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FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Cabinet Summaries	Andrew Young to Pres. Carter, 1 pg., re:UN activities <i>opened 3/31/08, BOE, 06-115</i>	4/7/78	A
Memo	Stu Eizenstat to Pres. Carter, 4 pp., re:Appointment for Director LEAA	4/7/78	C

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THE PRESIDENT HAS SEEN.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

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April 10, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze *CLS*

Subject: Retail Sales in March

The Census Bureau released this afternoon its first estimate of retail sales in March and revised figures for January and February. The news is relatively good.

Earlier estimates of sales in January and February have been revised upward -- substantially so for February. Sales are now estimated to have declined 3-1/2 percent in January and to have risen 3 percent in February, recovering most of the January loss. In March, estimated sales are up 1.9 percent further.

This improvement in consumer buying is very welcome, but the trend of retail sales in recent months still remains weak. Thus, the first-quarter average level of retail sales is no higher than the fourth-quarter level in dollar terms; with consumer prices rising rapidly between the two quarters, this implies a substantial decline in real terms. A large part of the February and March increases in retail sales was in nondurable goods and probably reflected increases in food prices.

Personal incomes rose fairly strongly in the first quarter, so that the income basis is there for a substantial further rise in consumer buying this quarter. Given the weak first-quarter performance, solid gains will be needed to keep the economic recovery going at a satisfactory pace.

THE WHITE HOUSE
WASHINGTON

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MEMORANDUM TO: THE PRESIDENT

FROM:

Jack Watson *Jack*

April 8, 1978

RE:

Summaries for the Week of April 3 -
7, 1978

We are attaching the weekly summaries.

CC: The Vice President

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April 7, 1978

TO: President Carter
THROUGH: Rick Hutcheson
FROM: USUN - Ambassador Young
SUBJECT: U.S. Mission to the United Nations Activities
March 29 - April 5

SECURITY COUNCIL

South Lebanon: Pressures from Arabs and others over delayed Israeli withdrawal from South Lebanon have mounted during last few days resulting in a call for Security Council consultations on April 7 or 10. Precautions to avoid the Council's consultations from moving toward a formal meeting of the Council were taken with key members of the Council, but a certain risk always remains on this. Meanwhile, the United Nations after learning of Mexico's inability to provide a contingent for the peacekeeping force, has requested Nigeria to furnish a unit. Nigeria has agreed in principle. Total troop strength of the United Nations on the scene in South Lebanon is now about 1,700. Six-hundred Nepalese soldiers will join next week.

Namibia: Contact Group has spent week making preparations for taking our efforts on Namibia to the Security Council. Five have tentatively agreed to transmit formally the Western Five proposal on Namibia to the Security Council April 10 and to request a Security Council meeting for April 14 or 17. By going to the Security Council we would hope to obtain support for our proposal and to create pressure on South Africa and SWAPO to respond favorably to our proposal.

ECONOMIC AND SOCIAL COUNCIL

Commission on the Status of Women: The UN Status of Women Commission met in New York from March 20 to April 5 to discuss both national and international results of the International Women's Year Conference and UN Decade for Women (1975-1985). Assistant Secretary General Helvi Sipilä praised the U.S. commemoration of International Women's Year as a model to be followed by other countries. She cited its 56 state and territorial conferences followed by the roundup national conference in Houston which involved great numbers of women and men from all walks of life. The 32-member body passed a resolution urging the retention and strengthening of the Commission on the Status of Women, the only international policy body within the entire United Nations system with a mandate to promote the situation of women in political, civil, economic and social sectors of society. Health, Education and Employment were the three themes agreed upon for the Mid-Decade International Women's Conference to be held in Teheran in 1980.

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THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

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MEMORANDUM TO: THE PRESIDENT

FROM: Jack Watson *Jack*

April 8, 1978

RE: Proposed Agenda

1. Comments on--

- Your trip to Latin America and Africa,
- The forthcoming visit of Rumanian President Ceausescu,
- Your decision concerning the neutron bomb,
- Status of the energy legislation,
- Airline deregulation bill,
- Latest developments on the Panama Canal debate,
- Civil Service reform,
- Social Security amendments,
- Latest developments on the tax reform legislation;

2. Ask Jim McIntyre to report on the status of the Inspectors General bill (H.R. 8588--Brooks and Fountain);

3. On urban policy, you might note the extremely favorable reaction that has come from a majority of state and local public officials, labor and the private sector. It would also be most appropriate for you to commend the Cabinet Secretaries, and particularly Pat Harris, for the excellent and very hard work they did in preparing the policy. (Although Pat should receive special commendation, be careful to make clear that you know that all of the Secretaries of the domestic departments played key roles in formulating the policy.) I am working with the Cabinet Secretaries and the appropriate Assistant Secretaries regarding the establishment of your newly created Inter-Agency Coordinating Council. It would be helpful if you would emphasize your desire for that new inter-agency mechanism to work really well and for everyone to give as much time and attention to the implementation of programs as we do to the formulation of our policies;

4. Jane and I have prepared a looseleaf notebook of suggested speech inserts and brief background materials on some of the Administration's highest legislative priorities. Those books will be on the Cabinet table on Monday morning. Subjects covered so far are Panama Canal, energy, tax reform, urban policy and civil service reform. You might underscore the importance of Cabinet members' and other senior department officials' constantly explaining the significance of Administration legislative proposals to the public and being prepared to answer questions about them, even those that do not pertain to their own department's activities;

5. Emphasize your desire for all the Cabinet members to analyze their respective departmental operations and to recommend specific steps they might undertake to reinforce your anti-inflationary program. (After our conversation on Friday morning, I called all of the Cabinet members whose departments might have the most potential for anti-inflationary actions and discussed your request with them. I also sent out a memorandum to all members of the Cabinet and selected agency heads, asking them to have a brief outline of proposed specific anti-inflationary actions to us by the close of business on Monday. I have arranged with Charlie Schultze, Barry Bosworth and Jim McIntyre for those proposals to be reviewed immediately so that those Cabinet members with significant statements to make can do so in the days following your anti-inflationary speech on Tuesday;

6. For your information, all of the Cabinet members have been invited to the weekend retreat at Camp David on April 16 and 17. In accordance with your instructions, only the people who actually sit at the Cabinet table, plus a small group of senior White House staff have been invited. Since other people who attend Cabinet meetings such as Stan Turner, Jay Solomon, Doug Costle, Charlie Warren, etc., have not been invited, you should frame your comments carefully if you mention the retreat.

CC: The Vice President

THE WHITE HOUSE

WASHINGTON

MEMORANDUM TO: THE CABINET

FROM: Jack Watson

April 10, 1978

RE:

Materials on Legislative Priorities

Attached are suggested speech inserts and brief background materials on the Administration's highest legislative priorities. The President has requested your assistance and that of your senior department officials in explaining the significance of these proposals to the public.

My office will be happy to provide any additional information that you may need.

Speech Insert for Cabinet Officers

One of President Carter's most farsighted initiatives is coming up for final decision very soon. Before the end of this month the Senate will take a final vote on the Panama Canal treaties.

These treaties are a sound, responsible, and fair solution to a problem that has preoccupied American Presidents for more than a decade: how to assure trouble-free use of the Canal in the future.

The treaties meet that need. They assure effective management of the Canal--for twenty years under American stewardship and thereafter by a Panamanian management trained by Americans. They give American naval vessels preferential head-of-the-line passage in time of emergency. Most importantly, they make the United States ultimately responsible for seeing that the Canal remains open and accessible to the ships of all nations. Under the treaties we have the authority to take any action necessary to meet any threat that may arise to the Canal. Clearly the treaties are preferable to sticking with the status quo--and all the problems it has already brought to us and very likely would bring to us in the future.

The treaties deserve the support of the American people and their representatives in the Senate.

TALKING POINTS FOR
CABINET MEMBERS

-- I hope we can count on your vote when the second Panama Canal treaty comes up on the floor.

-- The new treaties make eminent good sense.

- They extricate us from a situation in Panama that is bound to become untenable.

- A timely move now will avoid high costs in the future.

-- The treaties give us a good deal.

- They protect our interest in the most practical manner possible.

- We will be managing the Canal for the rest of the century, and will have the right--indefinitely--to take any action we deem necessary (including military force) to see that non-discriminatory passage through the Canal is maintained.

-- The costs are reasonable.

- Tolls will go up. But the additional toll costs to American consumers and Canal users will be less than \$15 per year--hardly significant for a \$2 trillion economy. In fact, the rise in cost for goods using the Canal will be about one-tenth of one percent.

- Appropriated funds will be needed principally for military base relocation and employee pensions. But Senator Muskie has estimated that the budgetary cost--including foregoing the present interest payments of \$18-20 million annually--will average no more than \$34 million a year until the end of the century.

- This is hardly a major impact on the budget.

-- The treaty is no giveaway.

- The benefits we have received from the Canal over the years exceed our investment because we set tolls just to cover operating costs--potential profits were passed on to users in terms of low tolls.

-- The Canal clearly involves one of these issues that require responsible leadership.

- Admittedly, it is still an emotional issue with sectors of the American public.

- I don't underestimate your problems in explaining support to some of your constituents.

- But it's going to be more difficult in the future to explain why we got into trouble in Panama when we had an opportunity for such a favorable solution to this problem in 1978.

-- Approving the treaty is the sensible and right thing to do.

ARGUMENTS FOR THE CANAL TREATIES

--- The new Canal Treaties provide the best guarantee to ensure our objectives in an open, efficient and neutral canal.

--- Under the new treaties, we will always have the right to take whatever action is necessary to ensure that our merchant and naval ships will be able to transit the canal.

--- The new treaties will significantly improve our relations with Latin America and the entire developing world by showing that we are willing to deal with those countries on the basis of mutual respect.

--- I support the new treaties because they are right; they demonstrate that the strongest nation in the world is willing to work with one of the smallest nations to build a fairer and more equitable relationship.

--- The U.S. presently carries on about \$34 billion worth of trade each year with Latin America. Our foreign direct investment there is \$24 billion. We have a large stake in the region, and it will grow if the U.S. ratifies the new treaties.

--- Furthermore, we need Latin America's support in the North-South dialogue and to pursue our goals on non-proliferation, arms restraint and basic human needs.

--- The leaders of our closest allies and friends in the hemisphere and throughout the world have gone on record in public support of the new treaties and have written and told me that ratification of the treaty by our country

would be an important indication of our capability to exercise leadership in the world.

--- In order to keep the canal open and operating efficiently, we need Panama's active cooperation. This treaty will permit Panama to become an active partner in the operation as well as the defense of the canal.

Energy

TALKING POINTS ON ENERGY FOR CABINET OFFICERS

- Energy continues to occupy a top priority position on the President's legislative agenda because resolution of our energy problem is so central to our national security and our economic well-being.
- The serious deterioration of the dollar in international financial markets which we have experienced over the last several months has been substantially aggravated by our lack of a national energy policy. Our \$45 billion oil import bill turned what otherwise would have been a trade surplus into an extremely worrisome trade deficit. Our inability to enact comprehensive energy legislation which will permit us to use energy more efficiently and to begin the transition from oil and natural gas to alternative energy sources has caused many of our international friends to question U.S. resolve in facing up to our energy problem.
- Our energy problem, coupled with the deterioration of the dollar has serious consequences, among them:
 - continued exporting of capital which we need at home to produce jobs and new investment opportunity;
 - increased inflationary pressures;
 - aggravation of the risk of additional OPEC price increases;
 - a more uncertain business climate which dampens private investment;
 - increased U.S. vulnerability to cut-offs of our energy supply.
- Decisions to resolve natural gas or oil pricing questions are not easy, either substantively or politically. Nevertheless, we believe that the stakes are too high to leave them unaddressed. The President has expressed his continuing confidence that the Congress can and will face up to these difficult questions and present him with legislation which will provide a framework for realizing our energy objectives.

Tax Reform

INSERT ON TAX PROGRAM FOR CABINET SPEECHES

Let me add a note about tax reform.

With President Carter's tax program now before Congress, the American public needs to know the important stakes involved.

It is much more than a \$25 billion tax cut. It also is a major reform bill. It helps simplify our tax code. It plugs unjustified and unfair loopholes. And it raises \$9 billion in revenue needed to finance the tax cut and keep a lid on the Federal deficit.

These reforms strike at entertainment loopholes like deductible meals, country club dues, yachts, and other personal luxuries -- tax shelters that generate paper losses of hundreds of millions of dollars for wealthy taxpayers -- and preferences that allow companies to avoid taxes on profits earned overseas.

Moreover, our program directs tax cuts to those who need it most -- low and middle income families. This tax package -- both the tax cuts and the reforms -- is required to keep our economy growing and to restore confidence in our tax system.

It needs your support to secure passage in Congress. And it deserves your support.

OBJECTIVES OF THE PRESIDENT'S PROGRAM

- Fundamental reform of the tax laws.
 - o Most Americans want their tax system to be fairer and simpler. They don't want to pay higher taxes to subsidize the loopholes and special preferences that largely benefit those who have no need for financial assistance.
 - o The tax reform proposals will raise over \$9 billion in revenue. Without these reforms, the amount of the individual and business tax cuts recommended by the President will have to be reduced.

