

2/13/79 [3]

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WITHDRAWAL SHEET (PRESIDENTIAL LIBRARIES)

FORM OF DOCUMENT	CORRESPONDENTS OR TITLE	DATE	RESTRICTION
memo w/att.	<p>From Young to The President (4 pp.) re: Weekly Activities of IIS Mission to the UN / enclosed in Hutcheson to Mondale <i>2/13/79</i> <i>opened per RAC NLC-125-16-20-1-1 7/9/13</i></p>	2/9/79	A
memo	<p>From Christopher The President (2 pp.) re: Taiwan Security Resolution <i>opened per RAC NLC-125-16-20-1-1 7/9/13</i></p>	2/12/79	A

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EXECUTIVE OFFICE

FRIEDMAN'S JEWELERS
STANLEY JEWELERS

T. T. PURVIS
VICE PRESIDENT

January 4, 1979

Mr. Max Cleland
Veterans Administration
810 Vermont Avenue N. W.
Washington, D. C. 20429

Dear Max:

I am Vice-President of the Lions Camp for the blind. The attached brochure explains location etc.

We have two very nice camper cabins that will accommodate approximately 60 campers. We will have our ball diamond completed very shortly. If all goes well, we will have our swimming pool finished before camp opens in June. The new Gazebo will seat over 100 with a very fine equipped kitchen. Fishing pier etc. I am very proud of what we have.

No doubt you are asking why this letter to me? Well this letter has two purposes.

- 1.) Now that we will have a very fine camp for the blind and handicap, I want to be sure it is used to it's fullest.

There would be no cost to the campers and I felt through your office you could make this information known to blind veterans or handicapped in Georgia and we could make plans to have groups to come and learn to play ball, swim, go through the nature trails etc. Hopefully go horse back riding.

- 2.) The second purpose is President Carter started this project when he was governor and gave the first \$100.00. I need the enclosed letter with the attached brochure to personally get to the President. I realize with all the problems and decisions he has to make; he cannot and does not have the

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Page 2

T. T. PURVIS
VICE PRESIDENT

time to be bothered with such as this.

I feel that it is good for a President to know that something he has done will long be remembered after the Peace Treaty, Iran etc. has long been forgotten.

Would you please try and get the enclosed letter and brochure to his office. I have not sealed the letter to President Carter so you can read and approve before you send to him.

Best Regards,

Tom

Tom

HEW



NEWS

U.S. DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

FOR IMMEDIATE RELEASE
February 9, 1979

CONTACT: Colleen O'Connor-245-6700

STATEMENT OF SECRETARY JOSEPH A. CALIFANO, JR.
DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

I AM PLEASED TO ANNOUNCE THAT THE STATE OF GEORGIA HAS SUBMITTED AN ACCEPTABLE FINAL PLAN FOR THE FURTHER DESEGREGATION OF THE STATE'S HIGHER EDUCATION SYSTEM. THE PLAN MEETS THE CRITERIA PUBLISHED BY THE DEPARTMENT PURSUANT TO AN ORDER OF THE DISTRICT COURT OF THE DISTRICT OF COLUMBIA.

LAST MARCH, THE DEPARTMENT PROVISIONALLY ACCEPTED A PLAN FROM GEORGIA WHICH PROVIDED FOR INCREASING THE ENROLLMENT OF BLACKS IN THE STATE'S HIGHER EDUCATION SYSTEM, PARTICULARLY AT THE STATE'S TRADITIONALLY WHITE SCHOOLS; FOR INCREASING THE NUMBER OF BLACKS IN CERTAIN GRADUATE FIELDS, INCLUDING LAW AND MEDICINE; AND FOR INCREASING THE NUMBER OF BLACK FACULTY AS WELL AS BLACK NON-PROFESSIONAL PERSONNEL THROUGHOUT THE STATE COLLEGE SYSTEM.

ACCEPTANCE OF THE MARCH PLAN WAS CONDITIONED ON THE STATE'S COMMITMENT TO DEVELOP A FINAL SEGMENT OF THE PLAN WHICH WOULD ASSURE A STRENGTHENED ROLE FOR THE STATE'S THREE TRADITIONALLY BLACK COLLEGES-- SAVANNAH STATE, FORT VALLEY STATE AND ALBANY STATE.

IN FULFILLMENT OF THAT COMMITMENT, THE STATE HAS PLEDGED TO ENHANCE THOSE THREE SCHOOLS BY DEVELOPING NEW PROGRAMS THERE AND BY IMPROVING AND EXPANDING THEIR PHYSICAL PLANTS TO ASSURE THAT EACH OF THE SCHOOLS WILL BE ABLE TO PARTICIPATE FULLY IN THE DESEGREGATION PROCESS.

THE PLAN FOR SAVANNAH STATE IS ONE OF THE MOST EXCITING AND FAR REACHING DESEGREGATION PROPOSALS WE HAVE RECEIVED FROM ANY STATE. THE KEY TO DESEGREGATING TRADITIONALLY BLACK INSTITUTIONS IS THEIR ENHANCEMENT

BY THE ADDITION OF UNIQUE, ATTRACTIVE PROGRAMS AND THROUGH THE CLOSING OR SPECIALIZATION OF DUPLICATED PROGRAMS OFFERED BY TRADITIONALLY WHITE INSTITUTIONS IN THE SAME SERVICE AREA. THE GEORGIA PLAN ADDS FIVE ADDITIONAL UNIQUE PROGRAMS TO SAVANNAH STATE-- ENVIRONMENTAL STUDIES, COMPUTER TECHNOLOGY, CHEMICAL ENGINEERING TECHNOLOGY, AERONAUTICAL ENGINEERING TECHNOLOGY AND MARINE TECHNOLOGY. NONE OF THESE PROGRAMS WILL BE OFFERED ANYWHERE ELSE IN THE AREA.

MOST IMPORTANTLY, THE SAVANNAH STATE BUSINESS ADMINISTRATION PROGRAM WILL BE ENHANCED BY THE CLOSING OF THE BUSINESS ADMINISTRATION PROGRAM AT NEARBY ARMSTRONG STATE. SIMULTANEOUSLY, THE TEACHER EDUCATION PROGRAM AT SAVANNAH STATE WILL BE MOVED TO ARMSTRONG STATE, A TRADITIONALLY WHITE INSTITUTION. AS A RESULT OF ALL OF THESE STEPS, SAVANNAH STATE WILL BE SIGNIFICANTLY STRENGTHENED EDUCATIONALLY, INCREASING ITS ABILITY TO COMPETE FOR STUDENTS WITH OTHER COLLEGES IN THE STATE SYSTEM.

AT ALBANY STATE COLLEGE, THE STATE PLANS TO ESTABLISH A CRIMINAL JUSTICE INSTITUTE, OFFERING BACCALAUREATE AND MASTERS' DEGREES THAT WILL BE OPEN BY THE 1981 SCHOOL YEAR. THE INSTITUTE WILL BE THE ONLY ONE OF ITS KIND IN THE STATE. IN ADDITION, THREE NEW UNDERGRADUATE DEGREE PROGRAMS -- IN POLITICAL SCIENCE, SOCIAL WELFARE AND COMPUTER SCIENCE -- WILL BE AVAILABLE AT ALBANY STATE. THE SCHOOL WILL ALSO IMPLEMENT A MASTERS' DEGREE IN BUSINESS ADMINISTRATION AND COMPLETE IMPLEMENTATION OF A MASTERS' PROGRAM IN TEACHER EDUCATION. THE STATE WILL ALSO ESTABLISH A NEW INTER-CAMPUS ADMINISTRATIVE STRUCTURE TO INCREASE THE COORDINATION BETWEEN ALBANY STATE AND A NEARBY WHITE SCHOOL, ALBANY JUNIOR COLLEGE. THIS NEW UNIT WILL DEVELOP A JOINT EXTENSION AND PUBLIC SERVICE PROGRAM FOR THE TWO SCHOOLS AND WILL IMPLEMENT CHANGES IN THE CURRICULA OF THE TWO SCHOOLS TO PERMIT STUDENTS TO MOVE MORE READILY FROM THE ASSOCIATE DEGREE LEVEL AT ALBANY JUNIOR COLLEGE TO THE BACCALAUREATE PROGRAM AT ALBANY STATE.

AT FORT VALLEY STATE, GEORGIA OFFICIALS PLAN TO ADD A RURAL LIFE CENTER AND OTHER NEW DEGREE PROGRAMS WHICH PROMISE BOTH TO STRENGTHEN AND TO DESEGREGATE THE SCHOOL.

THE COMMITMENTS TO ENHANCE THE STATE'S THREE TRADITIONALLY BLACK SCHOOLS COMPLEMENT THE AGREEMENTS ON OTHER STRONG GOALS THAT THE STATE MADE LAST MARCH. THESE GOALS INCLUDE:

- A COMMITMENT TO INCREASE THE NUMBER OF BLACK STUDENTS ENTERING THE FOUR-YEAR TRADITIONALLY WHITE INSTITUTIONS BY 1,579 STUDENTS BY THE 1982-83 SCHOOL YEAR;
- A COMMITMENT TO INCREASE BY ALMOST 16 PERCENT THE PROPORTION OF BLACK HIGH SCHOOL GRADUATES ENTERING POSTSECONDARY INSTITUTIONS; AND

- A COMMITMENT TO INCREASE THE NUMBER OF BLACK FACULTY AND BLACK NON-PROFESSIONAL PERSONNEL THROUGHOUT THE STATE SYSTEM

I WISH TO THANK GOVERNOR BUSBEE, CHANCELLOR GEORGE SIMPSON AND CHAIRMAN OF THE BOARD MILTON JONES FOR THEIR LEADERSHIP IN DEVELOPING THIS PLAN. WE BELIEVE THAT UNDER THEIR GUIDANCE, THE STATE OF GEORGIA WILL PUT IN PLACE A DYNAMIC PLAN TO BRING THE STATE SYSTEM INTO FULL COMPLIANCE WITH TITLE VI OF THE CIVIL RIGHTS ACT OF 1964.

#

10:30 AM

THE WHITE HOUSE

WASHINGTON

February 12, 1979

MEETING WITH CONGRESSMEN CHARLES RANGEL AND HENRY WAXMAN

Tuesday, February 13, 1979
10:30 a.m. (20 minutes)
The Oval Office

From: Frank Moore *f.m./pd*

*Waxman
get
Califano*

I. PURPOSE

To discuss the administration's hospital cost containment program and to meet informally with Chairmen Waxman and Rangel.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background: Congressman Rangel is the new Chairman of the Health Subcommittee on the Ways and Means Committee. His subcommittee is generally supportive of administration proposals but the full committee could give us some problems.

Congressman Waxman is the new Chairman of the Subcommittee of Health and the Environment on the Commerce Committee. Henry was elected chairman over Richardson Preyer in a highly contested election. His subcommittee make up indicates he will have a tough time leading this group. On hospital cost containment for example, he will need to get the vote of at least one member who previously voted against last year's bill to report the bill from subcommittee.

B. Participants: The President, Congressman Rangel, Congressman Waxman, Frank Moore, Bill Cable

C. Press Plan: White House photographer

III. TALKING POINTS:

1. We should have a bill ready to be sent to the Hill when you return to Washington next week (approximately February 20). Both Congressmen have received materials on the proposed bill and you should tell them of your hope that they will jointly sponsor the legislation.

2. I would like to see prompt action by your two subcommittees. Joint hearings, if you feel that is a good idea, could expedite the process.
3. What are your feelings about a mark up schedule? Charlie--how soon could your subcommittee get a bill to the full committee? Henry--how about Commerce? You have other expiring legislation to consider. What are your plans?
3. I feel if Ways and Means goes first and we get a schedule established in the Commerce Committee, the prospects for passage should be helped.
4. This question will almost surely be asked:
Q. There is wide spread skepticism about the savings estimated in the budget. How can you expect to achieve the projected \$1.7 billion savings?

A. The budget savings of \$1.7 billion for FY 80 is based on the assumption that the voluntary plan will be effective. If that is the case, the savings will reach that magnitude. It also assumes that there will be none of the exemptions that the Congress added to the bill last year.

You should be aware that the following types of exemptions were added to our proposal last year:

- a) If the rate of increase in total hospital costs in any State is within the national limit (adjusted for unusual State population growth) during 1979, all hospitals in that State could be exempt in 1980.
- b) Even if total hospital costs in a State do not meet the limit, individual hospitals meeting the limit in 1979 could be exempt.
- c) Small, non-metropolitan hospitals (under 4,000 admissions), new hospitals (less than 3 years old), and HMO hospitals (with 75 percent of patients enrolled in qualified HMOs) could be exempt from the mandatory program regardless of their rate of increase in 1979.
- d) Hospitals in States with mandatory cost containment programs of their own could also be exempt if the State program met requirements established by regulation (e.g., it covers all hospitals and all patients).

