OR DEC. (%)	
	NUMBER OF GRANTS	FUNDS						
A1. ACADEMIC EXCHANGES								
EAST ASIA AND PACIFIC	466	26,200	414	23,322	464	25,984	40	2,262
AFRICA	270	12,700	234	11,088	267	12,615	33	1,860
NORTH AFRICA, NEAR EAST & SOUTH ASIA	360	18,082	340	16,798	378	17,420	36	1,664
AMERICAN REPUBLICS	793	25,323	684	22,153	778	24,799	82	2,616
WEST EUROPE AND CANADA	1,703	36,829	1,808	33,365	1,808	33,365
EAST EUROPE AND M&S	491	18,926	455	17,821	519	19,973	64	2,462
WORLDWIDE PROGRAMS	-	15,727	-	8,142	-	11,142	-	2,000
TOTAL	4,112	152,366	3,746	152,324	4,000	144,696	286	12,824
DEDUCT FOREIGN GOVERNMENT CONTRIBUTIONS	..	(22,874)	..	(22,874)	..	(22,874)
DEDUCT OTHER FUNDS/RESIDUALS	..	(10,686)	..	(10,686)	..	(10,686)
TOTAL, U. S. GOVERNMENT FUNDS	3,412	110,806	3,746	88,072	..	111,006	..	12,804
DEDUCT REIMBURSEMENTS	..	(808)	..	(1,000)	..	(1,000)
TOTAL, ACADEMIC EXCHANGES	3,304	110,000	3,746	86,072	..	110,000	..	12,804
B1. INTERNATIONAL VISITOR EXCHANGES								
EAST ASIA AND PACIFIC	412	7,143	343	5,965	366	6,943	82	866
AFRICA	647	10,708	489	8,980	624	10,286	66	1,289
NORTH AFRICA, NEAR EAST & SOUTH ASIA	433	7,718	367	6,365	410	7,316	82	861
AMERICAN REPUBLICS	867	8,043	460	6,648	829	7,938	96	990
WEST EUROPE AND CANADA	461	7,181	408	5,998	470	6,876	81	822
EAST EUROPE AND M&S	886	9,883	472	8,228	842	8,836	70	1,238
TOTAL	3,006	80,747	3,800	42,340	3,870	48,000	370	6,229
DEDUCT REIMBURSEMENTS	..	(874)	..	(800)	..	(800)
TOTAL, INT'L VISITOR EXCHANGES	3,006	80,073	3,800	41,740	3,870	47,000	370	6,229

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EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS
ACADEMIC EXCHANGE
(\$ IN THOUSANDS)
EAST ASIA/PACIFIC

--1995 ACTUAL--

NUMBER OF GRANTS				
	Foreign	U.S.	Total	Funds
Australia	21	30	51	1,358
Brunet	-	1	1	39
Burmese Student Program	6	-	6	551
Cambodia	6	-	6	119
China, Peoples' Republic of	32	17	49	1,641
Fiji	3	1	4	104
Hong Kong	3	7	10	336
Indonesia	12	15	27	1,176
Japan	54	26	80	6,541
Korea	31	17	48	2,066
Laos	2	-	2	47
Malaysia	6	6	12	699
Mongolia	2	1	3	68
New Zealand	20	25	45	812
Pacific Islands	1	2	3	58
Papua/ New Guinea	3	-	3	47
Philippines	7	11	18	781
Singapore	5	3	8	95
Thailand	20	10	30	1,162
Tibetan Scholarships	15	-	15	534
Vietnam	30	-	30	3,098
Regional	9	5	14	468
S/T, Grantee Costs	288	177	465	21,801
Cooperation with Private Institutions	-	-	-	868
Other Program Expenses	-	-	-	2,372
Contract Agency Costs	-	-	-	718
Program Support Costs	-	-	-	443
Other Academic Expenses	-	-	-	3,533
S/T, Other Prog Expenses	-	-	-	26,200
Total	288	177	465	
Deduct Foreign Government Contributions	XXX	XXX	XXX	(5,032)
Deduct Other Funding Sources /Residuals	XXX	XXX	XXX	(2,480)
Total, USG Funds	XXX	XXX	XXX	18,688
Deduct Reimbursements	XXX	XXX	XXX	(131)
Total, Direct Obligations	XXX	XXX	XXX	18,557

EDUCATIONAL AND CULTURAL EXCHANGES PROGRAMS
ACADEMIC EXCHANGES
[1986-1987]

--1986 ACTUAL--

	FOREIGN	U.S.	TOTAL	RATIO
Benin	3	1	4	100
Botswana	3	5	8	277
Burkina Faso	3	1	4	170
Burundi	1	-	1	30
Cameroon	4	2	6	215
Cape Verde Islands	-	1	1	60
Chad	-	-	0	19
Congo (Brazzaville)	-	2	2	80
Cote D'Ivoire (Ivory Coast) ..	5	2	7	310
Eritrea	3	3	6	183
Ethiopia	9	4	13	601
The Gambia	-	1	1	77
Gabon	1	-	1	20
Ghana	8	15	23	870
Gumied	1	1	2	42
Kenya	10	10	20	733
Lesotho	2	3	5	219
Madagascar	2	2	4	158
Malawi	2	4	6	260
Mali	3	2	5	144
Mauritius	3	2	5	198
Mozambique	2	1	3	137
Namibia	2	6	8	342
Niger	1	1	2	80
Nigeria	8	4	13	338
Rwanda	-	-	-	75
Senegal	9	7	16	402
Sierra Leone	2	-	2	64
South Africa	26	21	46	1,886
Swaziland	-	-	-	10
Tanzania	5	8	13	478
Togo	3	-	3	167
Uganda	3	7	10	432
Zambia	4	3	7	212
Zimbabwe	4	8	12	514
Regional	-	8	8	475
S/T, Grants Costs	150	150	270	56,000

EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS
ACADEMIC EXCHANGE
(IN THOUSANDS)
AFRICA

--1995 ACTUAL--

	NUMBER OF GRANTS			FUNDS
	<u>Foreign</u>	<u>U.S.</u>	<u>Total</u>	
Cooperation with Private Institutions	-	-	-	256
Other Program Expenses:				
Contract Agency Costs	-	-	-	1,829
Program Support Costs	-	-	-	493
Other Academic Expenses	-	-	-	304
S/T, Other Prog Expenses..	-	-	-	2,426
Total, USG Funds	135	135	270	12,788
Deduct Reimbursements	xxx	xxx	xxx	-
Total, Direct Obligations	xxx	xxx	xxx	12,788

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EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS
ACADEMIC EXCHANGES
(\$ \$) THOUSANDS)
NORTH AFRICA, NEAR EAST, AND SOUTH ASIA

--1996 ACTUAL--

	NUMBER OF GRANTS			FUNDING
	Foreign	U.S.	Total	
Algeria	5	-	5	120
Bahrain	-	2	2	98
Bangladesh	7	5	12	388
Bhutan	1	0	1	104
Egypt	20	17	37	1,800
Gaza	10	-	10	511
India	32	37	78	1,971
Iran	2	-	2	36
Iraq	31	16	47	1,574
Jordan	12	11	23	945
Kuwait	-	2	2	78
Lebanon	3	-	3	62
Morocco	31	20	51	1,740
Nepal	7	6	13	583
Oman	-	1	1	43
Pakistan	12	7	19	1,022
Qatar	1	2	3	97
Saudi Arabia	5	1	6	108
Sri Lanka	10	9	19	623
Syria	8	7	15	496
Tunisia	6	5	13	424
United Arab Emirates	2	1	3	66
West Bank	10	4	14	771
Yemen	8	2	7	314
Regional	-	5	5	378
ST, Grantee Costs	228	181	369	14,460
Cooperation with Private Institutions	-	-	-	345
Other Program Expenses:				
Contract Agency Costs	-	-	-	2,367
Program Support Costs	-	-	-	539
Other Academic Expenses	-	-	-	333
ST, Other Prog Expenses..	228	181	369	18,062
Deduct Foreign Government Contributions	XXX	XXX	XXX	(1,108)
Deduct Other Funding Sources /Residuals	XXX	XXX	XXX	(2,133)
Total, USG Funds	XXX	XXX	XXX	14,849
Deduct Reimbursements	XXX	XXX	XXX	(279)
Total, Direct Obligations	XXX	XXX	XXX	14,570

EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS
ACADEMIC EXCHANGE
(1995 DOLLARS)
AMERICAN REPUBLICS

--1995 ACTUAL--

	NUMBER OF GRANTS			
	Foreign	U.S.	Total	FUNDS
CENTRAL AMERICA				
Belize	6	6	12	283
Costa Rica	20	8	28	715
El Salvador	16	4	20	680
Guatemala	17	7	24	763
Honduras	16	9	25	687
Nicaragua	16	6	22	711
Panama	17	4	21	663
Regional	-	-	-	53
Subtotal, Grants	108	44	152	4,555
Other Program Expenses:				
Contract Agency Costs	-	-	-	1,184
Program Support Costs	-	-	-	238
Other Academic Expenses	-	-	-	146
S/T, Other Prog. Expenses	-	-	-	1,506
Subtotal, Central America	108	44	152	6,121
OTHER AMERICAN REPUBLICS				
Argentina	61	20	81	1,794
Bahamas	2	2	4	112
Barbados	8	6	14	330
Bolivia	10	4	14	422
Brazil	52	35	87	2,689
Chile	24	18	42	1,065
Colombia	26	15	41	1,122
Dominican Republic	7	2	9	277
Ecuador	20	15	35	818
Guyana	4	1	5	129
Haiti	8	1	9	250
Jamaica	7	2	9	192
Mexico	125	49	174	3,337
Paraguay	6	4	10	270
Peru	20	26	46	812
Suriname	5	-	5	108
Trinidad/Tobago	10	2	12	241
Uruguay	8	6	14	322
Venezuela	13	5	18	481
Regional	-	12	12	260
S/T, Grants Costs	416	226	641	15,061

EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS
ACADEMIC EXCHANGES
(1) IN THIRTY-NINE
AMERICAN REPUBLICS

--1995 ACTUAL--

ITEMS AND AMOUNTS OF GRANTS RECEIVED	Funding	U.S.	Total	CASH RECEIVED
Other Program Expenses:				
Contract Agency Costs	-	-	-	3,138
Program Support Costs	-	-	-	628
Other Academic Expenses	-	-	-	367
S/T, Other Prog Expenses..	-	-	-	4,151
Total, Other Am Republics	416	225	641	19,202
Total, American Republics	524	200	723	26,323
Deduct Foreign Government:				
Contributions	XXX	XXX	XXX	(2,003)
Deduct Other Funding Sources /Residuals..	XXX	XXX	XXX	(941)
Total, USG Funds	XXX	XXX	XXX	22,379
Deduct Reimbursements	XXX	XXX	XXX	(160)
Total, Direct Obligations	XXX	XXX	XXX	22,119

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EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS

ACADEMIC EXCHANGE

(\$ IN THOUSANDS)

WEST EUROPE

--1995 ACTUAL--

	NUMBER OF GRANTS			
	Foreign	U.S.	Total	FUNDS
Austria	44	44	88	987
Belgium/Luxembourg	31	23	54	874
Canada	28	25	53	1,248
Cyprus	53	5	58	343
Denmark	32	16	48	1,244
European Community	3	10	13	198
Finland	22	33	55	1,075
France	40	28	68	1,999
Germany, Federal Republic of..	291	246	537	9,222
Greece	38	19	57	1,010
Iceland	23	22	45	283
Ireland	9	1	10	214
Italy	73	51	124	2,079
Malta	—	4	4	70
Netherlands	27	17	44	937
Norway	52	21	73	1,406
Portugal	21	17	38	781
Spain	75	56	131	4,113
Sweden	19	19	38	772
Switzerland	3	1	4	55
Turkey	30	17	47	1,482
United Kingdom	67	47	114	1,905
S/T, Grantee Costs	981	722	1,703	32,078
Other Program Expenses:				
Contract Agency Costs	—	—	—	2,183
Program Support Costs	—	—	—	661
Other Academic Expenses	—	—	—	496
S/T, Other Prog Expenses..	—	—	—	3,252
Total	981	722	1,703	35,329
Deduct Foreign Government Contributions	xx	xx	xx	(14,167)
Deduct Other Funding Sources /Residuals	xx	xx	xx	(5,430)
Total, USG Funds	xx	xx	xx	15,732
Deduct Reimbursements	xx	xx	xx	(39)
Total, Direct Obligations	xx	xx	xx	15,693

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EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS
ACADEMIC EXCHANGE
(\$ IN THOUSANDS)
NS AND EAST EUROPE

--1996 ACTUAL--

NUMBER OF GRANTS

	Foreign	U.S.	Total	CASH
Albania	16	5	21	636
Armenia	2	3	5	176
Azerbaijan	2	1	3	72
Belarus	5	2	7	176
Bulgaria	22	11	33	667
Croatia	16	7	23	688
Czech Republic	20	15	35	1,079
Estonia	7	5	12	269
Georgia	2	1	3	108
Hungary	29	22	51	1,662
Kazakhstan	8	3	11	299
Kyrgyzstan	5	2	7	170
Latvia	6	6	12	346
Lithuania	9	6	15	403
Macedonia	4	1	5	136
Moldova	3	1	4	87
Poland	32	25	57	2,098
Romania	37	18	55	1,571
Russia	33	27	60	1,683
Slovak Republic	13	9	22	636
Slovenia	8	6	14	332
Tajikistan	3	-	3	82
Turkmenistan	3	1	4	89
Ukraine	15	6	20	620
Uzbekistan	4	3	7	148
Regional	-	-	1	36
B/T, Grantee Costs	304	187	491	14,564

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EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS
ACADEMIC EXCHANGE
(\$ IN THOUSANDS)
MIS AND EAST EUROPE

--1995 ACTUAL--

	NUMBER OF GRANTS			FUNDS
	Foreign	U.S.	Total	
Cooperation with Private Institutions	-	-	-	750
Other Program Expenses				
Contract Agency Costs	-	-	-	2,405
Program Support Costs	-	-	-	726
Other Academic Expenses	-	-	-	449
S/T, Other Prog Expenses	-	-	-	3,582
Total	304	187	491	18,826
Deduct Foreign Government Contributions	XXX	XXX	XXX	(263)
Deduct Other Funding Sources /Residuals	XXX	XXX	XXX	296
Total, USG Funds	XXX	XXX	XXX	18,560
Deduct Reimbursements	XXX	XXX	XXX	(156)
Total, Direct Obligations	XXX	XXX	XXX	18,804

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EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS
INTERNATIONAL VISITORS
EAST ASIA AND PACIFIC
(\$ IN THOUSANDS)

GRANTEE COSTS	NUMBER OF GRANTS		FUNDS
		FUNDS	
AUSTRALIA	20	131	
BRUNEI	2	17	
BURMA	9	71	
CAMBODIA	12	86	
CHINA, PEOPLE'S REPUBLIC OF	62	507	
Fiji	9	73	
HONG KONG	14	96	
INDONESIA	36	296	
JAPAN	62	348	
KOREA	48	368	
LAOS	4	33	
MALAYSIA	12	81	
MONGOLIA	13	122	
NEW ZEALAND	21	147	
PACIFIC ISLANDS	10	82	
PAPUA NEW GUINEA	9	96	
PHILIPPINES	33	246	
SINGAPORE	9	64	
THAILAND	25	199	
REGIONAL	0	0	
SUB-TOTAL GRANTEE COSTS	412	3,086	
OTHER PROGRAM EXPENSES			
CONTRACT AGENCY COSTS	—	1,408	
ESCORT/INTERPRETER COSTS	—	1,852	
GROUP PROJECT COSTS	—	161	
NON-SPONSORED VISITOR PROGRAM	—	202	
NCV INCENTIVE	—	267	
PROGRAM SUPPORT COSTS	—	145	
OTHER	—	36	
SUB-TOTAL OTHER PROGRAM EXPENSES	—	4,085	
TOTAL, 1996 DIRECT OBLIGATIONS	412	7,151	

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EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS

INTERNATIONAL VISITORS

AFRICA

(\$ IN THOUSANDS)

GRANT&LIC COSTS	NUMBER OF GRANTS	FUNDS
ANGOLA	1	10
BENIN	11	100
BOTSWANA	11	114
BURKINA FASO	8	89
BURUNDI	6	58
CAMEROON	12	126
CAPE VERDE	1	9
CENTRAL AFRICAN REPUBLIC	4	31
CHAD	4	44
CONGO (BRAZZAVILLE)	9	90
DJIBOUTI	1	10
ERTREIA	9	86
ETHIOPIA	16	152
GABON	5	48
GAMBIA	2	19
GHANA	16	157
GUINEA	12	114
GUINEA-BISSAU	2	18
IVORY COAST	18	167
KENYA	16	142
LESOTHO	3	33
LIBERIA	7	68
MADAGASCAR	7	86
MALAWI	11	111
MALI	13	112
MAURITIUS	4	50
MOZAMBIQUE	13	139
NAMIBIA	13	126
NIGER	11	96
NIGERIA	29	268
RWANDA	1	10
SAO TOME	1	10
SENEGAL	13	151
SEYCHELLES	2	21
SIERRA LEONE	6	55
SOUTH AFRICA	64	604
SWAZILAND	8	82

EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS

INTERNATIONAL VISITORS
AFRICA (Cont.)
(\$ IN THOUSANDS)

	NUMBER OF GRANTS	FUNDS
TANZANIA	11	108
TOGO	9	83
UGANDA	14	137
ZAIRE	11	115
ZAMBIA	17	167
ZIMBABWE	16	186
AR3 PARIS	9	45
SUB-TOTAL GRANTEE COUNTRY COSTS	458	4,400
YOUNG AFRICAN LEADERS (INC. ADMIN.)	80	971
SUB-TOTAL GRANTEE COSTS	537	5,371
OTHER PROGRAM EXPENSES		
CONTRACT AGENCY COSTS	—	1,818
ESCORT INTERPRETER COSTS	—	2,369
GROUP PROJECT COSTS	—	207
NON-SPONSORED VISITOR PROGRAM	—	261
NCIV INCENTIVE	—	370
PROGRAM SUPPORT COSTS	—	198
OTHER	—	49
SUB-TOTAL OTHER PROGRAM EXPENSES	—	5,236
TOTAL, 1986 GROSS OBLIGATIONS	647	10,708
DEDUCT REIMBURSEMENTS	—	(553)
TOTAL, 1986 DIRECT OBLIGATIONS	647	10,155

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EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS

INTERNATIONAL VISITORS

NORTH AFRICA, NEAR EAST AND SOUTH ASIA

(\$ IN THOUSANDS)

GRANTEE COSTS	NUMBER OF GRANTS		FUNDS
	GRANTS	FUNDS	
AFGHANISTAN	6	50	
ALGERIA	16	124	
BAHRAIN	11	83	
BANGLADESH	17	164	
BHUTAN	4	36	
EGYPT	34	149	
GAZA	11	80	
INDIA	46	369	
IRAQ	3	25	
ISRAEL	21	222	
JORDAN	23	223	
KUWAIT	6	37	
LEBANON	8	64	
MALDIVES	2	19	
MAURITANIA	3	25	
MOROCCO	23	179	
NEPAL	23	117	
OMAN	7	56	
PAKISTAN	52	386	
QATAR	4	30	
SAUDI ARABIA	17	114	
SRI LANKA	12	114	
SUDAN	9	86	
SYRIA	19	150	
TUNISIA	21	160	
UNITED ARAB EMIRATES	7	52	
WEST BANK	15	115	
YEMEN	13	124	
SUB-TOTAL GRANTEE COSTS	433	3,343	
 OTHER PROGRAM EXPENSES			
CONTRACT AGENCY COSTS	—	1,505	
ESCORT INTERPRETER COSTS	—	1,960	
GROUP PROJECT COSTS	—	172	
NON-SPONSORED VISITOR PROGRAM	—	216	
NCIV INCENTIVE	—	307	
PROGRAM SUPPORT COSTS	—	156	
OTHER	—	39	
SUB-TOTAL OTHER PROGRAM EXPENSES	—	4,375	
 TOTAL, 1996 GROSS OBLIGATIONS	433	7,718	
DEDUCT REIMBURSEMENTS	—	(82)	
 TOTAL, 1996 DIRECT OBLIGATIONS	433	7,636	

EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS

INTERNATIONAL VISITORS
AMERICAN REPUBLICS
(\$ IN THOUSANDS)

GRANTEE COSTS	NUMBER OF GRANTS		FUNDS
	GRANTS	FUND	
CENTRAL AMERICA			
BELIZE	4	27	
COSTA RICA	23	135	
EL SALVADOR	22	163	
GUATEMALA	18	118	
HONDURAS	18	125	
NICARAGUA	15	88	
PANAMA	16	107	
SUB-TOTAL CENTRAL AMERICA	116	704	
OTHER AMERICAN REPUBLICS			
ARGENTINA	34	181	
BAHAMAS	8	47	
BARBADOS	13	86	
BOLIVIA	15	108	
BRAZIL	61	401	
CHILE	35	210	
COLOMBIA	29	206	
DOMINICAN REPUBLIC	12	79	
ECUADOR	14	87	
GUYANA	6	37	
HAITI	23	184	
JAMAICA	14	84	
MEXICO	88	363	
PARAGUAY	16	90	
PERU	28	188	
SURINAME	5	30	
TRINIDAD	11	68	
URUGUAY	13	95	
VENEZUELA	26	184	
SUB-TOTAL OTHER AMERICAN REPUBLICS	441	2,798	
SUB-TOTAL GRANTEE COSTS	557	3,475	
OTHER PROGRAM EXPENSES			
CONTRACT AGENCY COSTS	—	1,572	
ESCORT INTERPRETER COSTS	—	2,000	
GROUP PROJECT COSTS	—	180	
NON-SPONSORED VISITOR PROGRAM	—	238	
NCIV INCENTIVE	—	320	
PROGRAM SUPPORT COSTS	—	162	
OTHER	—	42	
SUB-TOTAL OTHER PROGRAM EXPENSES	—	4,370	
TOTAL, 1986 GROSS OBLIGATIONS	557	6,845	39
DEDUCT REIMBURSEMENTS	—	—	
TOTAL, 1986 DIRECT OBLIGATIONS	557	7,875	

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EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS

INTERNATIONAL VISITORS
WEST EUROPE & CANADA
(\$ IN THOUSANDS)

GRANTEE COSTS	NUMBER OF GRANTS		FUNDS
		FUNDS	
AUSTRIA	10	68	
BELGIUM/LUXEMBOURG	14	68	
EUROPEAN COMMUNITY	24	136	
CANADA	19	106	
CYPRUS	9	67	
DENMARK	16	111	
FINLAND	15	94	
FRANCE	34	229	
GERMANY	96	586	
GREECE	12	77	
ICELAND	4	27	
IRELAND	4	28	
ITALY	51	304	
MALTA	7	8	
NETHERLANDS	17	90	
NORWAY	16	116	
PORTUGAL	19	125	
SPAIN	42	262	
SWEDEN	13	92	
SWITZERLAND	2	14	
TURKEY	28	201	
UNITED KINGDOM	37	237	
BUS-TOTAL GRANTEE COSTS	491	3,066	
OTHER PROGRAM EXPENSES			
CONTRACT AGENCY COSTS	1,415	
ESCORT INTERPRETER COSTS	1,862	
GROUP PROJECT COSTS	152	
NON-SPONSORED VISITOR PROGRAM	203	
NCV INCENTIVE	288	
PROGRAM SUPPORT COSTS	146	
OTHER	39	
BUS-TOTAL OTHER PROGRAM EXPENSES	4,115	
TOTAL, 1985 DIRECT OBLIGATIONS	491	7,181	

EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS

INTERNATIONAL VISITORS

EAST EUROPE & NIS

(\$ IN THOUSANDS)

GRANTOR CODES	NUMBER OF GRANTS	FUNDS
ALBANIA	21	101
ARMENIA	6	42
AZERBAIJAN	1	2
BELARUS	9	22
ROMANIA	9	22
BULGARIA	2	8
CROATIA	2	8
CZECH REPUBLIC	2	8
ESTONIA	2	8
GEORGIA	2	8
HUNGARY	2	8
KAZAKHSTAN	2	8
KYRGYZSTAN	2	8
LATVIA	2	8
LITHUANIA	2	8
MACEDONIA	2	8
MOLDOVA	2	8
POLAND	2	8
ROMANIA	2	8
RUSSIA	2	8
SERBIA	2	8
SLOVAK REPUBLIC	18	122
SLOVENIA	8	61
TAJIKISTAN	9	41
TURKMENISTAN	5	23
UKRAINE	2	13
UZBEKISTAN	15	105
SUB-TOTAL GRANTORS COSTS		638
 OTHER PROGRAM EXPENSES		
CONTRACT AGENCY COSTS	1	1,362
ESCORT/INTERPRETER COSTS	1	2,561
GROUP PROJECT COSTS	1	124
NON SPONSORED VISITOR PROGRAM	1	362
NCIV INCENTIVE	1	408
PROGRAM SUPPORT COSTS	1	363
OTHER	1	21
SUB-TOTAL OTHER PROGRAM EXPENSES		4,297
TOTAL, 1998 DIRECT OBLIGATIONS		4,935

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EDUCATIONAL AND CULTURAL EXCHANGE PROGRAMS

SUMMARY OF REQUIREMENTS

(\$ IN THOUSANDS)

	1986 ACTUAL	1986 ESTIMATE	1987 ESTIMATE	BUDGET DEC. 14
A. ACADEMIC PROGRAMS				
1. FULBRIGHT AREA & WORLDWIDE ACADEMIC EXCHANGES	114,794	98,972	110,566	12,524
2. OTHER SPECIAL ACADEMIC EXCHANGES				
a. HUMPHREY FELLOWSHIPS	7,817	8,000	8,107	1,107
b. MURKIN FELLOWSHIPS	6,908	6,000	5,952	988
c. CENTRAL AMERICAN PROGRAM FOR UNDERGRADUATE EDUCATION (CAMPEX)	3,201	1,000	1,110	198
d. NEAR AND MIDDLE EAST RESEARCH AND TRAINING	2,065	2,000	2,322	324
e. SOUTH PACIFIC SCHOLARSHIPS	960	100	108	18
f. DISABILITY EXCHANGE CLEARINGHOUSE	680	200	208	38
g. CYPRUS AMERICAN SCHOLARS PROGRAM	4,849
h. OTHER PROGRAMS	7,811
SUBTOTAL, OTHER ACADEMIC EXCHANGES	30,466	(5,952)	16,401	3,101
TOTAL, ACADEMIC EXCHANGES	181,785	111,074	130,567	12,524
B. PROFESSIONAL AND CULTURAL PROGRAMS				
1. INTERNATIONAL VISITOR EXCHANGES				
a. ARTS AMERICA PROGRAM	60,072	41,740	47,000	8,228
b. CITIZEN EXCHANGES				
a. CITIZEN EXCHANGE PROGRAM	1,570	1,000	1,110	188
b. CONGRESS-BUNDESSTAD YOUTH EXCHANGES	11,066	10,500	12,306	2,106
c. PEPPER SCHOLARSHIPS	2,767	2,400	2,500	300
d. MANFIELD FELLOWSHIPS	700	300	708	148
e. PARALYMPIC	600	1,000	1,300	300
f. HIBERNIA TRAINING	1,200	800
g. U.S.-MEXICO CONFIRMATION RESOLUTION	800	100	100	140
SUBTOTAL, CITIZEN EXCHANGES	16,324	10,900	17,206	3,114
TOTAL, PROFESSIONAL AND CULTURAL PROGRAMS	71,313	52,640	56,516	11,348
C. OT-5A PROGRAMS				
1. FREEDOM SUPPORT ACT PROGRAMS	76,411	10,307	10,000	(9,207)
2. SEED PROGRAM	8,743	1,000	0	(1,000)
3. AMERICAN STUDIES COLLECTIONS	1,000
SUBTOTAL, OTHER PROGRAMS	86,154	11,307	10,000	(10,207)
TOTAL, BUDGET FUND (COMPARATIVE BASIS)	310,150	104,661	352,412	7,481
RECONCILIATION TO APPROPRIATIONS (COMPARATIVE BASIS)				
DEDUCT BALANCE & CARRIED IN AND RECOVERIES	(53,801)	(14,401)	..	16,401
ADD BALANCE & CARRIED OUT	16,401
TOTAL, ENACTED & ESTIMATED APPROPRIATIONS (COMPARATIVE BASIS)	172,750	(75,000)	352,412	32,481
ADD COMPARATIVE TRANSFER TO B&E	14,800	12,540	..	(12,540)
TOTAL ENACTED & ESTIMATED APPROPRIATIONS	187,550	(62,460)	352,412	11,481

INTERNATIONAL BROADCASTING OVERVIEW

This account funds all U.S. Government non-military international broadcasting. Its establishment in fiscal year 1995 reflected major changes in the organization of broadcasting, including the consolidation of Radio Free Europe/Radio Liberty, Inc. and the Voice of America, and the establishment of Asia Pacific Network/Radio Free Asia, Inc. A brief description of the broadcasting elements follows:

THE BROADCASTING BOARD OF GOVERNORS (BBG), created by the International Broadcasting Act of 1994, provides oversight for all U.S. Government non-military international broadcasting.

INTERNATIONAL BROADCASTING BUREAU (IBB)

The Voice of America broadcasts U.S., global, and local news and information in English and 46 other languages via a network of IBB owned and operated transmitter installations, leased facilities and numerous affiliated local stations.

THE WORLDNET TELEVISION AND FILM SERVICE, the IBB's 24-hour-a-day, global satellite television network, supports and explains policy objectives of the U.S. government to foreign audiences. The principal focus of interactive teleconferences and mass audience programming is the promotion of U.S. interests.

Broadcasting to Cuba - RADIO MARTI broadcasts news, information and opinion to Cuba in Spanish from three high-powered stations, including two VOA stations. TV Marti broadcasts news and public affairs programming in Spanish to the Havana area on a VHF signal originating in Florida.

ENGINEERING AND TECHNICAL OPERATIONS manages the operation of all domestic and overseas transmitter installations and plans, develops, and implements renovations and new technical facility projects throughout the world.

PROGRAM DIRECTION AND ADMINISTRATION provides overall management and administrative services for the IBB.

INDEPENDENT GRANTING ORGANIZATIONS

RADIO FREE EUROPE/RADIO LIBERTY serves Central Europe and the former Soviet Union as an alternative to underdeveloped or restricted local media. The two broadcast in 21 languages via a network of IBB owned and operated transmitter installations, leased facilities and affiliate local stations.

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INTERNATIONAL BROADCASTING OVERVIEW. CONTINUED

Asia Pacific Network/Radio Free Asia's mandate includes providing accurate and timely information, news, and commentary about events in Asia and a forum for a variety of opinions from within Asian nations whose people do not fully enjoy freedom of expression.

Over the past 54 years, U.S. international broadcasting has earned a reputation for providing up-to-the-minute, accurate, and balanced news and features to its international audience. VOA, WORLDNET, Radio and TV Marti, and RFE/RL reach more than 140 million listeners weekly in their homes and in their languages with reliable, comprehensive news of the United States, their own country, and the world.

U.S. international broadcasters have embraced the challenge of change. In partnership with the President and the Congress, we have cut costs dramatically, while moving forward in bold ways. The emerging organization is leaner and more flexible. The International Broadcasting Act of 1994 created the Broadcasting Board of Governors (BBG) which for the first time, consolidates the responsibility for all non-military U.S. Government international broadcasting, including Voice of America, WORLDNET, and Radio and TV Marti; Radio Free Europe/Radio Liberty, Inc. and Asia Pacific Network/Radio Free Asia, Inc.

The consolidation has led to new efficiencies, resulting in savings of over \$400 million during the period 1994-1997, including:

- the staff of international broadcasting has been reduced by 1,496 positions (31%);
- over 400 (about 24%) direct broadcast programming hours via IBB-owned or leased shortwave and medium wave transmitters per week have been eliminated; and
- five (5) relay stations (Bethany, Gloria, Biblis, Maxoqueira, and Holskirchen shortwave) have been or are being closed.

The budget savings are dramatic: the 1997 request of \$165 million is 28% lower than the 1994 appropriation of \$187 million.

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INTERNATIONAL BROADCASTING OVERVIEW. CONTINUED

GOALS/OBJECTIVES/STRATEGIES

Goals: International Broadcast Operations support the public diplomacy goal of increased understanding and acceptance of U.S. policies and U.S. society by foreign audiences.

Objective: The programs of the Voice of America, WORLDNET television, Radio and TV Marti, the independent grantees Radio Free Europe/Radio Liberty and Asia Pacific Network/Radio Free Asia, Engineering and Technical Operations and all related support activities, provide accurate and authoritative information to target audiences.

Strategies: To achieve these goals and objectives, International Broadcast Operations will:

1. Provide audiences accurate, comprehensive and objective news and information.
2. Represent American society and culture in a balanced and comprehensive way.
3. Present the policies of the United States clearly and effectively, including responsible discussion and opinion of these policies.
4. Reach audiences in the languages, media and program formats that are most appropriate.
5. Encourage development of free and independent media.
6. Utilize comprehensive and accurate research.
7. Create a work environment that fosters creativity and excellence.
8. Engage the widest possible participation by the American public in international broadcast programs and develop mechanisms through which broadcasting can be accountable to the government and to the people.

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INTERNATIONAL BROADCASTING OVERVIEW, CONTINUED

1995 AND 1996 PROGRAM - HIGHLIGHTS

The consolidation under the BBG has brought about unprecedented cooperation between the broadcast elements. The VOA and RFE/RL have, for the first time, coordinated their schedules so that they are not competing for the same listeners at the same times of the day. All engineering and technical operations of the IBB and RFE/RL have been consolidated, saving tens of millions of dollars. The VOA and WORLDNET are co-producing programs, such as a call-in show in Spanish, a talk show in Arabic, and the Window on America program to the Ukraine. Asia Pacific Network/Radio Free Asia, Inc. will utilize existing IBB resources wherever it is appropriate.

The U.S. international broadcasters have taken reorganization seriously. We are striving to give the U.S. taxpayer the most efficient international broadcasting organization that accomplishes our Congressionally-mandated mission. At the same time, we are striving to give our listeners the best and most accessible programming that meets their informational needs.

Striving to meet changing priorities. The end of the Cold War and the emergence of a new order have increased international broadcasting's focus on Asia, the Middle East, and Africa. Broadcasting hours have been increased to these regions and decreased in Europe and the former Soviet Union and relay stations have been closed in Europe.

From the attempted Russian coup to the crisis in Cuba - international broadcasting has been on the scene to report the news as it happens. Last year, the broadcasters responded to crisis situations in:

--Cuba, where international broadcasting has increased its signal strength and saturation in response to the shooting down of two private U.S. planes.

--Bosnia, where hate radio is believed responsible for fomenting ethnic hatred leading to terrible destruction. Over 25% of the population in Bosnia's four largest cities listens to VOA and RFE/RL for news and information weekly.

--Central Africa, where the NSC and State Department have asked VOA to create new broadcast services to help prevent a recurrence of the genocide in Rwanda where over 500,000 people were brutally murdered.