- Substantial tax reductions.
 - o The President's program will significantly reduce the tax burden for most individuals and businesses.
 - o The tax reductions will provide the consumer purchasing power and business investment strength necessary to keep the economy strong and create new jobs.

THE SIZE OF THE PRESIDENT'S PROGRAM

- \$25 billion in net tax reductions consisting of:
 - o \$17 billion for individuals, primarily low and middle income taxpayers
 - o \$6 billion for businesses
 - o \$2 billion for elimination of telephone excise taxes and a reduction in the payroll tax for unemployment insurance, both cuts designed to lower costs and prices

- These are net tax reductions -- after taking account of the tax reform proposals.

WHAT THE PRESIDENT'S PROGRAM MEANS FOR...

1. The Economy and Jobs

- The tax program will mean significant increases in individual take home pay and funds for business investment. And that means a stronger economy in 1978 and 1979.
- With the President's tax program, the economy will continue to grow at a 4 1/2 to 5% pace through the end of 1979. Without the President's tax program, economic growth will slow to about 3 1/2% in 1979 and unemployment may begin moving upward again.
- The tax program will generate an additional \$40 billion in national income by the end of 1979 and lead to the creation of up to one million new jobs.

2. Low and Middle Income Taxpayers

- Under the President's program, almost all taxpayers will pay lower taxes. But the bulk of tax relief has been targeted to low and middle income taxpayers. Tax reductions for the average family of four will be:
 - o Over \$275 for the family earning between \$10,000 and \$20,000.
 - o Over \$335 for the family earning between \$20,000 and \$30,000.
 - o Over \$300 for the family earning between \$30,000 and \$50,000.

- Over 94% of the tax cuts for individuals will go to those earning less than \$30,000 a year.
- On a percentage basis, the largest tax cuts will be for low income individuals and families. Millions of individuals at or below the poverty level will no longer have to pay Federal income tax.
- The income tax reductions for 1978 and 1979 will be larger than the scheduled Social Security tax increases for the great majority of taxpayers.
- These tax reductions for low and middle income Americans take into account all the reforms in the President's program. But without passage of the reforms, the amount of the tax cuts and the focus on low and middle income taxpayers would be adversely affected.

3. Business

- Across-the-board reductions in the tax rates which apply to small as well as large corporations. The highest corporate tax rate will drop from 48% to 44%. Most small corporations will receive rate reductions of 10%.
- A liberalization of the investment tax credit, including its extension to the building (and rehabilitation) of factories and other industrial structures.
- The business tax cuts will apply to all corporations. They will be larger in size, fairer in coverage, and more effective in creating jobs for American workers than the business tax breaks which the President proposes to repeal.

THE REASONS FOR THE
MAJOR TAX REFORM PROPOSALS

1. Why President Carter wants to cut down on tax subsidized
expense account living.

- Because it is unfair for the majority of taxpayers to pay higher taxes to subsidize the personal dining and entertainment expenses of a relatively small minority.
- Some people write off more for their meals and entertainment in a year than many hard working Americans earn and pay taxes on. One taxpayer deducted his lunch expenses for 338 days of the year, almost \$10,000 in government-subsidized lunch money.
- The average citizen's "night out" is paid for out of his own pocket with after-tax dollars.
- Writeoffs for expense account living cost the Treasury over \$2 billion a year.
- The President's proposal to cut the deduction for business meals by 50% (the deductions for country club dues, theater and ballgame tickets, hunting lodges, yachts, etc., would be disallowed entirely) would not lead to a reduction in restaurant employment. A Library of Congress study concludes that the number of restaurant jobs will probably continue to grow faster than employment in other industries, whether or not this proposal is adopted.

2. Why President Carter wants to eliminate unjustified foreign tax
breaks for multinational corporations.

- Because these tax subsidies cost American workers jobs and the Treasury tax revenues and significantly benefit only a small number of our largest multinational corporations.

- DISC (the acronym for Domestic International Sales Corporation) is an export subsidy which costs the taxpayers over \$1 billion a year -- with 65% of that going to corporations with over \$250 million in assets. But its net effect on exports is very small because all it does is pay multinational corporations to do what they would do anyway -- export to profitable foreign markets (the rate of profit on export sales is about double the profit margin on domestic sales). And even if DISC benefits the large corporations that export, it makes foreign goods like steel, textiles, and shoes cheaper than American counterparts, costing jobs in these import sensitive and labor intensive industries.

- The deferral subsidy encourages multinational corporations to invest and create jobs overseas by letting them pay lower taxes on their foreign profits than they pay on money earned in the United States. There is no reason for our tax laws to favor foreign investment over U. S. investment when we need that investment and the jobs here at home. Just 30 of our largest corporations get 50% of the benefit of deferral. Passage of the President's proposal should improve our balance of payments by eliminating this tax incentive for the export, and retention overseas, of U. S. capital.

3. Why President Carter wants to sharply restrict the use of tax shelters.

- Because tax shelter operations create unfair competition for legitimate businesses, channel scarce investment dollars into unproductive economic activity, and allow some of our wealthiest citizens to avoid bearing their fair share of the tax burden.

- Tax shelters are investment schemes -- often packaged and "sold" by middlemen and promoters -- which allow wealthy taxpayers to put their money into transactions not because they make good economic or business sense but because they generate large artificial tax writeoffs.

4. Why President Carter wants to eliminate the deduction for state and local sales and gasoline taxes and tighten the deduction for medical expenses and casualty losses.

- Because these reforms are essential if tax record keeping and preparation are to be simplified for typical, middle income individuals and families and the cost of the deductions "lost" will be more than offset for most taxpayers by the rate cuts the President is proposing.
- The deductions that will be curtailed are ones that add complexity and inequity to the tax system without advancing significant objectives of public policy.
- We will have a simpler, more efficient tax system if we eliminate and tighten these deductions and return the revenue directly to taxpayers through the rate cuts proposed by the President. Over 6 million taxpayers will be able to switch to the simple standard deduction.
- The deductions for mortgage interest, charitable contributions, and state and local income and real property taxes would not be affected.

5. Why President Carter wants to assist state and local governments that issue taxable municipal bonds by providing a Federal payment equal to 35 to 40% of the interest cost.

- Because this taxable bond option will provide a substantial benefit for many of our urban centers; will restrict the tax avoidance opportunities presently available to the wealthy in the tax-exempt markets; and will not affect the right of local governments to continue to issue tax-exempt municipal bonds.
- State and local governments will benefit under the taxable bond

option regardless of whether they decide to issue taxable or tax-exempt bonds: those issuing taxable bonds will benefit directly from the interest payment; and those continuing to issue tax-exempt bonds will benefit because the availability of the taxable bond option will make the tax-exempt market less congested, thereby allowing these governments to sell their tax-exempt bonds at lower interest rates.

- The Federal Government will not exercise any control over the purposes for which state and local governments use these taxable bonds.

REVENUE EFFECT OF THE MAJOR ITEMS
IN THE PRESIDENT'S TAX PROGRAM

<u>Individual Items</u>	<u>Calendar Year 1979</u> (\$ billions)
Total individual tax reductions (reduced tax rates and introduction of the \$240 personal credit)	- 23.5
 Individual tax reforms:	
Eliminate deduction for gasoline taxes	.9
Eliminate deduction for sales taxes	2.5
Eliminate deduction for personal property and other miscellaneous taxes	.6
Tighten deduction for medical and casualty expenses	1.9
Restrict tax shelters	.4
Include unemployment compensation benefits in taxable income for single persons with income above \$20,000 and married couples with income above \$25,000	.2
Taxable bond option	.2
Total for reforms:	6.7
NET INDIVIDUAL TAX REDUCTIONS:	- 16.8

Business Items

Business tax reductions:	
Corporate rate reduction	- 6.0
Liberalization and extension of the investment tax credit	- 2.4
Total business tax reductions:	- 8.4
 Business tax reforms:	
Restrict deductions for entertainment and meal expenses	1.5
Phase out DISC and deferral over three years	.8
Reform bad debt accounting and tax ex- empt status of financial institutions	.3
Miscellaneous	.1
Total for reforms:	2.7
NET BUSINESS TAX REDUCTIONS:	- 5.7

Anti-Inflation Items

Repeal telephone excise tax	- 1.2
Reduce unemployment insurance payroll tax rate	- .8
Total:	- 2.0

GRAND TOTAL:

- 24.5

Urban Policy

THE WHITE HOUSE

WASHINGTON

ADAPTED FROM THE WHITE HOUSE REMARKS

OF THE PRESIDENT

UPON ANNOUNCEMENT OF URBAN POLICY

March 27, 1978

This Administration has been committed to the future of urban America ever since the first day that President Carter took office. That is why we did not wait until the formal announcement of a national urban policy to strengthen existing programs and to initiate new ones that are crucial to that policy. The Congress has cooperated enthusiastically.

Total assistance to State and local governments has already been increased by some 25 percent, from \$68 billion to \$85 billion. We have had major improvements in such urban related programs as the Community Development Block Grant program, and the new Urban Development Action Grant program, and urban education. The President proposed a doubling in our expenditures from employment and training to over \$12 billion in 1979, and we have already increased the number of public service jobs by 150 percent.

We added 4.1 million new jobs last year.

In many of these programs, we are enlarging the share that is provided to cities and to urban areas and the President has asked for the abolition of the present disastrous welfare system and its replacement with a fair and workable better jobs and income program that will provide immediate fiscal relief to State and local governments.

But even with substantial increases and improvements in existing programs, gaps still remain. The new initiatives proposed on March 27--\$4.4 billion in budget authority, \$1.7 billion in new tax incentives and \$2.2 billion in loan guarantees--are designed precisely to fill those gaps.

To make government at all levels more efficient, the President proposed incentives to cities with coordinated economic development plans; a simplification of planning requirements; and a new coordinating mechanism for Federal programs.

To help relieve the distress of the most fiscally strained communities, replace the expiring countercyclical aid program with a new fiscal assistance program targeted on those communities with the highest unemployment rates.

To encourage the states to channel additional resources to their own distressed areas, a new incentive grant program.

To provide increased opportunities for our unemployed, a new employment tax credit to encourage private industry to hire jobless young people whose plight is among the most serious human problems of our whole society, and a new program to encourage private industry, a new partnership with mayors to hire and to train more disadvantaged workers.

To strengthen the economic base of cities, major incentives to private investment to urban areas through increased and affordable credit from a new National Development Bank, expanded grants and a new tax incentive, and an innovative program of labor-intensive public works aimed at repairing and rehabilitating the existing facilities in our urban communities.

An inner city health and social service initiative, together with expanded support for mass transit, housing rehabilitation and urban parks and recreation initiative, and a new arts and cultural program will promote community and human development and preserve historic buildings in our areas.

And to marshal the thousands of Americans who want to contribute their time and energy to the betterment of their own neighborhood, the President is proposing neighborhood rehabilitation and anti-crime projects and a new Urban Volunteer Corps.

All of us recognize again, that the Federal Government does not have the resources by itself to do the job. But we are ready to provide the leadership, the commitment, and the incentives which will encourage all sectors of our country to rebuild and to maintain the quality of America's communities.

The new initiatives fall into four separate categories.

1. COORDINATION, STREAMLINING, AND REORIENTATION OF FEDERAL, STATE AND LOCAL GOVERNMENT ACTIVITIES

- Create an Inter-Agency Coordinating Council. This group would implement the New Partnership by coordinating programs and acting upon projects too large and complex to be handled by one department. The Council will be chaired by the Secretary to the Cabinet/Assistant to the President for Intergovernmental Relations.
- Institute a Community Impact Analysis process. Agencies will submit, as part of their legislative program, analysis of how each initiative affects communities.
- Consolidation of community and economic development planning requirements.
- Location of Federal facilities on a priority basis in cities whenever such location is not inconsistent with Agency mission.
- Targeting of Federal Procurement to labor surplus areas.
- New incentive grant program for State governments. States will compete for \$400 million in grants over two years which will require them to reorient their own resources and state-controlled federal resources toward existing communities and those in distress.

2. FISCAL ASSISTANCE

The Federal Government will help financially strained communities address their immediate fiscal problems. Initiatives include:

- New Supplementary Fiscal Assistance program to replace the present counter-cyclical effort. A new program would provide funding to communities suffering fiscal strain using the \$1 billion already in the FY 79 budget for the existing counter-cyclical program. Only local communities would be eligible and the formula would be targeted to fiscally strained communities.
- Fiscal relief portions of the President's welfare reform program would be phased-in immediately upon enactment of legislation rather than waiting for implementation of the program—originally scheduled for FY 81.

3. EMPLOYMENT AND ECONOMIC DEVELOPMENT

The Federal government, in cooperation with state and local governments, and the private sector, will seek to:

- provide job opportunities in the private sector for long-term unemployed;
- strengthen private sector economic base of distressed communities.

Employment

- New "Labor-Intensive Public Works" program for \$1 billion per year over three years. This would be a labor-intensive effort to rehabilitate and renovate public facilities. Half of the jobs would be for long-term unemployed and disadvantaged workers referred through the CETA system.
- New targeted Employment Tax Credit. A program which would provide a tax credit to employers who hire young CETA referred workers. The credit would be for \$2,000 the first year and \$1,500 the second. The total revenue loss allowed for would be \$1.5 billion per year.