Under present estimates, less than half of the nation's 6,000 community hospitals would be affected by the mandatory program (the rest would be exempted) if all these exemptions were included in the legislation. Obviously savings will be less as these exclusions are included.

5. Attached is an outline of the legislative proposal with the exemptions that are most likely to be included.

IV. ADDITIONAL INFORMATION:

Administration Support: Rangel :86.8%

Waxman :85.2%

Wife: Rangel: Alma

Waxman: Janet

HOSPITAL COST CONTAINMENT: THE LEGISLATIVE PROPOSAL

I. BASIC APPROACH

The proposed legislation has two parts:

1. It would establish a national limit for the rate of increase in hospital costs in calendar 1979 which hospitals would be asked to meet voluntarily.
2. Should the hospital industry fail to achieve this nationwide limit in 1979, standby mandatory controls would be applied to individual hospitals beginning January 1, 1980.

II. NATIONAL VOLUNTARY LIMIT

At the currently projected rate of inflation for 1979, the national voluntary limit for calendar 1979 would be a 9.7 percent rate of increase in total hospital expenses. This limit, which would be determined at the end of the year, is set by adding together three components:

1. An inflation allowance based on the increase in the cost of goods and services purchased by hospitals. This so called "market basket" is estimated to be 7.9 percent in 1979. But if the market basket rate of inflation during the year actually changes, corresponding changes would be made in this component of the national voluntary limit. For example, if actual inflation caused the market basket to rise from 7.9 percent to 8.2 percent during the course of the year, then the voluntary limit would rise correspondingly from 9.7 to 10 percent.
2. An allowance for population growth estimated to be 0.8 percent.
3. An allowance for additional services (e.g. new technology or more lab tests) minus savings from increased productivity and efficiency would be 1.0 percent.

III. MANDATORY PROGRAM FOR INDIVIDUAL HOSPITALS

Individual hospitals which come under the mandatory program would be given an allowable annual rate of increase in total inpatient revenues per admission. This allowable increase includes a basic limit--comprised of an allowance for inflation and an allowance for efficiency or inefficiency--and adjustments for exceptional circumstances.

Basic limit

1. Each hospital would be granted an inflation allowance to cover its market basket price increases, including an allowance for the actual rate of increase experienced by that hospital in non-supervisory wages. This assures that low-wage workers will not bear the burden of cost constraints.
2. Each hospital would be given an allowance based upon its efficiency. Efficiency would be measured by comparing the hospital's actual costs with those of other hospitals of similar size and location. Efficient hospitals would be given a bonus. Inefficient hospitals would be penalized.

Exceptions

The Administration is also considering including certain exceptions. For example, hospitals with unusual circumstances could, on an exception basis, have their basic limit increased.

Sanctions

As in earlier cost containment proposals, the mandatory limit on total inpatient revenues per admission would be enforced in two ways: the refusal by Medicare and Medicaid to pay costs in excess of the hospitals mandatory limit and a 150 percent tax on excessive revenues collected by the hospital from nongovernmental payors.

IV. COMMISSION

A Hospital Cost Containment Commission consisting of third-party payors, public members, and providers would be established to oversee the program, advise the Secretary and recommend changes in the program in subsequent years.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

February 13, 1979

TO: Frank Moore *F.M.*
FROM: Les Francis *LF*
SUBJECT: The President's Meeting with Congressman Henry Waxman

You might want to brief the President on Waxman's California political base:

Waxman's organization is a formidable one in California politics. It started as one localized in West Los Angeles and has since been felt statewide. His chief ally is Howard Berman, Majority Floor Leader of the State Assembly, who is also from Los Angeles. Berman's younger brother Michael is regarded as a political genius, especially with regard to direct mail campaigning.

Waxman and the Berman brothers' first involvement statewide was in the Young Democrats (where they were associated with the Burton faction). Beneficiaries of their combined organizational and financial assistance have included state legislators, Congressmen (most recently Julian Dixon) and statewide officers (Brown in '74, '76 and '78).

In the early 1970's Waxman was Chairman of the Assembly Elections and Reapportionment Committee. The Legislature and Congressional delegation were reapportioned prior to the 1974 elections, and Waxman got one of the "new" seats carved out for himself. In the reapportionment, Waxman and Berman worked closely with Phil and John Burton.

The Waxman-^{Berman}~~Burton~~ organization is the closest thing in California to a "machine", although it doesn't compare to the tight, all-powerful organizations known elsewhere in the country. It is liberal, has a strong financial base in the Los Angeles Jewish community, and is an important factor in any statewide effort. Although one might ordinarily assume that it would "naturally" serve Brown in a challenge to us in 1980, Howard Berman is helping lead the fight (in alliance with Leo McCarthy) against Brown's Constitutional Convention/balanced budget amendment ploy.

THE WHITE HOUSE
WASHINGTON

2/13/79

Phil Wise

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

Rick Hutcheson

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RAFSHOON
WATSON
WEXLER
BRZEZINSKI
MCINTYRE
SCHULTZE
ADAMS
ANDRUS
BELL
BERGLAND
BLUMENTHAL
BROWN
CALIFANO
HARRIS
KREPS
MARSHALL
SCHLESINGER
STRAUSS
VANCE

ARAGON
BUTLER
H. CARTER
CLOUGH
CRUIKSHANK
FALLOWS
FIRST LADY
GAMMILL
HARDEN
HUTCHESON
LINDER
MARTIN
MOE
PETERSON
PETTIGREW
PRESS
SANDERS
VOORDE
WARREN
WISE

THE WHITE HOUSE
WASHINGTON

2/12/79

Mr. President:

Bob McKinney has requested a meeting with you to go over some policy areas of his agency (Federal Home Loan Bank Board) and his future. He wanted it to be off-the-record. Shall I set up the meeting?

yes no

 Phil

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for Preservation Purposes**

THE WHITE HOUSE
WASHINGTON

2/13/79

Secretary Blumenthal

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

Rick Hutcheson

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To Mike -
A suggestion from
the green roots
J.
Monday
January 29, 1979

Dear Mr President;

I am writing to you with much trepidation and relying on your "Gut INSTINCTS" to judge the ideas I have been mulling over for many many hours. It deals with a plan to help fight inflation and making the Treasury Dept get all the monies due them. Fortune magazine states that \$25 billion in taxes are lost every year. Doctors, lawyers, Union bosses, political figures, Casino skimmers, Mafia men, pimps, dope pushers, numbers runners, Ad infinitum.... Most of the money is in \$100 dollar bills and on some occasions, \$50. (Watergate fund all \$100) According to some of the bankers you can not rent a safety deposit box because they are filled with skimmed money, mostly \$50's and \$100's. Every payoff you hear about or read about is in big bills. Besides being stashed in safety deposit boxes, we have the Bahamas (Teamster money), Swiss banks, Brazil and many other places where the U.S can not get bank information. We all know this is a fact. How to get it out? Many years ago, the gov't changed the shape of all money from the large bills to the smaller size. I don't advise anything so drastic but I do think if an Executive order were possible, to declare \$50 & \$100 dollar bills non negotiable. They would be taken in at any bank and replaced with \$20's or \$500's. They would be given a receipt for the money and a check issued (Treasury) The receipt would be in 3 copies, 1 for the one bringing in the money, 1 for the bank and the other for the Treasury dept. The name, address and social security number would be on each copy. If the amount was small, (under \$5000) the bank could give the new money at once. If the amount were large enough to arouse suspicion, the check would be negotiable in 10 days.

After the announcement, no money, i.e. \$0's or 100's would be negotiable anywhere except through a bank. There are many other facets to the idea which I have thought out but I feel that if there is no chance of a legal acceptance, there is no point in my taking up your time. I think I could talk to you about it much better than my lousy typing. You are used to getting flack and I'm sure even the hint of this would bring the AMA, the lawyers guild and the Unions down on you but I do think you would be equalizing the tax burden for many people. If it could legally be implemented, I'm sure the results would be dramatic. The amount of people would not be that large but the amount of money would be staggering. First step to print 20's and 500's to handle the demand. Many smart men would not turn in their money knowing they could not prove how they got it.

I hate to give you one more thing to think about but you know my heart is working in your best interests.

Sincerely,
L. X. Brennan

THE WHITE HOUSE
WASHINGTON

2/13/79

The Vice President
Hamilton Jordan
Zbig Brzezinski

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

Rick Hutcheson

~~SECRET ATTACHMENT~~

DECLASSIFIED

Per: Rac Project

ESDN: NLC-12C-16-20-1-1

BY KS NARA DATE 7/9/13

~~CONFIDENTIAL~~

February 9, 1979

*Sta - Frank
What can we do re Helms?*
C

TO: President Carter
THROUGH: Rick Hutcheson
FROM: Ambassador Young
SUBJECT: Weekly Report from Ambassador Young, February 5
through February 9, 1979

1. Mexico Visit

I met with Leonel Castillo, Commissioner of the Immigration and Naturalization Service, on the linkage between Mexican oil and border problems. Castillo contends that an introductory promise that there will be no artificial barriers (i.e. fence) between the United States and Mexico will greatly enhance gas and oil negotiations and will be a political plus in the southwest Hispanic community.

Castillo, as the highest ranking Mexican-American in the Administration, would be a valuable asset on your trip for its impact on both sides of the border.

2. Helms Amendment

The repeal of the Helms Amendment prohibiting use of U.S. funds for technical assistance is critical to U.S. participation in the UN and all its specialized agencies. Public concern and support for repeal is building -- United Church of Christ, National Council of Churches, Lutheran Church in America, Union of Hebrew Congregations. It is important not only that we repeal the Helms Amendment, but it would be extremely helpful if we could provide Senator Helms with a significant defeat, hence discouraging continuation of his harassment of Administration policy. This should be placed on the White House's list of urgent supplemental appropriation priorities (Attachment A).

3. POW/MIA's

I met with representatives of the New York Chapter of National League of Families of American Prisoners and Missing in Southeast Asia. They contend that Defense Department reports indicate that refugees from Vietnam report sightings of Americans still living in Vietnam and imprisoned there. They insist the issue is not closed and are campaigning against re-classification.

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Per, Rac Project

ESDN: NLC-126-16-26-1-1

BY RS NARA DATE 7/9/18

4. Jordan Wants Security Council Meeting on Israeli Settlements in Occupied Territories

From my talks with the Jordanian Ambassador here, it is clear that the Arabs are intent on having the Security Council deal with the issue of Israeli settlements in the occupied territories. The Arabs are frustrated and angered by Israeli intransigence and the establishment of new settlements, which they know is inconsistent with our position and which they see as flouting international law and world opinion. Some of the Arabs may also see getting the settlements issue into the Council as a way of undermining the Egypt-Israel negotiations. We have delayed the Jordanian initiative for a while, but I think we can count on its coming up again soon.

5. Under Secretary General Urquhart Plans to Visit Middle East Next Week

Urquhart is planning to see Lebanese and Israeli leaders in addition to visiting the UNIFIL area of operations.

6. Coalition of Black Trade Unionists

I addressed 700 representatives of black trade union movement and received very positive response to discussion of Administration's budget targeting to meet the needs of the poor and fight inflation.

It seems important to explain failure of Keynesian formula to stimulate private sector investment and confidence. Once you get across the fact that government spending since 1965 has been a significant cause of inflation and recession, Carter Administration 7.4 million jobs can be seen as a result of more disciplined fiscal policy inspiring confidence and growth in private sector.

There is still a terribly cynical mood and I feel I must spend more time dealing with domestic issues in the liberal community.

ATTACHMENT B

EXCERPT FROM INTERVIEW

QUESTION: From his statements it appears that Ayatollah Khomeini is not only anti-Christian, and anti-Jewish, but he is also anti-Baha'i. Does this kind of thing, especially being a minister, worry you?

YOUNG: Yes, that does worry me. But, my own experience with the press leads me to be very sympathetic and understanding and forgiving of the way people are caricatured by the press. I would be willing to bet that in another year or so, it probably won't take that long, Khomeini will be some kind of a saint when we finally get over the panic of what is happening there. He is not a man to be dismissed. I certainly cannot agree with what I hear people say he says. But I don't agree with what people say I say either.

I look forward for an opportunity to see what his ideas really mean as he tries to bring about a transformation of that society. I am, at this point, just an observer, but one amazing thing to me is that there has been so massive an upheaval without any more destruction -- that doesn't mean that it has been a non-violent revolution, because there has been a targeted destruction of property and some human life. But, when you compare it with most revolutions that we have known in our lifetime, that have been characterized by complete destruction, there is an element of restraint there that I think everybody deserves some credit for. That element of restraint on all sides is what I would hope to encourage. I would hope that there would continue to be restraint on the part of the forces of Khomeini. I would hope that there would be continued restraint on the part of the army, and that somehow Iran might negotiate its way through this particularly turbulent period.

