

2/26/79 [1]

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THE WHITE HOUSE
WASHINGTON

26 Feb 79

Zbig Brzezinski

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

Rick Hutcheson

The First Lady

February 24, 1979

ACTION

MEMORANDUM FOR: THE PRESIDENT
FROM: ZBIGNIEW BRZEZINSKI *ZB*
SUBJECT: Your Dinner with Prime Minister Trudeau

Since the dinner is being billed as a social occasion -- and to make your discussion as informal as possible -- I suggest that we suggest to the Canadians that only you and Mrs. Carter attend. Presumably, the Prime Minister would then attend alone.

Of course, we will provide briefing materials.

RECOMMENDATION:

That U.S. representation at the dinner be limited to you and Mrs. Carter.

Yes ✓

Other

*Unless Jim at
Camp David
J*

THE WHITE HOUSE
WASHINGTON

26 Feb 79

Zbig Brzezinski

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

Rick Hutcheson

The First Lady

R

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FEB 27 1979

THE WHITE HOUSE
WASHINGTON

2/26/79

Frank Moore

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

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 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

Frank,

In case you
want to mention
this to the Pres.
after the Cabinet
meeting

BR

THE WHITE HOUSE
WASHINGTON

February 23, 1979

To: The President
From: F.M.

F.Y.I. good
I won't call
C

MEMORANDUM FOR FRANK MOORE

FROM: DAN TATE
SUBJECT: Senator Jesse Helms

As the President instructed, I visited Senator Helms to discuss Ambassador Woodcock's nomination.

I explained that the President's view was that normalization was an accomplished fact and was irreversible. The Foreign Relations Committee had acted decisively in favor of Taiwan language that is acceptable, though not desirable, to the Administration, and our reports indicated that this language would probably pass the Senate. In that context, the President had instructed me to ask the Senator to consider letting the Woodcock nomination proceed as rapidly as possible and we were hoping to avoid the awkward situation on March 1st of not being able to formally exchange ambassadors with China (that is, an ambassador who had been confirmed by the Senate.)

Senator Helms replied that he felt duty-bound to use virtually every device available to him and every piece of leverage he could find to strengthen the "security" language in the legislation. He said he would gladly let the nomination proceed on Monday if we would work with him on such strengthening language. I told him that the Committee's language already bordered on being unacceptable to us and we could not "strengthen" it any further. He understood.

He said that he would think it over carefully over the weekend. At one point, he said to tell the President to give him a call sometime. I do not recommend that the President do this unless he feels very strongly about the need to get the nomination through on Monday. I would point out that there still would be no guarantee that some other Senator would not object, but Helms is the only one I know about who has threatened a filibuster. Also, we should consider whether this is a matter on which the President should use the limited influence he has with the Senator; there will be some far more pressing issues on which we will need an accommodation from Helms. Whether the President calls is purely optional with him; Helms is not necessarily expecting a call.

I also visited with the Senator generally for an hour. He spoke very affectionately about the President and the visit he had in the Oval Office on the Panama Canal 18 months or so ago. He also remarked that he was deeply impressed with the President's obvious religious devotion. And he said that he appreciated the President's refusal to attack him even while campaigning for Ingram in North Carolina (he said some of his Democratic friends reported that in even the smallest gathering; the President did not lambast him) and he would not forget it.

I told him that the President had asked me if I had ever talked with him about the Woodcock matter and, when I replied that I had not, the President instructed me to do so because he felt the Senator would listen and carefully consider the wishes of his President. I told him that the President had been favorably impressed with him in their previous conversations. He was pleased.

All in all, it was a fairly successful meeting -- the glaring failure being that I did not accomplish the mission the President sent me on, at least at that meeting. The Senator feels that the President has paid attention to him and that we have paid attention to him, and I am sure that he will think his decision over before he makes a final judgment. I would hasten to add that I do not think we will persuade him to alter his course, but at least he is thinking.

I believe we may be able to do some business with him in the future.