Economic Development

- Creation of a National Development Bank. This new entity would be an inter-agency institution governed by a board composed of the Secretaries of HUD, Commerce and Treasury. The Bank would provide four key financing incentives:
 - An up-front grant of up to 15% (or a maximum \$3 million) of a firm's capital costs for fixed assets of a project. Grants would come from EDA and HUD.
 - In coordination with the grant, a program of \$2.2 billion in loan guarantees (maximum of \$15 million per project) to cover 75% of the remaining capital costs (a small fee will be added). The typical interest rate would be slightly above Treasury rates, but in special circumstances the Bank could subsidize the interest rate down to 2.5%. The grant and loan guarantee would be conditioned on obtaining the balance of the financing from private financial institutions.
 - The Bank could increase the limit of tax-exempt or taxable industrial revenue bonds that could be issued in an economi-

cally distressed area. The limit could be raised from \$5 million to \$20 million.

- The Bank would create a secondary loan market for (1) private loans made in eligible areas to finance the remaining costs of the project not receiving guarantees or (2) private loans made directly to eligible small and medium-sized businesses to finance capital expenditures.

The incentives would be provided through an intermediary local government economic development authority responsive to the local jurisdiction's public and private leadership.

- Additional funding for economic development programs in HUD and Commerce Department. EDA Title IX and the UDAG program each would receive an additional \$275 million for use with the National Development Bank incentives.
- Additional funding of \$20 million for successful Community Development Corporations (in the Community Services Administration).
- New Investment Tax Credit differential for investment in distressed areas. A 5% differential would be allowed in addition to the proposed permanent 10% ITC (in the President's tax program). Firms locating in distressed communities would apply to the Commerce Dept. for a "Certificate of Necessity" which would be decided upon within 30 days. Once certified the project would be eligible for the differential ITC. The program would be instituted on an experimental basis for two years and limited to \$200 million per year.
- Air quality planning grants to help localities accommodate economic development and still achieve air quality standards. Funds would be provided to consortia of local governments to develop attainment strategies. Funds would be provided (2/3 of the cost) only to localities which combine or provide close cooperation between their transportation and environmental planning programs. \$25 million would be authorized through EPA.
- Private sector financial institutions will be encouraged to provide greater resources to urban revitalization through a series of new initiatives:
 - Creation of Neighborhood Commercial Reinvestment Centers. This would expand the Urban Reinvestment Task Force housing concept into the commercial credit area. These new "centers" would be local organizations comprised of merchants,

residents, government officials, and commercial bankers. The Comptroller of the Currency would head a Task Force composed of SBA, EDA, HUD, and perhaps the Federal Home Loan Bank Board, FDIC, and the Federal Reserve Board.

- Creation of an Institute for Better Communities. Run by the Federal Home Loan Bank Board, it would bring together all participants in the home lending process with the goal of coordinating the practices of various mortgage lending institutions to develop reinvestment prototypes, a consistent approach to urban lending, and training of urban lending specialists.
- The President will urge financial regulatory agencies to fully implement the Community Reinvestment Act, which requires all financial institutions to show they are meeting the legitimate credit needs of their communities. Uniform regulations and practices will be emphasized.

4. COMMUNITY AND HUMAN DEVELOPMENT

The Federal government in cooperation with State and local governments, neighborhood and voluntary organizations and the private sector, will seek to:

- improve the condition of public facilities;
- improve the quality of life in urban areas by improving recreation facilities, arts programs and reducing crime;
- provide adequate housing at affordable costs;
- maintain a decent standard of living and adequate health and education services in existing communities;
- involve neighborhood and voluntary organizations in community revitalization and the delivery of services.

Housing

- Increased funding of \$150 million (in addition to the FY 79 budget proposal for \$125 million) for the HUD Section 312 loan program. This effort provides low-interest loans (at 3%) for rehabilitation of housing. It has been used to revitalize neighborhoods through tenant rehabilitation, urban homesteading, and "sweat equity."

Urban Parks and Recreation

- A \$150 million initiative of grants to rehabilitate and maintain urban parks and recreation facilities.

Health

- An inner city health initiative which would provide an additional \$50 million to the Community Health Center (CHC) program.

Social Services

- A targeted Social Service grant program for \$150 million to improve delivery of social services to areas with high concentrations of poor people. Provided through states and the existing Title XX program, cooperative efforts would have to be developed among states, localities, and other local public and private agencies to coordinate such services. The target population would be families with incomes below 115% of the median income of their state living in areas of high poverty concentration.

Troubled Schools Program

- Expansion of the Cities in Schools project to assist families and students in troubled schools. This program integrates education and human services in local communities through highly individualized assistance. Funding is for \$1.5 million.

Neighborhoods and Volunteers

- Crime prevention efforts directed toward neighborhood involvement in crime-watch, escort services for the elderly, assistance to shop-keepers, and other projects would be instituted through LEAA and ACTION for \$10 million.
- Urban Volunteer Corps in ACTION would be created for \$40 million to (1) match the needs of neighborhood organizations with volunteers with specialized skills; (2) provide small grants (up to \$15,000 with an average of \$5,000) to cover costs of tools, supplies, materials, and administrative support to carry out voluntary projects.
- Neighborhood Self-Help Fund would be created in HUD to provide assistance to neighborhood and voluntary organizations for specific housing and revitalization projects consistent with the elected officials' plan. Projects would involve residents, the private sector, both profit and non-profit, and local and state governments. \$15 million would be authorized.
- Expansion of funding for Community Development Credit Unions that serve the needs of their membership and reinvest assets in neighborhoods where they operate. In many areas, these financial

institutions are the only institutions that provide such credit assistance. The program, for \$12.4 million, would be jointly administered by the Community Services Administration and the National Credit Union Administration. The money would be used as seed money of approximately \$200,000 for each CDCU.

Transportation

- Intermodal transit programs would be implemented to complement urban economic development purposes and revitalize communities. \$200 million would be used to build new transit facilities that link existing facilities.

Resource Recovery Planning Grants

- EPA would provide \$15 million in grants to 15-30 cities for planning solid waste resource recovery systems. Grants of \$300,000 to \$400,000 seed money would be provided for feasibility and design studies. This assistance would not be used to fund design or construction of such systems to recover energy and materials from waste.

Arts and Culture

- A "Livable Cities" program from HUD, with participation by the National Endowment for the Arts, would be implemented to support communities and States for neighborhood and community based arts programs, urban design and planning activities such as Urban Walls in Atlanta, and creation and display of arts in public spaces. Funding of \$20 million would be provided.

Civil Service
Reform

Speech Insert

Civil Service Reorganization

President Carter announced in March a sweeping reorganization of the Federal Civil Service. His goal is to make government work better by improving the performance of the government service itself.

To carry out this objective of making government more efficient and responsive, the President has proposed that the civil service establish performance standards much like those that have worked well in the private sector. He believes that the government service will be healthier when federal workers face the risks and rewards of competitive life.

First, the President has proposed the establishment of genuine merit pay incentives for federal employees. To fill the government's approximately 9200 top management positions (those currently in the GS-16 through Level IV category) he has recommended the creation of a new Senior Executive Service. Those who enter this Service would not be tied to one position but would be available to serve anywhere in the government they are most needed. They would be eligible for annual

bonuses for superior performance but could also be removed from the Senior Executive Service for poor performance. Creation of the Senior Executive Service is intended to provide the Federal Government with a highly qualified corps of top managers with greater opportunities and incentives to improve government management.

The President has also proposed greater merit incentives for the 72,000 federal employees in mid-level management. He has asked Congress to authorize merit pay increases for those in the GS-13 to GS-15 levels who perform in an unusually productive fashion. He has recommended that these employees no longer receive automatic "step" increases in pay, and receive only a portion of their annual comparability pay increases. In return they would be eligible to receive pay increases of up to 12% in their salary based upon actual performance.

Secondly, the President has proposed that federal managers be given increased legitimate flexibility to do just that, manage. His reforms would reduce the red tape and costly delays in the present personnel system. They would create a speedier, and also fairer disciplinary system, a system in which managers could discharge non-performing employees -- using due process -- with reasonable assurance that their judgment, if valid, would prevail. It would establish, for

the first time by statute, the right of employees to appeal personnel actions. It would set fair and sensible standards to apply in hearing any such appeals, while eliminating procedural redundancies.

Part of the President's recommendations for improving management flexibility involves modifications in existing veterans' preference. These are designed to accomplish two broad objectives:

- increase federal employment opportunities for disabled and Vietnam-era veterans;
- reduce the negative impact of veterans preference on women.

Lastly, the President has recommended strong steps to protect against political abuse of the civil service. Today the U.S. Civil Service Commission serves simultaneously as the protector of employee rights and the promoter of efficient personnel management policy. Most people recognize that this creates a built-in conflict. To eliminate this conflict, the President has proposed reorganizing the Commission into two separate units -- a Merit Systems Protection Board and an Office of Personnel Management.

The Merit Systems Protection Board would be an independent, bi-partisan agency responsible for handling employee complaints and appeals. Under the President's proposals, it would have a Special Counsel personally responsible for investigating and prosecuting political abuses and protecting those who "blow the whistle" on government violations.

The Office of Personnel Management, on the other hand, would be the President's agent in managing the federal workforce most effectively.

These are some of the main ingredients in what amounts to the most important reform of the Civil Service System in history. As the President has said himself, his proposals will mean less job security for incompetent federal employees. Conscientious civil servants, on the other hand, will benefit from reforms designed to recognize and reward good job performance. The greatest beneficiaries, however, will be the American people, who could expect to see a more competent and efficient Federal Government.

MARCH 2, 1978

Office of the White House Press Secretary

THE WHITE HOUSE

FACT SHEET

The President announced today a comprehensive program to reorganize the Federal Civil Service system. The program is designed to improve government performance by establishing (1) genuine merit incentives for federal employees, (2) more legitimate management flexibility in federal personnel matters, and (3) greater protections against political abuse of the civil service.

The reform program includes legislation sent to the Congress today and a reorganization plan to be submitted later this month. The reorganization plan is authorized by legislation enacted in April 1977, and will go into effect unless either House votes to disapprove it within 60 legislative days.

The legislation provides:

1. Measures to increase employee incentives:

- creation of a new merit-based Senior Executive Service for top government managers;
- authorization of a merit pay system for about 72,000 managers and supervisors below the Senior Executive Service level;
- establishment of a fairer, speedier appeals system.

2. Measures to ensure greater management flexibility:

- modifications in veterans preference provisions;
- decentralization of personnel management decision-making;
- expansion of the manager's range of choice in hiring employees;
- consolidation of the regulations affecting the hiring of state and local employees under grant programs.

The reorganization plan provides:

3. Measures to ensure greater protection against political abuse:

- replacement of the Civil Service Commission by a new Merit Systems Protection Board, responsible for protecting federal employees (including "whistle blowers") from political abuse, and a new Office of Personnel Management, responsible for administering the federal government's personnel management system.

Senior Executive Service

The program would create a Senior Executive Service of approximately 9200 senior executives whose duties are managerial and who are now compensated from the GS-16 level through Executive Level IV or its equivalent. Entrance into the Service would be voluntary for persons presently at those levels. Those who enter the Executive Service could be assigned anywhere they are needed; career executives would be eligible for annual bonuses for superior performance; and executives could be removed from the Executive Service for poor performance.

The Service would include both career and non-career employees, with a statutory limit of no more than 10% non-career executives, which approximates their current proportion in the executive ranks. Some positions, like those in the Internal Revenue Service, could be filled only by career executives.

Creation of the Senior Executive Service is intended to provide the federal government with a highly qualified corps of top managers with greater opportunities and incentives to improve management. Under the President's proposals:

- Base salaries for Senior Executives would be at rates determined by agency heads within a range set by legislation. (\$42,500 to \$50,000 per year).
- Managers would no longer receive automatic pay increases based on longevity and comparability. Agency heads would be authorized each year to distribute bonuses to not more than 50% of the senior executives in recognition of superior performance.
- Unsatisfactory performance would result in removal from the Senior Executive Service.

Incentive Pay for Other Managers and Supervisors

The program would authorize the use of incentive pay for the 72,000 federal managers and supervisors in grades GS-13 through GS-15. Managers who perform in an unusually productive fashion would be eligible for annual bonuses. They would no longer receive automatic "step" increases in pay, and would receive only a portion of their annual comparability pay increases. In return, they would be eligible to receive performance pay increases of up to 12% of their salary based upon actual performance. This change would not add to payroll costs.

Fairer, Speedier Appeals System

The program would provide managers in the federal government the authority to manage. It would reduce the red tape and costly delays in the present personnel system.

It would establish by statute, rather than executive order, the right of all competitive employees to appeal personnel actions. It sets fair and sensible standards to apply in hearing any such appeals.

Changes in Veterans Preference Provisions

The proposed modification of veterans preference would improve employment opportunities for disabled veterans and Vietnam-era veterans. However, it would reduce the lifetime preference now available to other veterans.

Disabled veterans, including disabled military retirees, would continue to receive all present entitlements without time limit. In addition, those with service-connected disabilities of 50 percent or more, and those enrolled in job-related training programs, could be noncompetitively appointed. Special employment programs created for Vietnam-era veterans under a 1970 executive order would be expanded and extended through fiscal year 1980.

The President has already proposed a two-year extension of the Veterans Readjustment Appointment Authority to permit Vietnam-era and disabled veterans easier entry into the federal work force. Today, he announced that he will also support amendments to that authority to expand federal job openings for covered veterans through GS-7, and to waive the educational limitation for disabled veterans.