QUESTION: Are you writing off the Bakhtiar Government? You seem to take Khomeini's rule for granted.

YOUNG: No, I am not, but that doesn't mean...you know, it would be very good if there could be some accommodation with the Bakhtiar Government. And, I suspect that there will be some accommodation with that government, and certainly with the ideas of that government. But, I think the mistakes that we have made...well, I should not talk about the mistakes. What I would like to avoid doing is having us cheering either side. I think the President said from the very beginning, and Dr. Brzezinski's statement was quoted that there is a 2,500 year history of political experience and struggle amongst the

people of Iran, ultimately that is what we have got to put our faith in and hope that however it comes out, and at any way along the process we can be a helpful influence rather than a hinderance.

QUESTION: If we are not to cheer for either side, what should our policy be?

YOUNG: I don't know. This is the problem with Iran. Things had degenerated to a point that by the time the Carter Administration came into power that there was really nothing that we could have done that would have been right. We couldn't walk away from the Shah. I think the very...I think delicate handling of the situation that is going on, on an almost day to day, hour by hour basis, was the only choice we had frankly.

OFFICE OF THE
DEPUTY SECRETARY OF STATE

February 21, 1979

Nell Yates
The White House

Nell:

This is the original of the paper
LDX'd to the President at 1:30 p.m.,
today.



Jaoué Hill
632-9640

~~CONFIDENTIAL~~

DEPARTMENT OF STATE
WASHINGTON

February 21, 1979

MEMORANDUM FOR: THE PRESIDENT
FROM: Warren Christopher *WC*
SUBJECT: Taiwan Security Resolution

Attached is the current version of the Senate Taiwan security resolution.

We are telling Church and Glenn that while we are not endorsing any resolution, we do not regard the present text as inconsistent with our understandings with the PRC. The situation is still fluid, and there are one or two words I hope to change. I think, however, that we would be fortunate to maintain the present text in light of the recent Chinese actions.

I have just been informed (12:30 p.m.) that the mark-up is proceeding well, but that they will probably not reach the security section until tomorrow morning. That will allow time to reflect any comments you may have.

~~CONFIDENTIAL~~

RDS-2 2/21/86

DECLASSIFIED
Per: Rac Project
ESDN: NLC-126-16-20-1-1
BY: *KS* NARA DATE *7/2/13*

Sec. 110 (a). It is the policy of the United States:

- (1) to maintain extensive, close and friendly relations with the people on Taiwan;
- (2) to make clear that the United States decision to establish diplomatic relations with the People's Republic of China rests on the expectation that any resolution of the Taiwan issue will be by peaceful means;
- (3) to consider any effort to resolve the Taiwan issue by other than peaceful means a threat to the peace and security of the Western Pacific area and of grave concern to the United States;
- (4) to provide the people on Taiwan with arms of a defensive character.

(b) In order to achieve the objectives of this section:--

- (1) the United States will maintain its capacity to resist any resort to force or other forms of coercion that would jeopardize the security, or social or economic system of the people of Taiwan;
- (2) the United States will assist the people on Taiwan to maintain a sufficient self-defense capability through the provision of arms of a defensive character;
- (3) the President is directed to inform the Congress promptly of any threat to the security of Taiwan and any danger to the interests of the United States arising therefrom.

THE WHITE HOUSE
WASHINGTON

2/13/79

Tim Kraft
Arnie Miller

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

Rick Hutcheson

FOR STAFFING
FOR INFORMATION
FROM PRESIDENT'S OUTBOX
LOG IN/TO PRESIDENT TODAY
IMMEDIATE TURNAROUND
NO DEADLINE
LAST DAY FOR ACTION

ACTION
FYI

ADMIN CONFIDENTIAL
CONFIDENTIAL
SECRET
EYES ONLY

VICE PRESIDENT
JORDAN
EIZENSTAT
KRAFT
LIPSHUTZ
MOORE
POWELL
RAFSHOON
WATSON
WEXLER
BRZEZINSKI
MCINTYRE
SCHULTZE

ADAMS
ANDRUS
BELL
BERGLAND
BLUMENTHAL
BROWN
CALIFANO
HARRIS
KREPS
MARSHALL
SCHLESINGER
STRAUSS
VANCE

ARAGON
BUTLER
H. CARTER
CLOUGH
CRUIKSHANK
FALLOWS
FIRST LADY
GAMMILL <i>Am</i>
HARDEN
HUTCHESON
LINDER
MARTIN
MOE
PETERSON
PETTIGREW
PRESS
SANDERS
VOORDE
WARREN
WISE

THE WHITE HOUSE

WASHINGTON

February 5, 1979

C

MEMORANDUM FOR THE PRESIDENT

FROM:

TIM KRAFT ^{TK}

ARNIE MILLER ~~AAA~~

SUBJECT: Federal Co-Chairman for the Mid-South
Title V Regional Commission

The newly-created Title V Commission includes:

Mississippi
Alabama
Tennessee
Kentucky (excluding counties
covered by ARC)

Our recommendation for this position is Albert Smith of Russellville, Kentucky. Smith is editor and publisher of five newspapers covering Kentucky and parts of Tennessee. He is an active civic and business leader in Kentucky.

Smith had a strong interest and broad support for a position on the Board of Directors of TVA. His supporters included Senator Ford, Senator Huddleston, and Governor Julian Carroll. They also support him for this position.

RECOMMENDATION:

Nominate Albert Smith for Federal Co-Chairman for the Mid-South Title V Regional Commission.

✓ _____ approve _____ disapprove

J

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AL SMITH
(Albert P. Smith, Jr.)

Al Smith is editor and publisher of the Russellville, Ky., News-Democrat and Logan Leader and head of a publishing company, Al Smith Communications, Inc., which owns these and four other weekly newspapers--at Leitchfield, Morgantown, and Cadiz in Western Kentucky, and at Brentwood (a suburb of Nashville) in Tennessee. Since 1974, he has been producer and moderator for the weekly Kentucky Educational Television program, "Comment on Kentucky."

He is chairman of the Kentucky Arts Commission and chairman of the Kentucky Oral History Commission. He is on the Advisory Board of the Tennessee River Valley Association. He is a trustee of the Frontier Nursing Service at Wendover, in eastern Kentucky, and is a trustee of Shakertown at Pleasant Hill in central Kentucky. He is a past president of the Kentucky Press Association and helped draft Kentucky's two "sunshine laws" for open meetings and open records.

He was born in Sarasota, Fla. in 1927, reared on a farm in middle Tennessee, served in the Army in World War II, attended Vanderbilt University, and spent the first 10 years of his journalism career on the daily newspapers in New Orleans. He is married and has three children.

The Smith newspapers are published in a 100-year-old building which was restored as a central printing plant. It has won two design competition awards for architects and has been featured in several national publications devoted to preservation.

His newspapers have won many awards for editorial writing. This year (1978), Kentucky Educational Television has nominated Al Smith for the Distinguished Broadcast Journalist Award given by Western Kentucky University. This is in recognition of a 17-part series of interviews with outstanding Kentuckians which Al Smith wrote and produced for KENT, as well as the weekly "Comment on Kentucky" series. Smith also narrated and helped write a 60-minute documentary on Kentucky's heritage for WAVE-TV, the Louisville NBC affiliate.

Al Smith's Kentucky papers are rural county seat weeklies, each with an independent political view. His Tennessee paper, which was started in 1977, is more urban oriented and is in one of the state's fastest growing areas. All of his papers are in communities served by the Tennessee Valley Authority (TVA).

As a "Main Street," smalltown editor, Al Smith has been deeply involved for 20 years in regional and local resource development and energy and conservation programs. He grew up in a family that

- 1968 Founded Logan Leader (weekly) Newspaper, bought News-Democrat, organized Logan Ink, Inc., publishing Company
- 1969 Organized Green River Ink, Inc., bought Morgantown Green River Republican
- 1971 Organized Grayson Ink, Inc., bought Leitchfield Gazette
- 1972 Organized LBL Inc., bought Cadiz Record
- 1973 Bought, remodeled historic property Russellville Public Square for central printing plant, winning two honor awards from Kentucky-Ohio Society of Architects for environmental concern and design
- 1974 Bought Trigg County Times, Cadiz, merged with Cadiz Record
- 1974 Narrated, helped write 60-minute documentary, "Three for Kentucky", for WAVE-TV, Louisville NBC affiliate, dealing with three families with deep roots in different regions of the state and how Kentucky traditions have affected their lives. Film shown in Indiana, Kentucky, Tennessee
- 1974 Began producing, moderating "Comment on Kentucky", a weekly public affairs program on Kentucky Educational Television (KET), similar to "Washington Week in Review"
- 1975 President, Kentucky Press Association
- 1975 Produced, moderated Kentucky's first statewide television debate between gubernatorial nominees (Julian Carroll, Dem., Robert Gable, Repub.)
- 1976-77 Producer, writer, interviewer for "Bicentennial Profiles", individual television interviews "on location" with 17 Kentuckians from all walks of life. Funded by grants to KET from American Revolutionary Bicentennial Administration, Kentucky Historical Events Celebration Committee
- 1976-77 Producer-moderator for new weekly series of "Comment on Kentucky" funded for KET by Kentucky Humanities Council
- 1977 Consolidated all companies into Al Smith Communications Inc. and acquired Grayson County News through merger
- 1977 Founded Harpeth Herald (weekly) newspaper and organized Harpeth Publishing Co., Brentwood, Tennessee

was pre-occupied with the economic and social significance of electric power and sharply divided over public power/private power issues. His father, who was a farmer and lawyer, and grandfather, an engineer and one time weekly newspaper publisher, were public power advocates and supported the TVA in Tennessee. One uncle, the late McGregor Smith, Sr., a native of Tennessee, was head of Florida Power and Light Co. from 1940 to 1972. He was a chairman of the Florida Industrial Development Commission and had been president of Louisiana Power and Light Co. in the 1930's. He and another uncle, who was a vice president of Louisiana Power and Light, were hostile to TVA. Al Smith, who sided with his father and grandfather, believes in public power and in the TVA Act.

ADDRESS:

120 Public Square, Russellville, Ky., 42276
Telephone 502-726-9507 (business)

540 South Main, Russellville, Ky., 42276
Telephone 502-726-9343 (residence)

YOUTH-EDUCATION-JOURNALISM-TELEVISION:

Born January 9, 1927, Sarasota, Florida. Parents were natives of middle Tennessee who returned there in 1939, buying a farm at Hendersonville, near Nashville

1940-44 Hendersonville, Tenn., farm

1942 Winner, National American Legion High School Oratorical Contest and \$4000 scholarship, some 100,000 contestants. Same contest won the previous year by Frank Church, now U.S. Senator

1944 Graduate, Cum Honore (top 5 seniors), Castle Heights Military Academy, Lebanon, Tenn. Edited Newspaper, Year Book

1945-46 U. S. Army, Field Artillery instructor, U.S. Army Commendation Medal, discharged as Technical Sergeant

1946-47 Attended Vanderbilt University

1947-50 Assistant State Editor, The New Orleans Times-Picayune

1950-52 State Editor, The Times-Picayune

1952-54 Day Police, Criminal Courts Reporter, The Times-Picayune

1954-57 Assistant City Editor, New Orleans Item

1957-60 Editor, part owner, Russellville, Ky. News-Democrat

1978

Nominated as Kentucky Broadcast Journalist of the Year (Award from Western Kentucky University)

1978

Programming schedule of "Comment on Kentucky" expanded from 36 weeks to 52 weeks a year

ARTS:

Organized Logan County Committee for the Arts, 1966

Organized Russellville Conference, Kentucky Arts Commission, 1967

Chairman, Kentucky Arts Commission 1977--
(Responsible for \$1 million annual budget)

CONSERVATION:

Promoted, wrote many articles about Mud River Watershed, 4-county project based in Russellville, named Watershed of the Year in U.S. at National Soil Conservation Congress in Little Rock, 1964 at ceremony attended by Al Smith and group of Logan farmers

Promoted, helped raise funds for 900-acre Western Kentucky Boy Scouts Wilderness Camp, Lake at Russellville, 1966

Conducted editorial campaign which blocked State Highway Department plans to cut down 100 maple trees along U.S. Highway 68 from Bowling Green to Russellville, 1975

Numerous speeches, editorials, columns on conservation, environmental protection

First weekly editor to win State Farm Bureau Communications Award, 1964

Distinguished Journalism Award from North, South Logan Soil Conservation Districts, 1965

