

Statement on Signing the Rural Electrification Loan Restructuring Act of 1993

November 1, 1993

I am pleased to sign into law H.R. 3123, the "Rural Electrification Loan Restructuring Act of 1993." This Act modifies the Rural Electrification Administration (REA) direct loan programs for rural electric and telephone cooperatives. It represents the culmination of many months of long, hard work by the Congress and the Administration in our commitment to revitalize the infrastructure of rural America.

Earlier this year in my State of the Union Address, I announced my intent to reform the REA. H.R. 3123 does just that. It represents an important first step towards reforming the REA loan programs and is a good example of the Government doing more with less. This legislation will enhance our ability to provide affordable electric and telephone services in rural areas and to ensure access to the emerging telecommunications technologies that are essential for the economic strength of rural areas and the Nation as a whole. It also allows the REA for the first time to make loans for energy conservation purposes.

This Act makes much needed program adjustments to minimize budget expenditures and save over \$100 million in 1994 alone. Despite this reduction in Federal assistance, rural electric and telephone consumer bills should not change substantially. By using means tests to target Federal funds and raising the maximum interest rate, H.R. 3123 allows the REA to use scarce resources more effectively. We should no longer hear about wealthy electric and telephone borrowers that receive Government loans at extremely low interest rates.

Although H.R. 3123 clearly represents a major improvement over current law, I have one concern with it. The Act places a 7 percent interest rate cap on certain REA loans, including those refinanced through the Department of the Treasury's Federal Financing Bank. Experience with Federal credit programs indicates that such statutorily fixed interest rate ceilings produce unpredictable

and unintended results, including (1) inequities among borrowers using the program at different times; (2) extraordinary demands for loans when market interest rates are high; and (3) increased budget deficits. The "open-ended" character of subsidies resulting from the interest rate cap is inconsistent with the Administration's objective of managing Federal subsidies more effectively. Accordingly, my Administration will work with the Congress to remove this provision.

Nevertheless, H.R. 3123 is, overall, a solid step forward. Today I wish to congratulate the Members of Congress and friends of rural America that helped to enact this first major reform of the REA loan programs.

William J. Clinton

The White House,
November 1, 1993.

NOTE: H.R. 3123, approved November 1, was assigned Public Law No. 103-129.

Statement on Signing Legislation To Phase Out Wool and Mohair Subsidies

November 1, 1993

Today, in signing S. 1548, something unusual will happen: a Federal program is being abolished so that more than a half billion dollars can be saved. This is a departure from business-as-usual in Washington, where programs seem destined to live forever, and Federal dollars raised from average Americans are treated as if they were meant to be spent or squandered instead of saved. But to accomplish the change my Administration is seeking, for the economy and for our country, it is no longer adequate to conduct the business of Government bound by the old arrangements. The legislation, which phases out the wool and mohair program, eliminates an outdated program, reduces the deficit, and affirms for the American people our commitment to change.