INTERNATIONAL BROADCASTING OVERVIEW, CONTINUED

--Haiti, where the population, striving to maintain a fragile democracy, hears unvarnished news and information on VOA's Creole service, which has been instrumental in U.S. Government democracy-building and privatization efforts on the island. Recent surveys show that up to 38% of the population listens weekly.

--The Middle East, where VOA is increasing its resources and its audience, where Radio Iran's external service promotes anti-American sentiments by broadcasting twice as many hours in twice as many languages as VOA.

Our audience is listening to us and we are listening to our audience. As the listening habits of our audience change, we are maximizing the opportunities to reach them at the relevant times, with a relevant message, and on the relevant medium. As shortwave listenership declines in parts of the world, we have greatly expanded our network to reach our audiences over AM, FM, cable networks, direct broadcast satellites, and the Internet. WORLDNET television reaches millions of homes everyday on cable systems worldwide. The VOA and RFE/RL have over 1,300 affiliates in some 96 countries, giving U.S. international broadcasting a vast and almost unequalled global reach.

International broadcasting is constantly improving its programming to meet its audience's needs. This includes giving the audience more information with less effort because survey research indicates that people are spending less time looking for sources of information. We have also introduced innovative call-in programming, allowing American experts and decision-makers to communicate directly with our audience. As directed by Congress, in the future, we will devote more resources than ever on research to stay better attuned to our audience needs. Our FY 97 budget request includes an enhancement of \$1 million dedicated to audience research.

New digital technology will virtually redefine broadcasting in the future. The use of affiliates, direct broadcasts from satellites, and the Internet increases our flexibility. Even today, the VOA gopher site on the Internet (<gopher://gopher.voa.gov/>) has been called one of the five best by PC World.

Other 1995/1996 program achievements are described in the individual sections of the broadcasting justifications that follow this overview.

INTERNATIONAL BROADCASTING OVERVIEW. CONTINUED

1997 PLANS INPUTS/EXPECTED OUTCOMES

The 1997 request of \$365.4 million is an increase of \$1.7 million over the 1996 anticipated appropriation of \$363.7 million - an increase of less than one-half percent. Details of this request are contained in the individual justification materials following this overview.

PROGRAM PERFORMANCE INFORMATION

With the initiation of a comprehensive planning process, management is developing a revised or refined methodology for measuring the overall effectiveness of international broadcasting. This effort would consolidate individual broadcast element assessments into an overall system from which a measurement baseline could be established and annual assessments could be made. U.S. international broadcasting's performance measures will be based upon 1) knowing our overseas audiences (who and how many we reach) and 2) the quality and content of our programming. Efforts will concentrate on 1)developing a methodology to consolidate the variety of data we depend upon like in-country audience surveys, affiliate stations, cable networks, audience mail, responses to call-in shows, contests, Internet access counts and reports from overseas posts, and 2) standardizing the approach across all elements in assessing the quality and content of our programming.

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INTERNATIONAL BROADCASTING OPERATIONS

SUMMARY OF FUNDS BY PROGRAM ACTIVITY (Funds in thousands)

	1995 Actual	1996 Estimate	1997 Request	Increase/ Decrease
Broadcasting Board of Governors	-	\$1,900	\$1,112	-888
International Broadcasting Bureau				
Voice of America	101,706	100,200	101,000	800
WORLDNET Television and Film Service	23,730	22,536	22,646	113
Broadcasting to Cuba Direct Obligations	26,365	26,097	25,000	-1,067
Prior Balances Applied	-3,850	-1,296	-	-1,296
Subtotal, Broadcasting to Cuba (Appropriations)	24,735	24,800	25,000	161
Engineering and Technical Operations	144,650	121,316	118,000	-3,316
Program Direction and Administration	18,851	16,824	17,816	982
Board for International Broadcasting	\$1,513 1/	-	-	-
Independent Service Organizations				
Radio Free Europe/Radio Liberty (Comparative Basis)	193,183	71,400	71,720	320
Asia Pacific Network/Radio Free Asia Direct Obligations	-	10,000	10,000	-
Prior Balances Carried Over/Applied	5,000	-5,000	-	5,000
Subtotal, Asia Pacific Network (Appropriations)	5,000	5,000	10,000	5,000
Total, International Broadcasting Bureau (Comparative Basis)	513,308	383,885	386,406	1,721
Reconciliation to Appropriations as Enacted				
Comparative Transfer from Radio Construction	-8,433	-13,665 2/	XXX	XXX
Comparative Transfer to Inspector General	416	-	XXX	XXX
1996 and 1998 Appropriations as Enacted (Estimated)	<u>504,361</u>	<u>390,000</u>	<u>XXX</u>	<u>XXX</u>

1. The Board for International Broadcasting, a separate Federal Agency, was dissolved upon enactment of the International Broadcasting Act of 1994, which consolidated responsibility for all non-military international broadcasts within USAID.

2. Includes proposed appropriation transfer of \$1,000,000 from R. to the Construction to help offset declining costs and to avoid layoffs.

**INTERNATIONAL BROADCASTING OPERATIONS
SUMMARY OF POSITIONS**

	1996 Actual	1996 Estimate	1997 Estimate	Increased/ Decreased(1)
Broadcasting Board of Governors				
Domestic	-	8	8	-
Voice of America				
Domestic	1,234	1,226	1,226	-
Overseas American	31	27	27	-
Foreign National	26	26	26	-
Subtotal	1,291	1,279	1,279	-1
Worldwide Television and Film Services				
Domestic	264	264	270	+6
Broadcasting in Cuba				
Domestic	262	262	260	-2
Engineering and Technical Operations				
Domestic	300	297	302	+5
Overseas American	103	91	87	-4
Foreign National	623	611	630	+19
Subtotal	906	879	900	+10
Program Direction and Administration				
Domestic	160	164	167	+3
Overseas American	2	2	2	-
Foreign National	3	3	3	-
Subtotal	164	166	172	+8
Board for International Broadcasting				
Domestic	10 1/2	-	-	-
Total Positions				
Domestic	2,229	2,141	2,126	-12
Overseas American	136	90	86	-4
Foreign National	652	640	640	0
Total	3,017	2,871	2,874	-3

¹ The Board for International Broadcasting, a separate Federal Agency, was established upon enactment of the International Broadcasting Act of 1994 which consolidated responsibility for all non-military international elements within VOA.

**INTERNATIONAL BROADCASTING OPERATIONS
SUMMARY OF SALARY FUNDS**
(In Thousands)

	1966 Actual	1966 Estimate	1967 Estimate	Increased/ Decreased(1)
Broadcasting Board of Governors				
Domestic.....	-	8627	8667	\$30
Voice of America				
Domestic.....	78,610	78,909	82,672	2,063
Overseas American.....	2,621	2,621	2,000	-70
Foreign National.....	1,341	1,170	1,225	46
Subtotal.....	81,572	83,700	86,000	2,787
Worldnet, Television, and Film Service				
Domestic.....	18,906	17,831	17,667	-26
Broadcasting to Cuba				
Domestic.....	18,282	18,983	18,182	-401
Engineering and Technical Operations				
Domestic.....	20,746	18,217	18,300	-1,001
Overseas American.....	8,316	7,400	6,211	-1,278
Foreign National.....	12,132	19,334	19,000	-336
Subtotal.....	40,194	45,000	42,467	-3,513
Program Direction and Administration				
Domestic.....	10,187	11,126	11,004	-96
Overseas American.....	97	100	104	6
Foreign National.....	164	170	164	-6
Subtotal.....	10,448	11,401	11,078	-361
Board for International Broadcasting				
Domestic.....	1,240 1/	-	-	-
Total Salary Requirements				
Domestic.....	142,381	143,418	144,300	943
Overseas American.....	9,634	10,296	9,104	-1,194
Foreign National.....	14,637	20,000	21,200	901
Total.....	166,652	174,401	174,731	339

V The Board for International Broadcasting, a separate Federal Agency, was abolished upon enactment of the International Broadcasting Act of 1964 which consolidated responsibility for all non-military international elements within USAID.

BROADCASTING BOARD OF GOVERNORS
(\$ in thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
<u>Resource Requirements</u>	--	\$1,500	\$1,112	\$-388

I. SUMMARY

The United States International Broadcasting Act of 1994 (the Act), signed into law on April 30, 1994, created the new Broadcasting Board of Governors (the Board) within USIA. The Board has responsibility for oversight of the operations of the new International Broadcasting Bureau (IBB), which includes the worldwide broadcasting services of the Voice of America and WORLDNET, the Office of Cuba Broadcasting, Engineering and Technical Operations, and support services, and for the grantees Radio Free Europe/Radio Liberty and Asia Pacific Network (APN)/Radio Free Asia (RFA). The Board began operations on August 11, 1995.

By law, the Board consists of nine members - the Director of the United States Information Agency, and eight members appointed by the President with the advice and consent of the Senate. These Board members are selected by the President "...from among Americans distinguished in the fields of mass communications, print, broadcast media, or foreign affairs".

Congress has given the Board broad responsibilities for the supervision and direction of international broadcasting. Among the Board's fourteen basic authorities are the following:

- to direct and supervise all non-military U.S. international broadcasting activities;
- to review and evaluate the mission and operation of, and assess the quality, effectiveness, and professional integrity of, all such activities within the broad foreign policy activities of the United States;
- to make and supervise grants for broadcasting and related activities for RFE/RL and APN (RFA);
- to review, evaluate, and determine, at least annually, the addition or deletion of language services;
- to allocate funds appropriated for international broadcasting activities among the various elements of the IBB and grantees, subject to reprogramming notification; and,
- to submit an annual report to the President and Congress through the Director of the United States Information Agency.

BROADCASTING BOARD OF GOVERNORS

III. 1995 AND 1996 PROGRAM - HIGHLIGHTS

The Board moved quickly to begin the performance of its statutory mandates. The first major order of business was the establishment of a new broadcasting entity, Asia Pacific Network/Radio Free Asia. The report called for in the International Broadcasting Act of 1994 regarding the establishment of the APN/RFA was submitted on November 9, 1995. APN/RFA was incorporated as an entity in the District of Columbia on March 11, 1996, and the Board named Mr. Richard Richter President of the new organization on March 12.

III. Summary of Funds and Positions for BBG
(\$ in thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
FUNDS.....	--	\$1,500	\$1,112	\$-388
POSITIONS.....	--	0	0	--

IV. Explanation of Changes, 1996-1997

In 1997 a total of \$1,112,000 is requested for the Broadcasting Board of Governors. The net decrease of \$388,000 consists of a decrease of \$427,000, which is partially offset by an increase of \$39,000 to provide \$9,000 for price increases and \$30,000 for the costs of Federal pay raises.

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VOICE OF AMERICA
(\$ in thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Resource Requirements.....	\$101,706	\$100,200	\$101,000	\$ 800

I. SUMMARY

The Voice of America was founded in 1942 to provide accurate, objective and comprehensive news and information about America and the world to listeners in other countries. The Voice of America offers a wide range of current affairs, cultural and educational programming designed to meet a universe of listener needs and interests. These range from basic primers on how democracies work to highly-sophisticated examinations of American business, regional news of interest to listeners in every continent, trends in American thought and institutions, and the latest breakthroughs in American science and medicine. Indeed, America's daily international radio voice enriches the knowledge of people in both densely-populated industrialized countries and in remote rural villages. It informs them about goods and services available in the United States. It serves as a vehicle for stimulating trade between our country and the world in telecommunications, aviation, transportation, and many other hi-tech products.

II. 1995 AND 1996 PROGRAM - HIGHLIGHTS

Today, VOA broadcasts in 47 languages -- including a worldwide service in English. VOA is on the air around the clock via its own transmitters and satellite relays more than 860 hours weekly. Programs are broadcast directly to listeners on shortwave and medium wave from 14 VOA-operated relay stations and 10 leased foreign-operated relay stations around the world. This relay station system is complemented by up to 1,500 affiliated medium wave (AM) and FM networks and stations throughout the world. VOA feeds programs to them via satellite for simulcast or instantaneous retransmissions. Today VOA has an estimated 150 affiliates in Eastern Europe and the former Soviet Union.

Despite programmatic and resource reductions in more than 15 language services and the termination of direct broadcasts in English to Western and Central Europe, VOA has achieved many noteworthy accomplishments:

-- Introduced a new sound in VOA Worldwide English, creating such new programs as *Talk to America*, the first daily worldwide call-in show, as well as *Stateside Correspondents Notebook*, *Perspectives*, *Writer's World* and *VOA Today*, a live six-hour morning news and features broadcast heard in four world regions.

-- Inaugurated new weekly call-in programs in Mandarin, Arabic, Spanish, Russian and Farsi to supplement the highly-acclaimed English daily call-in, *Talk to America*.

VOICE OF AMERICA

- Created China Forum, the first simulcast televised regularly-recurring international radio program -- which reaches significant numbers of listeners and viewers in the Peoples Republic of China.
- Expanded broadcasts in Tibetan (from 1 1/2 to 2 hours daily) and Vietnamese (from 2 1/2 to 3 hours daily) while enhancing broadcasts to Asia by establishing a second correspondent in Beijing, a regional program center in Hong Kong, and rotating correspondents in Seoul and Hanoi.
- Obtained private sector and outside support for innovative programming on conflict resolution, the role of the military in a democracy, and the 1996 Atlanta Olympic Games.
- Introduced a revival of the celebrated Edward R. Murrow series, 'This I Believe', in a co-production with the Disney channel which brought famous Americans' statements of belief to millions around the world in all 47 VOA languages. The program, hosted by Charles Kuralt, was done at no cost to VOA.
- Designed a four-channel, 24-hour-a-day satellite and shortwave worldwide English network with specially targeted programming streams designed to build radio station affiliates in Asia, South Asia, Europe, the Middle East, Africa, and Latin America.
- Expanded coverage of the Balkans by expanding broadcast hours from 33 1/4 to 43 3/4 hours weekly in Serbian, Croatian and Albanian; introducing a twice-weekly feed to Bosnia; doubling the number of radio station affiliates in Serbia, Croatia and Albania; and building an extensive stringer network.
- Developed multilingual teams to cover developments in Africa, including the tragic killings in Rwanda and Burundi, and the remarkably peaceful transitions to democracy in South Africa, Eritrea, and Malawi.
- Expanded relay of VOA programs via Internet by providing audio newscasts in 16 languages in the summer of 1994 and scripts in Mandarin--a first for any international broadcaster--in the summer of 1995.
- Provided in-depth coverage of the tragic bombing in Oklahoma City--including national and world reaction--while avoiding early suggestions by other media that explosion at the Murrah Federal Building was the work of Middle Eastern terrorists.
- Initiated a series of special programs throughout Haiti's first democratic elections in five years in order to introduce Haitian citizens and officials to the elements of a successful election process and the advantages of private enterprise.
- Advanced international human rights efforts by working with leading human rights activists in order to initiate programming supporting human rights efforts in China, Burma, Iraq, Rwanda, and many other countries.
- Pioneered symposia on press freedom and censorship around the world, in commemoration of VOA's 50th Anniversary.
- Throughout this and other fiscal years, VOA will continue its successful and creative programming in order to enhance such universal efforts as democracy building, human rights, conflict resolution, and U.S. trade with other countries.

VOA
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VOICE OF AMERICA
(\$ in thousands)

III. Summary of Funds for Voice of America

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Domestic Operations:				
Broadcast Operations.....	\$ 9,953	\$ 4,973	\$ 4,973	\$ 147
Office of Programs.....	1,262	2,694	2,796	102
Rome Leave and Transfer Costs.....	887	870	886	16
American Republics Division.....	3,929	3,882	4,010	128
North European Division.....	5,991	5,159	5,867	178
South European Division.....	4,819	4,485	4,627	142
East Asia and Pacific Division.....	11,918	12,264	12,666	402
W. Africa, ME, S. Asia Division.....	6,602	6,281	6,470	209
Africa Division.....	6,069	6,110	6,311	201
Bureau Division.....	6,718	6,507	6,722	215
Central Asia Division.....	5,439	4,904	5,067	163
Worldwide English Division.....	4,819	4,067	4,205	138
Current Affairs Division.....	3,094	2,861	2,935	94
News Division.....	11,967	13,958	14,381	423
Domestic News Bureaus.....	1,290	1,333	1,376	43
Operations Management.....	11,186	11,916	12,326	390
Subtotal, Domestic Operations.....	93,013	92,037	93,048	2,991
Overseas News Bureaus.....	8,693	8,143	8,438	295
Program Reductions.....	--	--	-2,486	-2,486
Total, Funds.....	101,706	100,200	101,000	800

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VOICE OF AMERICA

III. Summary of Positions for Voice of America

	1995 Actual			1996 Estimate			1997 Estimate			Increase or Decrease (-)		
	Dom.	Am.	Z.M.	Total	Dom.	Am.	Z.M.	Total	Dom.	Am.	Z.M.	Total
Domestic Operations												
Broadcast Operations.....	47	--	--	47	47	--	--	47	47	--	--	47
Office of Programs.....	15	--	--	15	16	--	--	16	16	--	--	16
American Republics Division.....	60	--	--	60	59	--	--	59	59	--	--	59
North European Division.....	83	--	--	83	80	--	--	80	80	--	--	80
South European Division.....	52	--	--	52	54	--	--	54	54	--	--	54
East Asia & Pacific Division	172	--	--	172	180	--	--	180	180	--	--	180
W. Africa, ME, SA Division..	112	--	--	112	97	--	--	97	97	--	--	97
African Division.....	93	--	--	93	97	--	--	97	97	--	--	97
Eurasian Division.....	97	--	--	97	95	--	--	95	95	--	--	95
Central Asia Division.....	71	--	--	71	77	--	--	77	77	--	--	77
Worldwide English Division..	97	--	--	97	94	--	--	94	94	--	--	94
Current Affairs Division...	41	--	--	41	42	--	--	42	42	--	--	42
News Division.....	136	--	--	136	150	--	--	150	150	--	--	150
Domestic News Bureau.....	18	--	--	18	17	--	--	17	17	--	--	17
Operations Management.....	172	--	--	172	161	--	--	161	161	--	--	161
Subtotal, Domestic Oper..	1,234	--	--	1,234	1,226	--	--	1,226	1,226	--	--	1,226
Overseas News Bureau.....	--	21	26	57	--	27	26	51	--	27	26	51
Total, Positions.....	1,234	21	26	1,291	1,226	27	26	1,279	1,226	27	26	1,279

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VOICE OF AMERICA

IV. Explanation of 1996 Reduction

In 1996, VOA implemented budget reductions totalling \$2,381,090. This consists of \$1,637,270 in domestic salaries including overtime, Sunday and other premium pay, as a result of NPPB contract negotiations that eliminate some premium pay from the contract, and salary lapses associated with hiring at lower grade levels. A reduction of \$743,820 in general operating expenses includes significant curtailing of the U.S. Presidential campaign and conventions. We have made severe reductions in travel and FOV usage.

V. Explanation of Changes, 1996-1997

In 1997 a total of \$101,000,000 is requested for VOA programs. The net increase of \$800,000 will provide \$464,000 for the full-year cost of the 1996 Federal pay raise and \$1,841,000 for the estimated costs of a 3.0% Federal pay raise in January 1997; \$435,000 for other salary and benefit increases; \$219,000 for overseas inflation and wage scale increases; and \$327,000 for domestic inflation.

These increases are partially offset by decreases of \$2,486,000 to implement the President's government-wide deficit reduction efforts. These include a significant reduction in surge broadcasting to the Balkans; and significant reductions in talent and travel throughout VOA. Studio and technical support would be reduced. News agency contracts would be cancelled.

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VOICE OF AMERICA

Weekly Direct Broadcast and Satellite Transmissions Program Schedule in Hours

	<u>September 30, 1995</u> Originations	<u>September 30, 1996</u> Originations	<u>September 30, 1997</u> Originations	<u>Change</u>
Africa				
Amharic.....	7:00	3:30	3:30	--
French.....	22:30	22:30	22:30	--
Kaesa.....	6:00	6:00	6:00	--
Kirundi	--	1:15	1:15	--
Kirwanda.....	--	1:15	1:15	--
Ormingna.....	--	1:15	1:15	--
Portuguese.....	9:30	12:00	12:00	--
Swahili.....	6:00	6:00	6:00	--
Tigrigna.....	--	1:15	1:15	--
English-To-Africa.....	(28:10)	(28:10)	(28:10)	--
Subtotal.....	81:00	55:00	55:00	--
American Republics				
Creole.....	9:30	9:30	9:30	--
Spanish (Direct/Satellite)	23:00	26:00	26:00	--
Portuguese (Sat. Only).....	3:00	3:00	3:00	--
Subtotal.....	37:30	40:30	40:30	--
East Asia and Pacific				
Burmese.....	10:30	10:30	10:30	--
Cantonese.....	7:00	7:00	7:00	--
Indonesian.....	17:30	17:30	17:30	--
Khmer.....	14:00	14:00	14:00	--
Korean.....	10:30	10:30	10:30	--
Mandarin.....	77:00	77:00	77:00	--
Lao.....	7:00	7:00	7:00	--
Thai (Satellite Only).....	6:00	6:00	6:00	--
Tibetan.....	14:00	14:00	14:00	--
Vietnamese.....	21:00	21:00	21:00	--
Subtotal.....	184:30	184:30	184:30	--

VOICE OF AMERICA

Weekly Direct Broadcast and Satellite Transmission Program Schedule in Hours

	<u>September 10, 1995</u> Originations	<u>September 10, 1996</u> Originations	<u>September 10, 1997</u> Originations	<u>Chans</u>
Central Asia				
Azerbaijani.....	3:30	3:30	3:30	--
Dari.....	7:00	7:00	7:00	--
Farsi.....	24:30	24:30	24:30	--
Pashto.....	7:00	7:00	7:00	--
Turkish.....	7:00	7:00	7:00	--
Uzbek.....	4:00	4:00	4:00	--
Subtotal.....	83:00	83:00	83:00	--
Eurasia				
Armenian (Satellite Only)...	7:00	7:00	7:00	--
Georgian.....	3:30	3:30	3:30	--
Russian (Direct/Satellite)...	66:30	66:30	66:30	--
Ukrainian.....	14:00	14:00	14:00	--
Subtotal.....	91:00	91:00	91:00	--
North Europe				
Czech.....	10:30	8:45	8:45	--
Estonian (Satellite Only)...	3:45	3:45	3:45	--
Hungarian (Direct/Satellite)...	10:30	10:30	10:30	--
Latvian (Satellite Only)...	3:30	3:30	3:30	--
Lithuanian (Satellite Only)...	3:45	3:45	3:45	--
Polish (Direct/Satellite)...	22:45	22:45	22:45	--
Slovak.....	7:00	7:00	7:00	--
Subtotal.....	60:00	60:00	60:00	--
South Europe				
Albanian.....	12:15	12:15	12:15	--
Bulgarian.....	3:30	3:30	3:30	--
Croatian.....	10:30	10:30	10:30	--
Greek (Satellite Only)....	4:45	4:45	4:45	--
Romanian.....	7:00	7:00	7:00	--
Serbian.....	21:00	21:00	21:00	--
Slovene (Satellite Only)....	3:45	3:45	3:45	--
Subtotal.....	62:45	62:45	62:45	--

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VOICE OF AMERICA

Weekly Direct Broadcast and Satellite Transmission Program Schedule in Hours

	<u>September 30, 1995</u> Originations	<u>September 30, 1996</u> Originations	<u>September 30, 1997</u> Originations	<u>Changes</u>
North Africa, Near East, and South Asia				
Arabic.....	82:30	82:30	82:30	--
Bangla.....	10:30	10:30	10:30	--
Hindi.....	10:30	10:30	10:30	--
Kurdish.....	7:00	7:00	7:00	--
Urdu.....	10:30	10:30	10:30	--
Subtotal.....	<u>91:00</u>	<u>91:00</u>	<u>91:00</u>	--
English				
VOA Europe (English)....	13:00	--	--	--
Worldwide English.....	239:00	197:45	197:45	--
English to Africa.....	28:30	26:30	26:30	--
Subtotal.....	<u>300:30</u>	<u>228:15</u>	<u>228:15</u>	--
Total, Direct Broadcast/ Satellite Transmissions..	931:15	864:00	864:00	--
Deduct Satellite Trans.	(781:45)	(81:45)	(81:45)	--
Total Direct Broadcasts..	<u>852:30</u>	<u>782:15</u>	<u>782:15</u>	--

WORLDNET TELEVISION AND FILM SERVICE
(\$ in thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
<u>Resource Requirements.....</u>	\$23,730	\$22,936	\$22,649	\$ 113

I. SUMMARY

The WORLDNET Television and Film Service supports and explains policy objectives of the U.S. Government, providing programs and services for foreign audiences via 24 hour satellite service to six continents. The principal focus of both interactive teleconferences and mass audience programming is on the promotion of U.S. national interests including American business, international trade, and U.S. security concerns. The goal of the program is to counter negative stereotypes of the U.S. presented in the popular media overseas, and to provide information about the U.S. and its policies and society that are not available from commercial sources. More than 180 USIS posts worldwide use WORLDNET material to support public affairs activities. Some international broadcasters, especially cable companies, take WORLDNET feeds directly. WORLDNET is divided into three Directorates and an executive staff.

Office of WORLDNET

This activity provides overall leadership and direction for the WORLDNET Television and Film Service.

WORLDNET Programming Directorate

The Programming Directorate provides WORLDNET elements with guidance on strategic program planning, the policy implications of products, their usefulness in achieving U.S. public diplomacy goals, and a context for their use overseas. It includes a development office for establishing and maintaining contacts with the private sector, and a program evaluation unit. It coordinates with USIA area offices, field posts, and other USG agencies, and supports USIS post efforts to expand the placement of WORLDNET products by developing new distribution approaches.

The Directorate acquires television programs from commercial and private sources in the United States for broadcast and USIS post use. These programs focus on such policy objectives as U.S. economic security, trade promotion, political security, democratic process and the rule of law, and U.S. leadership in the fields of the environment and technology. They also work with U.S. Embassies to ensure adherence to intellectual property rights.

WORLDNET Production Directorate

The WORLDNET Production Directorate produces a variety of television programs which support U. S. national interests and reflect U. S. cultural values and institutions.

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WORLDNET TELEVISION AND FILM SERVICE

WORLDNET-produced programs explain important policy concerns for overseas audiences. Dialogue is a live, broadcast-quality satellite interview program in which U.S. officials and private sector experts are questioned by their overseas counterparts and the foreign media. Other WORLDNET productions include a regular daily feed of topical material in five languages that provides context for stories with implications for U.S. policies as well as a daily feature about the environment; Window on America, a weekly WORLDNET-Voice of America magazine program covering a current events issue, as well as business, science, and Americana in Ukrainian, English, and Russian; Foro InterAmericano, a weekly Spanish language public affairs program; Doing Business, a monthly trade promotion vehicle that looks at American companies and their innovations; Science World, a program focusing on the latest in U.S. science, medicine, and technology; Satellite File, a compilation of features about aspects of American life; Conversations en Esta Noche, a weekly Spanish language call-in interview program simulcast by WORLDNET and Voice of America; Dialogue With the West, a weekly Arabic language call-in public affairs program produced jointly by WORLDNET, Voice of America, and the Middle East Broadcasting Center (MEBC) and carried live by MEBC; Talk to America, a weekly English language call-in interview program produced jointly and simulcast by WORLDNET and Voice of America; Esta Noche en WORLDNET, a four-hour block of English and Spanish programs aired Monday through Friday evenings and carried by broadcasters and cable companies throughout Latin America; and WORLDNET Presents, an eight-hour block of WORLDNET programs designed for viewers in Asia.

Arrangements are made by this Directorate for feeds covering special events of foreign policy significance such as speeches, press conferences, and briefings by the President, other Administration officials, and Members of Congress.

The Directorate produces foreign-language versions, both of its own productions and of acquired programs. The staff also assists foreign broadcasters in their coverage of the United States and coordinates cooperative documentary productions for visiting TV producers on a range of themes supporting U.S. interests.

WORLDNET Technical Operations Directorate

The Directorate uses state-of-the-art equipment and technology in providing production and worldwide distribution support to the WORLDNET Programming and Production Directories. The support provided is essential for WORLDNET TV in its efforts to support national interests and reflect U.S. cultural values and institutions.

This support includes but is not limited to the satellite transmission of live multi-language WORLDNET Interactives, 24 hour transmission of program material over four regional satellite networks, electronic field production, technical workshops for Foreign Service Officers and local embassy employees, facilitation of locally-based foreign press coverage of U.S. policy statements, and guidance to USIS Posts regarding purchase and installation of equipment for broadcast quality reception and distribution of WORLDNET programming.

II. 1995 AND 1996 PROGRAM - HIGHLIGHTS

WORLDNET produced approximately 500 Interactive Dialogue programs during fiscal year 1995. Among the policy makers who appeared on these one-way video/two-way audio Interactive Dialogues were Secretary of Defense William Perry, the late Secretary of Commerce Ron Brown, U.S. Trade Representative Mickey Kantor, U.S. Permanent Representative to the U.N. Madeleine Albright, Ambassador Harriet Babbitt, U.S. Permanent Representative to the Organization of American States, Secretary of Energy Hazel O'Leary, and other Cabinet members, Congressional Representatives Sam Brownback and David Funderburke, and Senator Richard Lugar. First Lady Hillary Clinton took part in a special two-way video Dialogue with children participating in a conference on "Tomorrow's Leaders," sponsored by the Elie Wiesel Foundation in Venice. And a weekly call-in program entitled Conversations en Esta Noche, jointly produced by WORLDNET and Voice of America, has recently been initiated to answer viewers' calls on topics ranging from international relations, trade, and business to entertainment and the arts.

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WORLDNET TELEVISION AND FILM SERVICE

Following the successful model of *Nota Roja en WORLDNET*, our cable programming service for Latin America, WORLDNET expanded this kind of programming effort to East Asia. *WORLDNET Presents* is a visually exciting and informative eight-hour package of original WORLDNET programming and acquired materials used by cablecasters in East Asia Monday through Friday.

Mamfilm, aired by television stations in over 80 countries, is produced in English, Spanish, Arabic, French, Russian, and Serbian. In addition to covering major policy-related stories during FY 1995, *Mamfilm* responded to over 200 requests for special coverages from our embassies, USAID, VOA, the State Department, Capitol Hill, the Pentagon, and the White House.

WORLDNET worked in conjunction with five federal agencies (US Department of State, A.I.D., Department of the Interior, NOAA, and EPA) to fund and produce a documentary, "The Fragile Ring of Life." The documentary supported the International Coral Reef Initiative, a worldwide cooperative effort to preserve and restore coral reefs. The documentary was translated into French, Arabic, Spanish, and Urdu and received world-wide broadcast placement. It was showcased at the International Coral Reef Initiative Working Conference in Manila. "The Fragile Ring of Life" has been honored with an Earthwatch Film Award at the National Geographic Society; a CINE Golden Eagle to represent the United States at International Festivals; a Bronze Worldmedal at the New York Festivals International competition; and was a first place winner in the International Gold Screen Competition of the National Association of Government Communicators.

KMG Interamericano, a weekly, Spanish-language public affairs program brings together top newsmakers, experts, and members of the Latin American press to discuss issues of interest to Latin America. This year, KMG staff traveled to Latin America to cover elections and special events in Mexico, Peru, and Argentina. Special guests included OAS Secretary General Cesar Gaviria, Rep. Bill Richardson (D-TX), and Alexander Watson, Assistant Secretary of State for InterAmerican Affairs. KMG went on the road in December for the Summit of the Americas in Miami, Florida, producing live broadcasts from the site as well as timely news stories.

WORLDNET sent producers to the United Nations Conference on Women in Beijing, China. In addition to coverage of the event, WORLDNET has covered many events, briefings and news conferences leading up to the Conference during the past year and produced over 50 Interactive Dialogue programs on this subject. A special 30-minute program highlighted the issues facing women in the 1990's -- health, education, and employment. The program was satellite globally in five languages: English, Arabic, French, Spanish and Mandarin.

"Earth Day 25: A Quarter Century of Change", a special 30-minute program commemorating the 25th anniversary of Earth Day, was marked with a compilation of stories which personalized environmental issues in the 90s. It, too, was satellite globally in five languages: English, Arabic, French, Spanish, and Mandarin. In addition, WORLDNET produced over 50 Interactive Dialogue programs on various environmental topics.

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WORLDNET TELEVISION AND FILM SERVICE

The weekly *Window on America* magazine program continued to offer Ukraine the latest U.S. news and information, from Ukraine's participation in the Partnership for Peace training exercises in Louisiana, to President Kuchma's visit to America, and President Clinton's visit to Ukraine. *Window on America* also continued its series on American cities taking its viewers to Seattle, New Orleans, Cheyenne, and Minneapolis/St. Paul, as well as highlighting successful US/Ukrainian business ventures such as the first Ford dealership in Ukraine.

In FY 1995, WORLDNET acquired over 1,700 individual television programs from commercial and private sources in the United States. Among those new acquisitions are 23 donated series, including The Freedom Forum's "Television and the Presidency," "Bloomberg Information TV" and "The Mighty Business Report," "The CBS Evening News," "Face the Nation" and "Meet the Press," Ben Wattenberg's "Think Tank," John McLaughlin's One on One" and "The McLaughlin Group," "Great Decisions 1995" and "Small Business Today" which total more than 1,000 programming hours. These donations negotiated by Acquisitions staff have an open market value of well over \$1,000,000. Series such as "Computer Chronicles," "Adam Smith," "The MacNeil/Lehrer NewsHour" and "Working Woman," which enjoy worldwide placement, were each acquired with worldwide clearances for less than the commercial license fee for a single country.

The Foreign Broadcast Support unit served more than 600 facilitative assistance requests, including 83 TV news and current events productions with visiting and U.S.-based foreign broadcasters; 31 cooperative TV documentaries resulting in more than 250 hours of in-depth prime time broadcasts about American business, trade, legal and social processes in 18 NIS and EBN countries plus China. This unit designed and managed the international media center at the Summit of Americas in Miami, advised and assisted the White House, State, Defense and Commerce Departments and USIA Posts on the visits of the President and Secretaries of State and Commerce to Russia, Ukraine, Haiti, Vietnam, and the Conference on Trade and Economic Development in Eastern Europe.

In addition, WORLDNET produced about 50 special coverages and remote broadcasts and recordings, ranging from the White House visit of Morocco's King Hassan to the Vice President's National Performance Review ceremony on the Mall to pilots for new programs to video management seminars.

The WORLDNET Production Directorate, in FY 1996, will begin a weekly production in Arabic, titled *Dialogue With the East*, which will be a call-in public affairs program produced jointly by WORLDNET, Voice of America, and the Middle East Broadcasting Center in London (MEC) and carried live by MEC; and a weekly English language call-in interview program, titled *Talk to America*, produced jointly and simulcast by WORLDNET and Voice of America. A Russian version of the weekly Ukrainian magazine program, *Window on America*, produced jointly by WORLDNET and Voice of America, is also planned. FY 1996 will include an expansion of the cable block program streams to South America, *Eska Mocha en WORLDNET*, and to Asia, *WORLDNET Presents*. The WORLDNET Television and Film Service will continue to produce its popular *Dialogues*, as well as other productions such as *Zoro InterAmericano* and *Conversaciones en Eska Mocha*.