DEVELOPMENT:

Organized Logan Industry Appreciation Fair and Dinner, 1965

Participated in locating E. R. Carpenter Co., urethane foam plant in Russellville, 1969. Involved in expansions, other activities of these Russellville plants: Rockwell, Emerson Electric, Illinois Tool Works, Blue Bell

Page Five
Author of three community reports which won All
Kentucky City Awards for Russellville, 1964-65-66

Director, Russellville-Logan County Chamber of
Commerce; Member, Industrial Committee, 1969--

Traveled in other states in behalf of local industrial
program, long time close affiliation with South Ken-
tucky Industrial Development Association funded by
TVA electric power distributors

Led campaign to block takeover of local hospital by
for-profit chain, 1973, many articles, speeches on
community health needs, worked on doctor recruit-
ment, helped locate new dentist, surgeon, physician

Trustee, Frontier Nursing Service, Wendover, Ky.,
1977-- (demonstration in family-centered primary
health care, including Mary Breckinridge Hospital at
Hyden, outpost nursing and primary care centers, FHS
home health agency, Frontier School of Midwifery and
Family Nursing)

EDUCATIONAL:

Secretary-Treasurer, 1964-1977, of \$200,000 scholarship
loan fund for local college, trade school students,
providing loans and counseling for several hundred
youths

First professional member of board of "The Kernel",
independent daily at the University of Kentucky,
1971-72

One of five professional journalists on select committee
to advise UK president on reorganization of journalism
program, 1975

Guest lecturer on journalism at UK, Murray State,
Western State, Eastern State Universities since 1971

Author, Louisville Chapter, Society of Professional
Journalists, Sigma Delta Chi, report censuring Western
Kentucky University for suspension of 5 student editors,
1965, contributing to reorganization and upgrading of
Western's journalism program

Trustee, Logan County Public Library, 1974--

Winner, Kentucky Education Association "School Bell"
statewide award for outstanding coverage of public
schools, 1967

Attended: Ford Foundation-SNPA seminars, Vanderbilt, "Courts and Constitution", 1966, "Ethical Issues in American Life", 1967; American Press Institute's first week long seminar on "management of weekly newspapers", 1976; various seminars on freedom of press; member, Louisville Chapter, Society of Professional Journalism, Sigma Delta Chi

Lecturer, News Content of Weekly Papers, American Press Institute, Reston, Va., January, 1978

ENERGY:

Organized, promoted, presided at "Goals for Coal" conference in Russellville, 1974, drawing 600 persons for regional program on development of coal resources, featuring Gov. Wendell Ford, U.S. Senator Marlow Cook, Former Senator Albert Gore, technical experts from universities, utilities, TVA

Presented reports on Kentucky energy research and development at TRVA board meetings in 1975-76-77-78

Organized Kentucky participation in 1974 midsouth energy rally at Fayetteville, Tennessee, featuring Senator Henry Jackson, Congressmen Bob Jones, Joe Evins, Frank Stubblefield

Attended 1974 Senate hearings on TVA pollution control efforts, Washington, D. C.

Produced 30-minute program for KET on issues confronting TVA, with Aubrey Wagner, 1975

Panelist, new directions for TVA-symposium, Gilbertsville, Ky., 1977

Producer, writer, 60-minute documentary (for KET) on Tom Gish, publisher of "Mountain Eagle" newspaper at Whitesburg, Ky. and his editorial positions on Appalachian resource use, 1977

GOVERNMENT AND POLITICS:

Advisory committee to Council on Higher Education

Advisory Board to KET

Cultural Complex Task Force Committee (downtown Louisville)

PRESERVATION AND HERITAGE:

Chairman, Kentucky Bicentennial Oral History Commission, established by Governor Julian Carroll and an act of the Legislature as nation's first state-funded oral history program, 1976; project was proposed by Al Smith through Kentucky Press Assn. in 1975

Author of application and descriptive material about Russellville leading to designation of old section of town as "Historic District" and listing on National Registry of Historic Places and Landmarks, 1976

Bought and restored two historic downtown buildings as printing plant (1973) and personal residence (1975)

Sponsor of campaign to save the trees along Hwy. 68 (See Conservation)

Past president, Logan County Historical Society

Author, "History in Towns", article on Russellville for "All Kentucky" issue of "Antiques" magazine, April, 1974

Producer, TV program on Shakertown at South Union, Ky., 1975

Producer, TV program on Kentucky Heritage Commission, 1975

Trustee, Shakertown at Pleasant Hill, Ky., 1977--

Organized, Russellville Conference of Ky. Heritage Commission, with Mrs. Harvey Sloan, Chairman, 1977

Attended regional conference on humanities and public policy--"The Peoples of the South: Heritages and Futures", Nashville, May, 1976, for Ky. Humanities Council

FAMILY:

Son of Albert P. and Elvira Mace Smith, both deceased, Hendersonville, Tenn. Father was a lawyer-farmer, mother a weekly editor in her youth, Lebanon, Tenn.

Paternal grandparents, Rutledge and Graeme McGregor Smith, Nashville. He was a weekly publisher at Cookeville, Tenn., later assistant to the president of a Tennessee railroad, director of Tennessee

Selective Service in World War I and receiver in bankruptcy during the depression for Caldwell and Co., the largest financial institution to go under in Nashville

Maternal grandparents, Brice Martin and Ella Cook Mace, Lebanon, Tenn. He was farmer, school teacher

Sister, Robin Smith Burrow, Abilene, Texas, married to James Burrow, PhD, professor of history, Abilene Christian College and author of two histories of American medicine. Robin Smith Burrow is social worker and runs an advocacy program for retardates

Wife, Martha Helen Disharoon Smith, formerly of Hopkinsville, Ky., a professional photographer, graduate of Austin Peay State University, Clarksville, Tenn., and of University of Tennessee, Graduate School of Social Work; former social worker, administrator for mental health program

Three children: Catherine Hancock, 17; Carter Hancock, 16; and Virginia Lassiter Smith, 6

RELIGION:

Episcopal. Former member of vestry, Trinity Church. Gave the nominating speech in 1971 for election of David B. Reed as the present Bishop of the Diocese of Kentucky.

OTHER:

Published nationally in "Newsweek", as free lance correspondent; "Antiques", "Bulletin of Society of American Newspaper Editors", various conservation magazines

REFERENCES:

Circuit Judge William C. Fuqua, Russellville, Ky.; Attorney Granville Clark, Clark Bldg., Russellville, Ky.; Attorney George Street Boone, Elkton, Ky.; Robert Carter, president, the Kentucky New Era, Hopkinsville, Ky.; George Wilson, retired secretary-manager, Kentucky Press Association, Irvington, Ky.; John Ed Pearce, the Courier-Journal and Times Sunday Department, Louisville, Ky.; Barry Bingham, Jr., Editor and Publisher, the Courier-Journal and Times, Louisville; Alfred Shands, Alfred Shands Television Productions, 334 East Broadway, Suite 327, Louisville, Ky., 40202; Nat Caldwell, reporter, the Nashville

Tennessean, Nashville, Tenn.; Walter Durham, president, Durham Mfg. Co., Gallatin, Tenn.; Nancy Green, student publication adviser, the University of Kentucky; James Aussenbaugh, assistant professor of journalism, Western Kentucky University; Attorney Frances Keller, 1 Shell Square, Suite 4640, New Orleans, La. 70139; Attorney Herman Kohlman, Pere Marquette Bldg., New Orleans; Phil Johnson, news director, WFL-TV, New Orleans; Larry Forgy, attorney, Tarrant, Bullitt and Combs, Citizens Plaza, Louisville; O. L. Press, Executive Director, Kentucky Educational Television, 600 Cooper Drive, Lexington, Ky. 40502; Robert L. Kirkpatrick, Jr., president, Southern Deposit Bank of Russellville; Peter Mahurin, vice president, Hilliard & Lyons, Inc., 511 East 10th, Bowling Green, Ky.; Jonathan Gibson, Sierra Club, 330 Pennsylvania Ave. S.E., Washington, D. C. 20003

THE WHITE HOUSE
WASHINGTON

C

February 12, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: TIM KRAFT **TK**
ARNIE MILLER ~~AM~~
HARLEY FRANKEL **HF**

SUBJECT: Inspector General Positions

On January 3, 1979 and January 22, 1979, you approved Inspector General recommendations for several departments and agencies. This memorandum recommends candidates for two additional departments and agencies -- DoT and SBA. These candidates have come through the detailed selection process described in the January 3, 1979 memorandum. The Department of Justice and the Office of Management and Budget have been extensively involved throughout this process and concur with the recommendations that follow. If you approve these recommendations, we will then have nominations for ten of the twelve positions created by the Inspector General Act of 1978.

We hope to submit to you our recommendations for the Environmental Protection Agency and the Community Services Administration in the very near future. You had earlier approved Ms. Judy Rogers and Ms. Karen Burstein for the positions at EPA and CSA, respectively. Both have subsequently changed their minds.

INSPECTOR GENERAL RECOMMENDATIONS

Department of Transportation. We and Brock Adams recommend Frank Sato to be the Inspector General of the Department of Transportation. We recently sent

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you a memorandum about Mr. Sato suggesting that he be called and asked to change his mind about his earlier decision not to be a candidate. The Vice President called him and has successfully persuaded Mr. Sato to accept that position if nominated.

Mr. Sato is a career civil servant with 25 years of experience, and is currently serving as Director of the Defense Department's Audit Service (see attached resume). Mr. Sato has an impressive background in the audit field and is prudent, thoughtful and balanced. He was recommended to us by the Comptroller General, Elmer Staats. If nominated and approved by the Senate, he will be the Administration's only full-time Presidentially-appointed Asian-American.

Recommendation:

Nominate Frank Sato to be the Inspector General of the Department of Transportation.

approve disapprove

Small Business Administration. We and Vernon Weaver recommend Paul Boucher to be the Inspector General of the Small Business Administration. Mr. Boucher was recommended to us by the Attorney General and is currently serving as a Deputy Section Chief in the Criminal Division of the Department of Justice. He has had considerable investigative experience within the Department of Justice and is very well thought of there. He has had some management experience in his most recent job. Mr. Boucher is younger (age 36) than the other nominees for Inspector General positions but has had 15 years of experience as he earned his law degree while working (see attached resume).

Recommendation:

Nominate Paul Boucher to be the Inspector General of the Small Business Administration.

approve disapprove

FRANK S. SATO
4105 Whispering Lane
Annandale, Virginia 22003

Professional Experience

1977 - Present	Director, Defense Audit Service
1974 - 1977	Deputy Assistant Secretary of Defense (Audit)
1965 - 1974	Office of the Assistant Secre- tary of Defense (Comptroller):
1973	Deputy Comptroller for Audit Operations
1971	Director for Defense Agencies Audits
1969	Director for Audit Operations
1967	Director for Special Activities Audits
1953 - 1965	Chief, Logistics Audits Division, U. S. Air Force Auditor General

Education

1953	University of Washington, B.A., major in accounting
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PAUL ROBERT BOUCHER
2315 Tanglevale Drive
Vienna, Virginia 22180

Professional Experience

1975 - Present Deputy Section Chief, General
Crimes Section, Criminal
Division
Department of Justice

1974 - 1975 Assistant General Counsel
Government Printing Office

1972 - 1974 Trial Attorney, General Crimes
Section, Criminal Division
Department of Justice

1970 - 1972 Staff Assistant for Legal
Matters
Naval Investigative Service
Headquarters

1964 - 1970 Special Agent/Assistant Senior
Resident Agency, U. S. Naval
Intelligence
Naval Investigative Service

Military Service

1965 - Present U. S. Naval Reserve, Lieutenant
Commander

Education

1963 Merrimack College, North Andover,
Massachusetts - B.S.

1969 Suffolk University Law School,
Boston, Massachusetts - J.D.

THE WHITE HOUSE
WASHINGTON

February 12, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: TIM KRAFT ^{TK}
ARNIE MILLER ~~AAA~~

SUBJECT: Interstate Commission on the Potomac
River Basin

The Interstate Commission on the Potomac River Basin (ICPRB) was formed in the 1940s to coordinate efforts by the states of the basin and the federal government in restoring and preserving the Potomac.

There are three federal commissioners. Last year, you appointed Dr. Alvin Morris, of Pennsylvania, and Joseph D. Gebhardt, of Maryland. One vacancy currently exists due to a recent resignation.

We recommend that you appoint Dr. Lois Sharpe, of Virginia, to that vacancy. She has been highly recommended by Barbara Blum, Deputy Administrator of the Environmental Protection Agency, and Sandy Duckworth, National Committeewoman from Virginia.