Other modifications would include:

- limiting the 5-point preference awarded to veteran applicants to the ten-year period following discharge. This provision would become effective two years after enactment.
- eliminating veterans preference for retired military of field grade rank (major/lieutenant commander and above), and limiting veterans preference for other retired military personnel to three years following retirement.
- restricting the absolute preference now accorded non-disabled veterans in Reduction in Force (RIF) situations. After their first three years of federal employment, such veterans would be granted only an additional five years of seniority for purposes of determining their rights.

Decentralized Personnel Decision-making

Job examination in the federal career service is now done almost exclusively by the Civil Service Commission. Because of this rigid procedure, dictated largely by statute, it may take as much as six to eight months to have a desired applicant fill an agency position. In addition, many essentially routine personnel management actions must be submitted to the Civil Service Commission for prior approval.

The reform program provides for delegation of selected personnel authorities to departments and agencies. Any potential abuse stemming from increased agency personnel authority would be minimized by performance agreements between agencies and the Office of Personnel Management, reporting requirements and follow-up evaluations. The Office would have the authority to direct corrective action whenever the delegated agency authority is misused.

Expanded Choice in Hiring

The existing requirement limiting the hiring agency to a choice among the top three candidates on a civil service list would be amended to allow a choice among the top seven in most cases.

Regulations Affecting Hiring of State and Local Employees

The act would consolidate into a single set of regulations the multitude of instructions affecting the hiring of state and local employees under grant programs. In addition, the Mobility Program, which allows for the movement of personnel among federal, state and local governments, would be improved.

Reorganization of the Civil Service Commission

The Civil Service Commission now serves simultaneously as the protector of employee rights and the promoter of efficient personnel management policy. The reorganization plan divides those two roles between two separate agencies, the Merit Systems Protection Board and the Office of Personnel Management.

- The Merit Systems Protection Board would be an independent agency under bipartisan leadership and would have the "police" and adjudicating responsibilities and authority to deal with employee complaints and appeals, and to prevent reprisals against "whistle blowers." It would be the successor agency to the Civil Service Commission and Board members would serve in overlapping, non-renewable, seven-year terms and could not be removed except for cause such as misconduct or neglect of duty.

--The Office of Personnel Management would be the primary agent advising the President and helping him carry out his responsibilities to manage the federal work force. It would develop personnel policies, provide personnel leadership to agencies, and administer central personnel programs. It would be headed by a director and a deputy director, both appointed by the President and confirmed by the Senate.

The reorganization plan would also create:

--The Federal Labor Relations Authority, which would consolidate the third-party functions in the federal labor-management relations program by assuming the functions of the Federal Labor Relations Council and certain responsibilities of the assistant secretary of labor for labor-management relations. It would also be an independent agency operating under bipartisan leadership with final decisional authority on matters within its jurisdiction.

In addition to establishing this body under the reorganization plan, the President has directed his Administration to develop a legislative proposal to incorporate further improvements in this area as part of the legislative process for civil service reform.

--a General Counsel with responsibility to investigate and prosecute alleged unfair labor practices before the FLRA;

--a Federal Service Impasses Panel as a separate entity within the FLRA.

#

THE WHITE HOUSE
WASHINGTON

April 10, 1978

Secretary Schlesinger
Jim McIntyre

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

cc: Stu Eizenstat
Frank Moore

RE: STATE ENERGY GRANT PROGRAM
REFORM

THE WHITE HOUSE
WASHINGTON

4/10/78

Mr. President:

Eizenstat concurs.

No comment from Schultze or
Congressional Liaison.

Rick

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
	/	EIZENSTAT
		JORDAN
		LIPSHUTZ
	/	MOORE
		POWELL
		WATSON
	/	McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
/	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN



THE PRESIDENT HAS SEEN

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

Jim²
J

March 27, 1978

MEMORANDUM TO: THE PRESIDENT
FROM: JIM SCHLESINGER *Jim*
JIM McINTYRE
SUBJECT: State Energy Grant Program Reform

In the FY 1979 Budget, we stated that legislation would be transmitted to Congress this spring to improve Federal energy grant programs to States upon completion of a study of the roles of State governments in the energy area. A DOE/OMB team worked on the study for two months and, in cooperation with the National Governors' Association, visited eight States.* The study is now finished, and this memorandum sets forth our recommendations.

General Findings

The Federal Government has indicated that it is relying on States as well as the private sector to address a broad range of energy issues. The extent of Federal reliance varies, but it appears that States need to plan and manage a range of energy activities which involve both the traditional and some new State government functions. Most States presently are not fully equipped to undertake these responsibilities.

Problems

The study disclosed three types of problems encountered by the States in seeking to establish their energy planning and management capabilities:

- ° Disagreement with Federal energy goals, problem assessments, or policy proposals
- ° Difficulty in organizing around and addressing a new and complex problem
- ° Problems associated with the structure, content, and level of Federal assistance programs.

* Alabama, California, Colorado, Illinois, Massachusetts, Minnesota, New York, Texas

More specific problems with current and proposed Federal assistance programs include:

Fragmentation of Federal Programs

Though the half dozen DOE programs in the 1979 budget may be manageable for States, the continued proliferation of narrow categorical programs is undesirable and significantly reduces States' flexibility in meeting energy needs.

Gaps in States Activities

The current grant programs are for energy conservation, but the Federal Government is also counting on States for:

- A major role in dealing with energy shortages resulting from embargoes, etc.
- Overall energy planning, management, and program coordination including such topics as energy resource development and transportation, utility regulation, and integration of energy policies into a variety of ongoing State functions such as environmental protection, transportation systems development, community and facility design regulation, etc.

Recommendations

We are proposing reforms in the current Federal assistance programs to address these three specific problems as follows:

Fragmentation

- Consolidate and reform three existing categorical programs for conservation, requiring that 50 percent of the grants from the new program be used for conservation and that the functions of the Energy Extension Service be continued in the new program.

Gaps

- Require States to develop energy emergency preparedness measures, forecasts of energy supply, demand, and need for major generic facilities, and necessary information systems.

Flexibility

- Reduce some of the mandatory requirements of existing programs (such as right-turn-on-red laws), giving States discretion on these.
- Broaden range of allowable uses of the grant funds to include energy supply, energy planning and management, and other purposes.

The funding level for this new program would be \$110 million, of which \$85 million would come from the FY 1979 budget amounts of the three programs being reformed. The other \$25 million is additional funding, in part to meet new Federal requirements and in part to secure support for enacting these reforms. States would be required to match the Federal funds with \$1 State for each \$5 Federal.

A more detailed description of this proposal is attached.

In sum, the existing State energy programs were enacted a few years ago and need to be reformed in view of what we know today. The proposed program has been designed for the longer term giving both the Federal Government and States flexibility in meeting national and State needs. We recommend your concurrence and if you agree we will prepare legislation for your transmittal.

_____ Approve

_____ Disapprove

_____ See me.

Attachment

*ok, but can't
we do this consol. action,
etc without raising
the budget?
J*

Attachment

Major Provisions of a New State Energy Grant Program

- (1) Consolidation of three existing DOE grant programs for conservation, including the Basic, Supplemental, and Energy Extension Service programs.
- (2) Giving States discretion to discontinue all mandatory actions associated with the current programs, except:
 - (a) Promulgation by States of thermal efficiency standards for new and renovated buildings,
 - (b) Provision by the States of energy extension outreach services, but without Federal organization or funding requirements.
- (3) Adding \$25 million to the \$85 million now budgeted in FY 1979 for the separate programs. Of this \$110 million, \$100 million would be for formula grants to the States, \$5 million would be for distribution in response to competitive State proposals, and the remainder would be for DOE administration.
- (4) Adding requirements for:
 - (a) State forecasts of energy supply, demand, and need for energy facilities, to the extent possible without excessive State costs.
 - (b) Preparation of energy emergency plans and standby measures compatible with Federal plans.
- (5) Requiring that 50 percent of the program funding be used for conservation activities.
- (6) Requiring that States match \$1 for every \$5 Federal dollars, providing that States can, for the first two years, elect not to provide the full match in exchange for higher matching requirements in the last three years of the five-year program.
- (7) Prohibiting use of the funds for hardware, R&D, and subsidy programs such as solar tax credits, transit fare subsidies, insulation, etc.
- (8) Allowing but not requiring States to apply for all DOE grant funds in a consolidated application.
- (9) Allowing States to use overhead funds from other DOE grant programs for the purposes allowable under this new program.

ID 781735

THE WHITE HOUSE

WASHINGTON

*Done
7/50*

DATE: 04 APR 78

FOR ACTION: STU EIZENSTAT

attached-

JACK WATSON

INFO ONLY: THE VICE PRESIDENT

BOB LIPSHUTZ

FRANK MOORE (LES FRANCIS)

CHARLIE SCHULTZE

*get for
Lipshutz*

nc by plan

SUBJECT: SCHLESINGER MCINTYRE MEMO RE STATE ENERGY GRANT
PROGRAM REFORM

++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1200 PM THURSDAY 06 APR 78 +
++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:



Department of Energy
Washington, D.C. 20585

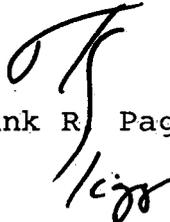
April 3, 1978

NOTE TO RICK HUTCHESON

Attached is a Memorandum to the President, subject
"State Energy Grant Program Reform," signed by
Jim Schlesinger and Jim McIntyre.

I would appreciate your seeing that the attached
is given to the President.

Thanks.


Frank R. Pagnotta

Attachment

IL 781735

THE WHITE HOUSE

WASHINGTON

DATE: 04 APR 78

FOR ACTION: STU EIZENSTAT

JACK WATSON

*X Copy
Schilp*

INFO ONLY: THE VICE PRESIDENT

BOB LIPSHUTZ

FRANK MOORE (LES FRANCIS)

CHARLIE SCHULTZE

SUBJECT: SCHLESINGER MCINTYRE MEMO RE STATE ENERGY GRANT
PROGRAM REFORM

To Beet

+++++

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: 1200 PM THURSDAY 06 APR 78 +

+++++

STAFF RESPONSE: (X) I CONCUR. () NO COMMENT. (.) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

I concur in the recommendations but would suggest that Frank Moore's staff check on the Hill about their reception to these recommendations, particularly, the abolition of certain state requirements, before legislation is actually signed.

Stu

1869

THE WHITE HOUSE
WASHINGTON

April 10, 1978

The Vice President
Stu Eizenstat
Frank Moore
Jack Watson

The attached was returned in
the President's outbox. It is
forwarded to you for your
information.

Rick Hutcheson

RE: UPDATE ON RUSSIAN SHIPMENT OF
BUSES

EIZENSTATT

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
	/	MONDALE
		COSTANZA
	/	EIZENSTAT
		JORDAN
		LIPSHUTZ
	/	MOORE
		POWELL
	/	WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN



THE PRESIDENT HAS SEEN.

THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

C

April 7, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Brock Adams

SUBJECT: Update on Russian Shipment of Buses

A large, stylized handwritten signature in black ink that reads "Brock Adams".

As follow-up to the controversy over the shipment on Russian vessels of buses purchased by eleven U.S. cities under a DOT grant, I met this week with representatives of the maritime labor unions including Mr. Shannon Wall, President of the National Maritime Union. As a result of that meeting, I am contacting the President of AM General, the bus division of American Motors, to urge them as the prime contractor, to request their freight forwarder to use U.S. flag vessels for the remainder of this procurement (the Russian ship carried 50 of the 398 buses ordered).

At a hearing this morning before Congressman John Murphy, Chairman of the House Committee on Merchant Marine & Fisheries, we reaffirmed our position that until the Commerce Department finally issued regulations in October 1977 clarifying that cargo preference applied to procurements by grantees as well as direct Federal procurements - we had no authority to require such preference. The contract in question was awarded in 1976.

There is apparently a very serious problem developing in our foreign trade wherein American purchasers of foreign equipment are using foreign freight forwarders when they select a shipping company. These foreign shippers are highly subsidized and apparently are ready to carry goods below cost in order to obtain hard currencies. The Federal Maritime Commission is also investigating this point.

As I stated to you in my March 10, 1978, memorandum on maritime transportation policy, we need a focal point for the Administration's management and policy determinations in the growing maritime transportation area which is rapidly expanding due to the Japanese and European trade and our importation of oil from the Middle East.

THE WHITE HOUSE
WASHINGTON

April 10, 1978

The Vice President
Hugh Carter

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson

cc: Frank Moore

RE: WHITE HOUSE AUTHORIZATION BILL

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
/		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
/		MOORE
		POWELL
		WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

		ARAGON
		BOURNE
		BRZEZINSKI
		BUTLER
		CARP
/		H. CARTER
		CLOUGH
		FALLOWS
		FIRST LADY
		HARDEN
		HUTCHESON
		JAGODA
		GAMMILL

		KRAFT
		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		POSTON
		PRESS
		SCHLESINGER
		SCHNEIDERS
		STRAUSS
		VOORDE
		WARREN

THE WHITE HOUSE
WASHINGTON

April 7, 1978

*Fritz - Hugh -
Proceeds future
action will, Jim
Sure, be an
improvement.*

MEMORANDUM FOR THE PRESIDENT

FROM: THE VICE PRESIDENT
HUGH CARTER *HC*



SUBJECT: White House Authorization Bill

The purpose of this memo is to bring you up to date on the status of the White House Authorization Bill, and advise you of our recommended strategy from here.