WORLDNET TELEVISION AND FILM SERVICE
 (\$ in thousands)

III. Summary of Funds and Positions for WORLDNET Television and Film Service

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
FUNDS				
Office of WORLDNET Television and Film Service.....	\$ 2,614	\$ 2,352	\$2,418	\$ 66
WORLDNET Programming Directorate (formerly Policy Guidance Directorate).....	2,026	1,905	1,965	60
WORLDNET Production Directorate.....	9,937	9,950	9,963	13
Technical Operations Directorate.....	9,153	8,329	8,301	-26
Total, Funds.....	<u>23,730</u>	<u>22,936</u>	<u>22,649</u>	<u>113</u>
POSITIONS				
Office of WORLDNET Television and Film Service.....	27	27	27	--
WORLDNET Programming Directorate (formerly Policy Guidance Directorate).....	27	27	27	--
WORLDNET Production Directorate.....	124	125	121	-4
Technical Operations Directorate.....	105	105	101	-4
Total, Positions.....	<u>283</u>	<u>284</u>	<u>276</u>	<u>-8</u>

IV. Explanation of 1996 Reductions

In 1996, WORLDNET Television and Film Service implemented program reductions totaling \$536,000, consisting of a decrease in the number of WORLDNET Interactive Dialogues planned (\$27,000); reduction in contract services provided to the Office Information Systems (\$140,000); a reduction of \$156,000 in transmission costs due to implementation of new technology reducing telephone line costs; a reduction in the number of TV-Coops planned (\$50,000) and the elimination of funds available for Special Projects (\$163,000).

V. Explanation of Change, 1996-1997

A total of \$22,649,000 is requested for the WORLDNET Television and Film Service in 1997. This amount reflects a net increase of \$113,000 which represents price increases effective for part of 1996 (\$39,000) and anticipated in 1997 (\$48,000), \$111,000 for full-year costs of the Federal FY 1996 pay raise and \$382,000 for the estimated costs of a 1.0% Federal pay raise in January, 1997 and \$92,000 for other built-in salary and benefit increases. These increases are offset by a reduction of \$559,000 for eight positions from the WORLDNET Production and the Technical Operations Directorates to implement the President's government-wide deficit reduction efforts.

BROADCASTING TO CUBA
(\$ in thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease(-)
Resource Requirements.....	\$24,735	\$24,809	\$25,000	\$ 191

I. SUMMARY

The objectives of the Radio Marti and Television Marti Programs are: (1) to support the right of the people of Cuba to seek, receive, and impart information and ideas through any media and regardless of frontiers; (2) to be effective in furthering the open communication of information and ideas through use of radio and television broadcasting to Cuba; (3) to serve as a consistently reliable and authoritative source of accurate, objective, and comprehensive news; and (4) to function in accordance with all Voice of America standards and to broadcast programs with a variety of views.

The Office of Cuba Broadcasting was established in 1990 to provide coordinated management of the Radio Marti and Television Marti programs. Both of these programs maintain offices in Washington, D.C. and Miami, Florida, and are broadcast to Cuba from transmission facilities in Greenville, North Carolina; Delano, California; Marathon Key, Florida; and Cudjoe Key, Florida. Support for the news and programs operations of Radio Marti and Television Marti is provided by the Technical Operations Department, the Office of Program Evaluation, and the Research Department, among others. In 1997, these activities will be supported by a staff of 250 positions and \$25,000,000, a net increase of \$191,000.

Radio Marti and TV Marti are dedicated to the promotion of freedom and democracy in Cuba by providing the people of Cuba with the information denied them by the Cuban government. Programmatic strategies for both stations are based on issues of human rights internationally and denunciations of human rights violations on the island, specifically; the elucidation of U.S. foreign policy, in particular U.S.-Cuba policy; and the movement toward democracy and free-market economies worldwide, democracy-building, and the building of civil society in Cuba.

Radio Broadcasting: Seven days a week, 24 hours a day, the Radio Marti Program broadcasts news, information, and entertainment programming, specially tailored for the Cuban audience and produced at its Washington headquarters and in support bureaus in Miami and New York. Newscasts as well as news features and updates figure prominently in the daily schedule, with special consideration given to events involving Cuba. In addition, a wide variety of programs address informational needs and audience preferences, including public affairs, culture, music, and general entertainment.

Major coverage is planned for several important events for FY 1996, including the visit of the Pope to the U.S., the Ibero-American Summit in Bariloche, Argentina, the 50th anniversary of the U.N., and the 1996 Olympic games.

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BROADCASTING TO CUBA

Radio Marti expanded its broadcasting schedule using a commercial shortwave station in Indiana, bringing its shortwave broadcast total to 57 hours on most days. An IBB task force, formed to work on developing additional broadcasting capability for Radio Marti on AM and shortwave, has successfully acquired permission to use out-of-band frequencies for broadcasting. Additional lease time sources continue to be explored.

Television Broadcasting: The TV Marti Program broadcasts seven days a week, four and one half-hours a day, with news and programs operations headquartered in Washington and a support bureau in Miami. The News Department is responsible for producing a half-hour newscast five days a week as well as a weekend summary newscast recapping the most important events of the week. Special news programs are produced periodically on topics of major importance. Other programs featured on TV Marti are produced in-house or are acquired by the Programs Department and include topics on public affairs, culture, music, and entertainment.

The quality of the daily newscast is enhanced by utilizing Television Marti reporters on location when covering major news events. TV Marti also produces a variety of half-hour specials in which news events are further developed.

II. 1995 AND 1996 PROGRAM - HIGHLIGHTS

In FY 1995, Radio Marti continued to provide "live" coverage of various Congressional hearings on topics related to Cuba. In addition, Radio Marti introduced a tenth anniversary programming strategy aimed at responding to the evolving needs of the Cuban audience. A series of innovations have enhanced live coverage and direct contact with a network of human rights activists, thereby increasing coverage of human rights and news from and about Cuba. U.S. and international news have also been given increased coverage through expanded news segments. A new hour-long program entitled "Live" was specifically designed to highlight democracy-building and the development of civil society and market economics in Cuba.

Major news coverage for Radio Marti in FY 1995 included the U.S. Government announcement that eligible refugees in Guantanamo would be gradually admitted into the U.S. and that the U.S. Coast Guard would be repatriating Cuban refugees attempting to reach U.S. shores in rafts and other watercraft. Radio Marti supported U.S. policy by broadcasting a translation of the announcement repeatedly over a period of days and provided official statements and public service announcements throughout a several week period to explain the implications of the change. Radio Marti also covered the Summit of the Americas, with extensive on-site and live coverage throughout the entire event.

News specials for FY 1995 included the Bariloche (Argentina) Summit and Castro's appearance at this meeting of Latin American heads; Pope John Paul II's visit to the U.S.; and the U.N. General Assembly Opening meetings in October 1995; the U.S. Government announcement on migration policy toward Cuba, which was implemented on May 2, 1995; and U.S. Congressional hearings on topics related to Cuba, including the sinking of the boat on March 13 and others held on the Helms-Burton Bill. Other important news coverage included the worsening economic situation in Cuba and the new Cuban Foreign Investment Law approved by the Castro regime. Also during this period, TV Marti covered the long-standing controversy over the U.S. embargo against Cuba, with statements, interviews and reports

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BROADCASTING TO CUBA

from those in favor and those against the embargo; the status of human rights in Cuba and around the world; and the restoration of democracy in Haiti. News has also featured weekly by-phone and video reports with activists in Cuba who vividly depict the situation of human rights on the Island.

The TV Marti Programs Department continues to produce several programs which include: Perspectives, a half-hour roundtable discussion about political and foreign policy events; Roundtable, a half-hour discussion of Cuban issues; Opinions, in-depth 30-minute interviews with important members of the Cuban-American community, who discuss local, national, and international topics related to the situation in Cuba; and Personalities, a talk show featuring interviews with some of the most prominent Cuban-American exiles in the fields of business, art, education, literature, entertainment, and sports.

TV Marti's technical broadcast system is a highly complex, integrated transmission system specially designed for the unique mission of delivering uncensored news and information across 120 miles of open ocean into Havana, Cuba. The Channel 13 VHF signal was chosen to prevent harmful interference to domestic Cuban broadcasts. A specially designed antenna fully protects domestic U.S. television broadcasts from interference. TV Marti's antenna, housed inside a windscreen, is carried under a tethered aerostat balloon which operates at an altitude of 12,000 feet and can withstand winds up to 65 knots in strength. Since last year, TV Marti has been redirecting its signal randomly toward the eastern and western outlying areas of Havana. In August 1994, TV Marti was authorized to expand its broadcast schedule by two hours, and currently broadcasts from 3:30 a.m. to 8:00 a.m. Efforts to improve the transmission system are continuing, with the support of the U.S. Air Force and private contractors. A contract has been awarded to Lockheed Martin Company for the development of the UHF system. Upon approval of the system design, the schedule for implementation will be set.

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BROADCASTING TO CUBA
(\$ in thousands)

III. Summary of Funds by Program Activity

Program Activity	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
A. POSITIONS (Domestic).....	262	252	250	-2
B. FUNDS:				
Radio Broadcasting:				
News	\$ 3,380	\$ 2,925	\$ 2,986	\$ 61
Programs.....	2,985	2,344	3,005	61
Research (Washington).....	1,578	1,133	1,157	24
Technical Operations.....	3,303	2,952	2,677	-275
Program Direction and Administration.....	4,102	4,422	4,084	-338
Acquisition & Construction of Facilities.....	187	--	--	--
Subtotal, Radio Broadcasting.....	<u>15,935</u>	<u>14,376</u>	<u>13,909</u>	<u>-467</u>
Television Broadcasting:				
News	3,388	3,234	3,284	20
Programs.....	1,778	1,646	1,659	13
Technical Operations.....	4,452	4,892	4,654	-238
Program Direction and Administration.....	2,092	1,949	1,524	-428
UHF Conversion.....	1,200	--	--	--
Subtotal, Television Broadcasting.....	<u>12,910</u>	<u>11,721</u>	<u>11,091</u>	<u>-630</u>
Total, Direct Obligations	28,435	26,097	25,000	-1,097
Reconciliation to Enacted and Requested Appropriations:				
Recoveries of Prior-Year Balances.....	-1,483	--	--	--
Balances Carried In.....	-3,525	-1,288	--	1,288
Balances Carried Out.....	1,288	--	--	--
Enacted and Requested Appropriations..	<u>24,735</u>	<u>24,809</u>	<u>25,000</u>	<u>191</u>

BROADCASTING TO CUBA

III. Summary of Positions and Salary Requirements
(\$ in thousands)

	Pos.	1995		1996		1997		Increase or Decrease (-)	
		Actual Funds	Estimate Funds	Pos.	Estimate Funds	Pos.	Estimate Funds	Pos.	Funds
1. <u>Radio Broadcasting:</u>									
a. News	44	\$ 2,776	44	\$ 2,437	44	\$ 2,512	--	\$ 75	
b. Programs.....	42	2,477	38	2,462	38	2,536	--	74	
c. Research.....	23	1,161	18	938	18	968	--	30	
d. Technical Operations.....	30	1,751	30	1,618	30	1,671	--	53	
e. Program Direction and Admin...	24	1,372	26	1,837	25	1,679	-1	-158	
Subtotal, Radio Broadcasting.....	163	9,537	156	9,292	155	9,366	--	74	
2. <u>Television Broadcasting:</u>									
a. News	34	2,116	34	1,863	34	1,920	--	57	
b. Programs.....	17	1,015	17	1,005	17	1,035	--	30	
c. Technical Operations.....	37	2,138	33	2,151	32	2,187	-1	36	
d. Program Direction and Admin...	11	526	12	652	12	675	--	23	
Subtotal, Television Broadcasting.....	99	5,795	96	5,671	95	5,817	-2	146	
Total.....	262	15,332	252	14,963	250	15,183	-2	220	

BROADCASTING TO CUBA

IV. Explanation of 1996 Reductions

Budget reductions in FY 1996 totaled \$1,254,000 and two positions. These reductions were taken in compliance with the President's government-wide reduction initiative in the amount of \$251,000 for administrative cuts; \$403,000 for program acquisitions of stringers, satellite downlinking and syndicated programs; \$150,000 for two positions; and \$449,000 for road restoration.

V. Explanation of Change, 1996-1997

In 1997, a total of \$25,000,000 is requested for Broadcasting to Cuba (Radio Marti and Television Marti). The net increase of \$191,000 in 1997 is requested to provide \$1,288,000 to offset a decrease in prior-year balances available for application to program needs in 1997; \$91,000 for full-year costs of the 1996 Federal pay raise and \$328,000 for the estimated costs of a 3.0% Federal pay raise in January 1997; \$44,000 for other salary and benefit increases and \$157,000 for domestic price increases.

These increases are partially offset by 1997 program reductions of \$430,000 to implement the President's government-wide deficit reduction efforts; \$245,000 due to the elimination of two positions and other salary costs, including buyouts and severance pay, funded in 1996 from carryover balances; one-time nonrecurring requirements of \$687,000 for television and radio broadcasting equipment; \$243,000 for leasing broadcast time on commercial radio stations; and \$112,000 for the Miami office relocation.

III
GEO

ENGINEERING & TECHNICAL OPERATIONS
(*\$* in thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
<u>Resource Requirements.....</u>	\$144,650	\$121,316	\$116,000	\$ -5,316

I. SUMMARY

The Office of Engineering and Technical Operations (E/E) in the International Broadcasting Bureau (IBB) manages the operation of all domestic and overseas radio transmitter installations; plans, develops, and implements renovations and new technical facility projects throughout the world; and manages certain international satellite and other telecommunication functions for USIA.

In 1993, to keep pace with rapid changes and to meet its evolving engineering mission, E/E has reduced staff, reorganized and streamlined its headquarters management structure and functions, and reduced its transmission facilities.

E/E has a worldwide field structure that includes two domestic and 12 overseas relay station facilities, over 800 satellite earth stations that deliver radio and television programs, nine radio monitoring posts, and an evolving on-site project construction staff. This global network of relay stations, representing a multi-billion dollar national resource, forms the lifeline of the delivery system for IBB which includes VOA, RFE/RD, and WORLDNET television. American and foreign national employees in the field are responsible for maintaining these facilities that include 150 transmitters with a combined power capability of over 40 million watts.

Funds are provided in FY 1997 for full-year operations of the stations in Sri Lanka, Sao Tome, and Kuwait. These stations are scheduled for completion in FY 1996. Start-up costs continue in FY 1997 for a new Pacific Islands Relay Station, which is scheduled for operations in 1998. The Pacific Islands site will target China and Southeast Asia with three 500 kW shortwave transmitters. The overall FY 1997 request for this activity will provide funds to ensure the continued transmission of accurate news and information and America's message to the world.

II. 1995 AND 1996 PROGRAM - HIGHLIGHTS

The Bureau continued its consolidation of transmission resources under a single engineering organization in response to the U.S. International Broadcasting Act of 1994. During FY 1995, the Bureau assumed management responsibility for the former RFE/RL transmission facilities. To provide a leaner yet fully responsive network to evolving program requirements, transmission facilities at Bethany and Maxquiera were closed; operations and staff at the Greenville Relay Station were reduced; and the Biblis station was shutdown.

ENGINEERING AND TECHNICAL OPERATIONS

In FY 1996, the Bureau eliminated more than 300 hours of broadcasting, and ended shortwave transmissions from the Gloria and Holzkirchen stations. To adjust to these changes and to continue to fulfill mission requirements, the Bureau is adding antennas at some of the remaining stations. Bureau engineers also are modifying transmitters to reduce costs and improve reliability. The base contracts for the new antennas and transmitter improvements were awarded in FY 1995. Work has begun to move some transmitters from stations being closed or downsized to other locations closer to critical audiences so that valuable broadcast equipment can continue to contribute to overall network effectiveness.

The Bureau also successfully consolidated the RFE/RL and IBSS satellite feed networks through expansion of the IBSS Global Satellite Interconnect System (SIS). This effort included a rapid installation of a two-way SIS terminal in Prague.

Leasing broadcast time on transmitters of other international broadcasters continues to be an effective means of expanding the Bureau's broadcast reach. International leases with broadcasters in Eastern Europe, the Newly Independent States, and South Africa were retained at the FY 1994 levels of broadcasting. An international broadcast lease from Bulgaria into West Africa was replaced by better coverage from VOA facilities in Morocco and Sao Tome. Other international leases providing medium wave coverage into Iran, Iraq, and Yugoslavia continued at FY 1994 levels.

The Bureau installed 92 television and audio receive satellite earth stations during FY 1996, which will bring the total installed terminals to over 800 worldwide. These satellite receiving stations permit the Bureau's growing radio and television affiliate network to broadcast VOA, RFE/RL, and WORLDNET programs locally. They include 99 digital stereo audio receiving sites in Latin America, which has enabled the IBSS to place programming on three times as many stations as the older analog systems allowed.

To reduce costs, streamline staff, and meet mandatory consolidation requirements, the Bureau closed its receiving site at Greenville and relocated all satellite transmitting uplink facilities to the transmitter sites. All Bureau relocation work, which included a complex installation of a satellite earth station and numerous electronic equipment, was accomplished in-house in record time while full 24-hour satellite broadcasting schedules were maintained. The Bureau also facilitated the acquisition of additional digital audio time on a second Russian satellite which provides satellite coverage across all of Russia from Moscow to the Far East. The IBSS is now delivering IBSS programs directly by satellite to 21 operational sites throughout the Newly Independent States (NIS). Finally, the Bureau completed its first full-year operations at transmitting facilities in Botswana and Udom and completed installation of a 300 kW transmitter at the Ismaning medium wave site in Germany.

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ENGINEERING & TECHNICAL OPERATIONS
(\$ in thousands)

III. Summary of Funds for Engineering and Technical Operations

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Office of Engineering and Technical Operations (Excl. 2/)				
Director of Engineering.....	\$ 524	\$ 560	\$ 577	\$ 17
Network Engineering Directorate.....	4,805	3,808	3,568	-240
Operations Directorate.....	19,301	10,463	9,210	-1,253
Advanced Technologies Directorate.....	16,475	20,227	19,585	-642
Systems Directorate.....	4,263	--	--	--
Engineering Resource Control Directorate.....	1,449	2,870	2,322	-548
Home Leave and Transfer (HLT).....	1,200	1,299	914	-285
Subtotal.....	48,017	39,227	36,176	-3,051
Operation of Facilities				
Bethany Relay Station.....	859	290	--	-290
Delano Relay Station.....	2,359	2,765	2,833	68
Greenville Relay Station.....	6,163	6,333	6,372	39
Belize Relay Station.....	658	631	646	18
Botswana Relay Station.....	2,901	2,660	2,757	97
Gloria Relay Station.....	13,543	5,509	156	-5,343
Kavala Relay Station.....	6,765	7,726	10,794	3,068
Kuwait Relay Station.....	985	1,390	1,416	26
Morocco Relay Station.....	8,348	8,089	8,232	143
German Relay Stations 1/.....	18,600	9,684	9,094	-590
Pacific Islands Relay Station.....	--	368	753	385
Pale Relay Station.....	7,628	6,491	6,568	77
Philippines Relay Station.....	8,260	8,345	8,490	145
Rhodes Relay Station.....	2,625	2,618	2,829	211
Sao Tome Relay Station.....	2,435	6,640	8,130	490
Sri Lanka Relay Station.....	2,442	3,465	3,475	10
Udorn Relay Station.....	6,767	6,194	6,149	-45
Woofferton.....	2,100	1,500	1,545	45
Monitoring Offices.....	1,198	1,310	1,225	-85
Site Construction Supervision.....	1,287	2,081	1,350	-731
Subtotal.....	98,631	82,089	79,824	-2,265
Total, Engineering Operations.....	144,650	121,316	116,000	-5,316

1/ German Relay Stations are comprised of Ismaning, Molskirchen, Lampertheim and Biblis.

2/ The Systems Directorate was abolished in FY 1996 due to the reorganization of Washington Headquarters.

ENGINEERING & TECHNICAL OPERATIONS
(\$ in thousands)

III. Summary of Positions for Engineering and Technical Operations

	1995 Actual			1996 Estimate			1997 Estimate			Increase or Decrease (-)		
	Dom.	Am.	E.M.	Total	Dom.	Am.	E.M.	Total	Dom.	Am.	E.M.	Total
Office of Engineering and Technical Operations (ETO)...	211	7	--	218	137	5	--	142	131	5	--	136
									-6	--	--	-6
Operation of Facilities												
Bethany Relay Station.....	3	--	--	3	3	--	--	3	--	--	--	-3
Delano Relay Station.....	21	--	--	21	21	1	--	22	21	1	--	22
Greenville Relay Station....	46	--	--	46	43	2	--	45	43	2	--	45
Belize Relay Station.....	--	1	6	7	--	1	7	8	--	1	7	7
Botswana Relay Station.....	--	7	19	26	--	3	21	24	--	3	21	24
German Relay Station.....	--	7	22	29	--	3	58	61	--	3	58	61
Gloria Relay Station.....	--	3	--	2	--	--	--	--	--	0	--	0
Kavala Relay Station.....	--	9	104	113	--	7	107	114	--	7	107	114
Kuwait Relay Station.....	--	5	4	9	--	2	4	6	--	2	4	6
Morocco Relay Station.....	--	8	75	83	--	3	75	78	--	3	75	78
Pac. Islands Relay Station..	--	--	--	--	1	--	10	11	4	--	34	38
Pais Relay Station.....	--	1	--	1	--	2	35	37	--	2	35	37
Philippines Relay Station..	--	10	121	131	--	6	121	127	--	6	121	127
Rhodes Relay Station.....	--	3	34	37	--	1	34	35	--	1	34	35
Sao Tome Relay Station.....	--	9	20	29	--	4	20	24	--	4	20	24
Sri Lanka Relay Station....	--	9	25	34	--	4	25	29	--	4	25	29
Udorn Relay Station.....	--	10	69	79	--	5	69	74	--	5	69	74
Monitoring Offices.....	--	4	11	15	--	1	12	13	--	1	14	15
Site Const. Offices.....	1	11	11	23	2	11	13	26	3	7	6	17
Subtotal.....	69	96	823	888	70	56	611	737	71	52	630	783
									1	-4	19	16
Total, Eng. Operations.....	280	103	823	806	207	61	611	879	202	57	630	889
									-5	-4	19	16

III-4

ENGINEERING & TECHNICAL OPERATIONS

IV. Explanation of 1996 Reductions

Engineering budget reductions in FY 1996 totaled \$18,850,000 and 135 positions. These reductions consisted of downsizing domestic headquarters administrative costs and staffing (\$2,150,000 and 31 positions); downsizing staffing at IBS overseas facilities (\$1,800,000 and 38 positions); closing two European shortwave relay stations (\$6,000,000; 34 positions); placing Biblis in inactive status (\$3,000,000; 32 positions); and reducing broadcast hours for a transmission savings of \$5,600,000. For the most part, budget reductions were associated with reductions in European operations, where the demand for shortwave broadcasting was declining. Elimination of duplicating VOA/RFE/RL broadcasts also provided savings.

By the end of FY 1996, engineering staff in the Washington Headquarters will be reduced to 137, down 41 percent from the level of 238 in FY 1992. Overseas American staffing will be reduced to 61, a reduction of 90 percent in just two years from a level of 121 in FY 1994. In fact, staffing reductions will have far exceeded the 25 percent reduction in broadcast hours (300-hour reduction out of 1,200 daily hours of broadcasting in FY 1995).

V. Explanation of Changes, 1996-1997

In FY-1997 a total of \$116,000,000 is requested for the Office of Engineering and Technical Operations. The net decrease of \$5,316,000 results primarily from the annualization of FY-1996 reductions of \$8,756,000 which include salary savings from downsizing headquarter staffing (\$1,789,000), reducing overseas American staffing (\$1,136,000) and the closing of two European relay stations (\$9,831,000). An additional decrease of \$1,479,000 results from nonrecurring costs for closing Bethany Relay station (\$292,000 and three positions), closing three construction site staffs in Bangkok, Kuwait and Sao Tome and downsizing site staffs in Poro, Sri Lanka and Rhodes (\$941,000 and 11 positions) and closing the Hong Kong monitoring office (\$246,000 and 1 position). Additional FY-1997 program reductions of \$1,610,000 and 6 positions are necessary to implement the President's government-wide deficit reduction efforts. These cuts consist of reducing domestic staffing (\$490,000 and 6 positions), and decreasing ADP requirements and other support costs (\$1,120,000).

These decreases are partial offset by an increase of \$6,529,000 including \$143,000 for the full-year cost of the 1996 Federal pay raises; \$336,000 for the estimated costs of a 3.0% Federal pay raise in January 1997 and \$130,000 for other salary and benefits increases; \$2,759,000 for overseas inflation and wage scale increases; and \$343,000 for domestic inflation. Additional built-in requirements of \$2,618,000 include land rental payments for the Kavala and Sao Tome relay stations (\$1,958,000); and initial start-up costs for the Pacific Islands Relay Station and construction site staff (\$438,000 and 29 positions); and the establishment of an overseas monitor in Bangkok (\$222,000 and 2 positions).

III
1157

PROGRAM DIRECTION
(\$ in thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Resource Requirements.....	\$16,651	\$16,924	\$17,916	\$ 992

I. SUMMARY

This activity provides overall direction and support for Bureau programs. Program Direction includes the Offices of the Associate Director, Administration and Personnel, Budget and Planning, External Affairs and Development, Program Review, and Policy. This activity also includes one program office -- the Office of Affiliate Relations and Media Training -- which coordinates the Bureau's placement and affiliate efforts and provides training opportunities for international journalists.

II. 1995 AND 1996 PROGRAM - HIGHLIGHTS

-- The Office of Affiliate Relations and Media Training continued to oversee placement growth in Latin America and Central Europe and the CIS, at the same time that major new advances were made in Asia, South Asia, Africa, and the Middle East. For the first time, VOA has regular placement on India's emerging FM network of stations, is placing or negotiating with FM stations in every African country where the media is privatizing, has established direct placement via the Palapa satellite in Asia and has made contact with broadcasters in Laos, Vietnam, Cambodia, and with the Palestine Broadcasting Authority.

-- Created an IRS partnership with Capital Radio in Berlin, Germany to acquire the Armed Forces Network frequency there. Radio Charlie went on the air in May 1995, continuing a fifty year tradition of American radio presence in Berlin. Another partnership, created with the Middle East Broadcasting Center, is a joint VOA/WORLDNET/MBC production called "Dialogue with the West". This weekly program has already achieved an avid listenership and viewership, in just a few short months.

-- Moved the European/MIS Marketing Office from Munich to Prague which resulted in major cost savings and positioned E/M to develop marketing and placement strategies with RFE/RL.

-- Provided quality training to key foreign media personnel through 14 statewide workshops, two university placement programs, two overseas workshops, and two VOA internships.

-- The Office of Program Review (O/R) contributed directly to the quality improvement of programs broadcast by the Voice of America and the Office of Cuba Broadcasting through a series of annual, special, and follow-up evaluations.

-- During the past year, O/R has conducted in-depth analyses of some 40 VOA language services and more than a dozen spot-check reviews in addition to arranging for analyses by outside linguistic and regional experts.

-- O/R analyzed program content and presentation against guidelines contained in relevant legislation, regulations, and directives such as the VOA Programming Handbook and VOA Journalistic Code.

-- O/R identified superior programming techniques, and made recommendations for correcting content and production deficiencies. In virtually every instance, the subsequent implementation of O/R recommendations improved programming.

111-95

PROGRAM DIRECTION
(\$ in thousands)

III. Summary of Funds and Positions for Program Direction

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
FUNDS				
Associate Director.....	\$ 2,077	\$ 1,898	\$ 1,902	\$ 4
Office of Personnel and Administration.....	9,901	8,092	8,030	-62
Office of Program Review.....	480	549	565	16
Office of Budget & Planning.....	1,207	1,827	1,874	47
Office of External Affairs and Development.....	1,291	1,069	2,090	1,021 ^{1/}
Office of Policy.....	581	526	543	17
Office of Affiliate Relations and Media Training.....	3,314	3,262	3,212	-51
Total, Funds.....	<u>18,851</u>	<u>16,924</u>	<u>17,916</u>	<u>291</u>

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
	Dom. Em. E.M. Total			
POSITIONS				
Associate Director.....	15 -- --	15 16 --	16 16 --	-- -- --
Office of Personnel/Admin.....	79 -- --	79 78 --	78 78 --	-- -- --
Office of Program Review.....	6 -- --	6 7 --	7 7 --	-- -- --
Office of Budget & Planning.....	19 -- --	19 21 --	21 21 --	-- -- --
Office of Ext. Affairs/Dev.....	18 -- --	18 17 --	17 20 --	-- 3 --
Office of Policy.....	6 -- --	6 6 --	6 6 --	-- -- --
Office of Affiliate Rel. and Media Training.....	19 2 3	24 19 2 3	24 19 2 3	-- -- --
Total, Positions.....	<u>159 2 3</u>	<u>164 164 2 3</u>	<u>162 167 2 3</u>	<u>172 3 -- --</u>

^{1/} This increase includes \$1.0 million and 3 positions for additional audience research.

PROGRAM DIRECTION

IV. Explanation of 1996 Reduction

Budget reductions for Program Direction for 1996 total \$434,000. These reductions will affect all support activities, resulting in degradation of services IBM-wide.

V. Explanation of Changes, 1996-1997

In 1997, a total of \$18,316,000 is requested for Program Direction activities. The net increase of \$992,000 will provide \$70,000 for the full-year cost of the 1996 Federal pay raise and \$248,000 for the estimated cost of a 3.0% Federal pay raise in January 1997; \$59,000 for other salary and benefit increases; \$16,000 for overseas inflation and wage scale increases; and \$89,000 for domestic inflation.

Other requirements include 3 positions and \$1,000,000 to provide for a reliable research capacity and adequate contract funds to pursue this requirement worldwide for all elements except RPE/RL (which has its own budget for research).

These increases are partially offset by 1997 program reductions of \$690,000 affecting all aspects of support activities, to implement the President's government-wide deficit reduction efforts.

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GRANT TO RFE/RL, INC.
(\$ in thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
<u>Resource Requirement</u>	\$193,183	\$71,400	\$71,729	\$329

I. SUMMARY

The mission of Radio Free Europe/Radio Liberty (RFE/RL) is to strengthen democratic institutions in post-communist Central Europe and the former Soviet Union by providing accurate, objective news and analysis through "surrogate" or "home" radio services to supplement local media, which have not achieved genuine independence and credibility after decades of communist party control.

RFE/RL programs concentrate on events within the vast region of Eurasia, from the Baltic and Black Seas eastward to the Pacific Ocean. Programs seek to combat ethnic tension, nationalist xenophobia, and retrograde neo-communism by presenting multiple points of view, stressing common goals of civil societies, and explaining the workings of democratic self-rule.

II. 1995 AND 1996 PROGRAM - HIGHLIGHTS

RFE/RL is a private, non-profit corporation under Section 501(c)3 of the IRS Code, chartered in Delaware, with corporate offices in Washington, D.C., and operational headquarters in Prague, the Czech Republic. Under provisions of the U.S. International Broadcasting Act of 1994 (PL 103-236), the Board of Directors of RFE/RL, Inc., is composed of the nine members of the U.S. Broadcasting Board of Governors, nominated by the President and confirmed by the U.S. Senate. As a private corporation, RFE/RL receives grants from the U.S. government and accounts for its expenditures according to standard provisions for federal grantees.

RFE/RL broadcasts more than 700 hours of programming weekly in twenty-three languages (counting its Czech- and Polish-language affiliates) to a region of 400 million people. It has more than 35 million regular listeners, including a high percentage of decision makers and intellectual-managerial elites whose support is crucial for democratic reforms to succeed.

RFE/RL programs aim to:

- provide comprehensive, balanced, objective coverage of local issues;
- provide credible, reliable regional coverage;
- promote ethnic harmony;
- report the integration of Eastern and Western Europe;
- explain Western democracy in local context;
- promote independent media.

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GRANT TO RFE/RL, INC.

RFE/RL's Broadcasting Division (successor to Radio Free Europe and Radio Liberty Divisions) is comprised of a News and Current Affairs Department and 19 country or language services. It is staffed by some 200 journalists, mostly in Prague, and an equal number of free-lance correspondents throughout the region. It has major bureaus in Moscow, Kiev, Bratislava, Bucharest, Sofia, Riga, Tallinn, and Vilnius, and smaller news offices elsewhere.

RFE/RL affiliates include nationwide AM/FM networks in Ukraine (pop. 55 million), Bulgaria (pop. 8 million), Kyrgyzstan (pop. 3.5 million), Czech and Slovak Republics (pop. 15 million) and the Baltic States (pop. 7.9 million). Local re-broadcasting of Radio Liberty programs is featured in major Russian cities, including St. Petersburg, Moscow and Nizhny Novgorod.

RFE/RL began surrogate broadcasting in Serbian and Croatian to former Yugoslavia in January 1994, with funding obtained through curtailment of other RFE/RL operations.

In response to PL 103-236, RFE/RL has initiated privatization of some operations. In April 1994, RFE/RL and the Open Society Institute (a George Soros foundation) jointly created the Open Media Research Institute (OMRI) as a successor to the RFE/RL Research Institute (the preeminent, open source of information and analysis on the region for Western governments, journalists, scholars, and broadcasters). The Open Media Research Institute, with an oversight board drawn from former BIB members and Soros Foundation board members, is established in Prague, publishing a daily digest of news from Eurasia; and the journal, Transition. Institute analysts cooperate closely with RFE/RL broadcasters in radio interviews and roundtable discussions.

The BIB closed the Polish and Czech services of RFE/RL and established two independent, U.S. non-profit corporations to contract for news and current affairs programming for RFE/RL. The new corporations are RWE, Inc. located in Warsaw, and RSS, Inc. located in Prague. Both corporations are expected to be fully privatized by the end of FY 1996. RFE/RL is now exploring privatization of other broadcast services as well.

During the first six months of 1995, RFE/RL successfully relocated operations from Munich to Prague, with no interruption of broadcasting in any of its 19 services. RFE/RL is now fully operational in Prague. It has ceased all operations in Germany, and is completing the settlement of numerous liquidation issues.

In establishing the Prague Broadcasting Center, RFE/RL adopted new computer and digital audio technology to further cut costs and improve programming.