Dr. Sharpe, as a volunteer in the '50s, was one of two leaders who organized the InterLeague Committee on the Potomac Basin, the mechanism by which state and local Leagues of Women Voters in the basin could work together on basin activities. Subsequently, Dr. Sharpe supervised conferences and seminars in many parts of the country, through which citizens could develop a better understanding of the importance of basinwide cooperation in water management. Most recently, Dr. Sharpe has served on the Environmental Advisory Board of the U. S. Army Corps of Engineers (1972-1976).

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VITA
January 1979

LOIS SHARPE 2837 Monroe Street, Falls Church, VA (703) 532-4377 (Mrs. C.F.S. Sharpe)

Birthplace Milwaukee, Wisconsin November 15, 1906

Education B.A. Milwaukee-Downer College, Milwaukee, Wisconsin
M.S. University of Rochester, Rochester, New York
Ph.D. Northwestern University, Evanston, Illinois GEOLOGY

Present Activities

Member, Fairfax County Water Authority, Virginia, 1977 ---

Consultant, National Science Foundation, Directorate for Science Education
Advisory Committee for Science and Society, 1978-1979
Advisory Committee for Science Education, 1979-1982

Consultant, Office of Technology Assessment, Materials Advisory Program, 1974--

Member, Advisory Committee on Water Data for Public Use, U.S. Geological Survey,
U.S. Department of the Interior, 1978---

Relevant Professional Experience

Staff Specialist, Water Resources, League of Women Voters of the U.S., 1960-1970

Environmental Department Coordinator, League of Women Voters Education Fund, 1970-76

Other Committee and Interorganizational Activities

U.S. Army Corps of Engineers, Environmental Advisory Board, 1972-1976

National Academy of Sciences, Materials Board, 1975-1977

National Academy of Sciences, Advisory Committee on IIASA, Liaison Committee on
Resources and the Environment, 1976-1978

National Research Council, Committee on Gas Production Opportunities, 1977-1978.

National Science Foundation, Proposal Evaluation Panel, Science for Citizens, 1977

Federal Energy Administration, Environmental Advisory Committee, 1974-1976

Federal Energy Office, Environmental Advisory Committee, 1973-1974

National Water Resources Council, National Conference on Water, Workshop
Moderator, St. Louis, Missouri, 1977

U.S. Information Agency, Overseas Environmental Seminar Series, speaker, Romania
1974

Awards

American Motors Conservation Award, Professional Class, 1972

THE WHITE HOUSE
WASHINGTON
2/13/79

Jack Watson

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

Rick Hutcheson

cc: Stu Eizenstat
Jim McIntyre

THE WHITE HOUSE
WASHINGTON

February 7, 1979

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT

JIM McINTYRE

SUBJECT:

Governor Busbee's Memorandum

*Jack - Consult
with mayors, Stu &
Jim, & let's move
on agreed suggestions.
See me to settle
any disagreements -
J.C
cc Stu, Jim*

Governor Busbee's recent memorandum offers some very thoughtful suggestions for improving the existing Federal grant-in-aid system. It contains several recommendations that could enhance our efforts to reduce inflation, consolidate Federal programs and diminish Federal red-tape and administrative burdens. It also raises fundamental, and highly controversial, questions about the respective roles of Federal, State and local governments.

OMB and DPS have discussed the Busbee memorandum thoroughly. We generally agree on the following:

- o Proceed expeditiously with the program consolidations that we already have recommended and those for which we have developed recommendations. The key areas are:
 - 1) economic development assistance (although we disagree on the amount of consolidation which the Congress will approve and which is substantively called for)
 - 2) human service program eligibility criteria
 - 3) planning assistance requirements
 - 4) environmental programs
 - 5) energy management and planning
- o Direct OMB and the agencies to intensify their efforts to simplify and standardize administrative requirements and to cut down on wasteful red-tape and duplication.

Actions being taken include:

- development of a single audit guide to replace the nearly 100 guides now being used for auditing federally assisted programs;

- simplification of agency audit procedures and clarification of expectations of Federal aid recipients with respect to audits;
 - development of ways to make Federal planning requirements as standardized and as simple as possible (several hundred have been identified for administrative consolidation; recommendations for legislative change will be sent to you by midsummer);
 - revision of procurement standards to place maximum reliance on State and local government systems;
 - agreement by several departments, under the leadership of HEW, to facilitate packaging of 15 to 25 emergency medical services programs as jointly funded projects; and
 - reforming regulations and procedures and reducing paperwork, as EPA did in speeding processing time for rural water and sewer grant applications by more than a year.
- o Carefully identify and develop additional program consolidations that can be incorporated in the FY 1981 budget. These consolidations should be selected in a way that maximizes the probability of Congressional success. We believe that this can be done by selecting programs that are up for reauthorization next year (forcing Congress to act), and programs that are under the jurisdiction of only one Congressional Committee (reducing Congressional turf battles that have made reorganization so difficult). It is these factors that made the Nixon-Ford consolidations (i.e., CDBG, Title XX) so successful.

Program consolidations and changes in the relative roles of the different levels of government, which the Governor recommends, are important issues that can be major themes for the 1981 and later budgets. They can also be a means of following through on your commitments to governmental reorganization and to increased efficiency in government. However, it would be a serious mistake to treat these issues as largely technical ones, and it would be unrealistic to expect quick agreement on specific consolidations or other program changes.

The system that the Governor wishes to overhaul exists because powerful forces want it the way it is. In fact, the iron triangle -- the interest groups (including local government interests and some parts of State governments), the Congress, and the agencies -- will oppose change. You know that story well. Any approach that we take must reflect these realities and must be part of a well thought-out, long-term strategy. Otherwise, our chances of making significant progress are minimal.

Governor Busbee suggests that the Governors and you could reach agreement on which programs could be eliminated, which could be financed fully by the Federal government and which could be financed and administered fully by the States. He suggests that the Governors and the Administration jointly undertake a study to achieve this end.

While improvements in the delineation of Federal, State and local governments clearly are needed, we do not believe we should undertake such a comprehensive and public study.

- o The study could commit us to general principles that we are not prepared to implement in subsequent budgets. For example, most studies in this area generally conclude that the Federal government should assume full responsibility for welfare and health costs, a commitment that we probably will not have the budget resources to meet. If we agree to such a principle, however, our future budgets will be judged on their ability to implement these principles. The net balance may be negative when the full Federal assumptions are balanced against those programs shifted to the States.
- o The Busbee memorandum, while it has some appeal to State officials, is an extremely controversial document from the point of view of mayors, other local officials, minorities and the disadvantaged. Local officials consider themselves to be an equal partner in the federal-state-local system. They would strongly resist any study, commission, etc. that involved only the Governors and the Administration, particularly if such a study was perceived to increase State control over Federal grants-in-aid that currently go directly to local governments. The Governors, on the other hand, generally are more interested in increasing their control over Federal programs than they are interested in the program consolidations themselves. (The best example of this view is NGA's position on economic development reorganization. NGA supports it, but only if State participation in the Federal economic development programs increases and only if all local projects that are funded are consistent with a State development plan, many of which currently do not even exist.)

Minorities and the disadvantaged are even more skeptical about the responsiveness of State governments to their concerns. Any study, Commission, etc. that seemed to increase State responsibilities and reduce Federal responsibilities in these programs would be perceived, perhaps unfairly, as a retreat from our commitment to the poor, the minorities and the disadvantaged.

In the current period, when local government and minority support for, or neutrality on, our budget is so important, such a study could be very damaging.

- o There may very well be programs in which Federal/State matching relationships make sense. Some State funding often is useful to ensure that the programs fund activities that truly are valued by the States, and to ensure that the programs are administered in a way that limits fraud and abuse. In these instances, matching requirements are a sensible way to balance our desire to foster State administration of these programs and our desire to ensure that the programs are well managed. Welfare and income maintenance programs are examples of programs in which State financial participation is useful.

The above concerns lead us to believe that we should proceed somewhat more cautiously with any major changes in Federal, State and local government responsibilities. We would suggest that we not undertake a comprehensive study of these issues. In our view, it would be much better to examine these issues on a program by program basis.

In our view, the FY 1981 budget process could assist us in dealing with this issue.

We believe that you should direct OMB, in conjunction with DPS and Jack Watson to:

- 1) develop a checklist of principles that could be used in determining the appropriate level of government for financing or helping to finance programs and the circumstances under which broader or narrower grants are appropriate (by April 9);
- 2) identify some general areas in which changes in financing might be appropriate under the principles established (by April 20); and

- 3) determine, in the areas designated, program consolidations or other changes in financing that might be incorporated in the 1981 budget (during the May-June Spring Planning Review process).

The focus of what may be then proposed will generally be guided by bills up for reauthorization in that fiscal year.

Finally, we believe that your letter to Governor Busbee should not commit you to a comprehensive review of the issues he has raised nor appear to endorse his ideas completely. The letter to Busbee will be given wide circulation among the Governors, and perhaps among local officials and the press. If word gets out that a comprehensive review is underway, and that you have endorsed his views, we will be besieged by requests from interest groups for participation and the controversy surrounding the study could be heightened.

We understand that Fred Kahn wishes to have consolidation be a major part of his State-local anti-inflation efforts. We believe, at this point, we should indicate only that we take the issue seriously, and that you will be considering specific proposals during your review of the 1981 budget. To go further than that might promise more than we can deliver.

Recommendations:

- o Send letter of thanks to Governor Busbee (attached).
- o Proceed with already identified program consolidations.
- o Selectively identify additional consolidations for FY 1981 budget.
- o Continue to reduce administrative burden and red-tape.
- o Do not undertake a comprehensive study of Federal/State/local relationship, but proceed instead to review this issue in the FY 1981 budget cycle, with an eye toward proposals or acts being reauthorized by FY 1981.
- o Permit discussions with the States on possible trade-offs in certain areas for end of the State share of revenue sharing -- but with no commitment.

THE WHITE HOUSE

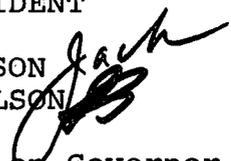
WASHINGTON

February 9, 1979

MEMORANDUM FOR THE PRESIDENT

FROM:

JACK WATSON
LARRY GILSON



SUBJECT:

Comments on Governor Busbee's Memorandum
on Improving the Grants-in-Aid System

I generally agree with Stu's comments and his analysis of the local government reaction to Governor Busbee's proposals. Nevertheless, Busbee's assessment of the political mood of the country -- and of the need to address it by some fundamental rethinking of the relationships among federal, state and local governments -- coincides with my own sense of the attitudes of the general public. There is no question in my mind that your success (both real and perceived) in responding to the conditions which are producing calls for a Constitutional convention, as well as incessant complaints about the intrusiveness of the federal government will have a substantial impact on the 1980 Presidential election.

I also agree with George that we have very little time left in which to take action in this area if we are to demonstrate substantive pay-off during your first term. The problem is that many of George's specific suggestions, if pursued, would create an absolute firestorm of adverse local government, minority, interest group and Congressional reaction. Without provoking that reaction and engaging in the long, drawn-out, public debate that would inevitably ensue, there are several bold and very significant actions you could take almost immediately that would radically change (and improve) the way the federal government does business with state and local governments. I recommend your consideration of the following:

"Deregulation" of the Federal Grant-in-Aid-System.

Redefining federal-state-local relationships and streamlining the federal aid system need to be put in the context of other major Administration objectives. I recommend that you begin thinking in terms of "deregulating the federal-state-local system," much as you are pursuing that goal with respect to the federal/private sector relationship. Such an effort is justified by:

- substantial improvements in the management and organization of state and local governments in the past fifteen years;
- proven failure of federal agencies (generally speaking) to promulgate and enforce prescriptive regulations that tell state and local governments how to comply with federal standards; and
- desire to be consistent with your other deregulation objectives.

What public officials and the private sector have in mind when they think of "deregulation" and "red tape cutting" is not so much the benefits of "block grant" versus "categorical grant" but rather:

- 1) changing the implicit presumption the federal government has that state and local governments cannot be trusted; and
- 2) reversing the current practice of requiring state and local governments to bear paperwork burdens mainly to ease the administrative burden of the federal agencies.

Actions You Can Take Now.

If you were to take serious steps to reform federal practice in accordance with the two propositions just stated, it would constitute a very dramatic change in federal-state-local relations. It would also be comprehensible to the average American and would address the gut feelings many Americans have about what is wrong with the federal government now (e.g., that it is intrusive, arrogant, bloated, self-justifying and over-regulating).

All of the following specific suggested reforms have been tested and, in most cases, could be implemented quickly.