The President showed good judgment in suggesting that we approach the Senator. We may not change his mind on Woodcock but we made some points with him.

THE WHITE HOUSE
WASHINGTON

2/26/79

Jim McIntyre
Henry Owen

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

Rick Hutcheson

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

C
1

FEB 23 1979

ACTION

MEMORANDUM FOR: THE PRESIDENT
FROM: Jim McIntyre *Jim*
Henry Owen *HO*
SUBJECT: Paid-in Capital for the World Bank

Attached at Tab A is a memo from Mike Blumenthal regarding the World Bank capital increase. During the spring budget review, you approved our joining other countries in negotiating an increase of \$40 billion, of which the U.S. share would be 24%, or \$1.6 billion a year for six years, beginning in FY 1982 or FY 1983. This decision assumed no paid-in capital (to create a reserve against bad loans) since none is needed; the World Bank has had no defaults. But other countries are now demanding 10% paid-in capital, in order to reassure the capital markets from which the Bank borrows funds, and it appears that we will have to compromise at 5% or perhaps as much as 7.5% (the level negotiated in the recent Inter-American Development Bank replenishment) to reach agreement. This would mean \$80-120 million annually in budgetary expenditures, starting in FY 1982 or FY 1983. Mike asks your approval for this compromise, State and AID concurring.

We agree with Mike's recommendation. The World Bank is an effective aid agency; we get about three dollars from other countries for each dollar we put up. This U.S. position will enable us to join other countries in fulfilling the summit commitment to increase the Bank's capital sufficiently to allow its real lending rate to rise annually.

Recommendation

That you approve Mike Blumenthal's proposal for the U.S. to accept a World Bank paid-in capital share of 5% to 7.5%.

Decision

Approve:
Disapprove:

J *prefer 5%*

Attachment

A



THE SECRETARY OF THE TREASURY

WASHINGTON 20220

February 22, 1979

MEMORANDUM FOR THE PRESIDENT

SUBJECT: World Bank General Capital Increase

Issue for Decision

Negotiations for a doubling of the World Bank's capital are in progress and we are near agreement with other members on most issues. However, one critical issue remains: what fraction of the capital increase should be "paid-in" as opposed to callable. I request your approval to negotiate a paid-in fraction of 5 percent, with authority to fall back to 7 1/2 percent if necessary.

Background

During the spring budget review last year you authorized us to negotiate a general capital increase (GCI) of up to \$40 billion for the World Bank, of which the U.S. share would be at most 24 percent or \$9.6 billion. Your authorization was based on the assumption that we would seek to negotiate the increase with no paid-in capital.

However, we have now reached the stage in the negotiations where some compromise on the issue of paid-in capital is necessary. While our analysis indicates that based purely on quantifiable factors, additional paid-in capital is not essential at this time, it is not possible to quantify any adverse psychological impact that zero paid-in might have on bond markets. Some countries, particularly Germany, have argued strongly that 10 percent paid-in is necessary to maintain the Bank's strong credit position. The countries that feel strongly on this issue (Japan and Switzerland in addition to Germany) are the ones in which the Bank has borrowed heavily in recent years -- more than in the United States. Therefore, these views have to be given substantial weight in the negotiations. The Bank has argued for a 7 1/2 percent proportion of paid-in.

The U.S. is isolated on this issue and further argument will probably not cause either side to change its view. Delay in reaching agreement could have strong adverse foreign policy consequences. Furthermore, public knowledge of an impasse could cause financial markets to question member support for the Banks and might result in higher borrowing costs to the Bank which could lead to higher lending rates to its developing member countries.

Although we have informed the Congress that our negotiating objective was zero paid-in and some Congressmen may be disappointed in the compromise, we can show the Congress that 5 percent paid-in represents real progress.

Appropriations would not be required until FY82 or FY83 and would be spread over the following six years. The maximum annual budget authority required for both paid-in and callable capital would be \$1.6 billion. However, at 5 percent paid-in, only 80 million of this amount would result in budgetary expenditures.