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GRANT TO RFE/RL, INC.
(\$ in thousands)

III. Summary of Funds and Positions for Radio Free Europe/Radio Liberty

	1995 Actual		1996 Estimated		1997 Estimated		Increase/ Decrease	
	Pos.	Funds	Pos.	Funds	Pos.	Funds	Pos.	Funds
Broadcasting Division								
Office of the Director	15	\$ 2,846	7	\$ 1,336	7	\$ 1,404	--	\$ 68
Broadcast Services:								
Armenian	9	786	8	833	8	882	--	49
Azerbaijani	8	707	7	624	7	662	--	38
Belarus	9	989	10	990	10	1,048	--	58
Bulgarian	31	2,652	10	1,616	10	1,697	--	81
Czech	--	1,769	--	986	--	--	--	-986
Estonian	10	989	8	874	8	927	--	53
Georgian	10	872	7	758	7	802	--	44
Kazakh	12	1,183	8	705	8	746	--	41
Kyrgyz	8	775	7	719	7	761	--	42
Latvian	9	1,147	7	933	7	985	--	52
Lithuanian	10	851	7	783	7	827	--	44
Polish	--	1,963	--	164	--	--	--	-164
Romanian	43	3,701	11	1,646	11	1,736	--	90
Russian	80	8,978	40	5,549	40	5,855	--	306
South Slavic	7	1,319	16	1,756	16	1,853	--	99
Slovak	21	1,834	11	1,088	11	1,147	--	59
Tajik	6	671	8	755	8	800	--	45
Tatar-Bashkir	9	737	7	792	7	837	--	45
Turkmen	7	659	7	723	7	764	--	41
Ukrainian	26	2,727	21	2,157	21	2,285	--	128
Uzbek	10	996	7	667	7	705	--	38
News and Current Affairs	56	6,104	34	1,780	34	1,926	--	216
Subtotal	396	45,283	248	30,232	248	30,719	--	487
Administration Division								
Office of the President	13	1,426	10	2,250	10	2,385	--	135
Program Evaluation	--	104	2	183	2	195	--	12
Human Resources	35	2,677	16	1,214	16	1,412	--	81
Subtotal	48	4,207	28	3,767	28	3,999	--	232

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GRANT TO RFE/RL, INC.
(\$ in thousands)

III. Summary of Funds and Positions for Radio Free Europe/Radio Liberty

	1995 Actual Rba. Funds	1996 Estimated Rba. Funds	1997 Estimated Rba. Funds	Increase/ Decrease Rba. Funds
Technical Oper. Division				
Office of the Director	-- \$ --	6 \$ 1,529	6 \$ 1,459	-- \$ -70
Broadcast Operations	110 6,642	50 3,889	50 3,636	-- -253
Info./Network Systems	\$1 6,856	21 5,459	21 5,765	-- 306
General Services	77 13,718	45 6,623	45 6,824	-- 201
Subtotal	238 27,216	122 17,570	122 17,754	-- 184
Finance Division/Wash.	18 4,138	21 4,095	21 4,230	-- 135
Pension Administration	-- --	-- 500	-- 400	-- -100
OWRI	102 10,208	-- 2,800	-- 2,400	--
RFE/RL Operational Base	829 31,049	419 38,664	419 39,602	-- 913
Consolidation:				
Severance	-- 37,529	-- --	-- --	-- --
Pension Programs	-- 2,539	-- 10,479	-- 5,467	-- -5,012
Post Retirement	-- 1,815	-- 5,857	-- 6,660	-- 803
Litigation/Lease	-- 5,249	-- --	-- --	-- --
Digital Equipment	-- 1,200	-- --	-- --	-- --
Social Plan	-- 21,150	-- 10,000	-- --	-- -10,000
Relocation	-- 15,917	-- --	-- --	-- --
Proceed of Sale	-- --	-- -13,600	-- --	-- 13,600
Foreign Currency	-- 16,735	-- --	-- --	-- --
RFE/RL Expenditures	829 193,183	419 71,400	419 71,729	-- 329

IV. Explanation of Changes, 1996-1997

RFE/RL has radically downsized from a staff of 1,583 and a budget of \$208 million in FY 1996 to a budget of 71.4 million and a staff of 419 in 1997. It is currently estimated that the planned liquidation of RFE/RL's pension and post retirement medical insurance long term obligations will be paid over the period FY 1996 - FY 1999. Providing funds for these payments has reduced the level of funding available for RFE/RL operations to around \$59 million for FY 1996 - FY 1999 in order to stay within the legislated amount. The 1997 increase of \$329,000 results from cost increases of \$2,100,000, partially offset by a deferral of corporate liabilities totalling \$1,771,000.

GRANT TO RFE/RL, INC.

Radio Free Europe/Radio Liberty Weekly Broadcasts on
ISB - Owned or Leased Transmitters

	FY 1995	FY 1996	FY 1997	Change
Armenia	21:00	21:00	21:00	--
Azerbaijani	21:00	21:00	21:00	--
Belarus	28:00	28:00	31:30	3:30
Bulgarian	56:00	42:00	42:00	--
Czech	59:00	11:00	--	(11:00)
Estonian	14:00	7:00	7:00	--
Georgian	21:00	21:00	21:00	--
Kazakh	42:00	28:00	28:00	--
Kyrgyz	14:00	14:00	14:00	--
Latvian	14:00	7:00	7:00	--
Lithuanian	14:00	7:00	7:00	--
Polish	28:00	--	--	--
Romanian	49:00	42:00	42:00	--
Russian	168:00	126:00	126:00	--
Serbo/Croatian	14:00	14:00	21:00	7:00
Slovak	27:00	11:00	11:00	--
Tajik	14:00	21:00	21:00	--
Tatar-Bashkir	35:00	28:00	28:00	--
Turkmen	14:00	28:00	28:00	--
Ukrainian	42:00	35:00	35:00	--
Uzbek	28:00	28:00	28:00	--
Total RFE/RL weekly Broadcast	723:00	540:00	539:30	(00:30)

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ASIA PACIFIC NETWORK/RADIO FREE ASIA
(\$ in thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
<u>Resource Requirements.....</u>	\$5,000	\$5,000	\$10,000	\$5,000

I. SUMMARY

Asia Pacific Network/Radio Free Asia was authorized by the International Broadcasting Act of 1994 (the Act), which states that RFA will provide targeted radio broadcasts to the People's Republic of China, Burma, Cambodia, Laos, North Korea, Tibet, and Vietnam.

As stated in the Act, the objectives of Asia Pacific Network (Radio Free Asia) are to:

- 1) provide accurate and timely information, news, and commentary about events in the respective countries of Asia and elsewhere; and
- 2) be a forum for a variety of opinions and voices from within Asian nations whose people do not fully enjoy freedom of expression.

II. 1995 AND 1996 PROGRAM - HIGHLIGHTS

As of this writing, APN/RFA had just been officially incorporated. The report called for in the International Broadcasting Act of 1994 regarding the establishment of the APN/RFA was submitted on November 9, 1995. APN/RFA was incorporated as an entity in the District of Columbia on March 11, 1996, and the Board named Mr. Richard Richter President of the new organization on March 12. Planning for the new entity is now underway.

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ASIA PACIFIC NETWORK/RADIO FREE ASIA

III. Summary of Funds for Asia Pacific Network/Radio Free Asia
(\$ in thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
<u>Direct Obligations</u>	\$ --	\$10,000	\$10,000	\$ --
 <u>Reconciliation to Enacted/ Estimated Appropriations:</u>				
Balances Carried In.....	--	-5,000	--	\$,000
Balances Carried Out.....	5,000	--	--	
<u>Enacted/Estimated Appropriations</u>	<u>\$,000</u>	<u>5,000</u>	<u>10,000</u>	<u>\$,000</u>

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RADIO CONSTRUCTION
(\$ in Thousands)

	1995 <u>Actual</u>	1996 <u>Estimate</u>	1997 <u>Estimate</u>	Increase or <u>Decrease(-)</u>
Total Appropriations.....	\$69,060	\$32,600	\$39,164	\$6,564

General Statement

Background

The transmission of America's voice and vision entered a new era with the passage of the U.S. International Broadcasting Act of 1994. Reflecting its consolidated focus, the International Broadcasting Bureau (IBB) has been moving full speed ahead to create a more efficient and strengthened global broadcasting service for the U.S. Government. The 1994 Act called for the reorganization and consolidation of U.S. non-military international broadcasting and, over the past two years, bold steps have been taken to fulfill the intent of the Act. The Voice of America (VOA) and Radio Free Europe/Radio Liberty (RFE/RL) have combined technical facilities to create a unified direct broadcasting network of two domestic and 12 overseas stations. One international network of leased satellite circuits supports these stations and hundreds of affiliate stations worldwide.

Prudent planning and judicious efforts were undertaken to reconfigure and consolidate U.S. global broadcasting assets evenly and effectively. Reflecting the post-Cold War easing of tensions, broadcasts to European areas were sharply reduced. As a result, shortwave broadcasts from Moltskirkchen ceased; the Gloria, Bethany, and Maxquieira relay stations were closed; the Biblis relay station was placed in inactive status; and operations and staff were reduced at the Greenville Relay Station. Additional actions are underway to reallocate transmitters to reach critical audiences in Africa and Asia, to construct new antennas to optimize network performance, to add satellite ground stations, and to install solid-state modulators to achieve energy savings. These will further enhance network efficiency and economy.

To keep pace with rapid changes and to meet its evolving engineering mission, the Bureau's Office of Engineering and Technical Operations reorganized and streamlined its management structure and functions. On October 1, 1995, the Bureau's engineering organization assumed full responsibility for managing the consolidated international broadcasting and satellite telecommunications network. Technical consolidation will evolve over the next few years, and accommodations may occur as broadcasting requirements change and as budgetary considerations dictate.

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Unified management of VOA and RFE/RL facilities allows the Bureau to provide a transmission service that is responsive to its many broadcast clients -- Radio Free Europe, Radio Liberty, Broadcasting to Cuba, Voice of America, WORLDMET, and a planned new service to Asia. It also eliminates redundancy of effort and supports an organization that can seize new technological opportunities as they emerge. The new engineering entity enables the Bureau to fulfill a mission that is critical now and will remain so in the future.

Over 50 years ago, America's broadcasting arm met the challenge of providing a voice of truth in response to global conflict, and that same strong dedication to conveying truthful news and information carries forth today. This appropriation is designed to fund the Bureau's streamlined modernization and refurbishment program, which was realigned in 1989 to achieve optimal broadcast coverage within the constraints of a tight fiscal climate, and to achieve the goals of network consolidation mandated by the 1994 U.S. International Broadcasting Act. Promoting the policy of the United States to champion freedom of opinion and expression, the 1994 U.S. International Broadcasting Act underscored the importance of broadcasting as a means "to support freedom and democracy in a rapidly changing international environment." Just a few years ago, the airwaves were filled with news of the fall of the Berlin Wall, the massacre at Tiananmen Square, the invasion of Kuwait, the exodus of Cuban refugees, and civil atrocities in Rwanda and Somalia. Today, events in Burma, Chechnya, Haiti, Iraq, Kenya, North Korea, Sarajevo, Zagreb, Cuba, and China are the focus of world attention. And, the mere mention of other distant places -- Burundi, Dubrovnik, Mogadishu, Moscow, Pretoria -- bring to mind vivid pictures and vibrant sounds that international broadcasters have relayed to the world. Growing audiences can now choose among an expanding variety of media: AM, FM, and shortwave radio in most regions, television, and numerous cable and satellite-delivered services. In the United States and around the globe, organizational structures for broadcasting are adapting to evolving broadcast missions, changing media realities, and advancing technologies.

Although media opportunities continue to expand, direct shortwave and medium wave broadcasts will remain an important part of the media mix in many areas for years to come. Shortwave still serves large audiences in numerous parts of the world, and this broadcast medium can uniquely penetrate national borders under any circumstances when needed. For example, in the spring of 1994, IBS direct shortwave and medium wave broadcasts to Guatemala provided vital news and information when the government censored and shut down local media. In the fall of 1994, the Haitian Government shut down IBS's locally broadcast programs from all of the affiliate stations in Haiti, and IBS shortwave broadcasts from the Delano and Greenville Relay Stations proved an important source of reliable news and information for the Haitian people. Consequently, the Bureau plans to keep operational an appropriate level of shortwave capability in each region to serve current requirements and to sustain a core shortwave broadcasting capability throughout the global network. The Bureau also will maintain other crisis or surge broadcasting capabilities to provide a flexible and effective response when needed.

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Responding to the Challenge

The Bureau believes its 1996/1997 plan for this appropriation responds to the challenge of supporting a flexible and responsive global network. This budget has been carefully assembled; planning for a worldwide broadcasting network is a complex task, made even more complicated by the following overriding factors:

Rapid changes are occurring in the world order. Effective broadcasting requires the ability to adapt quickly in response to changing political situations around the globe. The Bureau must continue to upgrade its aging and largely obsolete technical infrastructure to ensure program reliability. As the Bureau establishes priorities for construction and renovation, it is mindful of the most pressing coverage needs. Political developments, for better or worse, play an important role:

--The recent shooting down of two U.S. civilian aircrafts by the Cuban military, and the 1994 exodus of thousands of Cubans to the U.S. shores prompted a substantial increase in broadcast coverage to this volatile region.

--An affiliate station in Haiti was closed down by the government. This action illustrates that the Bureau must always plan for direct broadcasting capability even if it has adequate coverage by placement of IBS programs on local stations. Broadcast coverage to the region also was augmented to address the then unstable situation on the island.

--Hostilities in Serbia, Croatia, and Bosnia-Herzegovina demanded quick action by the IBS. To improve coverage to this turbulent area and to provide an enduring capability that complements short-term leases, the Bureau reoriented the medium wave antenna array in Kavala, Greece. For the past several years, the IBS has provided news and information to the people in this war-torn region. In addition, IBS continued to focus its broadcasts into these regions during the recent cessation of hostilities and placement of U.S. and NATO troops in Bosnia-Herzegovina.

--Civil unrest forced the closing of a major IBS shortwave facility in Liberia in September 1990. This closing disrupted IBS coverage of sub-Saharan Africa. To reacquire part of this broadcast capability, construction of a shortwave facility in Botswana was accelerated--two transmitters went on air in December 1991, and two others became operational in March 1992. Somali language broadcasts were added to the recently completed Botswana shortwave facility when U.S. forces were sent to Somalia. The Bureau also recognized the need for a strengthened medium wave capability to Southern Africa. In 1994, a more powerful Botswana Station began transmitting a strong medium wave signal into South Africa, a nation where democracy was renewed when free elections were held in the spring of that year.

--An interim 100 kW medium wave transmitter in Sao Tome, the first increment toward a permanent medium wave and shortwave station, also is reacquiring some of the audience lost when Liberia ceased broadcasting six years ago. The interim medium wave facility began broadcasts reaching audiences from the Ivory Coast to Angola in May 1993. A contract was signed in July 1993 for construction of a more powerful and wide-reaching permanent facility; this facility became fully operational in the third quarter of FY 1996.

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--The new Morocco station, on-line in 1993, provides improved shortwave coverage to West and Central Africa, the Western region of the Newly Independent States (NIS), Central Asia, and the Middle East.

--The Kuwait medium wave station began operating in 1993 with limited coverage at low power and will operate at 600 kW in April 1996. This strengthened signal will respond to the demand for good medium wave coverage to audiences throughout the Middle East.

--The new Thailand station in Udon now brings a powerful shortwave signal to more than 40% of the world's population.

--Listeners in China tell the IBS that it continues to be a major source of news, English-language teaching, and other information, but that its signal is sometimes weak and unreliable and is even jammed in major cities. Exacerbating the problem have been interruptions to service caused by damage to the Philippines Relay Station. In June 1990, a major earthquake demolished the station's receiver site. A year later, Mt. Pinatubo's volcanic eruption caused massive feed and power disruptions at the Tinang transmitter site and destroyed much of the Luzon Island's roads and infrastructure. This budget contains funding to address the deficient broadcasting capability to Asia by adding a station in the Marianas and to upgrade IBS facilities in Sri Lanka to boost coverage to China and the rest of Asia.

--IBS broadcasts are still jammed by restrictive governments that object to the balanced presentations of news. Burma, China, and North Korea have been jamming U.S. broadcasts in recent years; and jamming remains a readily accessible option by such countries.

The international broadcasting technology mix is rapidly evolving. USIA can employ an expanding array of media to satisfy its mission. Remote high power medium wave and shortwave radio have and will continue to be the traditional means of international broadcasting, but now in some regions, television, satellite-delivered services, the INTERNET, and an abundance of local media provide a wide array of choices that must be astutely mixed and matched to serve the Bureau's mission and audience. Enhanced research is essential to understand the characteristics of target audiences, the available media, and the best methods to fulfill mission objectives. Using these new media also will require appropriate resources, or serious gaps in coverage will persist and grow.

The Bureau's signal delivery method is a complex system; many techniques must be used together in a complementary, but affordable mix that establishes a strong competitive presence for American programs in world markets. This budget responds to this challenge by funding a blend of technologies that include:

--Upgrade of broadcasting capability to Asia to relieve critical deficiencies, offset jamming, fill gaps, and reduce dependence on the vulnerable Philippines Relay Station.

--Construction of new, high power medium wave stations in the Middle East and Africa, which will give the Bureau the ability to reach large audiences by AM radio.

RADIO CONSTRUCTION

--Refurbishment of the aging medium wave facilities in Kavala, Rhodes, Poro, and Bangkok. These facilities are antiquated and have become inordinately expensive to operate. With the increasing reliance on Medium-wave, it is important to renovate these facilities.

--Continued installation of the Bureau's combined WORLDNET-IBB (WETSTAR) satellite delivery system. The United States can offer a coordinated array of radio and television services to overseas clients with downlinks at more than 800 points around the globe. Many foreign broadcasters already use these services. This technological success story has facilitated the growth of placement of programs and leasing of facilities, both effective techniques to expand the Bureau's viewing and listening audience.

--Continued study and development of an exciting new technology, Direct Radio Broadcasting by Satellite (DRS), which will enable future radio listeners to receive high quality digital radio broadcasts directly from satellite transmissions into small radio receivers in the home and in cars.

--Continued maintenance and repair (M&R) of the Bureau's existing facilities. M&R activities will address the aging infrastructure of many facilities, the immediate technical needs of the combined RFE/RL and VOA broadcasting network, and the emerging technological advances that will keep the Bureau on the leading edge of innovative uses of its network.

--Use of new digital technology to upgrade the Bureau's audio and video production capabilities and provide multi-lingual program service in the future.

--Use of modern satellite technology to provide easy two-way access to multi-media and internal data and communications services.

--Studies of evolving technology such as using solid state modulators in high power transmitters to improve efficiency and significantly reduce operational costs; of digital tagging of broadcast signals to make it easier for listeners to locate IBB on their radios and, in turn, enable IBB to trace signals when its programs are placed on local stations; and of digital audio and video work stations to improve radio and TV program production efficiency.

Major Radio Construction Program Accomplishments

The International Broadcasting Bureau has continued to make progress on the construction of new facilities and on the acquisition of major subsystems for the new stations:

-- **Morocco:** Construction of this sophisticated station, including associated buildings, roads, and other support facilities, was completed in the fall of 1993. The station started early test broadcasting in June 1993 and became fully operational in October of that year.

RADIO CONSTRUCTION

-- Thailand: Construction of this major station, including associated buildings, roads, and other support facilities, at the Udon site was completed in FY 1994. The station began early test broadcasting in March 1993 to China and in May 1993 to Pakistan, India, and Burma. The station became fully operational in May 1994. Several subsystem contracts were closed out in FY 1995. Closeout of remaining subsystem contracts and resolution of outstanding claims are scheduled for completion in FY 1996.

-- Sao Tome: An agreement was negotiated with the Government of Sao Tome for a combined permanent medium wave and shortwave relay station. A contract for construction of an interim medium wave station was awarded in FY 1992; broadcasting from the interim facility began in May 1993. A contract for design and construction of the permanent medium wave and shortwave station was awarded in July 1993. Design activities have been completed, and construction is in progress. The permanent relay station is scheduled to become fully operational in the third quarter of FY 1996.

-- Kuwait: An agreement was signed in August 1992 for a combined permanent medium wave and shortwave relay station. Using existing portable medium wave transmitters in the IBB inventory, the Kuwait interim facility began test broadcasting in September 1993. This established a IBB presence in Kuwait and locked in a broadcast frequency for IBB use. A contract to design and construct the permanent medium wave station was awarded in September 1994, with a contract duration of 16 months. The permanent relay station is scheduled to begin operations in the third quarter of FY 1996.

-- Pacific Island: The Pacific Ocean Division of the U.S. Army Corps of Engineers completed preliminary engineering investigations and an Environmental Assessment of three alternative sites on the island of Tinian in the Commonwealth of the Northern Mariana Islands (CNMI). A Request for Proposal for design and construction of the Pacific Island Relay Station was issued in March 1995. The project scope has since been downsized to reflect current budget constraints. Negotiations with contractors for the scaled-back station are now being planned.

-- Sri Lanka: The contract for the new shortwave relay station was awarded in March 1993. Additional contracts for site security and electric power and the option from the Radio Frequency (RF) contract for the fourth 500 kW transmitter, which is being provided as government-furnished equipment, have been awarded. Additional contract actions are underway to increase the number of antennas. The station is expected to begin broadcasting in late FY 1996.

-- Rhodes: The Rhodes receiver and transmitter sites were consolidated to reduce leasing costs and to simplify negotiations for renewal of the country-to-country agreement.

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-- Medium Wave Initiative: New transmitters are being installed at four relay stations to replace aging, inefficient equipment that is hard to maintain. Factory tests of new transmitters have demonstrated fuel efficiencies twice as high as the older transmitters, which will result in major operational savings. A contract is underway for the purchase and installation of four medium wave transmitters. The first one to be completed and installed is a 1000 kW unit at the Bangkok transmitter site. This transmitter is scheduled to be on line in the third quarter of FY 1996. The Poro transmission site will get a 1000 kW unit, and is scheduled to be on line in the third quarter of FY 1996. Options for 600 kW medium wave units for Rhodes and Kavala Relay Stations were awarded in September 1995.

-- Network Consolidation: Consolidation of U.S. international broadcasting operations will enable the Bureau to tailor the use of broadcast assets to fit evolving requirements. Modest modifications will be made to some antennas and transmitters at remaining stations, and some adjustments also will be needed in the satellite feed network. FY 1996 and FY 1997 funds will help to achieve an important consolidation goal of moving existing government assets from areas where requirements are diminishing to those areas where requirements are growing.

-- Network Control Center (NCC): This facility controls the Bureau's international telecommunications network and feeds its relay stations and transmitting systems. NCC operators are on duty 24 hours a day, seven days a week to provide status and schedule control and to assure that high-quality signals reach each relay station and the affiliate network.

-- Satellite Interconnect System (SIS): The SIS, an advanced technology that has dramatically improved the quality and reliability of the signal and concurrently reduced costs, is now operational in Belize, Botswana, Delano, Germany, Greenville, Morocco, Philippines, Portugal, Prague, Sao Tome, Spain, Sri Lanka, Thailand, United Kingdom, and Washington.

-- Botswana: The shortwave facility began broadcasting in December 1991, nine months after Congress approved the project. The construction of the medium wave station was completed within budget and with a minimum of schedule delays.

-- New Technology: Receivers have been developed for digital satellite broadcasting, and research in propagation has supported international DBS radio efforts. Solid state modulators have shown marked operational efficiencies. Radio propagation models have been developed and are in use worldwide.

-- Computer Operations: Computer systems and Local Area Networks (LANs) have provided for more efficient management and scheduling of the network, facilitated technical design of the relay stations, and improved broadcasting program productions.

RADIO CONSTRUCTION

Budget Summary

A total of \$39,164,000 in FY 1997 is requested to continue the Bureau's technical upgrade and expansion program. These funds are needed for the following requirements:

- o Completion of Major Projects - \$6,000,000 for the continuing construction of the Pacific Island Relay station and \$1,000,000 for continuing Sao Tome close-out costs.
- o Upgrade/Refurbishment of Existing Relay Station Capabilities - \$2,512,000 to continue the consolidation of VOA and Radio Free Europe/Radio Liberty network facilities and \$4,375,000 to meet the Rhodes and Kavala project funding requirements for the host country agreement with the Government of Greece.
- o Maintenance, Improvements, Replacements, and Repairs - \$22,276,000 to continue urgent smaller-scale maintenance and repair projects throughout the consolidated relay station network, including former RFE/RL stations and to conduct operational analyses and improvements of the network performance prompted by the application of new technology. These funds also will continue replacing the obsolete analog radio and television program production facility with a modern digital technology network. In addition, FY 1997 funds will launch a pilot project to develop a two-way, high-speed data platform. This platform will provide a more efficient and effective communication network for Bureau and USIA customers worldwide. Funds from the USIA Salaries and Expenses Appropriation will augment this project.
- o Satellite and Terrestrial Program Feeds - \$1,500,000 to strengthen the telecommunications infrastructure, including system maintenance, to enable the International Broadcasting Bureau to respond to natural disasters, civil unrest, sudden political shifts, and increased circuit capacity needs in crisis situations such as the Persian Gulf, Somalia, Croatia, Bosnia-Herzegovina, and Cuba.
- o Broadcast Facility Leases and Land Rentals - \$1,500,000 to continue lease payments for worldwide networking leases.

The appropriation of \$39,164,000 requested for FY 1997 is critical to the continued progress of the streamlined modernization effort and to fulfilling the mission of the International Broadcasting Bureau. A budget summary and individual narrative justifications follow.

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RADIO CONSTRUCTION
SUMMARY OF DIRECT OBLIGATION REQUIREMENTS
 (\$ in Thousands)

						1997 MOA Request	Page Ref.
	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)			
A. Completion of Major Projects	\$ 3,981	\$12,971	\$ 7,000	\$ -5,971	\$ 7,000		12
B. Upgrade/Refurbishment of Relay Station Capabilities	37,142	26,671	6,888	-19,783	6,888		18
C. Maintenance, Improvements, Replacements, and Repairs	10,401	21,911	22,276	365	22,276		23
D. Satellite and Terrestrial Program Feeds.....	2,600	2,016	1,500	-516	1,500		39
E. Broadcast Facility Leases and Land Rentals ..	10,844	2,442	1,500	-942	1,500		42
 Total, Direct Obligations (Comparative Basis)	 64,968	 66,011	 39,164	 -26,847	 39,164		
Reconciliation to Enacted and Requested Appropriations on a Comparative Basis:							
Recovery of Prior Year Obligations.....	-17,483	--	--	--	--		
Deduct Balances Carried In.....	-34,954 b/	-47,096	--	47,096	--		
Add Balances Carried Out.....	 47,096	 --	 --	 --	 --		
Appropriations Enacted and Requested (Comparative Basis)	 59,627	 18,915	 39,164	 20,249	 39,164		
Reconciliation to 1995 and 1996							
Appropriations as Enacted:							
Add Comparative Transfer to Account.....	9,433 b/	9,700 b/	XXX	XXX	XXX		
Add Proposed Transfer to IBO Account.....	--	3,985 g/	XXX	XXX	XXX		
Add Amount Rescinded by Pending Action.....	--	7,400 h/	XXX	XXX	XXX		
 1995 and 1996 Appropriations as Enacted.....	 62,060 b/	 10,000	 XXX	 XXX	 XXX		

b/ Excludes \$16,000,000 in balances carried into 1995 and 1995 budget authority \$254,000 rescinded under P.L. 104-19.

b/ For comparative purposes, Radio Construction excludes \$9,433,000 in 1995 and \$9,700,000 in 1996 in support costs shifted to the International Broadcasting Operations account by the Administration in 1997.

g/ Radio Construction excludes a proposed 1996 appropriation transfer of \$3,985,000 to IBO to help offset downsizing costs and avoid employee furloughs.

h/ Radio Construction excludes \$7,400,000 in budget authority that would be rescinded by the pending full-year spending measure pursuant to H.R. 2076.

RADIO CONSTRUCTION
(\$ in Thousands)

	Total Estimated Project Costs	1997 Request
A. Completion of Major Projects		
1. Morocco.....	\$200,573	\$..
2. Thailand.....	107,710	1,000
3. Sao Tome.....	54,601	..
4. Kuwait Medium Wave.....	16,258	..
5. Pacific Island.....	20,400	6,000
6. Caribbean/Central America Medium Wave.....	28,475	..
7. Bahrain.....	786	..
8. Botswana Shortwave Station.....	<u>32,778</u>	..
Subtotal, Completion of Major Projects.....	461,583	7,000
B. Upgrade/Refurbishment of Relay Station Capabilities		
1. Sri Lanka.....	62,486	..
2. Rhodes (Medium Wave).....	26,767	2,426
3. Bangkok (Medium Wave).....	3,629	..
4. Kavala (Medium Wave).....	25,407	1,750
5. Poro (Medium Wave).....	2,647	..
6. Network Consolidation.....	102,280	2,512
7. Botswana (Medium Wave).....	<u>17,878</u>	..
Subtotal - Upgrade/Refurbishment of Relay Station Capabilities.....	261,394	6,000

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RADIO COMMUNICATIONS
(\$ in Thousands)

		Total Estimated Project Costs	1997 Request
A	CONTINUING INFORMATION ANALYSIS		
B	CONTINUING INFORMATION ANALYSIS		
1	Continuing MAC Relisting Relay Stations	\$/	\$ 3,665
2	Continuing MAC Other Bureau Facilities	\$/	200
3	Continuing Operational Analysis	\$/	--
4	New Technology	\$/	10,411
	Subtotal	136,666	22,276
C	SATELLITE AND TERRESTRIAL PROGRAM FEES		
D	SATELLITE INTERCONNECT SYSTEM		
1	MAC of Satel and Terrest Prog Fees	\$/	1,000
2	MAC of Satel and Terrest Prog Fees	\$/	300
	Subtotal Satel and Terrest Prog Fees	42,909	1,900
E	BROADBAND FACILITY LEASES AND LAND RENTALS		
F	WORLDCAT		
1	Worldwide Networking	\$/	--
	Subtotal Broad Fac Leases and Land Rentals	\$/	1,900
	GRANDED TOTAL (Radio Function)	<u>\$60,332</u>	<u>22,164</u>
G	MAC total costs for our request year funding have been established for these items because they represent a combination of separate projects. Appropriate funding will be requested in each respective fiscal year.		
H	Through FY 2001		

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RADIO CONSTRUCTION
(\$ in Thousands)

A. Completion of Major Projects (1995 Actual, \$3,971; 1996 Estimate, \$12,971; 1997 Estimate, \$7,000;
Decrease, -\$3,971).

	Direct Obligations					Page Ref.
	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)	1997 MOA Balance	
1. Morocco.....	\$ 661	\$ --	\$ --	\$ --	\$ --	13
2. Thailand.....	633	20	--	-20	--	14
3. Sao Tome.....	968	2,000	1,000	-1,000	1,000	15
4. Kuwait Medium Wave.....	1,188	1,768	--	-1,768	--	16
5. Pacific Island.....	221	9,181	6,000	-3,181	6,000	17
Subtotal	3,971	12,971	7,000	-\$3,971	7,000	

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RADIO CONSTRUCTION
(\$ in Thousands)

1. MOROCCO

The new Morocco Relay Station replaced the existing 50 year old Tangier Relay Station which was obsolete and antiquated because of its old, low power transmitters, its inefficient rhombic antennas, and its limited coverage range. The new Morocco station improves VOA's broadcast capability with ten 500 kW shortwave transmitters and 21 curtain antennas. These curtain antennas, with their vertical and horizontal beam slewing capability, greatly increase area coverage and enable VOA to direct its signal easily to reach a wide range of target areas.

The new Morocco Relay Station permits VOA to reach radio listeners in Eastern Europe, the western area of the Newly Independent States (NIS), West and Central Africa, the Middle East, and Southwest Asia. This station also provides backup program feed coverage, as appropriate, for other relay stations and emergency high frequency communications with VOA headquarters and the Greenville Relay Station.

All essential broadcast subsystems have been installed, and the station became fully operational in October 1993.

FY 1995 funds provided for the closeout of contracts and settlement of contract claims.

<u>Cost Summary</u>	Total Requirements	Cumulative Obligations 9/30/94	1995			1996		1997	
			Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual
Preliminary Site Work and Engineering Construction	\$ 28,702	\$ 28,702	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Advanced Engineering and Technical Development	1,526	1,526	--	--	--	--	--	--	--
Architectural & Facilities Design (A/E)	3,036	3,036	--	--	--	--	--	--	--
Implementation (Construction) ...	<u>167,311</u>	<u>167,311</u>	<u>661</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
TOTAL	200,575	200,575	661	--	--	--	--	--	--

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RADIO CONSTRUCTION
(\$ in Thousands)

2. THAILAND

The Udon transmitter site in Thailand provides shortwave broadcasts to audiences in China, South/Southeast/Central Asia, and the Far East in both the local languages of those regions and in English. The Udon facility also provides coverage to the Middle East and contingency coverage to Africa and Eastern Europe.

The facility became fully operational in May 1994. The construction management office closed in July 1994. All contract close-outs will be completed in FY 1996.

Cost Summary	Total Requirements	Cumulative Obligations		1995 Actual	1996 Estimate	1997 Estimate
		9/10/93	9/30/93			
Preliminary Site Work and Engineering Construction	\$ 4,314	\$ 4,314	\$ --	\$ --	\$ --	\$ --
Advanced Engineering and Technical Development	2,834	2,834	--	--	--	--
Architectural & Facilities Design (A/E)	4,471	4,471	--	--	--	--
Implementation (Construction) ...	<u>86,021</u>	<u>86,021</u>	<u>833</u>	<u>20</u>	<u>--</u>	<u>--</u>
TOTAL	107,710	107,690	833	20	--	--

RADIO CONSTRUCTION
(\$ in Thousands)

3. SAO TOME

IBB coverage of sub-Saharan Africa was devastated when civil unrest dictated the closure of the Liberia Relay Station in September 1990. To regain critically important coverage to Africa, the IBB constructed a new relay station on the island of Sao Tome in the Democratic Republic of Sao Tome and Principe. The location of Sao Tome off the west coast of central Africa is strategically well-suited for reaching a large percentage of the total population of Africa on medium wave. In addition, the high frequency coverage capabilities make it an excellent replacement for the loss of some shortwave coverage from Liberia. The permanent relay station will allow the IBB to broadcast with four 100 kW shortwave transmitters, one 100 kW tropical band transmitter, and one 600 kW medium wave transmitter to countries on the Gulf of Guinea and south of the Congo River and Launda, and to Southern, Central, Eastern, and Northeastern Africa.

An interim station was placed into operation on May 12, 1993. A design/build contract was awarded on July 30, 1993 to Morganti International for the permanent radio relay station and for completion of the interim medium wave relay station construction project. In FY 1995, Morganti completed design, power, and broadcast subsystem fabrication, factory testing, and shipping activities. FY 1996 funds will be used to complete remaining facilities construction and broadcast system installation, commissioning, testing, and training activities.

FY 1997 funds will be used for contract closeout and claims.

The permanent station is scheduled for operation in the third quarter of FY 1996.