1. Certification of Compliance -- The Federal government now asks state and local governments to make repeated demonstrations of their efforts to fulfill various national social goals such as affirmative action, environmental protection, citizen participation, etc. Immense amounts of paperwork and time could be saved if the federal government would simply:

- a) use one set of regulations as a basis for judging compliance with such cross-cutting requirements in all federal programs; or
- b) require one federal agency to accept another agency's finding of compliance with respect to a particular state or local government. (This is exactly what we did, with the concurrence of six agency heads, in our recent water and sewer initiatives that you announced in December.)

In either case, we would stop requiring case-by-case proof of compliance once a general certification of compliance has been made.

As a practical matter, the caseload of the agencies is such that only "spot-checks" are conducted now. Using the "enforcement by exception" approach would provide a strong incentive for jurisdictions to meet federal goals since a finding of non-compliance would jeopardize a wide range of federal funds. There is existing authority to implement much grant legislation in this way rather than through extensive prescriptive regulations. We could review the laws creating the largest grant programs and determine those for which this approach could be applied at your direction, and those for which legislation is required. Significant starts in this area are already underway in environmental protection, citizen participation and equal employment.

I recommend that you move immediately on all those for which you have existing authority.

2. Contracting Out -- Improvement in the quality of state and local government practices means that many things which the federal government had to do in the past to assure compliance with federal standards could now be achieved by relying on those governments. This is true both in the oversight and the actual conduct of programs. Some experiments are now underway to do just that.

- Through discretion granted to the EPA Administrator by Congress, Doug Costle is now delegating enforcement and oversight responsibility to those states which can demonstrate that they have an adequate state legislative base and an operational capacity to administer the construction grant, air quality standards and clean water programs.
- Those states found by FDAA (now FEMA) to have the legal basis and the management capability to administer disaster assistance programs are delegated the responsibility for administering federal disaster assistance funds when you declare a national disaster.
- A revised OMB Circular calls for the federal agencies, wherever possible, to contract out training, procurement, and other services which can be done more efficiently by the private sector.

This same principle could be applied to federal grants and to the substitution of state or local administration for federal administration, wherever possible.

3. Paperwork Reduction -- With the possible exception of the paperwork required of state and local governments to demonstrate compliance with federal cross-cutting requirements, the biggest "paper chase" comes at the time of applying for federal grants or loans. A great deal of that paperwork burden results from federal requirements that state and local applicants submit information which they have already submitted to other federal program managers, or which is information originally generated by the federal government itself. As an alternative to this extraordinarily redundant set of demands for information, I suggest that you direct the Office of Revenue Sharing at the Department of Treasury to:

- a) develop a central repository of basic data on eligible grantees so that a grantee would not have to supply it each time an application is made. (Each jurisdiction would, of course, have total access to their record in order to make corrections or to challenge the stored data.) Information would deal with population, unemployment rate, legal status of the jurisdiction, form of the governing board, etc., in accordance with a list of information items most frequently demanded as part of an application; and

- b) develop a computer-based system for storing grantee data and program-eligibility information in such a way that, through a conveniently located terminal, a grant applicant could get the computer to search among federal programs in order to identify those programs for which they are eligible. The computer could then print out a grant application with relevant community information already typed in, with such supplemental questions as might be required noted. The name and telephone number of the federal grant contact person would also be provided.

Such a system could be phased in by including only the few dozen most important aid programs first, then expanding. This process would be particularly responsive to the problems of small units of government for which the application/paperwork process is a major barrier to getting federal assistance for which they are technically eligible. It would also provide an excellent basis for federal program managers to coordinate their work since they could ask the computer for the list of programs or problems about which a particular community is making inquiries.

4. Planning Consolidation -- The groundwork has been laid for substantial consolidation of federal planning requirements and consolidation of planning grants. Both subjects were closely studied by OMB-led interagency task forces in 1977. Those studies were undertaken at your specific direction in 1977. Major consolidation proposals are "on the shelf" and could be implemented quickly, largely within existing legal authority. I recommend that those recommendations be implemented as quickly as possible, at least as they relate to state planning requirements.
5. Program Elimination -- Some of the programs Busbee recommends be eliminated are clearly vulnerable and should be carefully reviewed as candidates for elimination. Some such eliminations could be sold to state and local officials in the context of your overall effort to get the federal government out of the business of close supervision of state and local practices. Those programs in which the federal government contributes only a small share of the funds but imposes substantial regulatory burdens

should be the first to go. (LEAA fits this description.) NGA has already developed a "first cut" of proposed eliminations and trade-offs. I recommend that we negotiate this out now.

Timing

A major initiative including the elements proposed above would be especially timely now, not only because of its responsiveness to widespread public sentiment, but also because it would:

- respond to the Busbee memorandum;
- greatly strengthen the State and Local Government Anti-Inflation effort you are scheduled to announce at a White House meeting on February 21st;
- complement the private sector regulatory reform initiative now being formulated;
- respond to the concerns raised by the Governors with whom you met before the FY 1980 budget was finalized; and
- serve as a dramatic initiative to be announced at the Mid-Winter Meeting of the NGA scheduled for Washington at the end of this month.

THE WHITE HOUSE

WASHINGTON

To Governor George Busbee

I have received your recent memorandum on clarifying the roles of Federal and State governments in the grants-in-aid system. It is an extremely thoughtful memorandum and offers some very useful suggestions.

I have asked Jim McIntyre, Jack Watson and Stu Eizenstat to work with you and other State and local officials to follow through on fully reviewing your suggestions. I have also asked them to pursue as vigorously as possible our efforts to consolidate Federal programs and to reduce Federal administrative burdens and red-tape. As a former Governor, I fully understand the importance of this issue, particularly in this period of limited budgetary resources.

Once again, thank you for your thoughtful analysis. I look forward to working closely with you on this issue.

Sincerely,

The Honorable George Busbee
Governor of Georgia
Atlanta, Georgia 30334

ID 790079

THE WHITE HOUSE

WASHINGTON

DATE: 07 FEB 79

FOR ACTION: JIM MCINTYRE

JACK WATSON

- attended
with [unclear] [unclear]
2/9
replied
w/ [unclear]

(Wayne)
2/9 JMcI talked w/ P [unclear]
pm & agreed that comment
would be in COB Fri
- late b/c of testimony

INFO ONLY:

Bill

SUBJECT: EIZENSTAT MEMO RE GOVERNOR BUSBEE'S MEMO ON IMPROVEMENT
OF EXISTING GRANT IN AID SYSTEMS

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

ACTION REQUESTED: IMMEDIATE TURNAROUND

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

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE

WASHINGTON

February 7, 1979

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
RALPH SCHLOSSTEIN
SUBJECT: Governor Busbee's Memorandum

Governor Busbee's recent memorandum offers some very thoughtful suggestions for improving the existing Federal grant-in-aid system. It contains several recommendations that could enhance our efforts to reduce inflation, consolidate Federal programs and diminish Federal red-tape and administrative burdens. It also raises fundamental, and highly controversial, questions about the respective roles of Federal, State and local governments.

OMB and DPS have discussed the Busbee memorandum thoroughly. We generally agree on the following:

- o Proceed expeditiously with the program consolidations that we already have recommended and those for which we have developed recommendations. The key areas are:
 - 1) economic development assistance (although we disagree on the amount of consolidation which the Congress will approve and which is substantively called for)
 - 2) human service program eligibility criteria
 - 3) planning assistance requirements
 - 4) environmental programs
 - 5) energy management and planning
- o Carefully identify and develop additional program consolidations that can be incorporated in the FY 1981 budget. These consolidations should be selected in a way that maximizes the probability of Congressional

success. We believe that this can be done by selecting programs that are up for reauthorization next year (forcing Congress to act), and programs that are under the jurisdiction of only one Congressional Committee (reducing Congressional turf battles that have made reorganization so difficult). It is these factors that made the Nixon-Ford consolidations (i.e. CDBG, Title XX) so successful.

While we are not prepared to make specific recommendations at this time, we believe that OMB and DPS should carefully review the expiring programs and identify possible candidates for consolidation.

- o Direct OMB and the agencies to intensify their efforts to simplify and standardize administrative requirements and to cut down on wasteful red-tape and duplication.

The most difficult issues raised by Governor Busbee's memorandum concern the respective roles of Federal, State and local governments in the Federal system. He suggests that the Governors and you could reach agreement on which programs could be eliminated, which could be financed fully by the Federal government and which could be financed and administered fully by the States. Governor Busbee suggests, and OMB concurs, that the Governors and the Administration jointly undertake a study to achieve this end.

While improvements in the delineation of Federal, State and local governments clearly are needed, we have several general concerns about such a comprehensive and public study.

- o The study could commit us to general principles that we are not prepared to implement in subsequent budgets. For example, most studies in this area generally conclude that the Federal government should assume full responsibility for welfare and health costs, a commitment that we probably will not have the budget resources to meet. If we agree to such a principle, however, our future budgets will be judged on their ability to implement these principles. The net balance may be negative when the full Federal assumptions are balanced against those programs shifted to the States.
- o The Busbee memorandum, while it has some appeal to State officials, is an extremely controversial document from the point of view of mayors, other local officials, minorities and the disadvantaged. Local officials consider themselves to be an equal partner in the federal-

state-local system. They would strongly resist any study, commission, etc. that involved only the Governors and the Administration, particularly if such a study was perceived to increase State control over Federal grants-in-aid that currently go directly to local governments. The Governors, on the other hand, generally are more interested in increasing their control over Federal programs than they are interested in the program consolidations themselves. (The best example of this view is NGA's position on economic development re-organization. NGA supports it, but only if State participation in the Federal economic development programs increases and only if all local projects that are funded are consistent with a State development plan, many of which currently do not even exist.)

Minorities and the disadvantaged are even more skeptical about the responsiveness of State governments to their concerns. Any study, Commission, etc. that seemed to increase State responsibilities and reduce Federal responsibilities in these programs would be perceived, perhaps unfairly, as a retreat from our commitment to the poor, the minorities and the disadvantaged.

In the current period, when local government and minority support for, or neutrality on, our budget is so important, such a study could be very demaging.

- o There may very well be programs in which Federal/State matching relationships make sense. Some State funding often is useful to ensure that the programs fund activities that truly are valued by the States, and to ensure that the programs are administered in a way that limits fraud and abuse. In these instances, matching requirements are a sensible way to balance our desire to foster State administration of these programs and our desire to ensure that the programs are well managed. Welfare and income maintenance programs are examples of programs in which State financial participation is useful.

The above concerns lead us to believe that we should proceed somewhat more cautiously with any major changes in Federal, State and local government responsibilities. We would suggest that we not undertake a comprehensive study of these issues. In our view, it would be much better to examine these issues on a program by program basis, as the various program authorizations are considered by Congress for renewal.

If you feel that such a study is desirable, however, we strongly

recommend that it be totally unpublicized and done in a way that does not immediately commit you to positions that could be extraordinarily controversial. Such a low-key review could be carried out jointly by OMB and DPS, or by the Advisory Commission on Intergovernmental Relations.

Finally, we believe that your letter to Governor Busbee should not commit you to a comprehensive review of these issues or appear to endorse his ideas completely. The letter to Busbee will be given wide circulation among the Governors, and perhaps among local officials and the press. If word gets out that such a comprehensive review is underway, and that you have endorsed his views, we will be besieged by requests from interest groups for participation and the controversy surrounding the study could be heightened.

Recommendations:

- o Send letter of thanks to Governor Busbee (attached).
- o Proceed with already identified program consolidations.
- o Selectively identify additional consolidations for FY 1981 budget.
- o Continue to reduce administrative burden and red-tape.
- o Do not undertake a comprehensive study of Federal/State/local relationship, but proceed instead to review this issue on a program by program basis.
- o Permit discussions with the States on possible trade-offs in certain areas for end of the State share of revenue sharing - but with no commitment.

THE WHITE HOUSE

WASHINGTON

To Governor George Busbee

I have received your recent memorandum on clarifying the roles of Federal and State governments in the grants-in-aid system. It is an extremely thoughtful memorandum and offers some very useful suggestions.

I have asked Jim McIntyre, Jack Watson and Stu Eizenstat to work with you and other State and local officials to follow through on fully reviewing your suggestions. I have also asked them to pursue as vigorously as possible our efforts to consolidate Federal programs and to reduce Federal administrative burdens and red-tape. As a former Governor, I fully understand the importance of this issue, particularly in this period of limited budgetary resources.

Once again, thank you for your thoughtful analysis. I look forward to working closely with you on this issue.