Although 5 percent will be our clear target, it may be necessary to consider up to 7 1/2 percent (the level negotiated in the recent Inter-American Bank replenishment) if we remain isolated on this issue.

Recommendation

That you authorize me to negotiate a paid-in fraction of 5 percent for the General Capital Increase of the World Bank, with authority to accept up to 7 1/2 percent if necessary. State and AID have concurred with this recommendation.



W. Michael Blumenthal

Approve _____

Dissapprove _____

ID 790731

THE WHITE HOUSE

WASHINGTON

DATE: 24 FEB 79

FOR ACTION:

INFO ONLY: THE VICE PRESIDENT

FRANK MOORE (LES FRANCIS)

CHARLIE SCHULTZE

ALFRED KAHN

SUBJECT: MCINTYRE OWEN MEMO RE PAID IN CAPITAL FOR THE WORLD BANK

+++++

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

+ BY: +

+++++

ACTION REQUESTED: CALL MONDAY, IF YOU WISH TO COMMENT

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

PLEASE NOTE OTHER COMMENTS BELOW:

FOR ACTION

FYI

*Note: call Mon
if you wish to
comment.*

FOR STAFFING

 FOR INFORMATION *to Pres Mon PM*

FROM PRESIDENT'S OUTBOX

LOG IN/TO PRESIDENT TODAY

IMMEDIATE TURNAROUND

NO DEADLINE

LAST DAY FOR ACTION

 VICE PRESIDENT

JORDAN

 EIZENSTAT

KRAFT

LIPSHUTZ

 MOORE (*us*)

POWELL

RAFSHOON

WATSON

WEXLER

BRZEZINSKI

MCINTYRE

 SCHULTZE

ADAMS

ANDRUS

BELL

BERGLAND

BLUMENTHAL

BROWN

CALIFANO

HARRIS

KREPS

MARSHALL

SCHLESINGER

STRAUSS

VANCE

ARONSON

BUTLER

H. CARTER

CLOUGH

CRUIKSHANK

FIRST LADY

HARDEN

HERNANDEZ

HUTCHESON

 KAHN

LINDER

MARTIN

MILLER

MOE

PETERSON

PETTIGREW

PRESS

SANDERS

WARREN

WEDDINGTON

WISE

VOORDE

ADMIN. CONFIDEN.

CONFIDENTIAL

SECRET

EYES ONLY

THE WHITE HOUSE
WASHINGTON

2/26/79

Jerry Rafshoon

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

Rick Hutcheson

cc: Phil Wise
Fran Vocorde
Tim Kraft
Jody Powell

THE WHITE HOUSE

WASHINGTON

February 26, 1979

MEMORANDUM FOR THE PRESIDENT

FROM:

JERRY RAFSHOON 

I just talked to Lew Wasserman about the possible substitute of the Vice President for you at the Los Angeles Dinner.

He has asked for a five-minute closed circuit telecast of you to be shown at the dinner. I suggested, and he agreed, that we could do a video-tape of a message from you here at the White House. This would consist of five minutes of you on tape telling the dinner guests that you are sorry you can't be there; that you know they understand the reasons; thank them for their support (especially in light of the criticism that they have received); talk about peace; and then introduce Mondale.

I really think you should do this. It will take 15 minutes of your time, and will satisfy the people who have worked so hard under adverse circumstances. It would also be a nice touch. If the Camp David meeting goes through we would like to schedule the taping for Wednesday.

Approve

Disapprove



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THE WHITE HOUSE
WASHINGTON

2/26/79

Landon Butler

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

Rick Hutcheson

290760

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

done
J

February 26, 1979

HAM--

As I mentioned to you last night, General Seignious went to Walter Reed Hospital yesterday with what appears to be a recurrence of a blood clot problem in his legs. Last spring, this condition forced him to have an operation which last almost seven hours and which required a six-week recovery period.

He is going back into Walter Reed this morning for further tests. If these tests indicate a recurrence of the problem, he will be operated on again today.