Cost Summary	Total Requirements	Cumulative Obligations 9/30/95	1995			1996		1997	
			Actual	Estimate		Estimate		Estimate	
Preliminary Engineering Work.....	\$ 1,100	\$ 1,100	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Design/Construction	53,501	42,742	968	2,000		2,000		1,000	
TOTAL	54,601	50,842	958	2,000		2,000		1,000	

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RADIO CONSTRUCTION
(\$ in Thousands)

4. KUWAIT MEDIUM WAVE

The 1991 Persian Gulf War gave the International Broadcasting Bureau an excellent opportunity to establish medium wave broadcast capability in the Persian Gulf region. Kuwait offers the IBB a reliable means to deliver strong Arabic language broadcasts to Iraq and throughout the Gulf region states on the popular medium wave bands. The Government of the State of Kuwait (GOK) signed an agreement that provided for an interim 100 kW medium wave station, a high-powered 600 kW medium wave station, and a large high-powered shortwave station. Two portable 50 kW medium wave transmitters with a combiner and associated equipment currently provide limited coverage to the region. This interim station began broadcasting in September 1993 and supplemented a temporary low power station in Bahrain that operated during the Gulf War.

Funding has been provided for the high power medium wave station. FY 1994 and FY 1995 funds were used for the design, procurement, and installation of the higher power permanent medium wave facility which has a broader broadcast reach. FY 1996 funds were used to decommission the interim station, to relocate the Satellite Interconnect Systems to the permanent station, and to make miscellaneous site improvements. The permanent medium wave station is expected to be fully operational in the third quarter of FY 1996.

<u>Cost Summary</u>	Total Requirements	Cumulative Obligations			
		9/30/95	1995 Actual	1996 Estimate	1997 Estimate
Design/Construction	\$16,258	\$14,490	\$1,188	\$1,768	\$ --

RADIO CONSTRUCTION
(\$ in Thousands)

5. PACIFIC ISLAND

To satisfy growing requirements in the Far East and to distribute transmitting assets most effectively throughout the region, the IBS must proceed quickly to implement a new Pacific Island shortwave broadcasting site on the island of Tinian in the Commonwealth of the Northern Mariana Islands (CNMI). The high power Pacific Island site, which is being rescoped because of budget limitations, will use three 500 kw shortwave transmitters redeployed from a former RPS/RU station to more efficiently cover vast stretches of China and Southeast Asia. The Tinian site will be a desirable complement to other IBS sites in the region--by safeguarding the fulfillment of the Bureau's expanding mission in the event of sudden loss of other facilities, or increased jamming, and by permitting a more balanced, flexible, and efficient assignment of resources to the area during periods of refurbishment to other facilities or during times of changing mission requirements.

FY 1995 funds were used to complete preliminary engineering investigations and the environmental studies required by the National Environmental Policy Act. FY 1996 funds will be used to award the design/build contract, contingent on enactment of continuing contract authority.

The FY 1997 funds are requested to continue construction of the relay station.

This project is scheduled for completion in late FY 1998.

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Cost Summary	Total Requirements	Cumulative Obligations 9/30/95		1995 Actual	1996 Estimate	1997 Estimate
		\$	817	\$ 321	\$ --	\$ --
Environmental Studies.....	\$ 817	\$ 817		\$ 321	\$ --	\$ --
Design/Construction	19,183	--	--	9,183	6,000	
TOTAL	20,400	817	321	9,183	6,000	

RADIO CONSTRUCTION
(\$ in Thousand)

B Upgrade/Refurbishment of Relay Station Capabilities (1995 Actual, \$17.142, 1996 Estimate, \$22.671, 1997 Estimate, \$6,888, Decrease, \$19,783)

	<u>Project Obligations</u>				1997 MOA Request	Page Ref.
	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (\$)		
1. Sri Lanka	\$10,214	\$ 4,247	\$..	\$ -4,247	\$..	19
2. Rhodes (Medium Wave)	2,435	9,000	2,626	-6,374	2,626	20
3. Bangkok (Medium Wave)	302	200	..	-200	..	21
4. Kavala (Medium Wave)	1,938	6,000	1,750	-4,250	1,750	22
5. Poto (Medium Wave)	274	200	..	-200	..	23
6. Network Consolidation	21,896	7,024	2,512	-4,512	2,512	24
7. Botswana (Medium Wave)
Subtotal - Upgrade/Refurbishment of Relay Station Capabilities	17.142	22.671	6,888	-19,783	6,888	

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RADIO CONSTRUCTION
(\$ in Thousands)

1. SRI LANKA

The existing relay station in Colombo, Sri Lanka is severely underpowered, and the station equipment is antiquated. The station was built as a joint undertaking of the U.S. Government and the Government of Sri Lanka under an agreement signed May 1, 1951, with broadcasting beginning in June 1953. Facilities include three 35 kW (one used by the host government) shortwave transmitters and one 10 kW shortwave transmitter. This original equipment has become ineffective and very difficult to maintain. A more powerful station in Sri Lanka has been a long-standing requirement of the International Broadcasting Bureau. An agreement negotiated with the Government of Sri Lanka in 1983, and modified in 1994, allows the IBB to increase the power of transmitters to 500 kW. A recent analysis of IBB coverage has again shown the importance of Sri Lanka as a broadcasting site to China, Southern and Eastern Africa, the Middle East, and South Asia. In 1989, an engineering team examined the site and presented findings that resulted in a plan for replacement of the underpowered transmitters with a new station consisting of three 500 kW transmitters and associated steerable curtain antennas. In the meantime, because of new requirements for increased broadcasting to Asia, a fourth transmitter was added, and plans for two additional antenna pair were developed.

FY 1993 funds were used to award the contract to commence the station design, construction, and testing, in addition to the annual land rental payment. FY 1994 funds were used for the continuation of the contract, land rental payment, and host country compensation.

After local civil unrest that resulted in a work stoppage from October 1994 through March 1995, the design/construct contract was restarted with a new contractual completion date of March 1996. FY 1995 funds were used for modifications to the design/construct contract resulting from the work stoppage and for a pair of additional curtain antennas for increased broadcasts to Asia and the Middle East. FY 1996 funds will be used for the installation of two transmitters relocated from the closed Bethany Relay Station and construction claims resulting from the 7 month work stoppage. The station is expected to begin broadcasting in late FY 1996.

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<u>Cost Summary</u>	Total Requirements	Cumulative Obligations 9/30/95	1995 Actual	1996 Estimate	1997 Estimate
Engineering Design	\$ 1,778	\$ 1,778	\$ --	\$ --	\$ --
Implementation/Construction.....	<u>\$0.000</u>	<u>\$0.001</u>	10,214	4,247	--
TOTAL	62,686	50,439	10,214	4,247	--

RADIO CONSTRUCTION
(\$ in Thousands)

2 RHODES (MEDIUM WAVE)

The Rhodes Relay Station provides the IBB's only high-powered medium wave coverage of large parts of the Eastern Mediterranean region, including northern Africa. Rhodes also broadcasts to audiences on shortwave, reaching Eastern Europe, the Middle East, and Southwest Asia. The refurbishment of Rhodes is being performed in two phases to address pressing priorities. The first phase, which is now complete, included relocating antennas from privately leased land to land owned by the Government of Greece. Phase I' includes replacement of the medium wave transmitter and selective facility modifications.

FY 1994 funds were used to complete Phase I antenna work.

FY 1995 funding provided for the arrearage of land leasing to the host government. In addition, FY 1995 funds provided for a contract for the purchase and installation of one 600 kW MW transmitter, facility modifications, and purchase of spare parts for the new MW transmitter. FY 1996 funds will be used for host government funding requirements and for installation of a Satellite Interconnect System.

FY 1997 funds will be used to complete Phase II work and to meet funding requirements for the host country agreement with the Government of Greece.

Cost Summary	Total Requirements	Cumulative Obligations			
		9/30/95	1995 Actual	1996 Estimate	1997 Estimate
Engineering Design	\$ 3,165	\$ 3,165	\$ --	\$ --	\$ --
Implementation/Construction	23,602	5,651	2,435	9,000	2,626
TOTAL	26,767	8,816	2,435	9,000	2,626

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RADIO CONSTRUCTION
(\$ in Thousands)

3. BANGKOK (MEDIUM WAVE)

The Bangkok transmitter site provides high-powered medium wave coverage to large and densely populated parts of South Asia, Southeast Asia, and parts of China.

The existing 1000 kW medium wave transmitter system is 43 years old, highly inefficient, and difficult to maintain. In FY 1994, the refurbishment of the Bangkok facility began with contract award for installation of one 1000 kW medium wave transmitter, refurbishment of the control room, and facility modifications. FY 1995 funds were used to complete the facilities work, to purchase the spare parts for the transmitter, and to provide technical support to the relay station. FY 1996 funds will be used to complete the transmitter installation.

The transmitter installation is scheduled for completion in the third quarter of FY 1996.

<u>Cost Summary</u>	Total Requirements	Cumulative Obligations 9/30/95	1995 Actual	1996 Estimate	1997 Estimate
Design/Construction	\$ 3,629	\$ 3,423	\$ 302	\$ 200	\$..

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RADIO CONSTRUCTION
(\$ in Thousands)

4. KAVALA (MEDIUM WAVE)

The Kavala Relay Station, one of IBB's two largest overseas relay stations, provides high-powered medium wave coverage of large areas in North Africa and Eastern Europe. Kavala also broadcasts on shortwave to audiences in Eastern Europe, the Middle East, the Newly Independent States, and South Asia.

The station's 500 kW medium wave transmitter is more than 40 years old, and its shortwave transmitters are about 26 years old. The medium wave transmitter is especially inefficient and difficult to maintain and operate. Some of the antennas also are inefficient and are not oriented to meet current mission needs effectively.

FY 1995 funding provided for the arrearage of land leasing to the host government. In addition, FY 1995 funds provided for the initial refurbishment which includes procurement of one 600 kW medium wave transmitter, associated facility modifications, and the purchase of spare parts. FY 1996 funds will be used for installation of a Satellite Interconnect System. In addition, FY 1996 and FY 1997 funds will also be used for meeting the funding requirements for the host country agreement with the Government of Greece, and to complete the transmitter installation.

The medium wave project is scheduled for completion in FY 1997.

<u>Cost Summary</u>	<u>Total Requirements</u>	<u>Cumulative Obligations 9/30/95</u>	<u>1995 Actual</u>	<u>1996 Estimate</u>	<u>1997 Estimate</u>
Design/Construction	\$35,407	\$ 2,980	\$ 1,938	\$ 6,000	\$ 1,750

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RADIO CONSTRUCTION
(\$ in Thousands)

5. PORO (MEDIUM WAVE)

The Philippines Relay Station is essential to IBB broadcasts to China and South East Asia. The Poro transmitting facility broadcasts to these target areas with both shortwave and medium wave coverage. The existing 1000 kW medium wave transmitter is of 1952 vintage, highly inefficient, and difficult to maintain. The shortwave transmitters range in size from 35 kW to 100 kW, are antiquated and inefficient, and cannot adequately support the station's mission requirements.

In FY 1994, funds provided for the refurbishment of Poro, beginning with the award of a contract for one 1000 kW medium wave transmitter and associated facility modifications.

FY 1995 funds were used to complete the facility modifications, begin the installation of a new medium wave transmitter, purchase the spare parts, and provide technical support to the relay station. FY 1996 funds will be used to complete the transmitter installation.

The medium wave refurbishment work at Poro is scheduled for completion in the third quarter of FY 1996.

Cost Summary	Total Requirements	Cumulative Obligations 9/30/95	1995			1996		1997	
			Actual	Estimate	Estimate	Actual	Estimate	Estimate	Estimate
Design/Construction	\$ 2,647	\$ 2,447	\$ 274	\$ 200	\$ --				
TOTAL	2,647	2,447	274	200	--				

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RADIO CONSTRUCTION
(\$ in Thousands)

6. NETWORK CONSOLIDATION:

Consolidation and reduction of U.S. international broadcasting operations require prudent expenditures to expand the coverage of remaining broadcast stations to fit evolving requirements and to permit more cost-efficient operations of the smaller network. Contracts have been awarded for needed new antennas at some stations and for more efficient transmitter components. Modest modifications are being made to some antennas and transmitters at remaining stations to use them more effectively and economically for consolidated broadcasting requirements. Some adjustments also are being made in the satellite feed network.

The IBB has closed stations in Bethany, Ohio; Maxoquera, Spain; and has ceased operations in Biblis, Germany; and is closing the Gloria, Portugal and Holzkirchen, Germany shortwave facilities. Certain key components from closed stations, e.g. transmitters are being relocated to other locations to maintain adequate network performance while achieving the economies of the consolidation. Necessary relocation costs include dismantling equipment at present locations, packing, shipping, unpacking at the destination, re-installing, testing, and re-commissioning as a productive part of the broadcast system. These transplants will prolong the useful life of expensive components at less cost than would acquiring new items. Modest facility modifications may be needed to accommodate the new equipment and changing requirements, and some supporting peripheral items will have to be acquired and installed. In most cases, existing site staffs will be able to provide much of the labor in this relocation process for further economies as well as operate and maintain the added equipment. Requested funds are helping to achieve an important consolidation goal of moving existing government assets from areas where requirements are diminishing to those areas where requirements are growing.

PY 1995 funds were used to award contracts for new antennas, solid state modulators, and station automation. Also, funding was provided for severance costs necessary to reduce staffing at the Palma Relay Station in Spain and the Gloria Relay Station in Portugal in conjunction with the consolidation of RFE/RL stations into the IBB network.

PY 1996 funds will be used to further install solid state modulators and antennas and to implement station automation and fund severance costs necessary due to the closing of the Gloria station.

PY 1997 funds will be used for closing costs related to the Gloria Relay Station in Portugal.

<u>Cost Summary</u>	Total Requirements	Cumulative Obligations 9/30/95	1995			1996		1997	
			Actual	Estimate	Actual	Estimate	Estimate	Estimate	Estimate
Engineering Design	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Implementation/Construction	<u>102,280</u>	<u>33,696</u>	<u>21,896</u>	<u>7,024</u>	<u>2,512</u>				
TOTAL	102,280	33,696	21,896	7,024	2,512				

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RADIO CONSTRUCTION
(\$ in Thousands)

C. Maintenance, Improvements, Replacements, And Repairs (MIRR) (1995 Actual, \$10,401; 1996 Estimate, \$21,911; 1997 Estimate, \$22,276; Increase, \$165).

	Direct Obligations					1997 MOA Request	Page Ref.
	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)			
1. Continuing Maintenance and Repair Existing Relay Stations.....	\$ 6,312	\$ 4,233	\$ 3,665	\$ -568	\$ 3,665	26	
2. Continuing Maintenance and Repair Other Bureau Facilities.....	758	402	200	-202	200	27	
Subtotal, Continuing Maintenance and Repair.....	7,070	4,635	3,865	-770	3,865		
3. Continuing Operational Analysis a. Transmission Schedule and Monitoring Data Analyses.....	145	55	--	-55	--	28	
b. Regulatory Analyses Documentation.....	145	278	--	-278	--	29	
Subtotal, Continuing Operational Analysis.....	290	333	--	-333	--		
4. New Technology a. Direct Broadcast Satellite.....	289	150	136	-14	136	30	
b. Advanced Systems Development.....	186	100	125	25	125	31	
c. Engineering Computation.....	268	250	100	-150	100	32	
d. Digital Production Capability Development.....							
--Audio	550	12,200	12,650	450	12,650	33	
--Video	--	2,000	2,700	700	2,700	34	
e. Broadcast Quality Compressed Video Equipment.....	1,565	2,112	1,500	-612	1,500	35	
f. Two-Way Video Conferencing.....	120	118	150	32	150	36	
g. Transportable WORLDNET/IBS Facility.....	63	13	50	37	50	37	
h. Two-Way, High Speed Data Platform.....	--	--	1,000	1,000	1,000		
Subtotal, New Technology.....	3,041	16,241	18,411	1,468	18,411		
Subtotal - Maintenance, Improvements, Replacements, and Repairs.....	10,401	21,911	22,276	365	22,276		

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RADIO CONSTRUCTION
(\$ in Thousands)

1. CONTINUING MAINTENANCE AND REPAIR PROGRAM - EXISTING RELAY STATIONS

The continuing Maintenance and Repair (M&R) Program attends to the on-going needs of the Bureau's worldwide network of 14 relay stations and feed systems. As equipment and facilities age, the need for M&R funding increases. Moreover, with the commissioning of new stations, i.e., Botswana, Morocco, and Thailand, additional M&R funding is required to ensure that the new facilities remain in good operating condition.

Examples of projects undertaken in FY 1995 include hazardous chemical abatement studies and removal at three locations; overhaul of engine generators in Belize; repair of roofs and antenna guy rod corrosion in Delano; contaminated soil removal and groundwater remediation in Greenville; buffer amplifier and slew switch replacements in Kavala; an upgrade to solid state amplifiers as well as roof replacements in the Philippines; asbestos removal at Erching (Germany); and other environmental clean-up projects system-wide.

Funding in FY 1996 and beyond will address similar facility repairs and maintenance, both domestically and overseas. Additionally, with the consolidation of VOA and RFE/RU technical assets, many additional projects related to antenna redirecting, adaptive modifications of the radio frequency system, and facility maintenance and repair are anticipated. Moreover, an increasing number of safety and environmentally related projects are being identified, and a substantial backlog of these projects remains.

Cost Summary	Total Requirements	Cumulative Obligations <u>9/30/95</u>			
		1995 Actual	1996 Estimate	1997 Estimate	
Maintenance and Repair Program	N/A ^{a/}	N/A	\$6,312	\$4,233	\$3,665

^{a/} The Continuing Maintenance and Repair Program comprises an on-going series of separate projects funded on an annual basis.

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RADIO CONSTRUCTION
(\$ in Thousands)

2. CONTINUING MAINTENANCE AND REPAIR PROGRAM - OTHER BUREAU FACILITIES

The WORLDNET Television and Film Service must replace worn and outdated equipment units to enhance operational effectiveness. Replacement parts and equipment are needed for B/TV's studios, Master Control, mini-cam operations, videotape area, and related communications and traffic system. Some of this equipment is no longer supported by the manufacturer. FY 1996 and FY 1997 funds will be used to replace and repair this equipment. By enhancing automation features, the Bureau will improve efficiency and prevent outages. Maintenance and Repair activities are being coordinated closely with an initiative to convert television program production to digital format.

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Cost Summary	Total Requirements	Cumulative Obligation: <u>9/30/95</u>			1995	1996	1997
		Actual	Estimate	Actual	Estimate		
Maintenance and Repair Program.....	-- a/	\$758	\$758	\$402	\$200		

a/ The Continuing Maintenance and Repair Program comprises an on-going series of separate projects funded on an annual basis.

RADIO CONSTRUCTION
(\$ in Thousands)

3a. - CONTINUING OPERATIONAL ANALYSIS - TRANSMISSION SCHEDULE AND MONITORING DATA ANALYSES

SCHEDULING AND MONITORING ANALYSES: The Bureau's continuing ability to satisfy its assigned international broadcasting mission is critically dependent on the development and maintenance of appropriate transmission schedules and monitoring data analyses. Appropriate transmission schedules and accurate, timely monitoring data ensure that relay station facilities provide superior service to IBB listeners within the limited and extremely congested radio frequency spectrum. Funds are used for the development of detailed transmission schedules supported by appropriate propagation analyses, monitoring data, and spectrum occupancy analyses.

AUTOMATED MONITORING: Verifying the delivery of Agency broadcast programs is one of the most critical functions the IBB performs. To know with great certainty and at minimal cost that programs are audible and being used by affiliates, the IBB's engineering organization is developing an automated worldwide monitoring system (AMS). The system will provide rapid feedback on the technical quality of IBB programs in the AM, FM, and shortwave bands. The Remote Monitoring System (RMS) technology is now in use at 20 locations around the world, and outyear funding will permit deployment of over 100 or more systems by FY 1998.

Cost Summary	Total Requirements	Cumulative Obligations 9/30/95	1995			1996		1997	
			Actual	Estimate	Actual	Estimate	Estimate		
Scheduling and Monitoring Analysis	N/A	N/A	\$145	\$55	\$ --				

a/ The Continuing Operational Analysis Program comprises an on-going series of separate projects funded on an annual basis.

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RADIO CONSTRUCTION
(\$ in Thousands)

3b. CONTINUING OPERATIONAL ANALYSIS - REGULATORY ANALYSES DOCUMENTATION

To continue to fulfill its broadcasting mission, the Bureau must comply with applicable national and international regulations governing the use of the radio frequency spectrum. It also must participate in national and international activities directed toward developing or modifying such regulations and perform analyses to support U.S. positions on proposed changes to regulations. To ensure compliance with the Radio Regulations of the International Telecommunication Union (ITU), which have treaty status for ITU member countries including the United States, the Bureau must be informed of decisions reached by telecommunications organizations in the United States and elsewhere. The FY 1995 funding supported IBS participation in ITU activities. The FY 1996 funding will enable the IBS to continue to participate in critical international regulatory meetings and related technical sessions.

<u>Cost Summary</u>	Total Requirements	Cumulative Obligations 9/30/95	1995 Actual	1996 Estimate	1997 Estimate
Regulatory Analyses	N/A n/	N/A	\$145	\$278	\$ --

a/ The Continuing Operational Analysis Program comprises an on-going series of separate projects funded on an annual basis.

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RADIO CONSTRUCTION
(\$ IN THOUSANDS)

4a. NEW TECHNOLOGY - DIRECT BROADCAST SATELLITE

Since 1990, the IBB has worked with the Jet Propulsion Laboratory (JPL) to engage in systems analysis and development tasks that have been focused on direct-to-listener radio broadcasting from satellite (DBS-Radio) using digital techniques. With this concept, the IBB could have high quality, reliable audio delivery of programs around the world. These very successful efforts resulted (1) in 1992, in the allocation of frequencies by the International Telecommunication Union for DBS-Radio and (2) in the successful development, as an engineering prototype, of a versatile digital radio receiver to be used at frequencies between 1400 and 2700 MHz for satellite transmissions (DBS-Radio). The Electronic Industries Association is about to test the IBB/JPL prototype, which the IBB has already tested. The Association is conducting tests of several digital receivers. The IBB/JPL receiver has received international recognition as one of the two digital receiver concepts for countries to consider in implementing digital radio broadcasting services.

Based upon the success of the IBB/JPL system in the 1400 to 2700 MHz range, engineering staff will adopt the existing engineering prototype for use at shortwave frequencies (HF) through the usual terrestrial skywave propagation of signals in the 4 to 26 MHz range. Digital transmission at HF will be more reliable than the current AM used, and would require a fraction of the transmitter power now used for equivalent coverage.

FY 1996 funds will be used for analysis of propagation issues and design and test activities, using a converted IBB/JPL prototype digital receiver.

FY 1997 funds will be used to fully develop the design beyond the prototype stage.

Cost Summary	Total Requirements	Cumulative Obligations <u>9/30/95</u>	1995 Actual	1996 Estimate	1997 Estimate
	Direct Broadcast Satellite	\$5,135 ^{a/}	\$4,123	\$289	\$150

a/ Through FY 2001.

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RADIO CONSTRUCTION
(\$ in THOUSANDS)

4b. NEW TECHNOLOGY - ADVANCED SYSTEMS DEVELOPMENT

Many new emerging technologies will have a profound impact on broadcasting in the future. The convergence of computers with radio and TV will open new opportunities for streamlining and automating operations and for reaching audiences with a variety of new products including data casting, interactive services, and multimedia programs. Advanced transmission technologies, both analog and digital, will offer opportunities for reaching varied audiences in new ways. These include cable, wireless, cable, direct broadcasting of radio and TV from satellites to both fixed and mobile facilities, Radio Data Systems, INTERNET text, real time audio, and slow scan pictures.

The IBB must explore the development and application of new technologies that impact international broadcasting services. Activities, already begun, will continue in FY 1996, FY 1997, and beyond. These include:

- o Development and implementation of pilot facilities for production of multimedia programs (video, graphic, multi-lingual text, etc.).
- o Integration of system-wide controls and automation technology with program feeds to improve system reliability and reduce station operational and maintenance costs and network communications costs.
- o Desk-top computer-based pilot systems for the international transmission of multi-media products and monitoring and control data.

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Cost Summary	Total Requirements	Cumulative Obligations			1995	1996	1997
		9/30/95	Actual	Estimate	Estimate	Estimate	Estimate
Advanced Systems Development.....	\$19,715 ^{a/}	\$18,740	\$186	\$100	\$125		

^{a/} Through FY 2001.

RADIO CONSTRUCTION
(\$ in THOUSANDS)

4c. NEW TECHNOLOGY - ENGINEERING COMPUTATION

The efficient operation and maintenance of a worldwide telecommunications and relay station network is heavily dependent on effective use of modern computer systems and related networks. A worldwide Local Area Network/Wide Area Network (LAN/WAN) system allows for efficient administrative and technical communications, via satellite links, directly from Washington headquarters to stations and posts worldwide.

The development, maintenance, and refinement of specialized applications software is essential to support network scheduling and planning, improve the efficiency of operations, and ensure cost-effective station design, network refurbishment and fine tuning, and broadcast operations.

Funds will be used in FY 1996, FY 1997, and beyond to complete and maintain a distributed client/server computing system begun in 1995, by upgrading individual personal computers, workstations, and file servers and by converting software that was originally developed for now obsolete central mainframe to desktop personal computer use. Funds also will be applied to extend the development of computer models, simulations, graphics, and advanced processing software that simplifies complex analyses, and that shows how well broadcast audiences are covered and where gaps in coverage exist. These funds will also aid in the evolution of a more highly automated and effective planning, scheduling, and operational management system.

<u>Cost Summary</u>	Total Requirements	Cumulative Obligations		1995	1996 Estimate	1997 Estimate
		9/30/95		Actual		
Engineering Computation	\$4,506 ^{a/}	\$ 3,556		\$ 268	\$ 250	\$100

^{a/} Through FY 2001.

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RADIO CONSTRUCTION
(\$ in Thousands)

4d. NEW TECHNOLOGY - DIGITAL PRODUCTION CAPABILITY DEVELOPMENT: AUDIO

Digital signal processing and distribution techniques, which rely mainly on computer networks, have advanced markedly in recent years. Digital production, storage, and distribution offer sharp improvements in technical quality and in operational efficiency over traditional analog systems currently used in the Bureau. Digital broadcast systems are rapidly replacing analog systems throughout the broadcast industry, and analog systems are therefore becoming increasingly expensive and unavailable. Furthermore, when processed in the digital domain, radio and television signals can be treated as "data," which would allow the Bureau to use the same computer equipment and networks for both broadcasting and office automation processing functions.

In 1994, the Bureau began planning for the conversion of its program production and operations from analog to the digital domain, and requested funding beginning in FY 1996 for "Digital Production Capability Development." While planning this initiative, the Bureau re-examined several previously planned and budgeted renovations, mainly in the IBB's radio operations, to replace older program production systems within its broadcast infrastructure. These projects include: a) House Monitor and Master Antenna Television (MATT) Distribution System Modernization; b) Central Recording Modernization; c) Modernization of Master Control Program Switching and Distribution; and d) Successor to the System for News and Programming (SNAP), which includes radio and television program script processing in multiple languages and general office automation functions.

Originally conceived as separate renovation projects, new technological advancements have permitted these projects to be combined into a single integrated project that will use a network of interconnected computers designed to provide a platform that can support the Bureau's audio distribution, program switching, and radio/television editing and production requirements. This same hardware/software platform will support the Bureau's specialized multilingual text processing and its audio broadcast engineering and core office automation requirements worldwide. To ensure compatibility and interchange of audio and video data as well as text among Bureau elements, this audio project is being planned closely with a digital video project initiated to address the more complex needs of television production. Joint technical planning for both digital audio and television production facilities began in FY 1994, and A/E designs were developed in FY 1995; competitive procurements will begin in FY 1996 and will be phased over several years with multiple options. The replacement of the current SNAP office automation system by FY 1997 is critical because of hardware obsolescence and increased difficulty obtaining maintenance and support. Failure of SNAP system components would immediately result in the loss of VOA program material.

<u>Cost Summary</u>	Total Requirements	Cumulative Obligations		1995 Actual	1996 Estimates	1997 Estimates
		9/30/95				
Digital Production Capability Development....	\$61,744 a/	\$ 550		\$ 550	\$12,200	\$12,650

a/ Through FY 2001.

1198

RADIO CONSTRUCTION
(\$ in Thousands)

4d. NEW TECHNOLOGY - DIGITAL PRODUCTION CAPABILITY DEVELOPMENT: VIDEO

The introduction of digital technology in broadcasting is revolutionizing video production, distribution, and storage. This technology could significantly improve the quality of video broadcast products, expedite their production, and lower their costs.

The broadcast industry is rapidly phasing out the type of analog equipment and operations now used in the Bureau. To remain technically current, to improve program quality, and to avoid rapid increases in maintenance costs for obsolete analog equipment, the WORLDNET Television and Film Service must replace the outdated analog equipment with modern digital production systems.

The Bureau began planning for the conversion of its program production and operations from the analog to the digital domain in FY 1994. While planning this initiative, the Bureau reexamined several previously planned renovations to replace older program production systems within its broadcast infrastructure. Those projects identified as candidates for digitization have been combined into a single integrated project that can also support the Bureau's video requirements.

Joint technical planning for both digital audio and television production facilities began in FY 1994; competitive digital video equipment procurement will start in FY 1996 and will be phased over several years with multiple options. Initial emphasis will be placed on eliminating analog-based video tape operations that degrade program quality and require specialized and manually intensive processing. The effort also will include digital video editing stations, compositors, studio equipment graphics and special effects suites, and video duplication facilities.

Cost Summary	Total Requirements	Cumulative Obligations 9/30/93	1995 Actual	1996 Estimate	1997 Estimate
	Digital Production Capability Development....	\$10,000 a/	\$ --	\$ --	\$2,000

a/ Through FY 2000.

1199

RADIO CONSTRUCTION
(\$ in Thousands)

4e. NEW TECHNOLOGY - BROADCAST QUALITY COMPRESSED VIDEO EQUIPMENT

Leasing satellite transponder time forms one of the biggest expenses in operating the satellite feed system for IBB radio and television operations and general telecommunications. Depending on the bandwidth requirement, which is a major cost element, the greatest recurring cost can be the satellite space segment lease. Technological advances in digital signal processing now enable digitized signals to be transmitted in a compressed format that occupies less satellite transponder bandwidth. For example, a 7.5 kHz stereo audio signal (15 kHz total) coded for digital transmission normally requires a bit rate of 1 megabit per second; compression techniques allow the same audio bandwidth to be transmitted at only a 32 kbps rate. For television transmission, which requires a much wider bandwidth, the savings in transponder space are even more dramatic. Broadcast quality compression techniques allow up to four video programs to be transmitted within the same bandwidth now used for a single analog video feed. Systems are under development that could compress up to six video feeds into one transponder. In addition, the quality of the TV signal will not deteriorate after multiple satellite "hops" as it goes around the world.

One immediate benefit of using compression technology would be to create additional feeds for smaller regional reception areas, a primary objective of WORLDNET TV and the Office of Affiliate Relations. The International Broadcasting Bureau could take advantage of new satellite systems with relatively small target areas to give broadcasts efficient, pinpoint delivery to specific audiences, rather than the mainly wide-area coverage presently available. These new systems offer immediate placement opportunities for audio and video delivery to affiliates, cable gateways, and individual users.

Funds are required to purchase off-the-shelf equipment to implement the use of such systems. The first region acted upon will be the Eutelsat Ku Band coverage area of Europe and Northern Africa. Equipment specifications for this link have been finalized now, and equipment was acquired in FY 1995. The next phase will implement the C-band coverage areas, Africa, and Europe. This will allow TV to provide separate programs to Africa, Europe, and Asia. The Bureau has acquired a solid base of operational knowledge and experience. Close cooperation with the Armed Forces Radio and Television Services (AFRTS) and Public Broadcasting Service (PBS), both of which are digitizing their networks, has saved time and facilitated equipment choice.

Funds requested in FY 1996 and FY 1997 will continue acquisition and deployment of an operational system across the Atlantic Ocean East Network, including the Indian Ocean Region, and allow new contracts for space segment suppliers.

<u>Cost Summary</u>	Total Requirements	Cumulative Obligations			
		9/30/95	1995 Actual	1996 Estimate	1997 Estimate
Broadcast Quality Compressed Video Equipment	\$ 5,677 ^{a/}	\$1,591	\$ 1,565	\$2,112	\$1,500

^{a/} Through FY 1999.

1200

RADIO CONSTRUCTION
(\$ in Thousands)

4f. NEW TECHNOLOGY - TWO-WAY VIDEO CONFERENCING

As the International Broadcasting Bureau's facilities are upgraded and expanded overseas, the need for timely training and exchange of information becomes essential. A considerable amount of lost productive time is spent in transit and on travel costs. By using video conferencing, in-house training and conferences could be significantly enhanced and productivity increased. Two-way training or conferences could be implemented quickly, and the tiresome process of obtaining travel authorizations and in-country clearance could be eliminated.

The annual Relay Station Managers' Conference is a prime candidate for application of this new technology. Use of this private conferencing technique would allow managers to discuss issues in-depth and to conduct site reviews remotely on a frequent basis to improve communications. Documents and plans could be discussed and edited electronically by participating parties, and information could be provided with illustrative material to assembled employees at various sites simultaneously. In addition, engineers in Washington could benefit from enhanced communications with construction managers at sites around the world.

FY 1995 funds were used to establish video conferencing terminals at the ISS. Data capacity has been reserved on the Satellite Interconnect System (SIS) to carry a monitor quality video conference channel between relay stations and Headquarters. The connectivity of the ISS sets has been made to the worldwide public telephone network to allow coverage to a large portion of the entire world. Video conferencing has been achieved with Posts in London, Paris, Brussels, Canada, Germany, Tokyo, and Hong Kong. Top management at USIA, other government agencies, Congress, and the White House have successfully used ISS's video conferencing facility. This has saved time and money because costly travel has been eliminated.

FY 1996 and FY 1997 funds will be used to further analyze and expand the capability to relay stations, headquarters, and other sites including coordination with broader USIA requirements with the worldwide networks system. Evaluations of technical, regulatory, and legal factors will be studied for impact on different worldwide regions.

<u>Cost Summary</u>	<u>Total Requirements</u>	<u>Cumulative Obligations 9/30/95</u>	<u>1995 Actual</u>	<u>1996 Estimate</u>	<u>1997 Estimate</u>
Two-Way Video Conferencing.....	\$ 1,005 m/	\$137	\$120	\$118	\$150

a/ Through FY 2001

1201

RADIO CONSTRUCTION
(\$ in Thousands)

4g. NEW TECHNOLOGY - TRANSPORTABLE WORLDNET/IBB FACILITY

The dramatic emergence of the Newly Independent States (NIS) gave the International Broadcasting Bureau a prime opportunity to enter into leasing and affiliate arrangements with the new republics. However, the Bureau's ability to take advantage of the shift in political winds has been hindered by numerous logistical difficulties and high costs when attempting to install large earth stations needed to download IBB radio and television programs in the NIS. Procurement and shipment of urgent equipment on commercial flights have been particularly difficult.

An air transportable IBB satellite receiving facility would allow broadcast operations to start the same day the facility arrives on site. This would alleviate the current delay in establishing satellite reception at new locations and would allow the Bureau to evaluate new opportunities quickly to reach more and more people in this and other volatile regions of the world.