- (1) On April 4, the bill went to the House floor under a suspension of rules (suspension status recommended by Tip O'Neill and Bill Cable), and it did not receive the two-thirds vote required for passage under suspension. However, it did receive a majority (207-188).
- (2) We feel it failed because:
 - (a) The Republicans ganged up against it, probably still smarting from when the Democrats ganged up on them on a similar bill in 1975.
 - (b) Some voted against it because it went in under a rules suspension, thus ruling out any amendments.
 - (c) Representatives Harris and Schroeder sponsored the bill on the floor and were weak. The House leadership did not help. Morris Udall was in the hospital, and Tom Steed was out of town -- both of whom pushed us hard to write a bill and whom could have helped -- especially Udall.
 - (d) The pre-vote press was not good. The National Journal wrote a factual article, but slanted it so as to lead one to believe you were trying to get authorization for a big staff increase -- certainly not the case. Hugh Carter was grossly misquoted in the story. Other similar stories were published with the only really accurate story being written by UPI.

(3) What happens now?

- (a) Representative Harris will have the bill brought back to the House floor. This will probably occur in seven to ten days.
- (b) Several amendments will probably be offered. They include:
 - 1. Requirement to report all detailees annually regardless of how long they've been here (the present bill calls for them to be reported only after they've been here for 180 days cumulative in any fiscal year).
 - 2. Reduce the number of staff authorized (the present bill calls for maximum of 100 people between GS-16 and Executive Level II, and no limit on number under GS-16. We presently have 57 in the GS-16/Level II category, and made the bill read 100 for adequate flexibility for you and future presidents).
 - 3. A sunset provision at the end of each Administration.

(4) Our recommended strategy from here:

- (a) Keep as low a profile as possible, but still maintain an active role.
- (b) Be willing to accept a stricter detailee reporting requirement amendment. Oppose all other amendments that would be concessions on our part.
- (c) Insist that the leadership, and Morris Udall take an active role in getting the bill passed in its present form. Maintain a position that you have compromised all that you are willing to compromise. Tell them that it's about time they took a strong position on this issue and stopped allowing the Congress to meddle with your office. The Vice President will take the lead in calling these people with this message.
- (d) Ask Tip O'Neill to write a letter to all the Representatives in support of the bill in its present form, and encourage speech passage.

ACTION: Do you have any comments or instructions for us?

THE WHITE HOUSE
WASHINGTON

April 10, 1978

Jim McIntyre

The attached was returned in
the President's outbox. It is
forwarded to you for appropriate
handling.

Rick Hutcheson
cc: Stu Eizenstat
Frank Moore

RE: OUTER CONTINENTAL SHELF
LEGISLATION -- CONFERENCE
COMMITTEE STRATEGY

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
/		EIZENSTAT
		JORDAN
		LIPSHUTZ
/		MOORE
		POWELL
		WATSON
/		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE
WASHINGTON

4/7/78

Mr. President:

Congressional Liaison: "The most effective threat would be to tell the Secretaries of Interior and Commerce to get to work and keep the cost in line or you will have to take the money from somewhere else in their budget. If Interior, Commerce, Treasury, Energy, etc., would get together, they could have an impact."

Eizenstat's comment, opposing a veto threat, is attached.

Rick

Electronic Copy Made
for Presentation Purposes



THE PRESIDENT HAS SEEN.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

9

APR 4 1978

ACTION

MEMORANDUM FOR: THE PRESIDENT
FROM: James T. McIntyre, Jr. *James T. McIntyre, Jr.*
SUBJECT: Outer Continental Shelf Legislation -
Conference Committee Strategy

Conference action on amendments to the Outer Continental Shelf (OCS) Lands Act will begin shortly. Although the legislation is consistent for the most part with the Administration's recommendations, your guidance is needed on strategy for dealing with two undesirable provisions:

1. Coastal Energy Impact Aid to States. The existing Coastal Energy Impact Program (CEIP) authorizes an 8-year, \$1.2 billion program of loans (\$800 million) and formula grants (\$400 million--\$50 million annually) to coastal States to meet increased public service facility demands and environmental impacts generated by Federal offshore energy development. Through 1978, \$220 million has been appropriated for the CEIP loan program. (No additional appropriations have been requested in 1979 because of the availability of sufficient unobligated balances in the loan fund.) The Administration has requested \$28 million for CEIP formula grants in 1979--an increase of \$10 million over the 1978 appropriation of \$18 million.

The Senate bill increases the annual CEIP formula grant authorization from \$50 million to \$75 million. The House bill converts the grant program to a revenue-sharing measure by earmarking 20 percent of annual Federal OCS receipts--up to a maximum of \$200 million--for such grants. In line with your decision (Attachment A) of last Spring to stay with the current program and not support revenue sharing, we have opposed increasing the current \$50 million authorization for grants or converting the grant program into a direct production-based OCS revenue-sharing program.

2. Legislative Encroachments. The House and Senate bills both contain provisions granting authority to the Congress to control or nullify executive branch OCS lease actions by passage of one-house or concurrent resolutions. Two of these--authority for either house to block a rule or regulation established under the legislation by simple resolution and authority to withdraw OCS lands from the

leasing program by concurrent resolution--are highly objectionable. The Administration has taken a firm position opposing such legislative encroachments on constitutional grounds.

Discussion. The Administration has received informal assurances of support for the less costly Senate CEIP version from Conference Committee Chairmen Senator Jackson and Representative Murphy. However, strong pressure will be applied by coastal State representatives for a more generous Federal aid program. (The House passed its CEIP revenue-sharing provision by a vote of 279-120.) No assurances have been received on deleting the legislative encroachments.

Your decision is needed on whether or not the Administration should press its objections to these provisions by threatening to veto the OCS legislation if they are included in an enrolled bill.

Arguments for a Veto Threat:

1. Since many supporters of the legislation do not view either of these issues as a high priority, there will probably be pressure on the conferees as well as the Administration to compromise in order to win overall agreement on the legislation. A signal of strong Presidential opposition is therefore necessary to help avoid inclusion of these undesirable provisions.
2. By earmarking a fixed percentage of OCS receipts, the House-passed CEIP provision is tantamount to revenue sharing. The Administration's five year (1979-1983) planning estimates for the existing CEIP formula grant program total \$160 million (about \$32 million a year). Full appropriations of amounts authorized by the House bill over the same 5-year period would total \$1 billion--approximating the total expected OCS related public investment needs of coastal states. The CEIP loan program with limited grant assistance is the most appropriate manner for helping states meet front end facility needs until an adequate tax base is established to ultimately cover the cost.
3. Although you have signed legislation in the past which included legislative encroachments, congressional authority to disapprove OCS regulations or exclude specific tracts from the leasing program will increase the political vulnerability of the program and risk delay in implementing the new legislation. Moreover, the congressional penchant for imposing these legislative vetos on a wide range of other programs will likely grow if strong Presidential opposition is not expressed.

Arguments Against a Veto Threat

1. A veto threat could be cited by opponents of the legislation as evidence of a weakening of Administration support for the bill. Such a misconception could be damaging in view of the delicate balance of support in the House.

2. Given the Administration's consistently strong support for the legislation as well as the small likelihood that a new bill could be enacted prior to adjournment, you will be under considerable pressure to sign an enrolled bill notwithstanding Congressional defiance of a veto threat.
3. Continued Administration opposition to these provisions, short of a veto threat, will still provide a record for resisting subsequent Congressional pressures for full CEIP funding.

Decision. Communicate a veto threat to the conferees with respect to:

-- House CEIP provision

Yes (OMB Recommendation)

No (Departments of Treasury, Commerce, Interior, and Energy Recommendation) DPS

-- Legislative encroachments

Yes (OMB Recommendation)

No (Departments of Treasury, Justice, Commerce, Interior, and Energy Recommendation) DPS

Attachment

*Lobby hard-
No veto threat*

J

TAB A



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

TAB-A

C

MAY 17 1977

ACTION

MEMORANDUM FOR:

THE PRESIDENT

FROM:

Bert Lance *BL*

SUBJECT:

Assistance for outer continental shelf impacts

Background

Committee mark up on the outer continental shelf bill (H.R. 1614) will begin in mid-May in the House. Efforts will be made to amend the bill to include provisions for non-discretionary revenue sharing from OCS receipts.

H.R. 935 is one likely approach which provides for non-discretionary sharing of 25% of offshore receipts with the coastal States. Although it was introduced by Congressman Hughes of New Jersey, the Louisiana delegation has pushed for non-discretionary revenue sharing in the past and is likely to support this or a similar approach again. The Administration will soon have to take a position on the issue.

You were quoted in the October 31, 1976 New Orleans Times-Picayune as saying: "In the far west, in coal mining areas, there's been a liberal law passed to give local and State people a chance to help finance the extra costs.... I think it's time we had a fair allocation of Federal funds to give local and State governments so you can still have a good quality of life and still supply oil and natural gas to the country." The article stated that your issues staff elaborated that you support the sharing of OCS revenues with coastal States rather than other previously enacted Federal impact aid.

Analysis

Our analysis of the issue is fully described in the attached staff papers. They conclude that:

- OCS activities normally will provide more than sufficient tax base to repay the public costs which they generate in adjacent States. Louisiana has gained fiscally from OCS development.

- There are two potential problems:

- Rapid exploration and development may cause sudden needs for investment in expanded public facilities before a significant tax base is in place.

Copies to: *Lance*
mc
Cutt
Cutt

- ° In rare circumstances, development may fail after public investments are made (the boom-and-bust case). In such cases, the tax base to pay for the investment may never be present.
- The existing OCS impact programs which provide Federal funds (up to \$1.2 billion) in the form of loans, bond guarantees, and grants to coastal States for planning and impact aid are more than sufficient to meet real needs for front-end financing assistance and "boom-and-bust" insurance. Aid is available as needed.
- The onshore mineral leasing receipts sharing arrangement is not a valid precedent for similar sharing of OCS receipts for reasons described in Attachment A, p. A-7.
- Automatic revenue sharing such as that of H.R. 935 is an exceedingly inefficient way to meet needs for impact aid:
 - ° Most of the money goes to States with very modest needs because they have already adjusted to past OCS development.
 - ° The cost is very high compared to our estimates of need: \$4.4 billion in cost compared to less than \$500 million in need for assistance.

Options

Alternative approaches to revenue sharing/impact aid are analyzed in tabs A and B. They are:

- #1. Status quo. Existing impact program of up to \$800 million authorized for loans, loan guarantees, and planning and environmental loss grants. Discretionary formula grants authorized up to \$400 million over eight years for certain purposes. Estimated cost over eight years \$335 million or less.
- #2. H.R. 935. Non-discretionary percentage revenue sharing from offshore receipts at a fixed proportion of 25% for next seven years. End current program. Estimated eight-year cost \$4.4 billion.
- #3. Fixed-level revenue sharing. Unrestricted grants based upon a fixed dollar amount per unit of net increased employment resulting from outer continental shelf activities. End current program. Estimated eight-year cost \$400 million.
- #4. Need-related percentage revenue sharing. Non-discretionary grants based on 6.5% of outer continental shelf receipts for the next seven years. End current program. Estimated eight-year cost \$1.1 billion.

Comparison of these options is summarized in the attached table.

Recommendation

We recommend option #1 oppose major change to existing impact program as the best way to efficiently meet genuine needs for assistance. If a revenue sharing approach is desired which has less Federal administrative discretion than the existing loan, guarantee, and grant program, we would recommend option #3 fixed-level revenue sharing.