Edm

Landon

MR. PREIDOT -

I WOULD RECOMMEND
A BRIEF CALL - ALSO
THANK HIM FOR MEMO

T.J.

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THE WHITE HOUSE

WASHINGTON

February 24, 1979

MEMORANDUM FOR THE PRESIDENT

FROM:

TIM KRAFT

TK

SUBJECT:

Breakfast with Freshman Democratic Governors

Chip called me last night with a good idea, one that he said he had mentioned to you and Mrs. Carter: that the two of you host the freshman Democratic Governors at a meal in the Residence at some point during the Governors Conference.

I think it's an excellent idea, as do Rosalynn, Hamilton, Jack and Phil. The group is small and the states are crucial. The best time on your schedule would be a Wednesday morning, from eight to nine. It's a good bet that most would stay over for this event, even though they attended the formal dinner the night before.

The newly-elected Governors are: Hugh Gallen, New Hampshire; Joe Brennan, Maine; Ed King, Massachusetts; Harry Hughes, Maryland; Fob James, Alabama; Dick Riley, South Carolina; Bob Graham, Florida; Bill Clinton, Arkansas; John Carlin, Kansas; Bruce Babbitt, Arizona; and Bruce King's status is a question mark. He's been Governor before, as you know; but was just elected, after being out for four years. His inclusion is up to you. *YLO*

Schedule Wednesday Morning Breakfast

Disapprove

J

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STATEMENT BY THE PRESIDENT
FEBRUARY 25, 1979

1

DURING THE PAST WEEK I HAVE KEPT IN CLOSE TOUCH WITH THE
NEGOTIATIONS AT CAMP DAVID, AND SECRETARY VANCE, PRIME MINISTER
KHALIL, AND FOREIGN MINISTER DAYAN NOW HAVE GIVEN ME A FIRST-HAND
REPORT ON THEIR TALKS.

IN THE LIGHT OF THE DEVELOPMENTS IN THE TALKS AT CAMP DAVID
THIS PAST WEEK, WE ARE DISCUSSING WITH THE TWO GOVERNMENTS THE
POSSIBILITY OF MOVING THESE NEGOTIATIONS TO THE HEAD-OF-GOVERNMENT
LEVEL LATER THIS WEEK.

(OVER) (PRIME MINISTER BEGIN WOULD THEN ...)

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PRIME MINISTER BEGIN WOULD THEN REPRESENT ISRAEL AND PRIME MINISTER KHALIL, WHO HAS BEEN AUTHORIZED BY PRESIDENT SADAT TO CONCLUDE THE NEGOTIATIONS ON BEHALF OF EGYPT, WOULD REPRESENT EGYPT.

I WOULD BE GOING TO CAMP DAVID WITH PRIME MINISTERS BEGIN AND KHALIL, ACCOMPANIED BY SECRETARY VANCE.

PRIME MINISTER KHALIL IS LEAVING THIS EVENING FOR CAIRO FOR CONSULTATIONS; FOREIGN MINISTER DAYAN IS RETURNING TO ISRAEL THIS EVENING TO REPORT TO THE CABINET.

(NEW CARD) (I AM PREPARED TO SPARE NO EFFORT ...)

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I AM PREPARED TO SPARE NO EFFORT IN ACHIEVING THE PEACE SETTLEMENT
FORESEEN IN THE CAMP DAVID ACCORDS.

THE OTHER TWO PARTNERS IN THESE NEGOTIATIONS SHARE THIS
DETERMINATION.