Sincerely,

The Honorable George Busbee
Governor of Georgia
State Capitol
Atlanta, Georgia 30334

THE WHITE HOUSE
WASHINGTON

2/13/79

Frank Moore
Stu Eizenstat

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

Rick Hutcheson

cc: Zbig Brzezinski

FOR STAFFING

FOR INFORMATION

FROM PRESIDENT'S OUTBOX

LOG IN/TO PRESIDENT TODAY

IMMEDIATE TURNAROUND

NO DEADLINE

LAST DAY FOR ACTION

ACTION

FYI

ADMIN CONFIDENTIAL

CONFIDENTIAL

SECRET

EYES ONLY

VICE PRESIDENT

JORDAN

EIZENSTAT

KRAFT

LIPSHUTZ

MOORE

POWELL

RAFSHOON

WATSON

WEXLER

BRZEZINSKI

MCINTYRE

SCHULTZE

ADAMS

ANDRUS

BELL

BERGLAND

BLUMENTHAL

BROWN

CALIFANO

HARRIS

KREPS

MARSHALL

SCHLESINGER

STRAUSS

VANCE

ARAGON

BUTLER

H. CARTER

CLOUGH

CRUIKSHANK

FALLOWS

FIRST LADY

GAMMILL

HARDEN

HUTCHESON

LINDER

MARTIN

MOE

PETERSON

PETTIGREW

PRESS

SANDERS

VOORDE

WARREN

WISE

ATTACHMENT A

HELMS AMENDMENT

*Stu & Frank
What can we
do about this?
J*

I would hope that we would be able to take on Senator Helms on our own timetable when the Administration feels it has the greatest control of the process.

- Because of prohibitory language, the USG is unable to meet its legal obligations to the assessed budgets of the UN and specialized agencies.
- This is precipitating a financial crisis in the UN agencies which is all the more drastic at this point in time when we are trying to conclude delicate negotiations for establishing UNTAG.
- Failure to restore USG funding to these budgets urgently will jeopardize international organization programs important to U.S. interests, e.g. nuclear safeguards, control of contagious disease, air navigation safety.
- I would hope the USG has restored funding before Rosalynn appears before the World Health Assembly in May.
- Failure to include this supplemental on the White House's priority list gives the false impression to the Congress that the repeal of the Helms Amendment is not a priority.

**Electrostatic Copy Made
for Preservation Purposes**

THE WHITE HOUSE

WASHINGTON

13 February 1979

MEMORANDUM FOR
THE HONORABLE ALAN K. CAMPBELL
Director, Office of Personnel Management

Re: Your Memo Entitled, "Federal
Civilian Employee Compensation
Reform Legislation"

The President reviewed your memorandum of February 8 on the above-referenced subject and approved all the stated recommendations. He also added: "a) publicize accurate figures on federal pay raise vs 7% inflation guidelines, after giving me data; b) assess impact, if any, on Teamster negotiations."



Rick Hutcheson
Staff Secretary

cc: Alfred Kahn
Charlie Schultze

THE WHITE HOUSE
WASHINGTON

2/13/79

Jim McIntyre

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling. Chairman Campbell will be notified by separate cover.
Rick Hutcheson

cc: Stu Eizenstat
Frank Moore
Landon Butler

	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

*draft memo
to Campbell -*

OPM

*cc → Kahn
Schultz*

ACTION
FYI

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

	VICE PRESIDENT
	EIZENSTAT
	JORDAN
	KRAFT
	LIPSHUTZ
	MOORE
	POWELL
	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE

	ARAGON
	BOURNE
	BUTLER
	H. CARTER
	CLOUGH
	COSTANZA
	CRUIKSHANK
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HUTCHESON
	JAGODA
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	PRESS
	RAFSHOON
	SCHNEIDERS
	VOORDE
	WARREN
	WISE

	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

FEB 8 1979

Q
/

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Federal Civilian Employee Compensation Reform Legislation

This memorandum requests your approval to propose comprehensive legislation to reform the principal compensation systems covering Federal civilian employees.

Current law requires the Government to pay wages and salaries comparable to those in the private sector. A comparability policy is fair both to workers and to taxpayers, and permits Government to be competitive in attracting the high quality employees, especially professionals, who are vital to the successful implementation and operation of Government programs. This is a sound principle and one which this Administration has repeatedly stated it supports. However, the way comparability has been implemented is severely criticized by business and taxpayers groups. Some of these criticisms--but not all of them--are valid. In addition, with pay limitations resulting from anti-inflation efforts, we are falling further and further behind the comparability standard. The abandonment of comparability would be a severe blow to effective pay setting in the Federal sector for both civilian and military because there is no practical alternative except for pay to become again a political "football" which serves the interest of neither employees nor taxpayers.

The alternative plan you submitted this year, plus the alternative plans that will be required in fiscal 1980 and probably 1981, will put employees some 8-10 percent behind the present pay comparability standard. There will be no hope of making up the lag (about \$4-6 billion) as long as the current definition of comparability is retained. We anticipate, however, that a disparity of this size might be eliminated, or at least greatly reduced by adoption of the new total compensation comparability standard. In any event, the failure to consider the value of benefits in the comparability determination is not defensible.

Consequently, with the Administration committed to comparability, it is imperative that its definition be altered to take into account fringes as well as pay.

In addition to the deficiencies stemming from the "pay only" comparability concept, many other aspects of the Federal civilian employee compensation systems have been widely criticized as unsound by GAO and CSC reports, by the 1975 President's Panel on Federal Compensation (the Rockefeller Report), and by this Administration's Reorganization Task Force on

Personnel Management. The proposed reform legislation is based on recommendations of that task force, which was made up of Federal and private sector compensation experts and headed by a noted authority from the private sector. The legislation is designed to deal with the following deficiencies:

- Legislated requirements have introduced serious defects in the blue collar pay setting system. As a result, average blue collar wages are some 8-12 percent higher than the prevailing local rates they are supposed to equal. This means our annual blue collar payroll is about \$600 million more than it should be. During the last Congress, we attempted to secure reforms without success. However, we did persuade the Congress to limit blue collar increases in FY 79 to 5.5 percent and this may assist in future efforts to win permanent reform. In any event, the cap provided only a temporary respite; the difference must be made up later--possibly as early as next year.
- Both blue and white collar employees have generous fringe benefit programs, but they cannot be considered in comparability determinations. This contrasts with the non-Federal sector where pay and benefit changes are considered in unison.
- Private sector pay for many white collar occupations varies widely from one part of the country to another. Since we pay white collar employees from a single nationwide schedule, in some low wage areas of the country we overpay employees substantially. This leads taxpayers and Congressmen in these areas to feel strongly that Federal employees are generally overpaid. However, in other areas of the country our salaries are not competitive and our workforce reflects it. We often have difficulty in hiring well-qualified professionals and, in high wage cities, nearly all types of employees.
- Current law precludes use of State and local government data in our pay surveys even though State and local government employment has grown spectacularly and in many of the same occupations as Federal employment.

To deal with the first two deficiencies, the proposed comprehensive compensation reform legislation would:

- Reform the blue collar pay setting system primarily by linking Federal averages directly to the average local prevailing industry rates.
- Reform both the blue and white collar compensation setting processes by expanding the definition of comparability to include benefits and give the President authority to adjust most benefits (except retirement), as well as pay, to meet the new total compensation comparability standard.

The deficiencies of the white-collar pay setting system with its single General Schedule are more difficult to correct. In theory, closer comparability could be achieved by setting Federal salaries by occupation and by locality. This theory led to the idea of splitting off clerical occupations into a separate system with locally oriented pay rates while retaining professional occupations in a system with national pay rates. Our studies supported this idea as technically sound and similar to current compensation practices of large multi-establishment companies. However, the resulting clerical system would be heavily populated by women and minorities and lower pay rates would be set for about one-half of the employees under these schedules because of the split-off. Consequently, strong opposition to such a proposal could be expected from a variety of sources representing or sympathetic to the causes of women and minorities. Opponents would argue that such a split in the General Schedule would discriminate against the lower paid workers, would violate the equal pay provisions of Title VII of the Civil Rights Act, and would make upward mobility more difficult to achieve. These potential problems coupled with the relatively small cost advantage expected (\$118 million savings during the first 10 years) have led us to drop this proposal. We believe, however, that we can structure the pay schedule for each pay area to reflect local rate differences, but in a way which does not split clerical jobs off from the General Schedule. This would retain the internal equities of the General Schedule which employees value, satisfy critics of the present system, and avoid some of the stronger opposition that would have resulted from our original proposal to split the General Schedule. Consequently, we recommend that the proposed comprehensive compensation reform legislation should:

- Reform the white collar pay setting system by retaining the grades and steps of the present General Schedule but varying the rates from locality to locality so the schedule reflects locally paid salaries.

The final deficiency listed for both the blue- and white-collar pay systems--the exclusion of State and local government data from Federal surveys--is an undecided issue. Including this data would make Federal rates more representative of pay in all segments of the economy, not just private enterprise. Further, it is known that the original reasons for excluding State and local government (salaries were considered "administered" rates; data would have little effect on national averages) are no longer valid. However, it is also likely that the inclusion of these data in our pay surveys would have a downward impact on Federal salaries in the South as well as in a large number of our smaller metropolitan and outlying areas. This coupled with the depressing effect of locality pay would hit these areas doubly hard. Consequently, the choice is between:

- Including State and local government data, thereby insuring closer comparability between Federal and non-Federal pay rates in a locality or,
- continuing to exclude State and local government data, thereby lessening the opposition of those who believe including this data will lower Federal rates.

To implement these proposals we are requesting a significant new grant of authority and flexibility for the President over present law. However, the principle of comparability in Federal pay setting remains intact. The reforms expand the factors taken into account and thus improve comparability.

Significant advantages resulting from this legislation would be:

- A more appropriate comparability standard for Federal employees in keeping with your support of this principle.
- Real savings in employee compensation costs. The blue collar reforms alone, without savings from the total compensation comparability standard, will amount to about \$600 million annually. Under the total compensation standard for both the blue- and white-collar systems an additional \$4-6 billion savings per year is thought to be possible.
- Better control over benefit liberalizations because the President would have a significantly broadened role in these determinations.

On the whole, we should get an excellent reception from the general public. However, there are some difficulties associated with the legislation. Most notably:

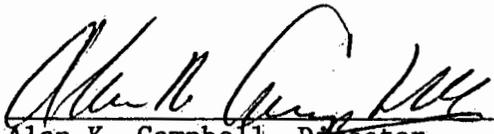
- Both the Senate and the House Committee leadership have expressed reluctance to handle the pay reform measure at full Committee level, as they did civil service reform, especially if the AFL-CIO decides to make the issue one of their top priorities. If assigned to a Subcommittee in the House, it will go to Gladys Spellman's, which has effectively blocked blue collar pay reform over the last two Sessions of Congress, and can be expected to try the same with this larger pay reform package.
- Many employees will see the legislation as strongly anti-employee. This might result in lower Federal employee morale, increase Federal employee union militancy and badly damage relationships between the Administration and employees with a significant and negative impact on civil service reform legislation implementation.
- Since the implementation costs and savings cannot be completely foreseen, opponents will have a handle for attacking it. With the exception of the blue collar pay setting changes, we do not have as much data on cost and implementation problems as Congress is likely to be looking for, and as we would like to have. However, the legislation provides a development and implementation period--2 years for development and 3 years for implementation; that should be sufficiently long to fully define all aspects of the program. At any rate our justification

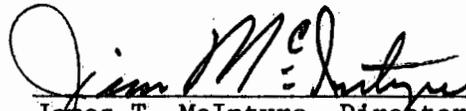
should rest primarily on the need to fully measure the comparability of our total compensation package, not on whether it will raise or lower salaries or effectiveness.

Despite the expected opposition we believe the Administration should move promptly and boldly with its comprehensive compensation reform proposal.

If you agree, we will continue working with the departments and agencies and with the White House staff to arrive at agreement on the exact provisions to be included in the bill. In addition, we will ask Secretary Marshall to expedite the development of needed BLS surveys. We already have consulted with your Advisory Committee on Federal Pay and they are generally supportive of the reform proposals.

We will also work with Secretary Brown, who favors these recommendations, to determine the possibilities for coupling the bill with his military pay reform proposals.


Alan K. Campbell, Director
Office of Personnel Management


James T. McIntyre, Director
Office of Management and Budget

PRESIDENTIAL ACTION

1. Proceed with blue collar reforms.

Approve Disapprove Other

2. For both blue and white collar systems, shift to concept of total compensation comparability, and include benefits in setting compensation.