Decision

Option #1. Status quo
Continue current program of loans, guarantees, and grants

JC

Option #2. H.R. 935
Non-discretionary revenue sharing at 25% level through 1984

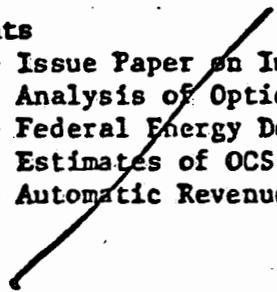
Option #3. Fixed-total revenue sharing
Revenue sharing at \$400 million total authorization through 1984

Option #4. Need-related percentage revenue sharing. Share at 6.5% level through 1984

Option #5. Other (specify option you wish staffed)

Attachments

- Tab A - Issue Paper on Impact Assistance for OCS Impacts
- B - Analysis of Options for OCS Impact Assistance
- C - Federal Energy Development and State and Local Taxation
- D - Estimates of OCS Employment Impacts and Costs
- E - Automatic Revenue Sharing and Louisiana's Situation



SUMMARY COMPARISON OF OPTIONS FOR OUTER CONTINENTAL SHELF IMPACT ASSISTANCE

<u>Criteria for comparison</u>	<u>Option #1</u> Status quo - Aid program designed to fit need	<u>Option #2</u> H.R. 975 - Percentage revenue sharing at 25% rate	<u>Option #3</u> Revenue sharing of a fixed \$400M dollar amount	<u>Option #4</u> Percentage revenue sharing at 6.5% rate
1. Should encourage State and local governments to put public costs generated by offshore development upon that development	Loans and guarantees encourage taxation of the development to recover its public costs. Limited grants to cover unavoidable environmental costs.	Massive grants encourage subsidy of the development.	Grants encourage subsidy of the development to the extent of its public capital costs.	Grants encourage subsidy of the development to the extent of its public capital costs.
2. Should give assistance where needed	Aid available in States where needed. Targeted to needy local jurisdictions.	Aid available in States where needed. No assurance aid would go to needy local jurisdictions.	Available in States where needed except insufficient in Alaska if "worst case" estimate occurs. No assurance aid would go to needy local jurisdictions.	Available in States where needed. No assurance that needy local jurisdictions would receive it.
3. Should not give assistance where not needed	Aid limited to need.	Very large volumes of grants to all regions are not needed.	Minor volumes of grants to regions other than Alaska are not needed.	Large volumes of grants to regions other than Alaska are not needed.
4. Should make assistance available as needed at the front end	Available as needed.	Available as needed.	Available 1 year after new employment in place.	Lags behind need in Alaska.
5. Should cut assistance off when no longer needed	Cuts off when need ends.	Continues after need ends. High risk of extension beyond 7 years.	Cuts off when need ends.	Continues after need ends. High risk of extension beyond 7 years.
6. Should limit assistance to the amounts needed	Aid limited to need.	\$7.9 billion in unneeded grants.	\$49 million in unneeded grants.	\$640 million in unneeded grants.
7. Should be administratively simple	Fairly complex.	Fairly simple.	Quite simple.	Fairly simple.
8. Eight year budget cost	\$135 million (less if need is less).	\$4,170 million.	\$400 million (less if need is less).	\$1,190 million

THE WHITE HOUSE

WASHINGTON

April 7, 1978

MEMORANDUM FOR

THE PRESIDENT

FROM

STU EIZENSTAT *Stu*

SUBJECT:

Comments on McIntyre OCS Strategy
Memo

I recommend that the Administration not threaten to veto the OCS bill as a means of bringing pressure to bear on the conference committee to change either the provisions relating to coastal energy impact aid or legislative encroachments.

Support for this bill in the House is tenuous, and the Senate conferees are very closely balanced between those who favor and oppose the Administration on important provisions in the bill. While the undesirable provisions OMB has brought to your attention are onerous and we should oppose them vigorously through our lobbying efforts, threatening a veto runs the risk of losing the bill (with all its other provisions that we support) for this Congress. Interior, Commerce, and DOE oppose threatening a veto.

The oil industry and other opponents of the bill may well pursue a strategy of keeping these provisions in the bill passed by the Congress and then argue for a veto to kill the bill. If we threaten a veto and the changes we desire are not made, we must veto the bill or future veto threats will be ineffective.

If we lose this bill, we lose important reforms of offshore leasing and development system that provide for environmental protection, closer federal-state cooperation, and new leasing systems designed to insure a fair return to the public for its resources. Passage is very important for the orderly development of our offshore oil and gas. This is the third Congress that has passed a bill, and the prospects for passage in the next Congress would be very uncertain. Oil industry

opposition has grown more strong and effective each year. Loss of this bill would be a significant political and substantive blow to the Administration's program.

For the same reasons, while we should continue to strongly oppose the House CIEP provisions, it would be a mistake to signal a veto threat over it.

ID 780730

T H E W H I T E H O U S E

WASHINGTON

DATE: 04 APR 78

FOR ACTION: STU EIZENSTAT *Wanted*

skilled
FRANK MOORE (LES FRANCIS)

JACK WATSON

INFO ONLY: THE VICE PRESIDENT

JODY POWELL

CHARLIE SCHULTZE

SUBJECT: MCINTYRE MEMO RE OUTER CONTINENTAL SHELF LEGISLATION -
CONFERENCE COMMITTEE STRATEGY

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: +

ACTION REQUESTED: IMMEDIATE TURNAROUND IS REQUESTED

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		McINTYRE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

ID 781731

T H E W H I T E H O U S E

WASHINGTON

DATE: 04 APR 78

FOR ACTION:

INFO ONLY: BOB LIPSHUTZ

SUBJECT: MCINTYRE MEMO RE OUTER CONTINENTAL SHELF LEGISLATION -
CONFERENCE COMMITTEE STRATEGY

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: +
+++++

ACTION REQUESTED:

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

ID. 784731

THE WHITE HOUSE
WASHINGTON

HL
SL
FM

DATE: 04 APR 78

FOR ACTION: STU EIZENSTAT
JACK WATSON

FRANK MOORE (LES FRANCIS)

INFO ONLY: THE VICE PRESIDENT
CHARLIE SCHULTZE

JODY POWELL

SUBJECT: MCINTYRE MEMO RE OUTER CONTINENTAL SHELF LEGISLATION -
CONFERENCE COMMITTEE STRATEGY

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: +
+++++

ACTION REQUESTED: IMMEDIATE TURNAROUND IS REQUESTED

STAFF RESPONSE: () I CONCUR. () NO COMMENT. () HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

CONGRESSIONAL LIAISON:

The most effective threat would be to tell the Secretaries of Interior and Commerce to get to work and keep the cost in line or you will have to take the \$\$ from somewhere else in their budget.

If Interior, Commerce, Treasury, Energy, etc., would get together, they could have an impact. (BC)

THE WHITE HOUSE
WASHINGTON
April 10, 1978

Stu Eizenstat

The attached was returned in the President's outbox today and is forwarded to you for your information. The signed originals have been given to Frank Moore's office for delivery.

The Press Office and Congressional Liaison should coordinate release time.

Rick Hutcheson

cc: Frank Moore
Jody Powell

RE: SOCIAL SECURITY

Electrostatic Copy Made
for Preservation Purposes

*ok
proceed
J*

THE WHITE HOUSE
WASHINGTON

April 6, 1978

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT
FRANK RAINES

Stu

SUBJECT:

Social Security Statement

We have prepared, as you requested, a draft letter to Congress on social security financing opposing any payroll tax reduction this year. We have also prepared a longer and more detailed statement which can be released to the press along with the letter. The use of the statement avoids getting you personally involved in a debate over the numbers involved and also avoids the appearance of lecturing the Congress with a long letter.

If you approve these drafts and decide that a letter should be sent, we will prepare the letters for your signature. The letters would be sent to the leadership and the committee chairmen. The statement and the letters would be released by the Press Office.

STATEMENT ON SOCIAL SECURITY

We are very concerned about current efforts to amend the recently passed social security financing legislation. Upon signing the bill, the President praised the Congress for its political courage in voting for the taxes necessary to restore the financial integrity of the social security system. He did so even though the bill adopted a financing plan different and more expensive than we had proposed.

It would be a mistake for the Congress to retreat from the 1977 legislation so soon after its passage. Hasty action now could result in ill-considered legislation which might again place the trust funds in jeopardy.

It is often forgotten that those taxes pay for important benefits for our people. Our first priority must be the protection of the social security system, and the restoration of confidence of those who support it and those who benefit.

Much of the concern about the 1977 legislation appears to be the result of misinformation. News articles have asserted that the law would triple the payroll tax burden on workers and employers. That is simply not so. The correct measure of burden is the percentage of earnings which is devoted to the social security tax. By that measure the payroll tax burden on the average worker, and the worker earning the maximum covered wage, will increase from 6.05% in 1978 to 7.15% in 1987. The high income worker earning \$30,000 today will experience a more substantial percentage increase from 3.5% in 1978 to 5.9% in 1987 because the payroll tax has become more progressive. These increases in tax burden are far smaller than those so often mentioned. We believe that most Americans would agree that this is a reasonable price to pay to ensure that the social security system is once again made sound.

Moreover, the President's proposals to reduce income taxes will more than compensate most workers for the increases in payroll taxes. The reform of the income tax is part of a carefully coordinated economic program which will improve the equity of the federal tax system and sustain economic growth. We urge the Congress to focus its attention on those fundamental proposals rather than a short-term reduction in the payroll tax.

THE WHITE HOUSE

WASHINGTON

To Speaker Tip O'Neill

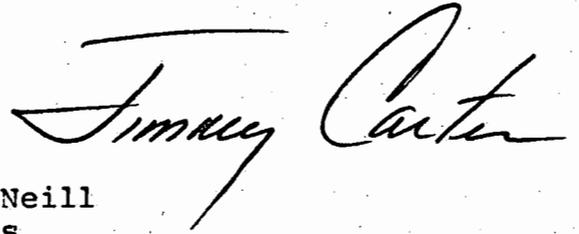
I will be releasing a statement today reiterating this Administration's position that the 1977 social security financing legislation should not be changed this year. The tax increases in that legislation have saved the system from bankruptcy, protected our older citizens, and insured current workers of a sound retirement system when they retire. The magnitude of the tax increase has been exaggerated in the press and the significant increases do not occur for several years.

In my view, it would be better to act on reform of social security in a more deliberate fashion next year than to risk ill-considered legislation through hasty action this year. Congress recognized the need for careful study by creating several study groups as part of the 1977 Act.

A short-term payroll tax cut is not a substitute for the comprehensive tax reform and reduction proposals I have presented to the Congress. Those proposals will offset the higher payroll taxes for the majority of individuals, improve the fairness of our tax system, and sustain economic growth. I urge you to oppose any plan which would reduce payroll taxes at the expense of income tax reductions.

Enactment of our tax reform and reduction proposals would be a more prudent and responsible step than stop-gap action on payroll taxes. We stand ready to work with the Congress on reform in social security next year.

Sincerely,

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned to the right of the typed name.

The Honorable Thomas O'Neill
House of Representatives
Washington, D.C. 20515

THE WHITE HOUSE

WASHINGTON

To Congressman Al Ullman

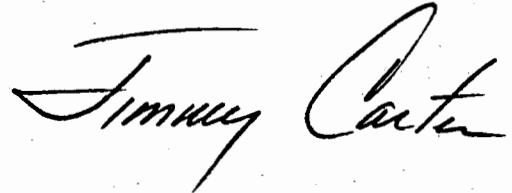
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The Honorable Al Ullman
House of Representatives
Washington, D.C. 20515

THE WHITE HOUSE

WASHINGTON

To Senator Robert Byrd

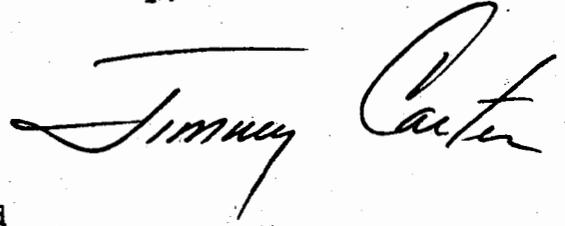
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**The Honorable Robert Byrd
United States Senate
Washington, D.C. 20510**

THE WHITE HOUSE

WASHINGTON

To Senator Russell Long

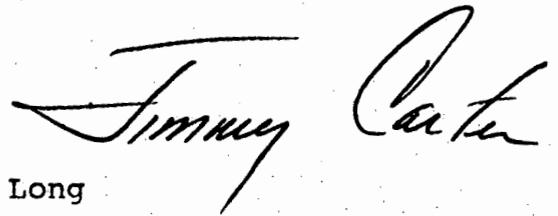
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The Honorable Russell Long
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE
WASHINGTON
April 10, 1978

The Vice President
Stu Eizenstat
Midge Costanza
Hamilton Jordan
Bob Lipshutz
Frank Moore
Jody Powell
Jack Watson
Hugh Carter

Re: Cabinet Summaries

The attached was returned in the President's outbox today and is forwarded to you for your personal information.

Rick Hutcheson

EYES ONLY - CONFIDENTIAL ATTACHMENT

THE WHITE HOUSE
WASHINGTON

eyes only

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
/	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
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	HARDEN
	HUTCHESON
	JAGODA
	GAMMILL

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

U. S. DEPARTMENT OF LABOR
OFFICE OF THE SECRETARY
WASHINGTON

FYI"

C
/

April 7, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: SECRETARY OF LABOR, Ray Marshall ^{Ray}

SUBJECT: Major Departmental Activities, April 1-7, 1978

Strong business support for private sector initiative.

Following our meeting on Wednesday with Ruben Mettler, the new head of the National Alliance of Businessmen (NAB), I had a lengthy discussion with Mettler about the HIRE program for Vietnam-era veterans and the private sector initiative. There is strong support for the private sector initiative from the NAB, Chamber of Commerce and the Business Roundtable on Capitol Hill.

Two major court decisions uphold OSHA regulations.

On March 28, the U.S. Court of Appeals in Cincinnati rejected an industry request to delay implementation of the OSHA emergency standard for acrylonitrile, which causes lung and colon cancer. This decision is important because it upheld OSHA's contention that standards should not be suspended while legal issues are being argued in the courts. On March 29, the Court of Appeals in Philadelphia rejected most of industry's objections to the important OSHA standard on coke oven emissions. I have also taken steps to bring OSHA and the other Labor Department regulatory programs in compliance with your executive order on regulatory reform. We discussed this matter in detail at a recent staff meeting and I placed the Solicitor's office and our planning and evaluation staff in charge of monitoring compliance.

Several efforts planned to closely view Labor Department programs for the coal industry. In the next month, I intend to spend a day as a mine inspector. This is a follow-up to earlier activities in which I worked as an OSHA inspector and spent a day in an employment office. The Department is also planning a series of regional hearings to explain the new black lung bill. I am planning to personally attend one of these hearings.