#

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4 1/2 days

Series of tabled proposals

Papers → Begin only

Delegation: Begin → us this week

Fahd called Numeiri re Arab summit

Eg will try to block move

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THE WHITE HOUSE
WASHINGTON

Jim - Staff polarized

DDA makes sense. solves probs.
3 H₂O sewer grants consol.
STHOC tools in one place
Can help both rural & urban
targets
→ places big city - black. labor

build on Commerce.

take ^{H. DeL} bank. consol. a few agencies
will annoy labor - minor - majors
leaves UDAG + 15% black gr in HUD

Nat Res - good philosophy

Not #1 priority

H₂O resources impossible

Timber interests exposed

Scoop? Telley no

World - Holdings (-) heavy (-)

Pol difficulties great. even

Nat Res th = could force

HUD well managed

THE WHITE HOUSE
WASHINGTON

Anne

Full effort needed

Full DPA damaging in next acc.

Not much help for bl-majors like

Commerce is major

Stu

Consensus - not DPA + DNR

→ Prefer DNR, not DPA

DPA → untargeting

R.B. & Percy: DPA = legislation

Opt III defers DNR - bad option

WDA & EDA etc separately

→ Forest NODD → Interior

Amtrak polit. again → HUD??

Opt II sever to recruit + 200 people

III = 716 mil + 400 people

Jack DPA cannot pass

Commerce option - not touching HUD

Can win on I or II if Pat helps

Bank will pass under II or I

111
THE WHITE HOUSE
WASHINGTON

Dick P. = Constituency groups 3

DDA or nothing = Farm credit &
homes would not move - only
H20 & sewer

We'll have 3 econ dev bills ^{II or III}
Don't give up on DNR

Ferry Success & Congress not permanent

Go & III

Beware of black cities

Ham Successes came & Success -

Not bold failure
Structural reorg not important to people
Beware South & blacks
" number of top priorities
& Reorg - Xibon confused
Can't do nothing

Joe Maintain credibility &
avoid serious defeat
Opt III bad on both counts
Prefer II

THE WHITE HOUSE
WASHINGTON

Frank Hill Consultations good
Blacks feel deeply - Love HUD
Fruit A no good on econ des.
Decide. Then tell the truth
Opt I easiest to pass
Don't go E II

Jody Prevalent - } ← top priority
Beware blacks }

Jim Nat Des Bk + SBA etc combined
in budget
DDA supported by Bergland & Harris

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Move No 11
Des Ek → Commerce

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MEMORANDUM

THE WHITE HOUSE

WASHINGTON

February 23, 1979

to the President
9

TO: FRANK
FROM: LES
SUBJECT: Reorganization Options

From your comments this afternoon, it appears that the President is not pleased with the options currently before him and that he has a particular interest in the natural resources area, an interest that was not adequately addressed in the staff memo that went to him last week.

With that in mind, and at the risk of venturing onto thin ice, let me suggest another option, one which is essentially a reverse of the current Option 3.

Instead of deferring a decision on DNR and proceeding with an ambitious DDA proposal, I suggest that he consider moving both NOAA and the Forest Service to Interior and change the name to DNR. I suggest that no effort be made at this time to move the water project construction function to the Corps from BuRec. Further, I suggest that the decision on DDA be deferred until we can determine whether or not sufficient constituent support can be developed to overcome the intense opposition from Commerce's clients and the public works "community".

It is clear, I think, that the President has rejected the two options that build on Commerce and that he basically approves of the DDA concept. However, creating a DDA this year or next is virtually impossible. It is impossible because there is no organized support for it, a delay will give us a chance to build such support.

While creating a DNR by moving NOAA and the Forest Service will be extremely difficult, it would not be as difficult as the DDA proposal. For one thing, it means not attacking Agriculture on two fronts at once (Forest Service and FmHA). It has the advantages of being a significant restructuring of government and of being a tough -- but winnable -- political fight.

My ideas are not based upon first-hand consultations, but rather upon a collection of impressions gathered over several weeks. I do not know if Terry and Bob Thomson would agree with me on this.

One final point: My suggestion does not address the question of what do we do with the proposed development bank? Options 1 and 2 place it in Commerce, Option 3 puts it in DDA. We have to put it someplace and Options 1 and 2 would allow us to fold it into the EDA Reauthorization, hearings on which are almost imminent. My off-the-cuff proposal would be to propose that it be placed in HUD (thus pleasing Blacks), until we make a final decision on DDA. In any event, Stu should be consulted on this point.