FY 1995 funds were used to purchase equipment including two developmental, quickly erected antennas. This antenna design would provide for TV, IBB signals, E-mail, and wireless file.

In FY 1996, the equipment purchased in FY 1995 will be assembled, tested in Washington, and evaluated at a selected post. During FY 1997, field tests will be evaluated, several antennas will be ordered and will be available for rapid deployment as public diplomacy opportunities open up for critical new posts/liaison offices. Also, full electronic services could be provided quickly.

1202

<u>Cost Summary</u>	<u>Total Requirements</u>	<u>Cumulative Obligations</u>				<u>1995 Actual</u>	<u>1996 Estimate</u>	<u>1997 Estimate</u>
		<u>9/30/95</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>			
Transportable WORLDNET/IBB Facility..	\$ 684 g/	\$ 71	\$ 63	\$ 13	\$ 50			

a/ Through FY 2001.

RADIO CONSTRUCTION
(\$ IN THOUSANDS)

4h. WORLDWIDE TWO-WAY, HIGH-SPEED DATA PLATFORM

In June 1995, the Director of USIA created a Senior Review Committee to work with USIA employees to consider the elements of a strategic vision for the Agency in the year 2000. The Committee recommended the establishment of a worldwide two-way, high-speed data platform for use by all Agency elements. The platform would provide high-speed data transfer which would permit seamless E-mail, on-line access to common software used by both Washington and the USIS Posts, interactive INTERNET and database access, two-way non-secure voice channels between the USIS Posts and Washington, international fax distribution, and multi-media and video conferencing capability.

FY 1997 funding is requested for a pilot program to explore the feasibility of establishing the high speed data platform. Funding is also requested in USIA's Technology Fund for this purpose.

Cost Summary	Total Requirements	Cumulative Obligations 9/30/95	1995			1996			1997		
			Actual	Estimate	Actual	Estimate	Actual	Estimate			
Two-Way, High-Speed Data Platform..	\$ 26,000 g/	\$ --	\$ --	\$ --	\$ --	\$ 1,000					

g/ Through FY 2001.

1208

RADIO CONSTRUCTION
(\$ in Thousands)

D. SATELLITE AND TERRESTRIAL PROGRAM FEEDS (1995 Actual \$2,600; 1996 Estimate, \$2,016; 1997 Estimate, \$1,500;
Decrease, \$-516).

	Direct Obligations			1997		Page Ref.
	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (+/-)	NIA Request	
1. Satellite Interconnect System.....	\$2,202	\$1,657	\$1,000	\$ -657	\$1,000	40
2. M&R of Satel. and Terres. Prog. Feeds..	198	359	500	141	500	41
Subtotal	2,600	2,016	1,500	-516	1,500	

RADIO CONSTRUCTION
(\$ in Thousands)

1. SATELLITE INTERCONNECT SYSTEM

Leased circuits used for communications between Bureau's headquarters in Washington, D.C. and remote relay station locations are expensive, limited in performance, and often unreliable. However, when SIS earth stations are deployed directly on station sites, numerous terrestrial links in developing countries are eliminated which has resulted in improved overall communication reliability and audio quality. To date, the SIS has reduced the need for leased commercial circuits and has substantially reduced costs.

The Bureau's Office of Engineering and Technical Operations has and will continue to deploy Agency-owned, operated, and maintained SIS earth stations on Bureau property at each relay station to provide direct links with Washington, D.C., via satellite. To date, gateway SIS earth stations have been deployed in Delano, California; Greenville, North Carolina; Munich, Germany; and Poro, Philippines. A hub earth station also was installed at the Bureau's Washington, D.C. headquarters. From these stations, the Bureau can reach the rest of the world. The Bureau currently has two-way SIS earth stations in Botswana, Sao Tome, Morocco, Philippines, Thailand, Prague, Kuwait, and Belize. The Bureau has receive-only earth stations in Portugal, Sri Lanka, Spain, and the United Kingdom.

During FY 1996, installation of two-way SIS earth stations will begin in Kavala, Greece; Palma, Spain; and Chilaw, Sri Lanka. A receive-only earth station will be installed in Rhodes, Greece in FY 1996.

FY 1997 funds will be used to continue the work started in FY 1996.

Cost Summary	Total Requirement	Cumulative Obligations			
		9/30/93	1995 Actual	1996 Estimate	1997 Estimate
Implementation.....	\$32,650 a/	\$ 24,493	\$2,202	\$ 1,657	\$ 1,000

a/ Through FY 2001.

1205

RADIO CONSTRUCTION
(\$ in Thousands)

2. M&R SATELLITE AND TERRESTRIAL PROGRAM FEEDS

FY 1996 and FY 1997 funds will be used to maintain and expand the deployment of television receive-only (TVRO) and smaller satellite receiving earth stations to feed programs to radio and television affiliate stations around the world. Placement (or rebroadcasting as it is known in other parts of the world) is a major means of delivering radio and TV programming to locations where the number of local broadcast stations is increasing. To compete effectively with other international broadcasters in placing programs with local stations, the Bureau must be able to provide equipment to local stations to help them receive the Bureau's program signals. There are now 800 locations worldwide using IBB products overseas. In some instances, these feeds go to local area networks that broadcast from many stations. These systems have to be maintained to ensure continued delivery of the Bureau products to the field.

Starting in the spring of 1995, INTELSAT initiated a new spot beam service that interfered with the global beam service the Bureau uses. FY 1996 M&R funds were used to obtain equipment to avoid interference that would have seriously degraded IBB program delivery.

In FY 1996 and FY 1997, these funds will be used to maintain and upgrade the existing satellite receiving earth stations to support reception of high performance analog and digital signals.

Cost Summary	Total Requirements	Cumulative Obligations			
		9/30/95	1995 Actual	1996 Estimate	1997 Estimate
M&R Satellite and Terr. Programs ...	\$ 4,759 ^{a/}	\$ 398	\$398	\$359	\$ 500
^{a/} Through FY 2001.					

1206

RADIO CONSTRUCTION
(\$ in Thousands)

R. Broadcast Facility Leases and Land Rental (1995 Actual, \$10,844; 1996 Estimate, \$2,442; 1997 Estimate, \$1,500;
Decrease, -\$942).

	Direct Obligations				1997 MOA Statement	Page Ref.
	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)		
1. Mertachthal	\$ 9,413	\$ 1,000	\$ --	\$ -1,000	\$ --	43
2. Worldwide Networking.....	1,431	1,442	1,500	59	1,500	44
Subtotal.....	10,844	2,442	1,500	- 942	1,500	

RADIO CONSTRUCTION
(\$ in Thousands)

1. WERTACHTAL

In April 1986, the IBB reached a final agreement with the Deutsche Bundespost for use of four high-powered shortwave transmitters and associated antennas at its Wertachtal, Bavaria radio facility. This relay installation broadcast VOA programming to Eastern Europe, the Newly Independent States, Northern Africa, the Middle East, and South Asia.

As a result of consolidation and budget reductions the IBB terminated this lease in December 1995 resulting in a \$2.0 million penalty payment.

The termination of this lease resulted in a FY 1996 cost savings of \$8.0 million in the Radio Construction Appropriation. Programs carried on Wertachtal transmitters were transferred to other more cost-effective stations on the combined VOA-RFE/RL network.

Cost Summary	Total Requirements	Cumulative Obligations <u>9/10/95</u>	1995	1996	1997
			Actual	Estimate	Estimate
Implementation.....	N/A	\$100,425	\$ 9,413	\$ 1,000	\$ --

1208

RADIO CONSTRUCTION
(\$ In Thousands)

2. WORLDWIDE NETWORKING

Technological advances and improved media environments worldwide continue to open up new opportunities for the placement of IBB products with regional affiliates. To increase the availability of the Bureau material locally and to gain a greater share of the international audience, the Bureau is providing funding to place material on AM/FM and TV stations worldwide.

Leasing time on radio and TV stations expands the Bureau's affiliate network and offers other important benefits. Leasing broadcast time offers access to AM/FM and TV markets in strategic areas of the world. Additionally, Washington controls the content of the programs that are carried live, direct, and unedited, and programs air at a time specified and agreed to by Washington. Leases currently exist with affiliates in Eastern Europe, Russia, Armenia, Georgia, and the Ukraine.

International leases, through which the IBB leases spare broadcast capacity from other international broadcasters, is another valuable and cost-effective means of delivery. These AM and shortwave broadcasts have high listenership and provide an effective means to reach audiences in developing nations. International leases currently exist with Albania, Armenia, Bulgaria, Romania, and Tajikistan.

Additional shortwave savings are used for specific regional satellite leases, as a means of reaching further target audiences, and for purchasing satellite receiving equipment for new affiliate stations. FY 1997 funds will be used to continue existing leases and explore additional lease opportunities.

1209

Cost Summary	Total Requirements	Cumulative Obligations			1995 Actual	1996 Estimate	1997 Estimate
		9/30/93					
Implementation.....	N/A g/	\$ 2,774	\$ 1,431	\$ 1,442	\$ 1,900		

g/ No total costs for funding have been established for this item.

CENTER FOR CULTURAL AND TECHNICAL INTERCHANGE BETWEEN EAST AND WEST

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
APPROPRIATION REQUIREMENTS (Relationship of Appropriation Estimate to Current Appropriation)	\$24,500,000	\$11,750,000	\$8,800,000	\$-2,950,000

General Statement

The East-West Center was created by the Congress of the United States in 1960 to promote better relations and understanding between the United States and the nations of Asia and the Pacific through cooperative study, training and research.

In the ensuing years, the Center's programs and activities have changed, expanding in some areas and contracting in others, reflecting the fundamental changes occurring in the Asia/Pacific region and the increasing significance of America's relationships in the region. Today, the East-West Center is a national and international resource for policymakers from the public and private sectors, helping to enhance their understanding of the underlying forces affecting the Asia/Pacific region.

The Center provides a neutral forum where scholars and professionals from different Asian and Pacific countries can interact in an open environment with each other as well as their American counterparts, in a shared search for solutions to and understanding of common regional problems. The Center helps Americans in government, business, the media, academia and other professions to better prepare themselves to effectively and constructively engage the dynamic Asia/Pacific region.

Center programs are characterized by cooperation, balance, relevance, and excellence.

- Cooperation means working on important issues in cooperation with a range of individuals and institutions across the region to build common and objective understanding of issues and to strengthen the effectiveness of solutions. The Center's strong network of close working contacts with policy, business, media, professional and academic organizations throughout the region will be strengthened and expanded.
- Balance means that the Center--through its programs and staff--combines research, education, dialogue and outreach in ways which yield the best advantages of each of these modes of exchange and learning for strengthening understanding about the Asia/Pacific region. This balance in programs and staff is the key to the Center's effectiveness and uniqueness.
- Relevance means that the Center's work is firmly oriented to real-world issues and to strengthening the capabilities of people in government, the media, business, the professions and the academic to understand and constructively address the region's major issues. The relevance of the Center's programs is the hallmark of the Center's public function.

CENTER FOR CULTURAL AND TECHNICAL INTERCHANGE BETWEEN EAST AND WEST

Excellence means that the Center's work combines a focus on significant issues, the application of sophisticated analysis to those issues, and a commitment to innovative training, education, publications, dialogue and other means of outreach to ensure that the results of analysis are brought to and tested in the real-world. The excellence of the Center's programs is the foundation of the respect the Center has earned throughout the region.

The Center's principal product is increased understanding and closer relationships, reflected ultimately and most importantly in the people who come to the Center and work together with others through cooperative education, training and research on common problems, in the people who participate in Center-sponsored dialogues on significant issues affecting the region, in the people who benefit from the Center's multifaceted outreach activities, and in the people who leave the Center and continue to maintain and nurture a network of understanding and cooperation that directly contributes to peace, stability and prosperity in the region.

Since the Center's inception, approximately 58,000 men and women from Asia, the Pacific and the United States have worked with permanent staff as active participants in EWC programs. Included in this number are presidents of several countries and territories, prime ministers, cabinet ministers, governors, prominent scholars, educators, journalists, and business leaders. Representing many nations and a variety of cultures, professions and disciplines, these participants provide the depth of personal experience, concern and innovation essential to EWC programs. Some are fully funded by EWC grants. Others participate on a cost sharing basis provided by cooperating institutions and organizations.

Major funding for the Center is provided by the United States Congress. In addition, the Center receives financial contributions from more than 20 Asian and Pacific governments and from a variety of private foundations, corporations and individual donors for program support.

For FY 1997, the Administration requests \$8,800,000 for the non-competitive grant to the East-West Center, a net reduction of \$2,950,000 from the estimated 1996 appropriation (reflects a program cut of \$3,267,000, partially offset by price increases of \$317,000).

The general statement and the following program narratives reflect the Center's direction and activities that have been conducted at the higher funding levels of the past, including contributions. However, the staff and programs of the Center were cut by about 50 percent in 1996 by the Administration and Congress due to overall budgetary constraints and deficit reduction efforts. The 1997 request continues the downsizing and eventual phasingout of Federal funding for this special grant program.

To meet the added 1997 reduction of \$3,267,000, the Center will curtail its collaborative research, education, dialogue and outreach activities. Specifically, the Center will implement added cuts in full-time staff, Asian, Pacific Islander and American students, and visiting fellowships; eliminate conferences and other collaborative activities; defer new programmatic directions; reduce temporary, casual and other staff by deferring the hire of replacements; and reduce supplies and other expenses.

CENTER FOR CULTURAL AND TECHNICAL INTERCHANGE BETWEEN EAST AND WEST

Summary of Program Categories and Resources

<u>Program Categories and Resources</u>	<u>1995 Actual</u>	<u>1996 Estimate</u>	<u>1997 Estimate</u>	<u>Increase or Decrease (-)</u>
A. Education, Research, Training, & Outreach Programs				
Federal Appropriation	\$17,998,000	\$7,823,000	\$6,209,000	\$-1,614,000
Other Revenue*	11,497,000	8,609,000	7,414,000	-1,195,000
Total Education, Research, Training, & Outreach	29,495,000	16,432,000	13,623,000	-2,809,000
B. Program Direction, Administration & Research Area Support				
Federal Appropriation	6,502,000	3,927,000	2,591,000	-1,336,000
Other Revenue*	781,000	571,000	571,000	0
Total Prog Direction, Admin & Research Area Support ...	7,283,000	4,498,000	3,162,000	-1,336,000
C. Total Program and Resources				
Federal Appropriation	24,500,000	11,750,000	8,800,000	-2,950,000
Other Revenue*	12,278,000	9,180,000	7,985,000	-1,195,000
Grand Total	36,778,000	20,930,000	16,785,000	-4,145,000

**Other Revenue" is recapitulated in detail on page 22 of this section.

CENTER FOR CULTURAL AND TECHNICAL INTERCHANGE BETWEEN EAST AND WEST

A. Education, Research, Training, and Outreach Programs (1998 Actual: \$29,498,000; 1996 Estimate: \$16,432,000; 1997 Estimate: \$11,614,000; Decrease: \$-7,807,000)

Summary of Requirements

	1998 Actual		1996 Estimate		1997 Estimate		Increase or Decrease (-)	
	Staff-Years	Funds	Staff-Years	Funds	Staff-Years	Funds	Staff-Years	Funds
Federal Appropriation	177.16	\$17,998,000	74.50	\$7,823,000	46.25	\$6,209,000	-28.25	\$-1,614,000
Other Operating Revenues ...	8.74	6,727,000	11.25	3,595,000	8.00	2,604,000	-3.25	-1,195,000
Current Restricted Revenues:	21.55	6,270,000	24.15	5,010,000	14.25	5,010,000	-9.90	0
Total	207.45	29,498,000	109.90	16,432,000	68.50	13,623,000	-41.40	-3,009,000

1. Environment

	1998 Actual		1996 Estimate		1997 Estimate		Increase or Decrease (-)	
	Staff-Years	Funds	Staff-Years	Funds	Staff-Years	Funds	Staff-Years	Funds
Federal Appropriation	22.94	\$1,889,000	9.25	\$634,000	8.25	\$561,000	-4.00	\$-75,000
Other Operating Revenues ...	0.66	568,000	0.00	385,000	0.00	191,000	0.00	-194,000
Current Restricted Revenues:	2.75	958,000	2.60	600,000	0.00	600,000	-2.60	0
Total	26.35	3,415,000	11.85	1,621,000	8.25	1,352,000	-6.60	-269,000

The Program on Environment (EPA) engages in research to improve management of renewable resources and the environment in Asia and the Pacific. It seeks to understand how environmental factors influence human welfare, how human activities are changing the environment, how such environmental change can be controlled or mitigated, and how societies can best respond to unavoidable changes.

Projects are carried out in diverse human habitats from the mountains of Nepal to the rice fields of Vietnam, from the low-income communities of Bangkok to the coral atolls of the Pacific. EPA staff study problems at spatial scales ranging from that of individuals (exposure of rural women to indoor air pollution) to villages and urban neighborhoods (community resource management), to nations (environmental governance), and to the entire globe (reduction of greenhouse gas emissions). They emphasize development of improved research methodologies (e.g. spatial information systems, environmental impact assessment, individual pollution exposure assessment) suitable for use in Asian and Pacific countries. Results of the Program's scientific research are published as books, journal articles, and occasional and working papers.

Work of the Program is organized within five areas that interact substantially with one another and with other programs of the East-West Center.

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CENTER FOR CULTURAL AND TECHNICAL INTERCHANGE BETWEEN EAST AND WEST

Biodiversity Conservation. The Asia/Pacific region is home to a large share of the world's biodiversity and the sociocultural systems that have contributed to its understanding and maintenance. This biocultural heritage is under great pressure today from political, economic, and social developments. The goal of this program area is to help both individual nations and the region as a whole to better understand and manage the relationship between environment and society, to promote both biodiversity conservation and equitable development. A basic premise is that the 'health' of society and environment co-vary. The focus is on placing conservation issues within wide spatial and temporal contexts, to better assess the impact of broader political and economic factors. There is a related emphasis on analyzing the linkages between local, national, and international levels. Current work includes studying community maintenance of biodiversity in Southeast Asia, planning information management systems for marine biodiversity, and examining the theoretical basis of sustainable resource use.

Environmental Governance. This program area explores problems of policy formulation and implementation by environmental and other government agencies within the larger socioeconomic context, domestic and international, in which they operate. The fundamental problem of environmental governance is how to operationalize sustainable development--how to internalize the environmental "externalities" that result from otherwise unrestricted individual, firm, and government agency behavior. This requires an examination of the relative roles of different sectors on the one hand, and the use of hierarchical, market, and collective methods on the other. Work in this program area, evolving in cooperation with the Japan Environment Agency and others in the Asia/Pacific region, combines sharing insights of practitioners and analysts with developing and applying methods of analysis to key problems of environmental governance.

Environmental Risk and Development. Many developing countries in the Asia/Pacific region are beginning to have difficulties because of rapidly growing pollution and waste from industrialization and urbanization. Typically, for example, hazardous chemical wastes, air pollutants, and greenhouse gas emissions grow faster than the economy as a whole during industrial development. In addition, these countries often are still suffering significant impacts from traditional sources of environmental risks due to poor air, water, and food quality. There is a need to develop specific, customized control strategies to effectively reduce risks to human health, life-sustaining ecosystems, and global climate during economic development through direct control, demand management, and source reduction. Current work addresses three major hazards: air pollution, indoor and outdoor as well as urban and rural; hazardous wastes from industrial processes; and greenhouse gases that may contribute to climate change. Included are field monitoring and scientific assessments as well as investigation of environmental management and policy options for health, energy, industry, and other key sectors.

Renewable Resources Management. Successful economic and social development depends on finding long-term sustainable methods to manage land and freshwater resources. Many Asian and Pacific countries already face severe problems of environmental degradation as increasing demands for resources exceed regenerative capacity. The goal of this program area is to find ways to manage forests, wildlife, soils, and crops in a socially, economically, and ecologically sustainable manner. Solutions are recognized as having both environmental and social dimensions, as in continuing work on social forestry. Priority is given to coping with the most damaging and irreversible changes (e.g. soil erosion, conversion of forest land to other uses) in the highest risk areas (e.g. frontier settlements, mountains, islands, ethnic minority zones). Current work addresses four major issues: joint community/state management of forests, population growth and land-use changes, the future of agriculture in Asia, and the role of spatial information technology for understanding human/land relationships.

Urban Environmental Management. Cities throughout the Asia/Pacific region are experiencing worsening environmental problems such as pollution, congestion, and degradation of natural support systems. The goal of this program area is to

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assess the potentials and limitations of conventional and alternative approaches to managing the urban environment in an equitable, efficient, and sustainable manner. Priority is given to developing countries where urban residents in low-income neighborhoods must bear the most debilitating impacts of untreated waste, inadequate and contaminated water supplies, and air and land pollution accompanying the rapid urban transition occurring in the region. There is a manifest need to direct concerted efforts toward integrating environmental management and poverty issues into urban and community planning.

2. Population

	1993 Actual		1994 Estimate		1995 Estimate		Increase or Decrease (-)	
	Staff-Years	Funds	Staff-Years	Funds	Staff-Years	Funds	Staff-Years	Funds
Federal Appropriation	27.48	\$2,299,000	12.80	\$1,066,000	6.80	\$940,000	-6.00	\$-126,000
Other Operating Revenues ...	0.80	599,000	0.00	452,000	0.00	224,000	0.00	-228,000
Current Restricted Revenues:	14.80	2,802,000	14.03	2,400,000	13.78	2,400,000	-0.30	0
Total	42.08	8,700,000	26.83	3,918,000	20.23	3,564,000	-6.30	-354,000

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The Program on Population (POP) conducts research and professional education activities focusing on population issues, with emphasis on the analysis of demographic and human resource trends, their social and economic causes and consequences, and their policy implications in Asia, the Pacific, and the United States. To accomplish its goals and further the mission of the East-West Center, the program cooperates with government agencies, universities, and other organizations throughout the Asian and Pacific region and the United States and works closely with other programs of the Center.

The program's research activities focus on the intersection between population and social, economic, environmental, and cultural change, emphasizing the following themes.

Rapid Population Growth. Despite recent success at slowing population growth, Asia will be responsible for more than half of the world's population growth during the next two decades. The countries experiencing most of this growth are those least prepared to absorb the millions of people projected to be added to their populations before stabilization is achieved. The Program on Population cooperates with governments in high-fertility countries and with international agencies in gathering and analysing demographic information needed to improve the effectiveness of their population programs.

Population Change and Economic Development. Scholar have long recognized that economic growth and structural change are affected by underlying changes in a country's population. The Program on Population works with government agencies of the region to improve their capacity to undertake long-term planning, especially in the areas of human resources and other demographically sensitive sectors of the economy.

Population Movement and Urbanisation. Asia's urban populations are growing two to three times as fast as national populations in many countries. Urban infrastructures are already overburdened, and urban unemployment has risen as job opportunities have failed to keep pace with the growing numbers of people seeking work. A related development is the increasing tendency of people to move across national boundaries, often in search of opportunity. The Program on Population is studying these urbanisation and migration trends, focusing on how they are likely to affect the region's economies and work forces.

The Changing Asian Family. Industrialisation, changing labor markets, rising educational aspirations, and other social changes are producing tensions within families along gender and generational lines. This research theme focuses on those changes and also on how such demographic changes as delayed marriage, smaller families, rising divorce rates, longer life spans, and the longer period of adolescence caused by delayed marriage are affecting societies and the role of the family.

The Roles and Status of Women. The roles of women--in the family, the work place, and the community--are changing rapidly throughout the region. Women are entering the paid labor force in increasing numbers, thereby altering their own domestic roles and those of other family members. The Program on Population is studying the causes of these changes and their effects on the well-being of women and children, on internal family relationships, and on childbearing.

Health and Aging. Many countries of the region face serious health problems, ranging from high rates of infant and maternal mortality to the spread of AIDS and other sexually transmitted diseases. The health sector of national economies will face new challenges as populations age and income levels rise. Many governments are trying to reform their health care systems to ensure high-quality care while containing costs. The Program on Population is contributing to these efforts by playing a major role in several national health surveys. Now societies will care for their growing

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populations of elderly, both socially and economically, is also a focus of program research.

External Funding Sources. In addition to the core support from congressional funding, external support comes from a major cooperative agreement with the United States Agency for International Development (USAID) and from contracts, grants, and matching funds from public and private organizations, including the National Science Foundation, the National Institutes of Health, the William and Flora Hewlett Foundation, the Rockefeller Foundation, the Andrew Mellon Foundation, and census and statistics organizations, development agencies, and academic and research institutions throughout the region.

3. International Economics and Politics

	1995 Actual		1996 Estimate		1997 Estimate		Increase or Decrease (-)	
	Staff-Years	Funds	Staff-Years	Funds	Staff-Years	Funds	Staff-Years	Funds
Federal Appropriation	18.40	\$1,649,000	4.80	\$394,000	0.00	\$0	-4.80	\$-394,000
Other Operating Revenues ...	0.00	639,000	0.00	110,000	0.00	0	0.00	\$-310,000
Current Restricted Revenues.	0.00	318,000	2.00	350,000	0.00	0	-2.00	\$-350,000
Total	18.40	2,606,000	6.80	1,054,000	0.00	0	-6.80	\$-1,084,000

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4. Resources Programs

	1995 Actual		1996 Estimate		1997 Estimate		Increase or Decrease (-)	
	Staff-Years	Funds	Staff-Years	Funds	Staff-Years	Funds	Staff-Years	Funds
Federal Appropriation	14.00	\$1,318,000	9.00	\$666,000	5.00	\$587,000	-4.00	\$-79,000
Other Operating Revenues ...	0.00	137,000	0.00	387,000	0.00	192,000	0.00	-195,000
Current Restricted Revenues.	0.00	611,000	1.00	480,000	0.00	480,000	-1.00	0
Total	14.00	2,066,000	10.00	1,533,000	5.00	1,259,000	-5.00	-274,000

The Program on Resources: Energy and Minerals (PREM) conducts research on nonrenewable resources, including oil, gas, coal, and metallic and nonmetallic minerals. The research addresses critical issues in the Asia/Pacific region such as supply security, strategies for efficient energy and mineral development and utilization, and the mitigation of negative social and environmental impacts of resource development and utilization from local to global levels. A primary goal of the program's work is to assist governments and industry in formulating effective programs that coordinate national priorities, including economic development and growth, security of energy and mineral supplies, maintenance of the environment, and protection of public health.

PREM examines energy and mineral resources of countries in the Asia/Pacific region on both a short-term (1-5 years) and a medium-term (5-25 years) basis. The primary aims of the research are the identification of critical issues and the solving of related problems, employing the most sophisticated modelling and analytical techniques in economics, geology, engineering, and finance. PREM collaborates very closely with energy and mining companies (both private and state-owned) and with energy and mining departments of the governments in the region. PREM devotes a major part of its efforts to the analysis and assessment of resources-policy issues in the United States and the Asia/Pacific region, and it continues to play an active role in interacting with lawmakers, government agencies, and the private sector at local and national levels. The highest quality of academic research and its practical applications will continue to be the program's top priority.

PREM has five core projects. The Energy Supply-Demand Assessment Project examines energy consumption trends, energy import requirements, and future energy balances in the Asia/Pacific countries, the United States, and Latin America. The Oil and Gas Project examines petroleum and natural gas issues and policies central to national development and to energy security in the region. The Coal Project identifies environmentally acceptable technologies and strategies for the development, trade, and use of coal. The Electricity Project examines the rapid development of the electricity sector in the region, with emphasis on private power provision and the sector's impact on overall national development. And the Resource Assessment Project identifies long-term development and policy alternatives for the United States and Asia/Pacific nations in the energy and mining sectors, with a geographical concentration on China, Central Asia and Caucasus, Indochina, Latin America, the Pacific islands, and Russia.

The research findings of PREM staff have been published in numerous books and professional journals, are presented in international conferences, and are a major component of its training and educational activities. The high quality of the research has enabled PREM to attract substantial external funding--much of it in the form of repeated grants from agencies and donors such as the United States Department of Energy, the United States Trade and Development Agency, the United Nations Economic and Social Commission for Asia and the Pacific, the Asian Development Bank, and the Korean Ocean

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Research and Development Institute.

5. Cultural Studies

	1995 Actual		1996 Estimate		1997 Estimate		Increase or Decrease (-)	
	Staff-Years	Funds	Staff-Years	Funds	Staff-Years	Funds	Staff-Years	Funds
Federal Appropriation	13.30	\$1,249,000	2.00	\$298,000	0.00	\$0	-2.00	\$-298,000
Other Operating Revenues ...	0.50	129,000	0.00	124,000	0.00	0	0.00	-124,000
Current Restricted Revenues.	0.00	96,000	0.50	150,000	0.00	0	-0.50	-150,000
Total	14.00	1,474,000	2.50	572,000	0.00	0	-2.50	\$-872,000

6. Communications and Journalism

	1995 Actual		1996 Estimate		1997 Estimate		Increase or Decrease (-)	
	Staff-Years	Funds	Staff-Years	Funds	Staff-Years	Funds	Staff-Years	Funds
Federal Appropriation	2.00	\$247,000	0.00	\$0	0.00	\$0	0.00	\$0
Other Operating Revenues ...	0.00	208,000	0.00	0	0.00	0	0.00	0
Current Restricted Revenues.	0.00	9,000	0.00	0	0.00	0	0.00	0
Total	2.00	464,000	0.00	0	0.00	0	0.00	0

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7. Pacific Islands Development Program

	1995 Actual Staff-Years	Funds	1996 Estimate Staff-Years	Funds	1997 Estimate Staff-Years	Funds	Increase or Decrease (-)	Funds
							Staff-Years	Funds
Federal Appropriation	10.75	\$835,000	2.00	\$187,000	1.00	\$165,000	-1.00	\$-22,000
Other Operating Revenues ...	0.25	125,000	0.00	96,000	0.00	48,000	0.00	-48,000
Current Restricted Revenues.	1.00	412,000	1.00	400,000	0.00	400,000	-1.00	0
Total	12.00	1,372,000	3.00	683,000	1.00	613,000	-2.00	-70,000

The Pacific Islands Development Program (PIDP) serves as the regional Secretariat for the Pacific Islands Conference (PIC) of Leaders and its Standing Committee. The PIC is a gathering of Heads of government from the Pacific Islands region. It meets every three years to set priorities and provide policy guidance for PIDP research training and education programs. The Fifth Pacific Islands Conference of Leaders was held in Fiji in 1996. The Standing Committee, which meets annually, was established to review the activities of PIDP.

PIDP's research, advisory and training and education projects are developed in close consultation with the Pacific Islands Heads of Government to ensure that our works are relevant and address the concerns identified by the Leaders. This is a unique process within the East-West Center and in other regional research and educational organisations that serve the Pacific.

Secretariat - PIDP is a partnership between the East-West Center and the Pacific island governments. Accordingly, PIDP is the official regional office entrusted with administrative duties, maintaining records, and overseeing and performing secretariat duties for the Pacific Islands Conference of Leaders and its Standing Committee. The publication of Dialogue is one of PIDP's secretariat duties.

Research - PIDP projects are designed to offer practical and relevant development strategies based on the resources available in the Pacific Island countries. With their cooperation, PIDP provides the Pacific island leaders with the useful links and services to help them in the formulation and implementation of strategies and policies to suit the requirement and socioeconomic aspiration of the Pacific Island peoples. Moreover, each project attempts to strengthen the research capacities of peoples from the Pacific islands through the recruitment of fellows and participants from the region.

1. **Joint Commercial Commission** - The Joint Commercial Commission (JCC) was proposed by former President George Bush at the United States Pacific Islands Summit held in October 1990 at the East-West Center. On January 12, 1993, the Memorandum of Understanding on the United States/Pacific Islands Nations Joint Commercial Commission was signed with the basic purpose of the JCC being to promote mutually beneficial commercial and economic relations between the United States and the Pacific Island countries.

The Pacific Island nations are the Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Nauru, Niue, Papua New Guinea, Republic of the Marshall Islands, Solomon Islands, Tonga, Tuvalu, Vanuatu, and Western Samoa.

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2. **International Trade and Investment** - A comprehensive study of international trade and investment is needed to focus on how regional arrangements, such as the United States/Pacific Island Nations Joint Commercial Commission (JCC), can be used to strengthen trade interdependence among Pacific islands, Asia, and the United States.
3. **Population and Sustainable Development** - Research began in 1994 on this project and a Regional Meeting of National Planners was held in December, 1994 in Rarotonga, Cook Islands to identify the major issues of the interaction between the dynamics of population and the achievement of desired development objectives in the islands. The project will foster collaboration within the EWC through the Program on Population and within the region through UNFPA's Country Support Teams, SPREP, the Forum Secretariat, and regional universities.

Training and Education - The purpose of this program is to provide special learning opportunities to improve the quantity and quality of professional human resources in the Pacific Island countries. The degree programs continue to receive priority attention. The program has three principal components:

Undergraduate and Graduate Scholarships are for those individuals who would like to pursue courses of study leading to a degree in fields that are relevant to the Pacific Islands. Applicants should possess a strong academic record and a desire to broaden their knowledge of the Pacific, Asia, and the United States.

Short-term Training Scholarships are organized in response to specific requests from Pacific island governments. These group training opportunities stress immediate skill need, drawing upon expertise from throughout the region. Training courses are conducted in Hawaii as well as other Pacific Island locations.

Special Intern Scholarships provide individuals with a broad array of practical learning opportunities in Hawaii that have direct relevance to development in the Pacific Islands. Internships are arranged on the basis of official requests and are ordinarily for one to six months. PIDP is particularly supportive of requests for priority attachments that are normally outside the scope of conventional aid programs. These highly individualized endeavors have brought individuals to Hawaii for activities ranging from work at Hawaii Public Radio's news department to participation in projects with the University's Department of Information and Computer Sciences and Agricultural Engineering.

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6. Centerwide Programs

	1995 Actual		1996 Estimate		1997 Estimate		Increase or Decrease (-)	
	Staff-Years	Funds	Staff-Years	Funds	Staff-Years	Funds	Staff-Years	Funds
Federal Appropriation	44.12	\$3,140,000	26.25	\$1,836,000	21.00	\$1,619,000	-3.25	\$-217,000
Other Operating Revenues ...	0.81	448,000	1.75	299,000	0.00	302,000	-1.75	3,000
Current Restricted Revenues.	1.50	537,000	1.80	170,000	0.50	820,000	-1.00	150,000
Total	46.43	4,125,000	29.80	2,305,000	21.80	2,441,000	-8.00	136,000

To carry out the Center's mandate to promote better relations and understanding, numerous Centerwide programs conduct and coordinate the principal outreach services of the East-West Center. Using EWC research and networks of professional colleagues as its basic resources, the outreach units provide information and analysis about current trends and issues in Asia and the Pacific to policy makers, educators, journalists, business leaders, scholars and others with an interest in the region.

Dissemination is carried out through publications, briefings, conferences, seminars in major cities, media interviews, a speakers bureau, new releases and op-ed articles, lectures, a visitor program, advisories about Center events and a directory of EWC Asia/Pacific analysts.