THE WHITE HOUSE
WASHINGTON

April 10, 1978

Secretary Bergland

The attached was returned in the
President's outbox and is forwarded
to you for appropriate handling.

Rick Hutcheson

WEEKLY LEGISLATIVE REPORT

THE WHITE HOUSE
WASHINGTON

cc *England*



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

Will veto
J

April 7, 1978

MEMORANDUM TO THE PRESIDENT

THROUGH Rick Hutcheson
Staff Secretary

SUBJECT: Weekly Report

HOUSE. Following your conversation with Jim Wright Thursday, the House leadership is convinced that you will accept legislation to increase target prices. They plan to take up a Foley substitute immediately after the vote on the conference report. Unless Foley has very specific instructions, it will probably be in a form inviting veto. They want to avoid that possibility.

PRICES. As of Thursday, the average grain prices at major U.S. terminals were: wheat-\$3.32, 57 cents higher than a year ago; corn-\$2.44, up 4 cents from last year; and soybeans-\$6.60, down \$2.92 from last year. Beef quotations were 79.5 cents per pound compared with 59 cents a year ago.

A handwritten signature in black ink, appearing to read "B. Bergland".

BOB BERGLAND



THE SECRETARY OF THE INTERIOR
WASHINGTON

April 7, 1978

MEMORANDUM TO THE PRESIDENT

From: Secretary of the Interior

Subject: Major Topics for the Week of April 3

Water Policy Review paper is finally in the White House. Policy by committee has cost us ten days because of departmental differences.

Excess lands is in the same position. Paper has been at OMB for two weeks, but other departments are still lint picking. It will be resolved by April 12th.

Alaska Petroleum Reserve exploration continues. We are now moving about one mile to drill another well for conformation and further evaluation. As information is pertinent, I will report. Still questionable.

Indian Affairs Task Force is recommending internal reorganization. We are supportive, but no need for you to be drawn into the discussion.

Things are smoothing out and although controversial items will appear daily, our credibility for balance is improving.


CECIL D. ANDRUS



THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D. C. 20410

April 7, 1978

MEMORANDUM FOR: The President
Attention: Rick Hutcheson, Staff Secretary

SUBJECT: Weekly Report of Major Departmental Activities

Action Grants Announced. On Thursday I announced the award of \$150,033,971 in Urban Development Action Grants to 45 cities for 50 projects. These grants will leverage \$978.8 million in new private investments by industry, residential and commercial developers, lending institutions, and small businesses -- \$6.50 in private investment for every Action Grant dollar. The projects to be funded will create or retain 43,203 jobs, which otherwise would not be available to the award cities, and 19,526 of these jobs will be for persons of low- or moderate-income. This first round of Action Grant program grants clearly demonstrates HUD's commitment to revitalization and stabilization of our cities and to improving the quality of life in our vital urban centers. The list of cities receiving grants is attached.

Urban Policy, HUD Programs Receive Favorable Budget Marks. This week the House Budget Committee approved marks for inclusion in the first budget resolution. The Committee provided budget authority substantially in the amounts requested for the urban policy initiatives and for HUD programs during FY 1979. The Committee did not approve our request for \$1.5 billion of budget authority for GNMA tandem programs on the assumption that projected activity could be handled by using recovered funds.

GNMA Securities Program for Farmers Home Administration Loans. The Government National Mortgage Association has changed its Mortgage-Backed Securities (MBS) Guide to make loans guaranteed under the FmHA Section 502 Guaranteed Single-Family Rural Housing Loan program eligible for inclusion in MBS pools. GNMA action will make a new source of funds available to home buyers in small towns and rural areas. Legislative authority for this change has existed since 1968, but this is the first time that FmHA guaranteed loans have been included in the MBS program.

Chase Manhattan to Participate in FHA Programs. Chase Manhattan, one of the nation's largest banking institutions, has decided to return to the practice of accepting FHA mortgage financing of single- and four-family homes, after four years as a non-participant.

Residents of West Virginia Flood Plain Urged to Relocate. HUD and State representatives signed letters to 270 West Virginia families urging them to accept mobile homes outside the flood plain, where they would be spared the risk of additional flooding. However, as of March 30, more than half of the families have refused to be relocated.

Pat

Patricia Roberts Harris

Attachment

CITIES RECEIVING UDAG GRANTS

ALABAMA

Birmingham
Gadsden

CALIFORNIA

Compton
Los Angeles
Riverside

CONNECTICUT

Bridgeport
Hartford
New Britain

DELAWARE

Wilmington

FLORIDA

Miami

GEORGIA

Atlanta

ILLINOIS

Kankakee

INDIANA

Evansville
South Bend

KANSAS

Kansas City

KENTUCKY

Louisville

MAINE

Lewiston

MARYLAND

Baltimore

MASSACHUSETTS

Boston
Springfield

MICHIGAN

Detroit

MINNESOTA

St. Paul

MISSOURI

St. Louis

NEW JERSEY

Jersey City
Newark
Paterson

NEW YORK

Binghamton
Buffalo
Poughkeepsie
Schenectady
Utica

OHIO

Cincinnati
Cleveland
Lima
Toledo

PENNSYLVANIA

Reading
Scranton

RHODE ISLAND

Pawtucket

SOUTH CAROLINA

Charleston
Greenville

TEXAS

San Antonio

UTAH

Ogden

VIRGINIA

Portsmouth

WASHINGTON

Seattle
Tacoma



Office of the Attorney General
Washington, D. C. 20530

April 7, 1978

Re: Principal Activities of the Department of
Justice for the Week of April 3 through
April 7, 1978

1. Meetings and Events

On Monday, April 3, the Attorney General spoke to the Atlanta Rotary Club. On Tuesday, April 4, Deena Clark, a local television journalist, taped an extensive interview with the Attorney General in his offices for broadcast April 15, 1978. On Thursday, April 6, the Attorney General spoke to the Pharmaceutical Manufacturers Association in Boca Raton, Florida, and to the Broward County Bar Association in Fort Lauderdale, Florida. On Friday, April 7, he spoke to the Albany (Georgia) Circuit Bar Association.

2. Appointments

FBI Director William Webster announced the promotion and appointment of Mr. James B. Adams to the position of Associate Director of the FBI.

3. Socialist Workers Party Case

On Wednesday, April 5, the Solicitor General filed a Petition for Writ of Certiorari to the Supreme Court in the case of Socialist Workers Party v. The Attorney General, et al. A New York district judge had ordered disclosure to the attorneys for the SWP of the names and files of 18 FBI informants, despite our claims of privilege and suggestions from the Second Circuit that such disclosure was at best premature. The district judge has threatened to hold the Attorney General in contempt unless the names are disclosed. The brief to the Supreme Court asks that Court to review the district judge's order without requiring, as the Court of Appeals ruled, that the Attorney General refuse to comply and be cited for contempt before appellate review can be had.

4. DOJ Challenge to Sentence Given Convicted Houston Policemen

In February, 1977, the Attorney General announced a new dual-prosecution policy in civil rights criminal cases -- allowing federal prosecutions in certain circumstances where there has already been a state prosecution. Under this policy, the Justice Department recently successfully prosecuted three Houston policemen in the drowning of a Mexican-American prisoner. Although the police were convicted on a felony count providing a maximum sentence of life imprisonment, the federal judge gave them a suspended 10-year sentence on the felony count and ordered them to serve a one-year sentence on a misdemeanor count. This week, the Department filed a motion to correct the sentence, contending that suspension of the sentence was illegal. The effect of the motion, if successful, would be to reinstate the 10-year sentence.

5. Civiletti Hearings

The Senate Judiciary Committee agreed this week to vote on the confirmation of Benjamin Civiletti as Deputy Attorney General on April 14, provided that the Attorney General agrees to testify before that Committee as an extension of its authorization hearings on the Marston affair and other matters.

6. Indictment of Former HUD Official

The Department of Justice this week filed an indictment against Charles "Red" Muntain, former Assistant to the Secretary for Labor Relations, Department of Housing and Urban Development, on charges of Bribery and perjury.



THE SECRETARY OF THE TREASURY
WASHINGTON 20220

F.Y.I.

April 7, 1978

MEMORANDUM FOR THE PRESIDENT

Subject: Highlights of Treasury Activities

1. THE DOLLAR

The dollar has been down and up over the last two weeks. We sold nearly \$100 million in DM last Friday to counter market disorder following release of the February trade figures.

The markets are now waiting for your Tuesday speech, and will react powerfully to how strong your statements are on energy, inflation, and the dollar.

2. YOUR TUESDAY SPEECH

All my soundings -- on the Hill and among domestic and international economic and financial leaders -- indicate the extreme importance of this speech. Concern over inflation is very acute. The thing to guard against is a statement that appears hedged, qualified, or overly general. It is important that your personal commitment to bring down the inflation rate be clear and decisive. The temptation to temper the speech in the interest of "not boxing ourselves in" should be resisted.

I hope you will include a very firm statement about working to reduce the FY 1979 budget deficit and to bring outyear deficits down as much and as rapidly as possible. This element of the speech will do as much as all the rest together to lend substance and credibility to the anti-inflation program. The deficit is the key factor in the minds of many observers -- not just conservatives. For instance, the liberal Democrats on the Budget Committees and on Ways and Means are anxious to shave the FY 1979 deficit below \$60 billion. They need your leadership to succeed against the normal pressures from narrow constituency groups.

Jay 5/14/90

3. EPG ON JAPAN

In addition to working on your speech, the Steering Committee reviewed this week our economic relations with Japan, which have been badly strained by the yen's steep rise against the dollar.

A personal message from you to Fukuda on the speech will help greatly in improving our relations.

At all levels, Japanese officials are pressing the USG to take some visible actions that might calm the exchange markets. Deputy Finance Minister Matsukawa brought this message to Washington this week. The same themes will be repeated during Charlie Schultze's visit to Tokyo the week of April 17 and during Prime Minister Fukuda's visit to Washington.

The Steering Committee decided the following positions:

- We are acutely concerned about the serious impact of the yen's rise on the Japanese economy; we wish to work closely with the Japanese government; and we welcome suggestions from the Japanese.
- We accept that the USG must work hard on the "fundamentals" -- containing our inflation rate and limiting our oil imports. We are redoubling our efforts on these fronts.
- However, for overwhelming political and economic reasons, the USG cannot entertain intervening in the currency to peg the \$/yen rate to a particular level or range. All Japanese inquiries and suggestions to U.S. officials on exchange rate policy should be referred to the Treasury.

4. SOCIAL SECURITY

As I told you yesterday, there is increasing evidence that, if we hold firm, the drive to reduce Social Security taxes this year can be stopped. There is of course no certainty in this, and the going will be rough. The House is still far from a consensus on a rollback plan. While a consensus may well develop, so that some Social Security rollback may be put on our tax bill in the House, Senator Long is strongly committed to knocking out any such provision in the Finance Committee and in the Conference.

It would help if you sent a letter to the Hill on the subject and took every opportunity to warn against hasty action.

5. NEW YORK CITY

As I told you, progress on New York City has been slow. After consulting with the Mayor, I sent a letter urging speed and restraint on the wage negotiations. We're now pushing to start markup in the House Committee.

6. TAX PROPOSALS

I met this week with a group of Ways and Means members who have traditionally supported reform proposals. They will help, but remain pessimistic on the prospects for reform and doubtful of the need for a full \$25 billion cut. Other Treasury representatives are continuing their extensive contacts with Ways and Means members and tax staffs to determine problem areas and emphasize the significance of the reform components.

The Ways and Means Committee will begin markup on the Administration's tax proposals on April 17. The Committee will devote next week to miscellaneous matters, including consideration of tuition tax credits on April 10 and 11.

7. VOLKSWAGEN PLANT

I am committed to represent the U.S. at the opening of the VW plant in Pennsylvania Monday morning. This is an opportunity to emphasize our receptiveness to foreign investment. Regrettably, it means I will miss the Cabinet meeting. Bob Carswell will be there.

Mike

W. Michael Blumenthal

CLASSIFIED BY W. Michael Blumenthal
SUBJECT TO GENERAL DECLASSIFICATION
SCHEDULE OF EXECUTIVE ORDER 11652
AUTOMATICALLY DOWNGRADED AT TWO
YEAR INTERVALS AND DECLASSIFIED
ON DEC. 31, 1984.

THE SECRETARY OF COMMERCE

WASHINGTON, D.C. 20230

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April 7, 1978

REPORT TO THE PRESIDENT

"FYI"

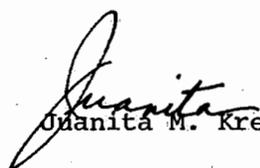
Early last year Senator Hollings, as a member of the Senate Committee on Commerce, Science and Transportation, urged this Administration to take a more active role in developing new directions in ocean policy. Yesterday I testified before the Committee on our progress in this area: steps the Department has taken to develop an ocean policy, planning, and budget development process; the status of our comprehensive ocean policy study (now nearing completion); and Administration plans for an ocean policy PRM. Although he expressed deep concern about the environment and natural resources reorganization effort, Senator Hollings indicated he was pleased with the ocean policy actions now underway.