THE WHITE HOUSE
WASHINGTON

FMHA

Pres & Ind Co am

February 23, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *FM*
SUBJECT: FOREST SERVICE TRANSFER

When considering whether or not to move the Forest Service, you should keep the following points in mind:

1. Although the Forest Service move is the biggest concern of those opposing the DNR proposal, it is important to remember concerns over Forest Service are tied together with opposition to the Soil Conservation Service transfer and the Farmers Home Administration. In other words, the overwhelmingly negative impact of the combined transfers on the Department of Agriculture is a major motivating factor.
2. While leaving the Forest Service transfer out of the DNR proposal may buy some peace, it will not totally reduce the anxieties of those opposing the DNR proposal. It could, however, be the major bargaining chip with Foley and others that could lessen their overall opposition.
3. Opposition to the Forest Service transfer seems to span the political spectrum from left to right. Jim Weaver for instance, Chairman of the Forestry Subcommittee and a traditional liberal, opposes the transfer because he feels competition between the Forest Service and the Bureau of Land Management is healthy and necessary in order to balance conservation vs. user concerns. Jamie Whitten on the other hand, a traditional conservative, opposes the transfer because he fears a negative impact on users and industry if the Forest Service is transferred to a "lock up" agency.

4. Chairman Foley has openly vowed his ability to defeat the DNR proposal by putting together a coalition of agricultural, southern, western and Public Works Members who find specific parts of the DNR proposal distasteful. Foley is already organizing this opposition and has extended his organizing to the Senate.
5. If you mobilize both liberals and conservatives as well as western and southern Members and add to that rural and public works' concerns, then there seems little left around which to build a coalition of support.
6. Mo Udall, our champion on this issue, is already nervous over the heat he is feeling from western interests on the water transfers. This will likely extend quickly if it has not already to pressures from western timber interests. Additionally, Mo has never clarified the role he himself will be willing to play other than to strongly support the proposal. Given his pre-occupation with D-2 lands, nuclear licensing and other major environmental issues in front of his committee this year, I seriously question his availability to quarterback support for the DNR plan.
7. It is important to remember that Brooks' opposition to the DNR proposal, as outlined, will be a key factor in our ability to move the proposal out of the Government Operations Committee. It is clear we cannot count on him to defend us on the Forest Service, Corps of Engineers or Soil Conservation Service transfers.

THE WHITE HOUSE

WASHINGTON

February 23, 1979

MEMORANDUM FOR FRANK MOORE

FROM: BOB THOMSON BT

SUBJECT: Forest Service Transfer

I do not think we should use the Forest Service transfer as "bait" to ease the passage of DDA. Such a move would bring the timber industry into coalition with farm groups to defeat both proposals. I believe the impact of such a coalition would linger on even after we dropped our insistence on transferring the Forest Service.

Once cooperation has begun among western Senators such as McClure, Hart and Church and Agriculture Committee Senators such as Talmadge, McGovern, Helms and Dole, the damage will be done. In my opinion they will mobilize more than enough votes to defeat both plans in the Senate within days. Backing off the Forest Service transfer will not destroy those commitments among Senators once made.

As mentioned in our previous memoranda, the major factor working against us if the Forest Service is included is the cumulative impact of both plans on the Agriculture Committee.