The Center also conducts a Hawaii community relations program that features seminars, a speakers service, an international visitor program, art exhibits and performances, and cooperative programs with community organisations.

Outreach. Centerwide Programs conducts annual seminars in Washington, DC and other cities for policy makers in government, business executives, news media, and officials of non-governmental organisations. The purpose is to provide new perspectives on Asia/Pacific issues and to promote dialogue about important trends in the region.

The Programs also arrange for Center researchers and other staff who are on travel to speak to business, scholarly and civic organisations and to journalists throughout the world. Arrangements are made through Center alumni chapters, universities and research institutions, US Information Agency posts, and organisations such as the Asia Society and World Affairs Councils.

The Programs also work with broadcast organisations on both sides of the Pacific, assisting television producers in developing ideas for documentaries and other programming on Asia/Pacific issues, arranging for EWC researchers to producers together to discuss cooperative projects.

Regional Economics and Politics. Research and dialogue is being carried out on International Economics, the Asia Pacific Economic Cooperation process, regional and institution-building development in Northeast Asia as well as Asian Regional Politics and Security issues.

Publications Program. The Publications Program publishes two series of briefing papers: *AsiaPacific Issues*, which run four to six pages, and the in-depth *East-West Center Special Reports*. These publications, written by scholars, journalists and other expert commentators, analyze changing trends and relations the region, and are sent to 3,000 to

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4,000 policy makers and opinion leaders in the United States, Asia and the Pacific.

Media Services. Print and broadcast journalists internationally and nationally, as well as in Hawaii, receive timely information based on Center analysis of current trends. The News and Information Office produces a directory of Center analysts and current research, news releases and background material, a monthly advisory on conferences and new publications, and a quarterly newsletter reporting on research and analysing major issues in the region. Much of this material also is provided to government officials and legislators, libraries, business executives, educators and non-governmental organizations. The News and Information Office also publishes the Center annual report, informational brochures and the Center's in-house newsletter.

Community Relations. Seminars, lectures and briefings in Hawaii and the region are among the services provided. Community Relations Office works closely with the 400-member Friends of the East-West Center and other internationally oriented Hawaii civic organizations in arranging speakers programs; coordinates the International Speakers Bureau, which provides Center specialists for meetings in Hawaii and elsewhere; and publishes and distributes daily and bi-weekly listings of Center events. The Arts Program, focusing on traditional, folk and ethnic art forms in the region, arranges cross-cultural exhibitions, performances, lectures, and research internships and occasional artist residencies. The International Visitor Program arranges professional appointments for hundreds of visitors to Hawaii each year. Many of these visitors are sponsored by the US Information Agency as part of a program to bring future leaders from other countries to the United States.

Associates Office. The office serves as the Center's principal liaison with 32 Associate chapters and with individual associates, operating a program that encourages continuing alumni participation in the intellectual life of the Center.

The office also maintains a database on Center associates, issues newsletters, works with alumni in identifying and securing new sources of funding for the Center and communicates information to chapters about Center staff traveling to their cities, about newly selected students from their countries and about students, fellows and conferees returning from the Center to their homes.

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9. Education and Training

	1995 Actual		1996 Estimate		1997 Estimate		Increase or Decrease (-)	
	Staff-Years	Funds	Staff-Years	Funds	Staff-Years	Funds	Staff-Years	Funds
Federal Appropriation	18.00	\$5,252,000	9.00	\$2,650,000	7.50	\$2,337,000	-1.50	\$-313,000
Other Operating Revenues ...	0.00	766,000	0.00	428,000	0.00	272,000	0.00	-154,000
Current Restricted Revenues.	1.50	1,027,000	1.50	460,000	0.00	610,000	-1.50	150,000
Total	19.50	7,045,000	10.50	3,536,000	7.50	3,219,000	-3.00	-317,000

Centerwide Education/Graduate and Undergraduate Curriculum. The unit is responsible for providing substantive educational programs for a broad range of Center participants to develop greater intercultural understanding and dialogue as they pursue their primary EMC fellowship and degree-seeking objectives. To support the Center's graduate and undergraduate program, the unit conducts programs specifically for degree fellows to broaden their knowledge of the peoples, cultures and issues of Asia, the Pacific and the United States. It also administers the Center's Pre-Doctoral Fellowship program.

Consortium for Teaching Asia and the Pacific in the Schools (CTAPS). Initiated in 1988 as a collaborative effort between the East-West Center, the Hawaii State Department of Education, Dole Foods, Inc., and the Asia Society, CTAPS provides a systematic training program to develop the teaching and leadership skills of pre-collegiate educators to infuse more Asian and Pacific content into US classrooms.

CTAPS' principal strategy involves the implementation of a model staff development program in Hawaii, relevant aspects of which are disseminated to educational programs on the US mainland. This model staff development program is carried out at three levels: awareness, skill-building, and leadership training.

CTAPS has linkages to similar projects on the US mainland and in Australia and Canada. The project belongs to the National Pre-Collegiate Japan Project Network and a similar network of global and multicultural education projects funded by The Mitsui Foundation.

Asian Studies Development Program (ASDP). There are several reasons why Americans must be more knowledgeable about Asia: the increasing importance of Asian trade and finance in the global economy, misunderstanding among the countries and peoples of the Asia/Pacific/US region because of economic competition, and the need to recognize and understand the presence and contribution to American culture of Asian-Americans and recent Asian immigrants to the United States.

In 1990, the Asian Studies Development Program was established, in collaboration with the University of Hawaii and four national education associations, to work with two-year and four-year American colleges trying to increase teaching about Asia on their campuses. While some major universities offer upper level and graduate courses in Asian studies, the vast majority of American students graduate without any substantive academic exposure to Asia/Pacific cultures, societies and contemporary issues. Most US colleges are hampered in their efforts to internationalize their curriculum by a lack of teachers knowledgeable about Asia and limited undergraduate curriculum materials on contemporary Asia. ASDP is designed to help these colleges enhance their capacities to teach about Asia through summer institutes for faculty and academic administrators, field study seminars in Asia, and workshops on participating mainland campuses.

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In a closely related initiative, the Center has developed programs for students and faculty at minority-serving colleges and universities. These initiatives offers African-American, Hispanic and Native American students opportunities to learn about Asia at the undergraduate and graduate levels.

Intercultural Programs. The focus of these programs are the special issues individuals face as a result of increasing contact among people from diverse cultural backgrounds. This contact is a result of recent social changes that include the internationalization of business, increases in immigration, increases in the visibility of minority group concerns with many countries, and the movement of international students seeking advanced study in various countries. Activities include programs which attract professors from various university departments whose members are interested in increasing the number of course offerings that recognise cultural diversity and the importance of international perspectives on various social issues. Other workshops invite professionals who are interested in developing various training programs in their communities that prepare people for the challenges of extensive intercultural contact. These training programs are offered in social work and health care settings, businesses considering overseas expansion, and counseling centers that attract clients from diverse cultural backgrounds. In addition, staff offer a weekly seminar for students and faculty members in Hawaii who are interested in cross-cultural and intercultural studies. This seminar offers opportunities for degree scholars at the East-West Center to meet EWC fellows and University of Hawaii faculty who share common interests.

Internationalization Forum of the East-West Center provides practical cross-cultural learning experiences for women and men with responsibilities and professional interests in international relationships in government, education, business, and voluntary organizations. The Forum objective is to work toward establishing a global network of internationally minded individuals who are concerned with the process and problems of communicating and collaborating across national boundaries. It is not an objective to encourage members of the Forum to behave like one another, but it is to offer an opportunity for participants to listen to one another with a desire to understand, yet be unafraid to express differences of opinion and world view.

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10. Auxiliary Enterprises

	1995 Actual		1996 Estimate		1997 Estimate		Increase or Decrease (-)	Funds
	Staff-Years	Funds	Staff-Years	Funds	Staff-Years	Funds		
Federal Appropriation	6.00	\$120,000	0.00	\$90,000	0.00	\$0	0.00	\$-30,000
Other Operating Revenues ...	6.00	1,108,000	9.50	1,120,000	8.00	1,175,000	-1.50	\$5,000
Current Restricted Revenues.	0.00	0	0.00	0	0.00	0	0.00	0
Total	12.00	1,228,000	9.50	1,210,000	8.00	1,175,000	-1.50	-35,000

This category reflects the cost of providing on-campus housing and related services for EWC participants.

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B. Program Direction, Administration and Research Area Support (1995 Actual), 7,283,000; 1996 Estimate, \$4,498,000;
1997 Estimate, \$3,162,000; Decrease, \$-1,316,000.

	1995 Actual Funds Staff-Years	1996 Estimate Funds Staff-Years	1997 Estimate Funds Staff-Years	Increase or Decrease (-)				
Federal Appropriation	66.96	\$6,802,000	43.31	\$3,927,000	15.31	\$2,891,000	-28.00	\$-1,336,000
Other Operating Revenues ...	3.19	705,000	12.69	\$71,000	10.69	\$71,000	-2.00	0
Current Restricted Revenues.	0.00	76,000	0.00	0	0.00	0	0.00	0
Total	72.15	7,283,000	56.00	4,498,000	26.60	3,162,000	-30.00	-1,336,000

Under this heading are grouped the activities and functions of the Board of Governors; the International Advisory Panel which provides external evaluation of Center programs; the Office of the President and Vice President which provide the overall planning, coordination, and direction of the Center's programs including fund raising, public affairs; and the Office of Administration which provides personnel, fiscal, budget, computer systems, facilities management and logistical services for the Center. The primary focus in this area is to increase productivity through streamlined organization and staffing, staff development, computerisation and increasing housing and other revenues.

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Summary of Budgeted Expenditures by Program Category
(in thousands)

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C. Total Program and Resources

	1995 Actual					1996 Estimate					
	Per Capita	Congressional	Other Funds/Contract	General	Restricted	Total	Per Capita	Congressional	Other Funds/Contract	General	Restricted
Education, Research, Training,											
A Outreach Programs											
Environment	26.35	\$1,889	\$568	\$958	\$3,415	11.85	\$636	\$385	\$600	\$1,621	
Population	42.75	2,299	599	2,802	5,700	26.55	1,066	452	2,400	3,918	
Intern'l Econ & Politics ..	18.40	1,649	639	318	2,606	6.50	394	310	350	1,054	
Resources Programs	14.00	1,318	137	611	2,066	10.00	666	387	480	1,533	
Cultural Studies	14.00	1,269	129	96	1,474	2.50	298	126	150	572	
Communications & Journalism..	2.00	267	208	9	466	0.00	0	0	0	0	
Pacific Islands Dvlpt Prog .	12.00	835	125	412	1,372	3.00	187	96	400	683	
Centerwide Programs	46.45	3,140	448	537	4,125	29.50	1,836	299	170	2,305	
Education & Training	19.50	5,252	766	1,027	7,045	10.50	2,650	426	460	3,336	
Auxiliary Enterprises	12.00	120	1,108	0	1,228	9.50	90	1,120	0	1,210	
Subtotal	207.45	17,998	4,727	6,770	29,495	109.90	7,823	3,599	5,010	16,432	
Program Direction, Administration											
B Research Area Support											
Board of Governors &											
Intern'l Advisory Panel ..	1.50	178	67	0	245	1.50	112	108	0	220	
President	3.60	600	401	50	1,051	2.50	248	119	0	367	
Public Affairs	7.05	582	0	0	582	5.00	367	0	0	367	
Office of Admin	2.00	197	4	0	201	2.00	165	0	0	165	
Financial & Admin Serv ...	26.00	1,097	111	0	1,208	21.00	801	155	0	956	
Computer & Comm Serv ..	15.00	1,461	122	0	1,583	12.00	1,007	189	0	1,196	
Personnel	9.00	509	0	0	509	5.00	337	0	0	337	
Imrn Int'l Conf Center ..	5.00	238	0	26	264	5.00	255	0	0	255	
Facilities Management	3.00	1,640	0	0	1,640	2.00	635	0	0	635	
Subtotal	72.15	6,502	705	76	7,283	36.00	3,927	371	0	4,478	
Total,											
Budgeted Expenditures ..	279.60	24,500	5,432	6,846	36,778	165.90	11,750	4,170	5,010	20,930	

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CENTER FOR CULTURAL AND TECHNICAL INTERCHANGE BETWEEN EAST AND WEST

Summary of Budgeted Expenditures by Program Category
(In thousands)

	1997 Estimate					Increase or Decrease (-)				
	Perf Staff	Congressal Approp	OtherFunds/Contract General	OtherFunds/Contract Restricted	Total	Perf Staff	Congressal Approp	OtherFunds/Contract General	OtherFunds/Contract Restricted	Total
Education, Research, Training, & Outreach Programs										
Environment	5.25	\$561	\$191	\$600	\$1,352	-6.60	\$-75	\$-194	\$0	\$-269
Population	20.25	940	224	2,400	3,564	-6.30	-126	-228	0	-354
Intern'l Econ & Politics ...	0.00	0	0	0	0	-6.50	-394	-310	-350	-1,054
Resources Programs	5.00	587	192	480	1,259	-5.00	-79	-195	0	-274
Cultural Studies	0.00	0	0	0	0	-2.50	-298	-124	-150	-572
Communications & Journalism.	0.00	0	0	0	0	0.00	0	0	0	0
Pacific Islands Dvlpt Frg .	1.00	163	48	400	613	-2.00	-22	-48	0	-70
Centerville Programs	21.50	1,619	302	520	2,441	-8.00	-217	3	350	136
Education & Training	7.50	2,337	272	610	3,219	-3.00	-313	-154	150	-317
Auxiliary Enterprises	8.00	0	1,175	0	1,175	-1.50	-90	55	0	-35
Subtotal	68.50	6,209	2,404	5,010	13,623	-41.40	-1,614	-1,195	0	-2,809
Program Direction, Administration & Research Area Supports										
Board of Governors &										
Intern'l Advisory Panel ..	1.50	77	108	0	185	0.00	-35	0	0	-35
President	2.50	171	119	0	290	0.00	-77	0	0	-77
Public Affairs	2.00	252	0	0	252	-3.00	-115	0	0	-115
Office of Admin	2.00	113	0	0	113	0.00	-52	0	0	-52
Financial & Admin Serv ...	7.00	551	155	0	706	-14.00	-250	0	0	-250
Computer & Comm Serv	6.00	582	189	0	771	-6.00	-425	0	0	-425
Personnel	2.00	232	0	0	232	-3.00	-105	0	0	-105
Main Int'l Conf Center ...	3.00	176	0	0	176	-2.00	-79	0	0	-79
Facilities Management	0.00	437	0	0	437	-2.00	-198	0	0	-198
Subtotal	26.00	2,591	571	0	3,162	-30.00	-1,336	0	0	-1,336
Total,										
Budgeted Expenditures ..	94.50	8,800	2,975	5,010	16,785	-71.40	-2,950	-1,195	0	-4,145

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CENTER FOR CULTURAL AND TECHNICAL INTERCHANGE BETWEEN EAST AND WEST

Recapitulation of Total Budget Resources
(in thousands)

	1993 Actual	1994 Estimate	1997 Estimate	Increase or Decrease (-)
Federal Appropriation	\$24,500	\$11,750	\$8,800	-2,950
Other Revenue:				
Other General Operating Revenues:				
Contributions				
Cash	519	550	575	25
Cost Sharing	420	350	365	15
Donated Services	2,406	1,330	0	-1,330
Subtotal Contributions	<u>3,345</u>	<u>2,230</u>	<u>940</u>	<u>-1,290</u>
Recovery of Indirect Costs	686	520	545	25
Auxiliary Enterprises	1,108	1,120	1,175	55
Other	293	300	313	15
Total, Other General Operating Revenues	5,432	4,170	2,975	-1,195
Current Restricted Revenues:				
Contracts & Grants				
Federal	3,401	2,435	2,190	-245
Other	3,146	2,275	2,505	230
Contributions	301	300	313	15
Total, Current Restricted Revenues	6,846	5,010	5,010	0
Total, Other Revenue	<u>12,278</u>	<u>9,180</u>	<u>7,985</u>	<u>-1,195</u>
Total, Budget Resources	<u><u>36,778</u></u>	<u><u>20,930</u></u>	<u><u>16,785</u></u>	<u><u>-4,145</u></u>

**CODED FOR CULTURAL AND TECHNICAL INTERCHANGE
BETWEEN EAST AND WEST, INC.**

FT 1997 PARTICIPANTS OF CENTER PROJECTS

	FT 1995 Actual			FT 1996 Planned			FT 1997 Planned				
	Visiting Fellows	Students	Awards	Visiting Fellows	Students	Awards	Visiting Fellows	Students	Awards		
J) Brazil	0	0	0	0	0	0	0	0	0		
O) Cambodia	0	1	1	0	0	0	1	0	1		
S A) Indonesia	1	14	15	1	13	14	0	1	14		
T A) Lao People's Dem. Repub.	10	43	44	4	33	44	5	35	44		
B I) Malaysia	2	8	3	0	2	2	0	2	2		
S A) Philippines	3	22	23	1	21	24	1	21	24		
S I) Singapore	17	42	44	10	33	32	10	32	32		
S T) Thailand	12	29	24	9	26	29	9	26	26		
V) Vietnam	4	15	14	1	13	13	1	13	13		
) Unspecified	0	0	0	0	0	0	0	0	0		
) Subtotal	50	31	35	8	30	35	7	30	35		
J) China											
Mainland	16	42	40	12	15	22	3	15	21		
Taiwan	1	9	9	0	4	12	0	8	12		
Hong Kong	0	11	12	0	10	17	0	9	12		
Japan	22	15	12	16	9	24	5	9	20		
Korea, Dem. People's Republic of	0	0	0	0	0	0	0	0	0		
Korea, Republic of	42	12	6	10	1	54	6	1	70		
Russia	0	0	0	0	0	0	0	0	0		
U.S.S.R.	0	2	2	0	0	2	0	0	0		
Russia	1	0	0	0	0	0	0	0	0		
Unspecified	0	0	0	0	0	0	0	0	0		
) Subtotal	52	75	74	49	9	125	32	15	211		
J) Afghanistan	0	0	0	0	0	0	0	0	0		
J) Bangladesh	0	0	0	0	0	0	0	0	0		
J) Bhutan	0	0	0	0	0	0	0	0	0		
S A) India	0	14	17	0	10	17	0	10	17		
O S) Iran	0	14	17	0	10	17	0	10	17		
B I) Maldives	0	0	0	0	0	0	0	0	0		
T A) Nepal	0	7	16	0	0	1	0	0	1		
S I) Pakistan	0	2	2	0	0	1	0	0	1		
S T) Sri Lanka	0	2	2	0	0	1	0	0	1		
Sri Lanka	0	2	2	0	0	1	0	0	1		
Unspecified	0	0	0	0	0	0	0	0	0		
) Subtotal	0	3	7	0	0	3	0	0	3		
J) Australia	0	2	2	0	0	0	0	0	0		
J) New Zealand	0	1	1	0	0	0	0	0	0		
J) Subtotal	0	3	3	0	0	0	0	0	0		
J) American Samoa	0	0	0	0	0	0	0	0	0		
C) Cook Islands	0	1	1	0	0	0	0	0	0		
F) Federated States of Micronesia	0	0	0	0	0	0	0	0	0		
P) Fiji	0	4	12	0	2	5	0	1	7		
A) French Polynesia	0	0	0	0	0	0	0	0	0		
O) Guam	0	10	10	0	0	5	0	0	5		
C) Kiribati	0	1	4	0	0	1	0	0	2		
F) Marshall Islands	0	0	0	0	0	0	0	0	0		
I) Micronesia	0	0	0	0	0	0	0	0	0		
C) Nauru	0	1	1	0	0	1	0	0	1		
C) New Caledonia	0	1	1	0	0	1	0	0	1		
E) Niue	0	1	1	0	0	0	0	0	1		
B) Northern Mariana Islands	0	1	1	0	0	0	0	0	1		
P) Palau	0	1	1	0	0	0	0	0	1		
E) Papua New Guinea	0	5	7	0	2	3	0	2	5		
O) Solomon Islands	0	1	1	0	0	0	0	0	1		
O) Tuvalu	0	1	1	0	0	0	0	0	1		
I) Tonga	0	2	12	0	2	5	0	4	5		
F) Tokelau	0	0	0	0	0	0	0	0	0		
I) Vanuatu	0	1	1	0	0	0	0	0	1		
M) Wallis & Futuna Islands	0	0	0	0	0	0	0	0	0		
M) Western Samoa	0	0	0	0	0	0	0	0	0		
Unspecified	0	0	0	0	0	0	0	0	0		
) Subtotal	0	40	73	0	11	17	0	11	17		
V) United States	64	124	122	1,094	10	93	272	10	93	272	
) Other	0	10	10	127	0	0	262	0	0	262	
) Unspecified	0	0	0	0	0	0	0	0	0	0	
Total	221	364	3,727	8,381	20	229	3,232	1,552	21	230	3,382
Participant Months	221	3,329	3,310	6,270	172	3,307	2,923	1,094	196	3,317	3,272

NORTH/SOUTH CENTER APPROPRIATION
(*\$ in thousands*)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Summary of Requirements.....	\$4,000	\$2,000	\$970	\$-1,030

General Statement

The North/South Center is a national educational institution in Miami, Florida, closely affiliated with the University of Miami, that promotes better relations, commerce and understanding among the nations of North America, South America, and the Caribbean. The Center conducts programs of education, training, cooperative study, public outreach and research. It publishes and disseminates policy-relevant information on the Americas. Its programs foster linkages among academic and research institutions, as well as the philanthropic and private sectors.

The Center started receiving a direct subsidy from the Federal Government in 1991. Since that time the Federal Government has provided \$37.4 million for its operations. Prior to 1991, the Center operated on private funding and competed for, and received, project-specific Federal grants.

The reduction of \$1,030,000 in 1997 represents continuation of the phase out of Federal funding for this non-competitive grant to the University of Miami's North/South Center as part of the President's overall deficit reduction efforts.

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<u>1995 Actual</u>	<u>1996 Estimate</u>	<u>1997 Estimate</u>	<u>Increase or Decrease (-)</u>
\$34,000,000	\$30,000,000	\$30,000,000	0

Appropriation Requirements
(Relationship of Appropriation
Estimate to Current Appropriation)

General Statement

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The National Endowment for Democracy is a private, nonprofit corporation established in the District of Columbia in 1983. The Endowment is administered by an independent bipartisan Board of Directors and works with a broad range of private-sector organizations committed to the strengthening of democratic values and institutions around the world.

The purposes of the Endowment, as stated in its Articles of Incorporation, are:

1. to encourage free and democratic institutions throughout the world through private-sector initiatives, including activities which promote the individual rights and freedoms (including internationally recognized human rights) which are essential to the functioning of democratic institutions;
2. to facilitate exchanges between United States private-sector groups (including groups representing the two major American political parties, labor and business) and democratic groups abroad;

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3. to promote United States nongovernmental participation (especially through the two major American political parties, labor, business, and other private-sector groups) in democratic training programs and democratic institution-building abroad;
4. to strengthen democratic electoral processes abroad through timely measures in cooperation with indigenous democratic forces;
5. to support the participation of groups representing the two major American political parties, labor, business, and other United States private-sector groups in fostering cooperation with those abroad dedicated to the cultural values, institutions, and organizations of democratic pluralism; and
6. to encourage the establishment and growth of democratic development in a manner consistent both with the broad concerns of United States national interests and with the specific requirements of the democratic groups in other countries which are aided by programs funded by the Endowment.

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The authorization for the Endowment, the "National Endowment for Democracy Act," (P.L. 98-164, as amended) establishes auditing and reporting procedures for the Endowment and provides that the United States Information Agency make an annual grant to the Endowment to carry out the purposes stated above. The Endowment does not carry out programs directly but provides funding for the activities of numerous private groups and organizations, including four core grantees deeply committed to the NED mission: The Center for International Private Enterprise (CIPÉ), the Free Trade Union Institute (FTUI), the International Republican Institute (IRI) and the National Democratic Institute for International Affairs (NDI).

As a bipartisan organization, the Endowment is not a party to the ongoing debate over the direction of American foreign policy. NED does not make or advocate any particular policy. Rather, it operates within an area of bipartisan consensus that is based on the belief that the advance of democracy serves American interests; and that toward that end we should assist those around the world who share our commitment to freedom and are trying to establish in their own countries stable and effective democratic institutions.

Over the past seven years the world has witnessed an enormous expansion of democracy, the climax of what Harvard political scientist Samuel Huntington calls the "third wave of democracy." Now as democrats around the world take stock of their political victories, they are coming face to face with the many threats that endanger their fragile achievements. In the April 1996 edition of the *Journal of Democracy*, Professor Huntington writes:

"Six years after the collapse of European communism, our euphoric moment has passed, and we too have become sadder but wiser. A single dominating ideological conflict has given way to a multiplicity of ethnic conflicts, the stability of a bipolar world to the confusion and instability of a multipolar and multicivilizational world, and the potential horror of global nuclear war to the daily horror of ethnic cleansing. The word "genocide" has been heard far more often in the past five years than it was in any half-decade during the Cold War. In this sobering world, we need to have a sober view of the prospects for democracy and to recognize the possibility that this great third wave of democratization, having brought democracy to some forty countries, may be losing its outward dynamic and moving from a phase of expansion to one of consolidation."

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This rapidly changing political landscape has given rise to a great variety of threats to democratic progress. One of the most immediate examples is found in Russia where parliamentary elections in December 1995 greatly increased the representation of the Communist Party and a recent resolution passed by the Duma renounced the dissolution of the USSR. This nostalgia for the Soviet past is not only a threat to the democratic system in Russia, but also an obvious threat to the independence of Russia's neighbors.

Russia and other Soviet successor states are not the only nations threatened by democratic backsliding. In the Middle East, the progression of the peace process and the successful Palestinian election in early 1996 were powerful strides forward in the democratic process. The assassination of Prime Minister Rabin and the recent resumption of bombings by extremist groups, however, have served as a sobering reminder that changes in the region can only be long-term.

In Latin America and the Caribbean, weak democratic institutions, sagging economies and the absence of a democratic history are the major threats to the democratic gains of the last decade. Indeed, at first glance, the nations of this region (with the glaring exception of Cuba) appear headed toward democratic consolidation. A closer examination reveals, however, that many countries remain vulnerable to backsliding due to the lack of a well-ingrained democratic culture, weak democratic institutions, and the inexperience of citizens and leaders in democratic practices. Corruption also remains a threat to the democratic process. A democratic culture must be nurtured if countries are to avoid falling again into the abyss of authoritarianism that has periodically engulfed the region.

In addition to countries working to consolidate democratic gains, there are still many closed societies, such as China, Burma, Vietnam, Iraq and Cuba, where major democratic breakthroughs have not yet occurred. Democratic activists in all of these nations struggle against brutal authoritarian regimes, risking their lives and usually working with meager resources. Sein Win, the prime minister of the National Coalition Government of the Union of Burma, the key opposition group to Burma's military junta, has described the struggle being waged by Burmese democrats:

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"Today, despite the rabid measures by the military to eliminate all opposition to their plan to dominate Burmese politics, the number of individuals and organizations contributing to the movement to restore democracy in Burma is growing. Even more important is that they are successfully making inroads in their efforts. The successes can be attributed not only to those committed to the cause of restoring democracy in Burma but also to the international organizations that have supported the cause."

Finally, democratic progress in some countries is seriously threatened by regional instability. This is especially true in much of Africa where the actions of brutal, undemocratic regimes are creating an atmosphere ripe for civil war in linchpin countries like Nigeria and Zaire. Such conflicts would most likely dwarf the violence witnessed in Rwanda in 1994, and would seriously undermine the democratic prospects of neighboring countries who would be overwhelmed by refugees. Parallels can also be drawn in the states of the former Yugoslavia. Any breakdown of the Dayton Accords and the resettlement process currently underway could reignite a bloody conflict that could spread to other countries in the region.

Therefore, in FY 1997, the Endowment will target funds to bolster positive developments toward peace and pluralism around the world, to serve as a hedge against recentralization and reemerging authoritarianism in transitional countries, and to assist organizations and individuals struggling to make inroads in more difficult or closed situations.

Pending a final appropriation for FY 1996, which will most likely be \$30 million, reflecting an expected decrease of \$4 million from FY 1995, the Administration has requested a flat budget in FY 1997 of \$30 million. The Endowment has searched for ways to achieve the same level of effective programming, while maintaining vigorous financial oversight, through administrative belt-tightening and a decreased and rearranged targeting of funds.

In Russia, for example, the Endowment has been able to reduce its grantmaking because significant amounts of new, non-NED funding are now available for work within that country. The Endowment is thus able to spend less in Russia and shift some of those savings to regions like the Middle East where demand is growing and alternative funding sources are more scarce. Other reductions have been achieved by scaling back in regions where significant progress has occurred, such

NATIONAL ENDOWMENT FOR DEMOCRACY**Summary by Program Activity**
(\$ in thousands)

Region	1996 Estimate	1997 Request	Increase (Decrease)
Africa	3,115	3,115	0
Asia	5,100	5,100	0
Middle East	2,855	2,855	0
Central & Eastern Europe	3,470	3,470	0
New Independent States	3,951	3,951	0
Latin America & Caribbean	3,999	3,999	0
Multi-regional	3,000	3,000	0
International Forum	308	308	0
Administration	<u>4,202</u>	<u>4,202</u>	<u>0</u>
Total Appropriations	30,000	30,000	0

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AFRICA

FY 96 Estimate: \$3,115,000; FY 97 Request \$3,115,000

Africa's political and economic marginalization in world affairs has obscured the upheaval, as well as the enormous opportunity, much of the continent now faces. Although the complexity of social, cultural and economic forces driving African politics may seem overwhelming to both Africans and outsiders, individuals and their associations can still play decisive roles in the direction change takes, and political action and education can, over time, fundamentally alter popular consciousness and behavior, for good or ill. Thus, the provision of financial resources in favor of democratic political development -- that is, support for programs and activities that promote greater freedom of association and speech, rule of law and respect for human rights, free and fair elections, good governance, transparency and tolerance -- can make a difference.

The Endowment's program has evolved to meet the new challenges, learning from the success stories, but concentrating resources on the most critical situations in Africa where the Endowment's interventions can have the maximum impact. NED's Africa program will continue to support opposition to the dictators and advocates of war and hate, promote free speech and association, counter intolerance and corruption, and encourage greater understanding of human rights and democracy. The Africa program will support those struggling on the front line of the democratic cause, those working in the most difficult and oppressive countries, and those with the most innovative and effective projects to bring about change. These will include human rights advocates and journalists, trade unionists and businessmen, politicians and professionals, women and youth. Projects will include political action, civic education, advocacy, free print and broadcast media, training, legal defense, conflict resolution, research and organizational development. The NED program will also support pan-African cooperation and solidarity among democrats, sharing the lessons of African successes such as Benin and South Africa with those less favored.

In Nigeria over the years, the Endowment, through its discretionary funding, has built a strong relationship with Nigeria's democracy and human rights movement, including twelve currently active grants. NED will continue to build on this foundation, supporting activists who have courageously endured hardships, including imprisonment and death, for the cause of freedom. NED will increase its assistance to human rights and democracy organizations, women's, students', labor, professional, business, and other organizations seeking to restore democratic civilian rule to the country. CIPB will support a Nigerian business association to conduct workshops in order to encourage greater private sector participation and consensus developing public policy.

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Liberia has been a source of instability for all of West Africa due to the vicious civil war that engulfed the country six years ago. Despite renewed violence in Monrovia, there are still many Liberians who remain committed to human rights and democracy, and the Endowment will continue to search for ways to support these groups and individuals.

Elsewhere in the West Africa region, Endowment grants will support activities that can have a particularly decisive or influential impact in key countries. In Cote d'Ivoire, NDI intends to continue programs in political party development and post-election democratic consolidation. Likewise, NED will take advantage of opportunities that may arise in strategic countries such as Ghana, Senegal, Mali, and Niger.

In East Africa and the Horn NED will support activities in countries such as Kenya, Uganda, Ethiopia, and Somalia that can make a compelling impact. Civic and human rights organizations, for example, have served as particularly critical bulwarks of freedom. As well, in Ethiopia, where this debate is crucial, CIPE intends to conduct advocacy programs for free market policies such as privatization and support for small and medium businesses.

The Endowment has provided support to Sudanese democrats for eight years, and is committed to expanding this effort as the regime grows increasingly isolated and besieged. NED will support democracy and human rights activists working both inside and outside Sudan.

The Central Africa region shares the fragile progress of the Central African Republic, the Congo and Chad with the disasters and imminent disasters of Rwanda, Burundi, and Zaire. NED will support projects that clearly demonstrate the potential to make a difference in this region. NDI plans to conduct multi-country programs based out of the Central African Republic and the Congo to support consolidation efforts. Strategic human rights and conflict resolution efforts in Rwanda and Burundi will receive special attention.

The NED Africa program will build on its already extensive support to Zaire's human rights and democracy movement. Despite the enormous challenge Zaire presents both politically and logically, Zaire's brave and resourceful democrats have shown the potential to mobilize the Zairian population for democratic change. The opportunity for free and fair elections next year in this

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huge, vital country cannot be lost.

With the minor exception of Swaziland, every country in the Southern Africa region is now at least formally democratic, although the region still has a long way to go to consolidate and improve on the gains that have been made. The Endowment will remain engaged in Southern Africa to support exceptional projects promoting democracy. The emphasis of discretionary programs will be on spreading the progress that has been made to other regions. IRI will conduct a Southern Africa program to promote popular participation in politics and accountability in government.

South Africa can contribute human rights expertise, organizational development, electoral process, conflict resolution, press, and other democratic skills to its neighbors. Given its potential impact on the rest of the region, it remains important for NED to continue efforts to help shore up the democratic institutions in South Africa to ensure their long-term viability. Thus, CIPB intends to continue its program of developing business associations as effective policy advocates for the new majority small entrepreneurs. NDI plans to provide technical assistance to parliamentarians in organization and decision making processes. IRI will assist a publication that provides early warning to policymakers and the general public on government and political acts that could infringe individual freedoms.

In Angola, CIPB will assist business organizations and other civic organizations to advocate free market policies, and NDI will provide technical assistance to parliamentarians.

In Malawi, CIPB plans to assist a women's business association to better support female entrepreneurs and small business owners in general.

Regional cooperation among African democrats has proved to be a particularly effective instrument for spreading and consolidating democratic change. Indigenous pan-African efforts at election monitoring, training, civic education, research, and other forms of political action not only further the cause of democracy, but lay the basis for a stronger, more integrated Africa. Undoubtedly the premier organization that has led this movement, especially in West Africa, has been the Groupe d'Etudes et de Recherches sur la Democratie et le Developpement Economique et Social (GERDDES). NED will continue its core support to this key institution. In addition, CIPB will support the role of the independent business sector in policy formulation and promotion of

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economic justice and reform.

FTUI will conduct a regional program to attempt to strengthen the culture for democracy within unions. The program will produce teaching materials, train democracy trainers in 12 countries and provide democracy training to over 600 trade union members in Africa. NDI may fund regional programs such as electoral processes training, legislative advisory assistance in countries developing laws on the conduct of nongovernmental organizations, and democratic study and exchange programs for activists throughout the region.