Approve Disapprove Other

3. Continue the current General Schedule and vary pay in some way to reflect local rate differences.

Approve Disapprove Other

4. Include State and local government data in Federal pay and benefits surveys.

Approve Disapprove Other

a) Publicize accurate figures on federal pay raises vs. 7% inflation guidelines, often giving me data. b) Assess impact, if any, on Teamster negotiations
JC

THE WHITE HOUSE

WASHINGTON

February 12, 1979

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT *Stu*
STEVE SIMMONS *Steve*

SUBJECT: Campbell-McIntyre Memo re Federal Civilian
Employee Compensation Reform Legislation

We have closely followed the Federal pay reform proposals, and believe that this is an important initiative. As outlined in the memo, these pay reforms would result in significant budget reductions (estimated \$4 to \$6.6 billion annually), a more equitable comparability standard for Federal employees, and better Presidential control over determining employee benefits. It will be popular with the general public, perhaps more so than Civil Service reform, since cutting and making "more fair" future Federal employee pay increases is a direct and easily understandable way of meeting the public's concern about government waste.

However, we want to underscore the political problems that this proposal will encounter. Unlike the Civil Service reform situation, AFGE, the largest public employee union, will strongly oppose comprehensive legislation, and try to make opposition an AFL-CIO priority. Ken Blaylock, the AFGE President, stated in a recent issue of their magazine that AFGE is "prepared for...war" on pay reform. And although the bill will be extremely popular on the House floor, we will have even more problems with it in the House Post Office and Civil Service Committee than we did with Civil Service reform (the Senate Governmental Affairs Committee will be receptive). However, in our judgment, a legislative victory, though difficult, can be won, and certainly is worth the fight.

We recommend that you check the first three "approve" boxes. There are strong policy and political arguments on both sides of the question of whether to include State and local government data in surveys. Such inclusion would probably lead to lower Federal pay, is a departure from the tradition of

comparability with only the private sector, and would generate fierce public employee union opposition. However, arguments in favor of including State and local government data are:

- When comparability was first adopted in 1962, the 6.5 million State and local employees made up about 9% of the national work force. Today, there are 12.8 million State and local employees who comprise almost 14% of the national work force. This is a sizeable segment of the economy, and for "comparability" to be truly credible, and perceived as fair, an argument can be made that the comparison should be between the Federal sector and non-Federal sector (including State and local governments).
- Some areas of the country such as State capitals and State university towns, have a very large percentage of State and local employees. If the system is changed to a locality survey basis, exclusion of State and local workers will distort the survey in these many areas.
- This inclusion will save some money (although no one can predict how much, probably less than \$100 million annually).
- A very high percentage of State and local governments are engaged in collective bargaining with their employees, just like in the private sector, and the Federal government is competitive as an employer with State and local governments.

However you come out on the merits of including State and local government data, we nonetheless believe that it makes sense to include the provision in our package at this stage. It is not as important as some of the other items, and thus we should be able to give on this as a trade-off with the unions and the House Committee members at the appropriate time when it will do us the most political good. As Mo Udall privately suggested to Scotty Campbell, we can use this as part of our "bargaining position". We recommend you check the approve box for decision number 4 and next to the box write "Keep option open of dropping this for political reasons, if necessary".

Finally, you should know that the Administration's Pay Reform Legislative Task Force is now considering how this pay reform proposal can be combined with the military pay reform changes you have already approved into one package.

CONG. LIAISON &
LONDON BUTLER

CONGRESSIONAL LIAISON:

- o There is little indication of support for Federal pay reform on the relevant committees; there is no strong "lead" Member in either House.
- o Unlike civil service reform, Federal employee unions will present a unified bloc in opposition. AFGE is leading an acrimonious fight -- saying that the proposals prove conclusively that the President is anti-employee.
- o Providing locality considerations in the pay schedule will be opposed by geographic blocs.
- o Women and minorities will probably fight including State and local governments in the surveys (women's groups use the Federal system to leverage against state and local governments, trying to push their pay up).
- o "If the President decides to move with some version of Federal pay reform, we urge that it be a modest one, including perhaps only 'blue collar' reform and total compensation comparability, but not including locality considerations and state and local factors.

LANDON BUTLER:

The Campbell-McIntyre memo "does not... adequately address the political problems created... by the 5.5% cap on Federal pay." Ken Blaylock argues "that Federal employees are being singled out unfairly in the inflation fight... The cap on all other workers is 7%; Federal workers, who would be entitled to more than 7% under the comparability standard, are nevertheless held to 5.5%. In this context, the Federal pay reform proposals simply add insult to injury. The Administration is not only holding Federal workers to 5.5%, but is also seeking reforms which would have the net result of reducing the Federal payroll by several billion dollars. If we don't address Ken's arguments, it is my guess that the opposition to Federal pay reform will be overwhelming.

"If we are going to send the Federal pay reform proposals up now, it seems to me imperative that we raise the 5.5% cap to 7%. If raising the cap is impossible, then we should consider delaying the... proposals at least until after the conclusion of the Teamsters' negotiations... Charges that we have unfairly singled out one sector of the work force could upset the carefully nurtured relationship that we now have with the Teamsters..."

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

February 13, 1979

TO: Bill Simon

FROM: Les Francis

SUBJECT: CL Comments on Federal Pay Reform

White House CL has been involved in some of the preliminary discussions on this issue. We have expressed the following concerns:

- We have no strong "lead" Member in either house -- in fact, there is little indication of support on the relevant committees.
- Federal employee unions will probably present a unified bloc in opposition, unlike civil service reform where we were able to "divide and conquer". AFGE is already leading a fight characterized by unusual acrimony--say that these proposals prove conclusively that the President is anti-employee. Their allies in the House (Ford, Spellman, Harris, Hanley, etc.) are likely to be in better shape to oppose us this time than they were on civil service reform.
- Providing locality considerations in the pay schedule will be opposed by geographic blocs.
- Including State and local governments in the surveys is likely to be opposed vigorously by women and minorities; women's groups, especially, currently use the Federal system to leverage against state and local governments, trying to push their pay up. They will see this move as undercutting their bargaining strength.

If the President decides to move with some version of Federal pay reform, we urge that it be a modest one, including perhaps only "blue collar" reform and total compensation comparability, but not including locality considerations and state and local factors.

THE WHITE HOUSE

WASHINGTON

Date: 2/9/79

MEMORANDUM

FOR ACTION:

EIZENSTAT *attained*
LIPSHUTZ
MOORE (Francis) *attained*
WATSON
WEXLER
SCHULTZE

BUTLER *attained*
KAHN *attained*

FOR INFORMATION:

THE VICE PRESIDENT
POWELL
RAFSHOON

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: MCINTYRE, CAMPBELL MEMO, "FEDERAL CIVILIAN EMPLOYEE
COMPENSATION REFORM LEGISLATION"

**YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:**

TIME: 9:00 AM

DAY: Tuesday

DATE: 2/13/79

ACTION REQUESTED:

Your comments

Other:

STAFF RESPONSE:

I concur.

No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

MEMORANDUM TO RICK HUTCHESON
FROM: LONDON BUTLER 
DATE: FEBRUARY 13, 1979
S
SUBJECT: FEDERAL PAY REFORM

The Campbell/McIntyre federal pay reform memo does not, in my opinion, adequately address the political problems created for this issue by the 5.5% cap on federal pay. Ken Blaylock has a simple point which he makes over and over again to his constituency and allies: that is, that federal employees are being singled out unfairly in the inflation fight. Ken argues that the cap on all other workers is 7%; federal workers, who would be entitled to more than 7% under the comparability standard, are nevertheless held to 5.5%.

In this context, the federal pay reform proposals simply add insult to injury. The Administration is not only holding federal workers to 5.5%, but is also seeking reforms which would have the net result of reducing the federal payroll by several billion dollars. If we don't address Ken's arguments, it is my guess that the opposition to federal pay reform will be overwhelming.

If we are going to send the federal pay reform proposals up now, it seems to me imperative that we raise the 5.5% cap to 7%. If raising the cap is impossible, then we should consider delaying the federal pay reform proposal at least until after the conclusion of the Teamsters' negotiations. Our inflation program is now very delicately balanced: any substantial charges that we have unfairly singled out one sector of the work force could upset the carefully nurtured relationship that we now have with the Teamsters and several other crucial unions.

I have discussed these points with Les Francis and he agrees with my concerns.

THE WHITE HOUSE
WASHINGTON

2/13/79

Stu Eizenstat
Jim McIntyre

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

Rick Hutcheson

cc: Frank Moore

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
*	LAST DAY FOR ACTION -

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

ACTION
FYI

	VICE PRESIDENT
/	EIZENSTAT
	JORDAN
	KRAFT
	LIPSHUTZ
/	MOORE
	POWELL
	WATSON
	WEXLER
	BRZEZINSKI
/	MCINTYRE
	SCHULTZE

	ARAGON
	BOURNE
	BUTLER
	H. CARTER
	CLOUGH
	COSTANZA
	CRUIKSHANK
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HUTCHESON
	JAGODA
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	PRESS
	RAFSHOON
	SCHNEIDERS
	VOORDE
	WARREN
	WISE

	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

MEMO

cc Ste, Tom
J

TO: Senator Robert Byrd
FROM: Gary Curran
SUBJECT: Another subject for discussion with President Carter
after Davis Power Project Meeting--Feb. 13, 9:45 a.m.
DATE: February 12, 1979

Recent events in Iran and other associated events in the Mid-east may provide a reason for the President to change his policy and go forward with construction of both SRC I and SRC II demonstration plants.

Arguments for proceeding with both plants: Three recent events in the Mid-east; 1) the withdrawal of billions of barrels of Iranian crude oil from the world market; 2) the approximate 10% reduction in rate of crude production by Saudi Arabia and 3) evidence that some other oil producers are gradually withdrawing oil from the world market and/or increasing the price beyond the OPEC level indicate how unsure this energy source is.

This situation is even more serious for our allies and trading partners in Europe and Japan.

West Germany and Japan are very interested in SRC II. Japan is particularly upset about the potential delay or cancellation of SRC II because of the FY 80 budget mark of zero.

The President probably isn't aware of the Japanese concern, but Secretary of State Vance has written a very strong letter to OMB Director McIntyre urging that the SRC II project be given full support. The Vance letter is a direct result of the concerns expressed by the Japanese government.

Because of the problems in the Mid-east and the concern expressed by Japan and the interest shown by West Germany, now would be a good time for the President to announce he will send to Congress budget amendments to proceed with SRC I and II.

In summary, this action would be 1) good international politics, 2) good politics for coal areas of the United States, and 3) show some action on the part of the Administration to alleviate the impact of the Iranian situation.

**Electrostatic Copy Made
for Preservation Purposes**

THE WHITE HOUSE
WASHINGTON

2/13/79

Bob Lipshutz
Stu Eizenstat

The attached was returned in the President's outbox today and is forwarded to you for your information. The signed original has been given to Bob Linder.

Rick Hutcheson

cc: Bob Linder

THE WHITE HOUSE
WASHINGTON

2/13/79

Stu Eizenstat
Anne Wexler

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

Rick Hutcheson

cc: The Vice President
Jody Powell
Jerry Rafshoon
Phil Wise
Fran Voorde

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

ACTION
FYI

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

✓	VICE PRESIDENT
	EIZENSTAT
	JORDAN
	KRAFT
	LIPSHUTZ
	MOORE
✓	POWELL
	WATSON
✓	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE

	ARAGON
	BOURNE
	BUTLER
	H. CARTER
	CLOUGH
	COSTANZA
	CRUIKSHANK
	FALLOWS
	FIRST LADY
	GAMMILL
	HARDEN
	HUTCHESON
	JAGODA
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	PRESS
✓	RAFSHOON
	SCHNEIDERS
	VOORDE
	WARREN
✓	WISE

	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

THE WHITE HOUSE
WASHINGTON

2/9/79

Mr. President:

In line with Jerry and Jody's memo that you should concentrate on SALT and inflation themes I recommend that the VP instead of you be involved in any White House recognition of Vietnam Veteran's week.

There will be more requests for special interest group recognitions but you should accept only those with no down-side risks.

Phil

THE WHITE HOUSE

WASHINGTON

January 29, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: Anne Wexler *Anne*
Stu Eizenstat *Stu*

SUBJECT: Vietnam Veteran Week

As a result of legislation you signed last year, the week of May 28, 1979 will be Vietnam Veteran Week. At that time, a Presidential Proclamation can be released and a variety of events will be scheduled to commemorate the week by both the Veterans Administration and many of the Veteran organizations.

During a meeting we held with Veteran leaders in late December, the importance of White House recognition of this week was emphasized. To develop a common theme for the week and to keep some order among the many national events, we want to involve the major Veteran organizations in a joint effort to plan the week. However, before we begin these discussions we would like to know if you will participate in an appropriate event at The White House. We both believe your participation is important.

If you are interested in participating, we will work with the Veterans groups on a possible ceremony for your further consideration and with Fran Voorde on scheduling.

APPROVE *✓*

DISAPPROVE *✓*

*Get sign proclamation(s)
V.P. appear personally*

J