Senior members of the Department met this week with a broad cross section of minority business leaders. This meeting was held to help overcome the long-standing frustration of the minority business community with Federal responsiveness to its needs. During our discussions I reviewed your charge to the Department with regard to the Administration's goals for increasing minority business participation in Federal procurement and grant-in-aid programs. I believe the exchange of views during the meeting was quite productive, and will prove useful as we continue to work for a more responsive Federal minority business economic development program.

This week the Economic Development Administration (EDA) held a national conference of its Washington and field staffs. Conference speakers included Jack Watson, Jennings Randolph, Jim Wright, and Bob Roe. The conference sessions with key HUD officials on HUD/EDA program coordination and cooperation were especially well received.

Next Tuesday I will be testifying on regulatory reform before the Joint Economic Committee. I plan to discuss the problems of calculating regulatory costs and benefits, and the need to intensify our work in this area. I will also comment on this Department's efforts, currently in their formative stage, to support the design and development of a "regulatory budget."

Tuesday evening I will depart for Berlin to make a major address at the 75th anniversary celebration of the American Chamber of Commerce in Germany. I will also be meeting with Governing Mayor Stobbe, European Community Commission President Jenkins, and FRG Economics Minister Lamsdorff. My conversations with Minister Lamsdorff will continue the U. S. dialogue with senior German officials on economic problems confronting the non-Communist industrialized nations, and the FRG role in responding to these problems.


Juanita M. Kreps

WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
Cabinet Summaries	Andrew Young to Pres. Carter, 1 pg., re:UN activities	4/7/78	A
Memo	Stu Eizenstat to Pres. Carter, 4 pp., re:Appointment for Director LEAA	4/7/78	C

FILE LOCATION

Carter Presidential Papers-Staff Offices, Office of Staff Sec.-Presidential Handwriting File 4/10/78 [1] Box 79

RESTRICTION CODES

- (A) Closed by Executive Order 12356 governing access to national security information.
- (B) Closed by statute or by the agency which originated the document.
- (C) Closed in accordance with restrictions contained in the donor's deed of gift.



VETERANS ADMINISTRATION
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS
WASHINGTON, D.C. 20420
April 7, 1978

C

TO : The President
THRU: Rick Hutcheson, Staff Secretary
FROM: Administrator of Veterans Affairs

My closed

VA Presidential Update

Hispanic Outreach - On March 31, I dedicated a long sought new VA Neighborhood Health Center in heavily Hispanic populated East Los Angeles. I also presented a commendation award to Joseph Montelongo, chairman of the American G. I. Forum, the foremost Hispanic veterans organization. Coordinating the visit and ceremony was Rosa Maria Fontanez-Marquez, whom I've just named No. 2 official in our new VA Office of Human Goals.

Innovative "Office of Human Goals" - VA is the first agency to establish such an office to safeguard the human rights of our constituencies, our employees and all others who deal with VA. In reporting on a March 23 ceremony launching the new office, the AP noted this comment of Clarence Mitchell, long-time NAACP official, "Only those who have seen the problems faced by blacks for so long could appreciate fully what you have done here. It is an inspiration to all of us at this ceremony."

Pension Reform - On March 23, the SVAC reported out its pension reform bill - S. 2384. The Senate measure carries a first year cost of \$711 million, compared to a \$1 billion first year cost of H. R. 10173 reported out by the HVAC on March 13. Neither bill is expected to be taken up on the floor until mid-May.

GAO Checking Hospital Bed Closings - The GAO will report to the Proxmire appropriations subcommittee within 30 days regarding VA F. Y. 1979 plans to close more than 3,000 hospital beds, and is asking VA for justification. Although we feel we have a sound rationale, the subcommittee has informed us it is receiving "unprecedented pressures and correspondence" on the cuts.

Letter from Madame Sadat - During President Sadat's recent visit, Madame Sadat discussed with me VA's care of the disabled and toured the local VA hospital. She recently wrote, "I am hoping this will be the beginning of continuous cooperation between your Administration and my Wafa Wa Amal (Faith & Hope) Rehabilitation City. I am sure an exchange of ideas and experiences will be useful to both of us." I have assured Madame Sadat of our complete cooperation.



United States
Environmental Protection Agency
Washington, D.C. 20460

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April 7, 1978

The Administrator

REPORT TO THE PRESIDENT
FROM: Douglas M. Costle

On April 11 through 13, I will attend a meeting in Stockholm initiated by the Swedish Government, with my counterparts from 16 nations and representatives of six international groups principally concerned with the control of toxic substances.

We cannot hope to control the proliferation of toxic substances in the environment without the cooperation of other countries since about two thirds of world chemical production occurs outside the U.S. Therefore, the primary purpose of this meeting is to identify ways to coordinate the efforts of the United States and other nations and organizations responsible for identifying and reducing these toxic risks.

In addition, we are trying to establish relationships that will minimize or avoid any non-tariff barriers to international trade in chemicals (\$60 billion in 1975. U.S. imports were \$4 billion; exports were \$9.7 billion).

A large, stylized handwritten signature, likely of Douglas M. Costle, written in black ink.



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

April 7, 1978

MEMORANDUM FOR THE PRESIDENT

ATTENTION: Rick Hutcheson, Staff Secretary

FROM: Brock Adams

SUBJECT: Significant Issues Pending at the Department of
Transportation

Aircraft Noise Legislation - I understand your staff is arranging a meeting to develop an Administration position on Congressman Anderson's aircraft noise bill. I think it is important that we settle on a position as quickly as possible for two important reasons. Meeting the aircraft noise standards by the 1981 and 1985 dates set in current Federal regulations, requires that the airlines make early decisions and place orders. They cannot act rationally until there is clear Federal policy on the subject. Secondly, it continues to appear likely that the regulatory reform and aircraft noise bills will be merged in the legislative process, and we need a position on the latter subject as we work with the Congress on a package. Congressman Anderson, in particular, wants you to reconsider the Treasury Department's position on the treatment of a release of two percent of the ticket tax, and its effect on the airline industry's tax liability. He is delaying action pending your decision. The House will be ready to move on the noise bill shortly, and the Senate has indicated the likelihood that they, too, will move on a bill. I believe the remaining differences within the Administration are small and should be settled without delay.

Management of the Amtrak Passenger Railroad Corporation - I am attempting to strengthen the management of Amtrak (the Government-assisted passenger railroad corporation) in light of the pending resignation of the current President Paul Reistrup. Additionally, the Department is preparing a zero-based route study for release in May and is conducting an indepth review of Amtrak's financial requirements.

I will provide a fuller report to you as this work progresses, but this is controversial and there may be some critical news stories on our efforts.

ConRail - Northeast Railroad Service - I will testify on ConRail's revised funding requirements before the House and Senate on April 12 and 13, respectively. ConRail projects a five-year authorization of \$1.3 billion beyond the money appropriated in the past. Our preliminary analysis indicates that the actual need for more funds may be higher. We will keep you informed as better estimates are forthcoming.

In the meantime, I will propose to Congress that we support ConRail in its turnaround efforts, and \$1.3 billion authorization. However, I will press for additional Federal monitoring efforts, and we will each year carefully examine the requested appropriations to see that the funds are effectively spent to achieve self-sustaining operations. We will avoid reopening the whole existing set of financial agreements at this time, but we are developing a specific list of expected changes in ConRail's operations. These changes will be discussed with ConRail management and made a condition of our support for appropriations under the new authorization. I have discussed this matter with OMB, and they support our approach.

Investigation of Unauthorized Disclosure of a Tire Survey - Since March 6, DOT has been under a restraining order barring release of an investigative survey of owners of radial tires. Firestone Tire and Rubber Company had complained that the survey was biased against Firestone and statistically invalid. The study was done on contract for the National Highway Traffic Safety Administration (NHTSA). Despite the Court order, the results of the survey were published in a trade journal on March 31, and also released by a public interest group. The judge ordered NHTSA Administrator Joan Claybrook and me to show cause why we should not be held in contempt of court for failure to comply with the restraining order. On April 5, I submitted an affidavit to the Court and the NHTSA Administrator and her staff testified that we did not have knowledge of how the publication occurred. I have instituted an investigation within the Department because I am extremely concerned about the violation of the court order. I call this matter to your attention because there has been substantial publicity attending this incident.

New Metropolitan Washington Airports Policy - The Department of Transportation has issued, for public comment and review, a proposed operating policy designed to reduce noise, limit the growth of passenger traffic and reduce night operations at Washington National Airport, while calling for the continued growth of Dulles Airport. The proposal calls for a ban on scheduled airline flights after 9:30 p.m. and except for aircraft which meet the lowest levels of the stringent new Federal noise standards, no operations after 10:30 p.m. The effect of the proposed policy is addressed in a draft environmental impact statement and will be the subject of public hearings in the Washington Metropolitan Region in late May. It is expected that this proposal will generate significant local public comments. Once an operating policy for the airports is adopted, we will move ahead through the regular budget process with facility improvements at Washington National and Dulles.

Resignation of Bill Cox as Federal Highway Administrator - On April 5, Federal Highway Administrator William Cox announced via letter to you his resignation as head of FHWA, effective May 1, 1978. He will be returning to Kentucky to run for the Lieutenant Governor's post.



THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D. C. 20201

April 7, 1978

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Weekly Report on HEW Activities

The following is my weekly report on significant activities in the Department of Health, Education, and Welfare:

- Immunization. As you know, last year we launched a major national effort to immunize millions of our Nation's children against the seven preventable childhood diseases. On Wednesday, I announced that the campaign, which began effective operations last Fall, is beginning to show results:

- The number of children immunized in publicly funded programs increased substantially in 1977 for all diseases, particularly for measles (52.8 percent increase) and mumps (34.8 percent). Indeed, 4.5 million children were vaccinated against measles last year in public programs -- a 1.6 million increase over 1976.

- The incidence of measles during the last 3 months of 1977 and the first 3 months of 1978 fell a dramatic 65 percent over similar periods a year before, and there were good decreases for mumps and rubella.

We still have problems reaching pre-school children and children in low income communities, and are taking steps to improve our coverage, including a more sophisticated public service advertising campaign.

- Regulatory Reform. On Wednesday I announced the results of the first six months of Operation Common Sense, HEW's regulatory reform initiative. Highlights of our efforts, which are responsive to your recent Executive Order, are:

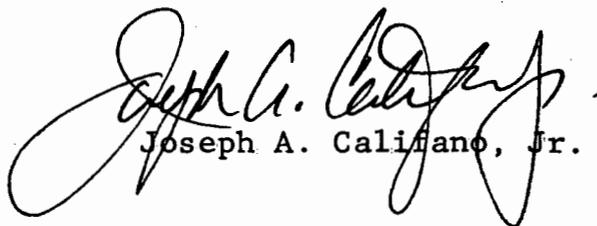
- the complete elimination of more than 300 pages (5 percent) of the 6,000 pages of HEW regulations;

- A sharp reduction in the number of words needed to explain rules; for example, one provision was cut from 22 inches to 3 inches without any loss of meaning;

- a significant reduction of the backlog of 329 regulations inherited from previous Administrations, including 83 which were scrapped as unnecessary;
- quick issuance of implementing regulations for two major laws passed by Congress.

Because of your deep interest in this subject, I am attaching the press release which provides more detail.

- Tuition Tax Credits. On April 10 and 11, the House Ways and Means Committee is scheduled to markup H.R. 11776, a bill introduced by Charles Vanik (D-Ohio) to provide tuition tax credits at the elementary, secondary, and postsecondary education levels. It is less expensive than Packwood-Moynihan-Roth (\$1.2 million when fully operational versus \$4.4 billion). Mike Blumenthal and I have written to all members of the Committee expressing the Administration's strong opposition to tax credit proposals. Nonetheless, some tax credit proposal is likely to emerge from Ways and Means.
- Social Security. This morning I swore in the members of the Social Security Advisory Council, which was created by law to conduct a broad and independent study of the effectiveness of the social security system. The Council will consider major issues -- long-term financing, reform of the disability programs, changing the benefit structure, the treatment of women, and universal coverage -- and will report no later than the fall of 1979. I also urged that Congress not act in haste and in the heat of controversy on a payroll tax roll-back.


Joseph A. Califano, Jr.



United States of America
General Services Administration
Washington, D.C. 20405

Administratoꝛ

April 7, 1978

MEMORANDUM FOR THE PRESIDENT

THRU: Rick Hutcheson

SUBJECT: Weekly Report of GSA Activities

A negative report is submitted for the week ending April 7, 1978.

for Bob Guff
JAY SOLOMON
Administrator

Community WASHINGTON, D.C. 20506
Services Administration



APR 7 1978

MEMORANDUM TO THE PRESIDENT

Attention: Rick Hutcheson, Staff Secretary

FROM: Graciela (Grace) Olivarez *Go/Grace*
Director
Community Services Administration

SUBJECT: Weekly Report of Significant Agency
Activities (April 3 - 7, 1978)

The Community Services Administration does not have any issues to bring to your attention this week.

EXECUTIVE OFFICE OF THE PRESIDENT
COUNCIL ON ENVIRONMENTAL QUALITY
722 JACKSON PLACE, N. W.
WASHINGTON, D. C. 20006

April 7, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Charles Warren
Gus Speth

A handwritten signature in black ink, appearing to read "Charles Warren", is written over the printed name "Charles Warren" in the "FROM:" field.

SUBJECT: CEQ Weekly Status Report

The week has been busy and productive but involving nothing to warrant your attention.