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ASIA

PY 96 Estimate: \$5,100,000; FY 97 Request: \$5,100,000

NED's Asia program will continue to emphasize those closed societies located in East Asia, working with democrats based outside their respective countries that work closely with their colleagues who are still inside. NED will continue to support magazines, research programs, radio broadcasting, human rights groups, pro-democracy political parties, worker rights groups and underground unions that publicize and promote democratic reform in the international arena, freely discuss and develop democratic ideas, send uncensored news into a country, or undertake democratic civic education inside the country.

China will remain the major Endowment priority in Asia. NED programs will address both increasing political repression and the opportunities available due to continued openness to international economic relations and academic exchange. The Endowment expects to support fewer exile publications than in the past, but will continue to support several important Chinese-language pro-democracy periodicals and a newspaper. Additional discretionary program activities will include increased support for human rights education, monitoring and reporting, a greater emphasis on policy research, and possible interactive information exchange programs via on-line projects. IRI will continue its legislative development program and its work with Chinese local elections. CIPE will organize a symposium on reform of China's financial sector, and will conduct a program to educate trainers and entrepreneurs in business ethics and the role of business in civil society. Finally, FTUI will assist labor rights groups and underground activists to provide information to workers about their rights under Chinese and international law and to collect information about labor rights abuses in China.

For Tibet, NED discretionary programs will support democratic education in the community-in-exile in Dharamsala -- a program supported by His Holiness the Dalai Lama -- and work toward the development of civil society in Tibet itself. NED will also support a program to educate Han Chinese who may someday be in a position to address the misinformation and emotionalism that hinders understanding of the issue among even the most democracy-minded Chinese activists. The program will encourage dialogue on this question in the form of articles, public forums and radio interviews.

With next year's handover to China looming in Hong Kong, NED will continue to support the efforts of the independent Hong Kong Human Rights Monitor, which calls attention to the fragility of the legal protection for this threatened island of

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freedom. FTUI support for Hong Kong labor unions will include assistance to allow them to educate their members about democratic participation and promote activities that enshrine international labor standards in Hong Kong law. CIPE intends to conduct a program to help ensure that Hong Kong retains its market-oriented system after 1997.

In Burma, the Endowment will increase its support for the democracy movement led by the recently freed Nobel Laureate, Daw Aung San Suu Kyi. Through its discretionary program, NED will continue to support a radio program taped in Thailand and the border areas, an international newsletter, a Burmese-language newspaper, and some activities of the exile National Coalition Government of the Union of Burma. NED will also support the training of ethnic, student and pro-democracy groups in non-violent political action. IRI will continue to support Burmese pro-democracy political activists on the Thai and Indian borders, and will explore opportunities for programming in SLORC-controlled areas of the country. FTUI will continue its union program in Burma, using the very limited gains in political space to train unions in information-gathering regarding human rights abuses, and in democratic principles.

Normalization of relations with Vietnam has heightened economic opportunities and increased diplomatic dialogue. However, the human rights situation remains a priority. The NED discretionary program will continue supporting dissident voices and projects informing the Vietnamese and international communities about human rights violations. In-country opportunities to work on rule of law, strengthening civil society, and human rights may be pursued. CIPE plans to continue implementing its business law and ethics training program at Vietnamese universities.

The Endowment will remain alert for program opportunities in Laos and North Korea.

In Cambodia, NED's discretionary program will seek to strengthen civil society by continuing to support small grassroots organizations including human rights groups, civic education, and student organizations. Training in journalism and independent desktop publishing are also potential areas for programming. IRI will continue to support provincial political parties as well as those institutions and individuals in the capital who are being shut out of the national political arena. NDI plans to help civic organizations to develop and conduct a civic education and election monitoring program. Finally, CIPE plans to establish a legislative advisory program to fill the business role in emerging democracies, and FTUI's regional work on child labor issues will include a Cambodia component.

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The fragile and tiny civil society that has emerged in Mongolia since the country abandoned communism in 1990 warrants continued support. The NED's discretionary program will work with NGOs promoting democracy and human rights education for the far-flung population, and greater popular participation in government and policy-making. IRI plans to assist political parties and then, to guarantee transparency in the upcoming elections, train a corps of election monitors.

In Nepal, where there have been five freely elected governments since the democracy movement in 1990, NDI will conduct activities to support the parliament's organizational capacity and policy expertise.

Institute programs in Bangladesh, Thailand, Indonesia and Sri Lanka will focus on fostering pluralism and strengthening civil society. In Indonesia, IRI intends to help bolster the public policy role of the nation's business and trade associations, and in Sri Lanka, IRI plans to train political parties in communications and organization skills. NDI plans to develop a training program in Sri Lanka to assist NGOs to enhance the integrity of the referendum process. In Thailand, IRI will continue to promote the involvement of women in the political process, and FTUI will implement a residual program focusing on women workers and rule of law issues. In Bangladesh, CIPB intends to help the country's chambers of commerce to become more effective in their advocacy efforts for economic reform, and NDI will support election monitoring before and after upcoming national elections.

FTUI will continue its regional programs in labor rights (including child labor) and linking Asian unions with their American counterparts. In addition, CIPB will hold a regional conference in Manila on the state of access to economic information in six Southeast Asian countries.

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MIDDLE EAST

FY 96 Estimate: \$2,855,000; FY 97 Request: \$2,855,000

Endowment priorities for the region will focus on assisting democratic groups, encouraging and supporting Liberal Islamists and Muslim intellectuals who advocate alternatives to militant extremism and strengthening the network of pro-democracy activists throughout the region. To enable democrats to communicate their ideas to the population at large, NED will continue to support publications in country where possible, and provide groups in the region with the capabilities to produce accessible material disseminating democratic values and ideas.

Support for independent women's organizations and women activists espousing democracy remains a priority as women in the region have both an interest in promoting democratic ideas and a proven record in grassroots activities and civic education. One grantee, the noted Moroccan sociologist, Fatima Mernissi, has remarked, "if democracy did not exist in the world, Arab women would have created it."

The Endowment will continue to seek and support human rights organizations throughout the region as well as conferences and seminars bringing together democrats, organizations and independent institutions dealing with democratization to identify, discuss and exchange information on the obstacles and challenges they face in building pluralist systems in the region.

In the Arab Middle East, the Endowment will engage democrats in the West Bank and Gaza which has been key to working with democrats in the rest of the region. With all eyes in the Arab world fixed on the elections scheduled for January 1996 and on the unfolding political process among the Palestinians, the establishment of a democratic political system in the West Bank and Gaza will have important repercussions in the rest of the Arab world. The Endowment's discretionary funds will therefore continue to support programs aimed at disseminating democratic values among Palestinians and to support the efforts of democrats and human rights activists in ensuring the establishment and maintenance of a Palestinian National Authority respectful of human rights and democratic principles. CIPE will work with a joint Israeli-Palestinian public policy institute in the West Bank to encourage private sector development and to strengthen the territories' transition to political and economic self-governance. NDI will continue its civic education program and will provide advisory assistance to the newly elected Palestinian Council and perhaps other governing institutions. Finally, IRI plans to continue its program to increase popular input in the

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decision-making process.

The Endowment continues to be the only U.S. institution engaged in democracy promotion that provides support for Iraqi democrats. As such, NED will continue its support for groups seeking to promote the concept of liberal democracy in Iraq among Iraqis living both abroad and inside the country.

Jordan, with its tribal ties to all its neighbors, including Iraq and Saudi Arabia, and the strong links that exist between its Moslem Brothers and those of Egypt and elsewhere, may become an invaluable model for other Middle Eastern countries. NED will therefore continue to support women's organizations and other democratic groups and institutions in Jordan promoting and disseminating democratic culture within the country through seminars, workshops and publications. NDI will continue to support the institutional development of the New Jordan Research Center, a local think tank, and will attempt to develop a women's political training program.

In Lebanon Endowment discretionary funds will support educational projects and independent publications disseminating democratic culture, respect for human rights and pluralism. CIPE will support a Lebanese policy research organization in its efforts to broadly disseminate and advocate economic policy recommendations. NDI will support a domestic election monitoring effort for the 1996 parliamentary elections.

In Syria and the Gulf States, NED will seek to identify individuals and groups for possible future programs, and for their inclusion in some of NED's already existing regional programs. To prepare for the upcoming parliamentary elections in Kuwait, IRI will conduct a series of seminars on grassroots organization, message development, youth outreach, and voter education. IRI will build upon its previous activities in Oman by co-sponsoring a project with the Majlis Ash'shura focussing on issues related to the functioning of legislatures.

In North Africa, the Endowment will focus on Egypt, Morocco, Algeria and Tunisia.

In Egypt NED will continue exploring avenues for encouraging and strengthening the voice of reason among civic organizations and supporting democratic groups seeking to foster a dialogue with moderate Islamists. NDI plans to continue

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assisting the development of domestic monitoring capabilities begun with the November 1995 elections.

Like Egypt and Jordan, Morocco will remain a focus for the Endowment. NED will continue to support democratic groups, particularly women's organizations active in the area of civic education. The Endowment will also seek to support regional programs based in Morocco, particularly those able to involve Algerians and Tunisians. In addition, CIPE will sponsor a workshop that will bring chamber of commerce representatives from selected countries to provide advice and information to their Moroccan counterparts, and IRI will continue its parliamentary and local government training programs.

In Algeria in the coming year, the Endowment will explore the possibility of supporting independent organizations calling for the resumption of the democratic process, particularly women's organizations which have been at the vanguard of the democratic movement. The Endowment will also continue to involve Algerian democrats in regional programs based in Morocco.

As in Algeria, in Tunisia the Endowment will seek to involve Tunisian democrats in regional programs based in Morocco and elsewhere in the region. CIPE will support a program in Tunisia to involve women's civic and business groups more directly in policy advocacy.

In the North Africa region, FTUI will continue to assist a regional labor organization that represents trade unions in Algeria, Morocco, and Tunisia. The program will include communications development, dispute resolution training, and advanced training for trade union women.

In Turkey the Endowment's discretionary program will therefore seek to support democratic groups in Turkey endeavoring to strengthen the ability of the mainstream center to improve grass-roots organizing techniques and advocate good governance, including respect for human rights. IRI plans to conduct a program to encourage political party reform and national dialogue on pressing economic and social reforms.

Despite continuing repression, there is a growing debate in Iran about the place of religion in the state and a demand for the separation of the two. At the same time, the continuing deterioration of the economic situation in Iran, rampant corruption,

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tensions among the leadership and the inability of the government to redress grievances has led to an increasingly vocal and recalcitrant civil society. With this new climate, NED hopes to continue supporting groups outside and inside Iran in their efforts to publish material dedicated to the promotion of open discourse and the concept of human rights, freedom and democracy among Iranians living abroad and inside Iran. The Endowment will also continue to explore the possibility of identifying democratic groups and individuals inside Iran for possible future programs and will encourage their inclusion in some of NED's already existing regional programs.

In the region as a whole, the Endowment's discretionary funds will continue to support publications dealing with issues relating to democracy, thus expanding and encouraging the nascent democratic debate throughout the Middle East. These funds will also continue to support Islamic liberals and Muslim experts in their attempts to provide an alternative to militant extremists and encourage and assist them in their efforts to widen their contacts and expand their reach. Furthermore, CIPB will translate into both Arabic and French selected articles of Economic Reform Today, and will disseminate them throughout the Middle East. IRI will continue its Middle East Regional Parliamentary Exchange, which establishes links among pro-democracy parliamentarians throughout the region. Finally, NDI will continue its Democratic Studies program, which introduces Middle East democrats to the ideas of their colleagues from around the world, and will translate political development materials into Arabic.

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CENTRAL AND EASTERN EUROPE

FY 96 Estimate: \$3,470,000; FY 97 Request: \$3,470,000

In the coming year NED priorities for the countries of Central and Eastern Europe will take into account the considerable progress that has been achieved in institutionalizing democratic procedures, establishing free market economies and encouraging the growth of civil society. Some challenges to democracy remain, however. In several countries--Poland, Hungary, Slovakia, Lithuania, and Bulgaria--former communists have been voted back into power, albeit through free elections. Where former communists have taken power, economic reforms have usually slowed down and efforts are made to recentralize power.

Even though many of the institutions of democracy have been established throughout the region, the understanding and practice of democratic values needs to be strengthened. Endowment programs in this region will focus on civic education as a way of directly addressing this issue. As well, confidence in political parties and politicians needs to be strengthened to enable them to function better as the representatives of the people. In some of the countries of the region, the capabilities of the media need to be improved to consolidate their independence from government or from the interests of one political tendency. Other challenges to democratic development include the existence of large ethnic minorities within several countries that could be a potentially destabilizing factor.

Endowment priorities for this region will include strengthening democratic values through democratic education, developing indigenous roots for a political culture and other means of encouraging regional interaction, especially through the transfer of skills eastward.

Funding for this year will take into account the availability of other sources of funding for nongovernmental groups within their own country and also from various private foundations and other U.S and European government sources.

In the northern tier, the Endowment will focus on two priority areas. Discretionary (i.e., non-core grantee) programs will focus on the field of civic education and support programs fostering the long-term development of democratic values and culture. These programs will be primarily addressed to the younger generation and will include the development of civics

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curricula, human rights education, teacher training, as well as women's and ethnic and minority issues. Core institute programs will focus on strengthening the independent institutions that are needed to consolidate and extend the transition, such as independent trade unions, political parties, and groups promoting small business development, privatization and other market reforms. Only a combination of strengthening these institutions and civil society can help to ensure further democratic advancement in light of the region-wide trend of former communists returning to power.

The Endowment's work in the region will continue to be shaped by two strategic considerations. The first is an 'East-East' approach that utilizes skills, materials and models successfully developed and implemented in the northern tier to assist the transitions in the southern tier countries and the new republics of the former Soviet Union. This strategy has proved to be a cost-effective method of support that also encourages regional cooperation and understanding among pro-reform, prodemocracy activists. The second focus will be on supporting programs and independent organizations located outside of the capital city and other major urban areas. This approach will help the Endowment to assist groups that find it more difficult to access western funding, to reach citizens beyond elite intelligentsia circles, and to foster a more even growth of civil society.

The Endowment will continue to follow the democratic and free-market transitions in Poland, Hungary, the Czech Republic, Slovakia, Lithuania, Latvia and Estonia. Their success is important as a model for other countries in the region and also in the new republics of the former Soviet Union.

The relative success of the transitions thus far in Hungary and the Czech Republic call's for reduced Endowment funding there. Activists in these countries will, however, continue to receive assistance through Endowment-supported regional programs and networks. IRI will continue to support the Hungary portion of a regional project (assisted by several international groups) that is helping the coalition-building efforts of center-right parties.

Slovakia's democratic transition trails that of the other northern tier states and will therefore remain as an Endowment priority within the northern tier. Discretionary programs in Slovakia will continue to focus on civic education, including human rights issues, and assistance to the independent media. CIPB will continue to support independent business associations and think tanks that seek the development of a market economy in the wake of setbacks caused by the Meclar government.

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Due to its historical and regional significance, Poland will remain an Endowment priority in PY 1997. Discretionary programs will be limited to those programs with a regional and/or "East-East" focus. Support will be focused on programs working with or assisting pro-democracy groups in the southern tier, Ukraine, Belarus, the Baltic States and Central Asia. FTUI will continue to assist the independent trade union Solidarity in broadening the scope of its national organizing campaign. As the only voluntary worker organization in Poland committed to democracy, Solidarity remains an important instrument for strengthening democracy at the local level. FTUI is requesting less NED support this year as Solidarity assumes more of the funding burden. IRI will expand its efforts to strengthen and encourage coalition-building among the post-Solidarity center-right political parties. CIPB will continue supporting independent business groups and think tanks which are working to reform the educational system in response to Poland's market transition.

The Baltic States--Estonia, Latvia and Lithuania--will continue to receive Endowment support. While other government and private foundations have reduced their work in this area, the Endowment considers these countries to be 'front line' states due to their location and impact on Russia and their sizable minority populations. Discretionary support will continue to be in the area of civic education, based on an 'East-East' model. Similarly, FTUI will continue to support independent trade union movements in Lithuania from its Warsaw office. CIPE will foster the development of independent advocacy organizations in Latvia, which are attempting to fill a void of informative analysis on economic reform issues for both public officials and the citizenry. In Latvia, NDI will continue to help civic groups become more effective policy advocates in the legislative process.

The southern tier of East-Central Europe will remain a priority in the coming year, with particular concentration on the republics of former Yugoslavia.

After the signing of the Dayton Accords to end the war in Bosnia, the republics of the former Yugoslavia, especially Macedonia, Yugoslavia (as presently configured including Serbia, Montenegro, and Kosovo), Croatia and Bosnia, will be an area of specific interest for the Endowment. The Endowment will continue to support the independent media in Bosnia where it plays a crucial role in maintaining a flow of information to a beleaguered population. There will be a special focus on independent media in Serbia/Montenegro this year, to help spread vital information in a society that has been virtually closed for the past few years. Also in Serbia/Montenegro, FTUI intends to support the prodemocratic trade union confederation in order to counter the government's attempts to quash the development of democracy. If the political climate makes it feasible NDI intends

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to organize a conference on organizing strategies for opposition parties, civic organizations and the media in Serbia/Montenegro. Attention will also be given to human rights and conflict resolution programs in Bosnia, Croatia, Yugoslavia, and especially Kosovo. The Endowment will pay particular attention to the emerging nongovernmental organizations in the region as they work on programs to consolidate the peace process and move toward a peaceful transition to democracy. If peace negotiations permit, NDI plans to conduct voter education and election monitor training in Bosnia.

Romania will continue to receive a steady amount of funding for discretionary programs. Nongovernmental groups are becoming more purposeful in their activities and more professional in their ability to frame issues, conduct programs and have an impact on the population, even though they work in difficult economic and political circumstances. This year the NED discretionary budget will continue to fund efforts aimed at strengthening the independent media, helping to educate and train a new generation of political leaders, and promoting rule of law, especially in the field of human rights. NED will also enable CIPE to support organizations that strengthen the business community as an independent voice for change both at the regional and national levels. FTUI will work with all Romanian unions to develop leadership, organizational and recruitment skills.

In Bulgaria discretionary programs will focus on local initiatives, tailored to the specific needs of smaller towns in the provinces, and education programs for young people. FTUI will educate Bulgarian trade unions in organizing skills and membership recruitment.

In FY 1997, the NED will continue actively to search for viable programs in Albania. Despite some early successes for the democrats, the generally low level of development of the nongovernmental sector has persisted and the continuing isolation of Albania's fledgling democratic forces has made it difficult to identify potentially effective NED programs. In FY 1997, the discretionary budget will fund efforts primarily in civic education and rule of law, specifically in relation to women's issues.

The core institutes will also work to address interregional needs. To empower the independent press in Central Europe, CIPE intends to conduct media training programs on specific topics related to economic reform as well as the larger concept of the role of the press in a democratic society. CIPE also intends to develop curricula and carry out advanced business association development training in Poland, Slovakia and the Czech Republic so that small business groups become effective both locally and in interregional advocacy networks. In addition, NDI plans to conduct follow-up activities to its December 1995 civic summit

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for individual civic organizations.

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NEW INDEPENDENT STATES

FY 96 Estimate: \$3,951,000; FY 97 Request \$3,951,000

Several factors have been considered in the Endowment's strategy for promoting democracy in this complex region. Endowment priorities will concentrate on providing support to indigenous civic groups and authentic nongovernmental organizations to help them in their efforts to become a hedge against returning authoritarian rule. The Endowment will seek out groups that work directly to strengthen democratic values, especially in the fields of human rights, civic education and interethnic tolerance.

Endowment priorities in Russia this year will be sensitive to the current political climate and will also take into account other funding sources available in the country.

Endowment programs for FY 1997 will continue to focus on projects outside of the relatively sophisticated urban centers of St. Petersburg and Moscow. Projects that strengthen civic education, human rights and the independent media will continue to be a priority for the Endowment's discretionary program. CIPE will provide support to consumer protection organizations so that ethical businesses will be better able to distinguish themselves from corrupt competitors, and will also conduct business and economic training for regional media. In addition, CIPE will contribute toward a project to provide the new Parliament with objective information on the economic impact of key legislation. FTUI will continue to assist the emerging independent trade unions by helping to strengthen their organizing efforts and membership recruitment and services.

After a series of elections in 1994 and 1995, Ukraine finally has a new parliament and a new president. Endowment programs in Ukraine in FY 1997 will seek to support think tanks that analyze democratic processes in the country, human rights groups, local independent media, civic education projects, programs for women and youth, and programs that assist proreform parliamentarians. CIPE will conduct training on modern business associations and their roles in democratic society at the invitation of the Ukrainian Chamber of Commerce and Industry, and FTUI will assist trade unions in information dissemination.

In Belarus, discretionary programs will support independent local media and prodemocratic NGOs. To counter the national trend toward authoritarianism, CIPE plans to work with an independent public policy research institute to promote public

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support for reform at the grassroots and regional levels. The democratic trade unions in Belarus remain probably the only civic organizations capable of challenging Lukashenka's authoritarian rule. FTUI will continue to provide assistance through its Warsaw office to those trade unions in the form of skills training and funding for legal services and economic consultations.

In Moldova, while funding will be modest, discretionary programs will focus on support for the independent media.

The states in the Caucasus -- Azerbaijan, Georgia and Armenia -- continue to experience turmoil and upheaval, even though each country held elections in the past year. In both Armenia and Georgia, NDI intends to work with local civic groups to prepare for future elections and to conduct civic education projects. In Armenia, CIPB will work to build civil society by strengthening independent business, trade, and women's organizations. Endowment discretionary programs in the Caucasus will focus on assistance to independent journalists, human rights groups, women's organizations and think-tanks dealing with democratic development.

The states of Central Asia -- Kazakhstan, Kyrgyzstan, Uzbekistan, Turkmenistan, and Tajikistan -- will continue to be a priority for NED in FY 1997. NED will continue to support several initiatives begun in the previous year in the field of civic education and will actively seek out viable, independent groups, particularly those engaged in disseminating information and monitoring government accountability in various fields such as ecological policy and human rights. Programs in Kazakhstan and Kyrgyzstan will focus on human rights monitoring, inter-ethnic tolerance and providing important literature and information on international standards and conventions in civil and human rights. CIPB plans to include journalists from Kyrgyzstan in its economic journalist training seminars to be conducted at the regional level in Russia. It will also assist the two independent union confederations in protecting worker rights. Priorities for Endowment funding in Uzbekistan, Tajikistan and Turkmenistan, will take into account the repressive nature of the political regimes, and will focus on groups conducting civic education and human rights work.

NED will continue its support for programs that encourage interregional interaction and cross-border cooperation. Particular emphasis will be given to programs that transfer expertise and experience from Eastern Europe to the NIS states. The discretionary program will continue to fund programs such as the "Centers for Pluralism" project of the Institute for Democracy in Eastern Europe and others that actively engage groups from different countries to share their expertise and extend their

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network of contacts, especially to regions where democratic development has been weak or under serious threat. These programs will continue to help provide training and education by experienced Central Europeans in places such as Crimea, Azerbaijan, Uzbekistan and Kazakstan.

FTUI plans to assist trade unionists in Central and Eastern Europe and the NIS states in fighting off the increasingly persistent attacks launched against basic worker rights throughout the region. This task will be accomplished through training, publicity, organization, legal and legislative efforts and documentation of worker rights abuses for use in appeals both within the respective country and with international organizations.

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LATIN AMERICA AND THE CARIBBEAN

FY 96 Estimate: \$3,999,000; FY 97 Request: \$3,999,000

At first glance democratic achievements in Latin America and the Caribbean of the last ten years present an overwhelmingly favorable picture. With the exception of Cuba, all other countries have elected their presidents democratically. In contrast to the obvious threats to democracy in Africa and the former Soviet countries, Latin America democracy appears consolidated. However, beneath this apparent stability, the region is still vulnerable due to the lack of a well-ingrained democratic culture, weak democratic institutions, and the inexperience of citizens and leaders in democratic practices.

The next years present unique challenges and opportunities for democratic consolidation in the Hemisphere. A democratic culture must be nurtured if countries are to avoid falling again into the abyss of authoritarianism that has periodically engulfed the region. At a time when donor governments are turning their backs on the region, the Endowment will maintain a longer range vision and commitment to the completion of the democratic consolidation of the region. The Endowment will continue to support programs and organizations prepared to undertake several challenges: create a democratic culture by educating and mobilizing individuals to become active and responsible citizens, strengthen democratic institutions and train leaders in democratic practices.

The promotion and protection of human rights in Cuba will continue to be a priority. NED's discretionary program will continue to support these groups by providing much needed information to the islands through publications like "Disidente", "Palestra Cívica", "Un Solo Pueblo" and others. NED will also emphasize communications between Cubans and democratic activists throughout the world. FTUI will continue to support worker groups inside Cuba and in exile communities who wish to return, communicate with Cuban workers via international radio and television, and research and publicize worker rights violations in the country. Both IRI and NDI will investigate the possibility of conducting program activities inside Cuba.

Although big donors expressed willingness to support election programs in Haiti, there seems to be little long-term democracy project planning beyond the elections, as of this writing. NED will attempt to identify and support small-scale efforts promoting civic culture, respect for human rights, and institution-building which will advance the democratic transition. CIPE will continue to support a program that provides analysis of economic related legislative proposals to parliamentarians, and will

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also provide training and technical assistance to business associations in Haiti. Finally, CIPB will adapt its Spanish-language enterprise and civic education program for use in Haiti.

Mexico will continue to face tremendous difficulties in the coming year. Although state-level and municipal elections in 1995 were characterized by more transparency than in the past, the political parties have been unable to agree on the political reforms that the country so desperately needs. Human rights violations continue, while President Zedillo proposes new laws which will provide additional powers to the police. Mexico will continue to be a priority for the Endowment. The Endowment will support projects that foster civil society, encourage broader citizen participation in the democratic process, and promote political reforms. FTUI will promote grassroots contact between Mexican and U.S. labor unions in order to ensure that Mexican workers attain the rights promoted by the NAFTA. NDI will continue to work with Mexico's Civic Alliance to conduct civic education and public accountability programs, and IRI will train political parties and newly-elected officials.

In Guatemala, the coming year presents a picture of great danger, but also unprecedented opportunity. The Endowment will continue to place a high priority on promoting and protecting human rights, integrating all Guatemalans into the democratic process through education about the rights and responsibilities of citizens, and the creation of a more peaceful, tolerant civil society. CIPB intends to fund a program to promote economic decentralization in Guatemala, in the hope that devolution of power will help create grassroots democracy. IRI will conduct a program to increase the level of accountability and ethics among newly elected officials.

Venezuela continues to face serious economic problems, often exacerbated by out-dated centralized government responses. The close to 50% absenteeism that occurred during the December 1995 municipal elections reflects the great disillusionment Venezuelans feel about their government. The Endowment will continue to support programs that re-emphasize democratic values, in order to re-energize popular belief in democratic practices and institutions. Projects will promote citizen participation in and communication with government leaders at the local level. CIPB plans to maintain support for a legislative advisory service on issues of market reforms and to combat the partial suspension of the Constitution. NDI will conduct activities with *Escuela de Vecinos de Venezuela* to continue efforts to educate citizens about the importance of participating in the political process, and IRI will continue its program to foster and promote democratic culture.

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In Colombia the Endowment will continue to support efforts by Colombian organizations to promote a democratic culture based on tolerance and the fundamental respect for human rights.

In Ecuador the Endowment will continue to support programs which seek to restore public confidence in democratic institutions and involve citizens in working to resolve the country's problems. CIPB will continue its project to encourage the use of alternative conflict resolution mechanisms in the country.

In April 1995, Peru carried out its first presidential election since President Fujimori's controversial auto-golpe of 1992. Citizens returned to the polls in November to elect municipal officials. In the coming year, the Endowment will place emphasis on supporting initiatives that seek to decentralize political power, provide forums for dialogue, and create an environment respectful of human rights. NDI will provide institutional support to Peru's Transparencia, which conducted independent election monitoring activities in the 1995 presidential elections.

Bolivia faces formidable challenges in the upcoming year as it attempts to carry forth an ambitious process of political reform. Recent statutory reforms have redefined the balance of political power in Bolivia and created significant new opportunities for citizen participation at all levels, but these reforms face serious challenges in implementation. The Endowment will continue to support the process of political reform in Bolivia through projects which inform citizens and civil society leaders about the reforms and mobilize these actors to take part in their deliberation and implementation.

In Brazil, where the Congress is planning to modify articles in the 1988 Constitution that deal with decentralization, CIPE plans to fund a research, outreach and advocacy program to raise awareness about the importance of decentralization.

As one of the region's youngest democracies, Paraguay reflects both advancement toward democratic consolidation and sobering challenges to reform and stability. The experience of thirty-four years of military dictatorship left state institutions weak, exacerbated poverty, and consolidated a state of corruption where the principal force is narco-trafficking. As the country prepares for municipal elections in 1996—a process that is still very new to Paraguayan voters—the Endowment will support projects that educate citizens about the electoral process and the importance of their participation as voters and overseers of the process.

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FTUI plans to continue its Interregional program that includes training Latin American in international labor standards; gathering, publicizing and disseminating information on worker rights situations in various areas; and supporting individual victims of worker rights abuses. FTUI will also continue its Central America regional program that aims to foster regional cooperation among trade unions. CIPB plans to sponsor a hemispheric conference on issues related to harmonizing legislative and regulatory policies across the region. NDI intends to continue its civic network program, which aims to increase communication between Latin and Caribbean civic organizations.

1996 is projected to be the last year of the NED-AID agreement for funding in Nicaragua. The Endowment will continue to support civic education programs, emphasizing those that target women. Due to the availability of direct AID funds for election efforts, NED will focus its efforts on assisting groups in strengthening their programmatic and institutional capabilities. NDI will continue its civil-military relations program in Nicaragua, and IRI will seek to expand citizens' level of awareness, understanding and involvement in the country's political process.

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MULTIREGIONAL AND MISCELLANEOUS
FY 96 Estimate: \$3,000,000; FY 97 Request: \$3,000,000

NDI plans to broaden and improve its development of training and resource materials and expertise in particular fields of democratic development. These include: parliamentary materials, materials on international norms for election monitoring, materials on political and civic organizing, and materials on local government. NDI also plans to continue its program of political party training in Northern Ireland.

In FY 1996, CIPE plans to continue to publish its flagship publication, *Economic Reform Today*, and increase its circulation via the Internet. Endowment funds will be used to expand the magazine's readership with DEMOS, CIPE's Online Information Service for Democratic, Market-Oriented Systems. At present, 30,000 policymakers receive *Economic Reform Today*, which provides technical assistance on the process of political and economic reform to leaders around the world.

The Endowment expects to continue supporting the American Federation of Teachers in developing a universal curriculum and teacher training techniques for the teaching of democratic education in secondary schools.

Miscellaneous costs include the program development, monitoring and evaluation expenses of the four core Institutes.

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EISENHOWER EXCHANGE FELLOWSHIP PROGRAM

(\$ in thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Summary of Requirements:				
Eisenhower Exchange Fellowship Program Trust Fund Endowment.....	\$ 2,500	\$ --	\$ --	\$ --
Eisenhower Exchange Fellowship Program Interest and Earnings.....	300	675	600	-75

General Statement

The Eisenhower Exchange Fellowship Act of 1990 (P.L. 101-454) authorized a permanent endowment for the Eisenhower Exchange Fellowship Program to honor the late president by increasing educational opportunities for young leaders in preparation for and enhancement of their professional careers and by advancing peace through international understanding. The Act established the Eisenhower Exchange Fellowship Program Trust Fund in the U. S. Treasury for this purpose.

The 1992 Appropriations Act provided \$5 million to establish a permanent endowment for the Program, and appropriated the interest and earnings in the Fund to Eisenhower Exchange Fellowships, Inc. (EEF). In 1995, the Appropriations Act made an additional payment of \$2.5 million to the endowment.

In 1997 EEF will continue to use the earnings primarily to support the legislative mandate of sending American fellows to study in the emerging democracies of Eastern Europe.

ISRAELI ARAB SCHOLARSHIP PROGRAM

(\$ in thousands)

	1995 Actual	1996 Estimate	1997 Estimate	Increase or Decrease (-)
Summary of Requirements....	\$397	\$400	\$400	\$ --

General Statement

The purpose of the Israeli Arab Scholarship Program is to fund scholarships for Israeli Arabs to attend institutions of higher education in the United States. This program was authorized by Section 214 of the Foreign Relations Authorization Act, Fiscal Years 1992 and 1993 (P.L. 102-138). A permanent endowment of \$4,978,500, known as the Israeli Arab Scholarship Fund, was established for the program in 1992 with funds made available to USIA by USAID under Section 556 (B) of the Foreign Operations, Export Financing, and Related Programs Appropriation Act, 1990 (as amended by Section 551 of the Foreign Operations, Export Financing, and Related Programs Appropriation Act, 1991).

Pursuant to Section 214 (b) of P.L. 102-138, the U.S. Information Agency is responsible for the administration of the program and the endowment. The funds are invested only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the U.S. The interest from such investments is credited to the fund and made available subject to annual appropriation acts to carry out the scholarship program.

The 1997 request of \$400,000 represents the estimated interest and earnings of the fund which will be used to finance scholarship awards and administration of the program.

AMERICAN STUDIES COLLECTIONS

(\$ in thousands)

	<u>1995 Actual</u>	<u>1996 Estimate</u>	<u>1997 Estimate</u>	<u>Increase or Decrease (-)</u>
Summary of Requirements:				
American Studies Collection Program Trust Fund Endowment.....	\$2,000	\$ --	\$ --	\$ --
American Studies Collection Program Interest and Earnings.....	7	77	--	-77
Direct Obligations to Purchase and Ship Ameri- can Studies Collections..	611	1,473	--	-1,473
				1266

General Statement

The Foreign Relations Authorization Act, Fiscal Years 1994 and 1995 (22 U.S.C. 2452) authorized \$1,000,000 in each fiscal year to establish an endowment for the creation and support of American Studies collections at university libraries abroad and to work with foreign universities to that end. Pursuant to this legislation, the collections will "promote a thorough understanding of the United States among emerging elites abroad." USIA has worked with American scholarly organizations to create a bibliography which will meet the needs of students of American Studies at the undergraduate and graduate levels. Site selection criteria include the host institution's ability and willingness to assume responsibility for the collections, maintain them and guarantee reasonable access for students.

AMERICAN STUDIES COLLECTIONS

General Statement, Continued

The 1994 and 1995 Exchange Programs Appropriation Acts contained \$1,000,000 in each year for this program. These funds were transferred to an endowment account in 1995.

In 1995, USIA purchased the initial collections of approximately 1,000 titles each at a cost of \$611,000. We plan to utilize the remainder of the endowment principal (\$1,389,000) and earnings (\$7,000 in 1995 and an estimated \$77,000 for 1996) to complete the purchase of an additional 30 collections and shipment of all collections worldwide, at an estimated cost of \$1,473,000.

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