MEMORANDUM OF DISAPPROVAL

I am withholding my approval of S. 437, a bill "to authorize the refinancing of certain small business debentures, and for other purposes". The bill would have shortchanged American taxpayers by allowing certain borrowers to prepay their federally guaranteed loans at reduced premiums.

Under Section 503 of the Small Business Investment Act of 1958, the Small Business Administration may guarantee a particular type of bond, known as a debenture, issued by State and local development companies. The companies have sold these debentures to the Department of the Treasury's Federal Financing Bank and used the proceeds received to make loans to small business borrowers.

The amendments made by Section 1 of S. 437 would have permitted development companies to prepay their debentures held by the Bank at substantially reduced premiums and to finance the prepayments by issuing new debentures fully guaranteed by the Government. Such an arrangement would in effect allow a borrower to change the borrowing terms to which it had previously agreed any time it is financially favorable to the borrower—and therefore unfavorable to the Bank and American taxpayers—to do so. Although the intent of the amendments made by Section 1 of S. 437 temporarily would have reduced the Federal deficit, in future years the deficit would have been substantially increased as the result of the borrowers' avoidance of interest payments that would have been paid in the absence of prepayments.

Under Section 303 of the Small Business Investment Act, the Small Business Administration may purchase debentures issued by a small business investment company. The amendment made by Section 2 of S. 437 authorizes adjustment in certain circumstances of the interest rates on such debentures and provides that the face amount of the debenture with an adjusted interest rate will not be treated as new budget authority or new credit authority. This artificial budget accounting rule conflicts with the Federal budget accounting practices of the Office of Management and Budget and the Congressional Budget Office. The result of this accounting sleight of hand would have been to understate the adverse impact of Section 2 of S. 437 on the Federal budget deficit.

MEMORANDUM OF DISAPPROVAL

I am withholding my approval of S. 1081, a bill "to establish a coordinated National Nutrition Monitoring and Related Research program, and a comprehensive plan for the assessment of the nutritional and dietary status of the United States population and the nutritional and caloric consumption in the United States, with the provision for the conduct of scientific research and development and support of such program and plan".

The Administration strongly supports the principal goals of this legislation and reaffirms its commitment to use existing authority to achieve these ends. However, enactment of the bill would set up Federal nutrition efforts on the wrong course. The bill would create a substantial amount of unnecessary and complex Federal bureaucracy that would hamper the achievement of the bill's goals. Under the bill, the Secretary of Agriculture and the Secretary of Health and Human Services, acting jointly, would bear responsibility for nutrition information collection and analysis, planning for research and grants, and government-wide nutrition program budgeting. The bill also would create an Administrator of Nutrition Monitoring and Related Research, an Interagency Board for Nutrition Monitoring and Related Research, and a Nutrition Monitoring Advisory Council. The creation of so much new Federal bureaucracy would hinder, rather than aid, performance of Federal nutrition-related functions.

The bill would impose a substantial new burden on the American taxpayer in future years to finance Federal Government grants. First, the bill would require the Secretaries, acting jointly, to develop a comprehensive plan for a coordinated nutrition program. Then it specifies that the program must include at least two new programs of Federal grants, under which the Federal Government would make awards of taxpayers' dollars. The bill then further specifies that the comprehensive plan shall have a constitution the basis on which each agency participating in the coordinated program requests authorizations and appropriations for nutrition monitoring and related research.

Thus, the bill would effectively program substantial new grant funding into future Federal budgets.

Experience shows that once the Federal Government begins handing out money under a new grant program, a political constituency develops that demands greater funding for that program. Greater scrutiny should be given to the need for the proposed new grant programs before they are locked in as a future expansion of the Federal budget. Given that, the likely urgent future needs in other areas of the Federal budget.

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