THE WHITE HOUSE

WASHINGTON

February 22, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: Frank Moore *F.M. / Les Francis*
Jim McIntyre *JIM*

SUBJECT: Follow-Up Activities to Decision on Reorganization

As soon as you decide on one of the reorganization options, we recommend that the following actions be initiated:

- 1) You should immediately convene a meeting of the Senior Staff to inform them of the decision and to stress the importance of everyone pulling together, to "forget and forgive" past differences on this issue.
- 2) You should call those Cabinet members and agency heads directly affected by your decision: Secretaries Kreps, Harris, Andrus, Bergland, Administrator Weaver and Director Olivarez.
- 3) Certain sub-Cabinet officers (Hall at EDA, Frank at NOAA, Mercure at FmHA, etc.) should be called by appropriate White House staff (Hamilton should make the assignments).
- 4) Jody, Dick Pettigrew and Jerry should prepare a press plan to get the most public relations mileage out of the announcement. This might include selected pre-briefing of press and media. The affected departmental public information offices should be mobilized.
- 5) We should immediately organize a White House Task Force on Reorganization; we agree that it should be co-chaired by John White and Les Francis. PRP and Pettigrew will provide staff support.
- 6) Immediately following your decision, key Members of Congress should be notified. You should call:

<u>Senate</u>	<u>House</u>
Byrd	Wright
Randolph	Johnson (Bizz)
Talmadge	Roe
McGovern	Foley
Ribicoff	Ed Jones
Jackson	Brooks
Muskie	Ashley
Percy	Udall

White House CL will call:

<u>Senate</u>		<u>House</u>
Eagleton	Leahy	Reuss
Cranston	Magnuson	Alexander
Garn	McClure	Nolan
Proxmire	Percy	Black Caucus
Hart	Stafford	Hammerschmidt
Hatfield	Baker	Horton
Ford	Stewart	Whitten
Huddleston	Mathias	Rose
Jackson		Lundine
Johnston		and other Members who have written to you or expressed an interest

OMB/PRP will also make some Congressional calls.

7) Timing

- Senior Staff notifications: immediately upon your decision
- Cabinet Secretaries: immediately after your decision (same day), by you
- Presidential calls to Members of Congress: within 24 hours of decision
- WHCL Congressional notification: within 24 hours of decision (WHCL)
- Public announcement: immediately following Congressional notifications (the same day, if possible). This should be an announcement in the briefing room with you and Jim McIntyre making the presentation.

- 8) Themes to sell any plan need to be developed by OMB, DPS, Congressional Liaison, Public Liaison, Rafshoon, etc. These themes should be consistent throughout the campaign and verbalized on the Hill, with interest groups, press, etc. They should be drafted, at least in part, to appeal to the Members who we need to convince on the Hill.
- 9) Jack Watson's office should begin work immediately on the Governors Conference participants, many of whom will be in town next week.
- 10) Anne Wexler and Dick Pettigrew need to develop a program to notify all interested constituent groups, especially mayors and local officials. You might be asked to call key leaders of the major public interest groups (NGA, USCM, NLC).

To ensure that there are no leaks after you have made your decision, it is essential that you keep the decision to yourself until you have a chance to meet with the same group you met with on Wednesday and instruct them to implement the steps identified in this memo.

APPROVE _____

DISAPPROVE _____

DISCUSS _____



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

February 13, 1979

USE PROGG PLAN, NOT LEGIS.
NOAA -> INTERIOR
Δ NAME
NOT NEW BK - COMMENTS
Forestry?

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR THE PRESIDENT

FROM: ✓ Jim McIntyre *Jim*
 ✓ Stu Eizenstat *Stu*
 Tim Kraft *TK*
 Dick Moe *DM*
 ✓ Frank Moore *F.M.*
 ✓ Dick Pettigrew *DP*
 ✓ Jody Powell *JP*
 ✓ Jack Watson *Jack*
 ✓ Anne Wexler *AW*
 ✓ Jerry Rafshoon *Jerry*
 ✓ VP

SUBJECT: Development Assistance and Natural Resources
 Reorganization

Charlie - Don't aggravate Congress
DoE was necessary
DA - not same
Bob Hall excellent - EDA -> HUD - No
Chavez vs. natural
Forestry -> Int. important

Since our meeting with you on reorganization, we have conducted substantial consultations with Congress, State and local officials and the public. We have provided you with papers that summarize the results of the consultations with the Senate and public interest groups.

This memorandum summarizes the three principal reorganization options and our recommendations. (Each of these options is a "reorganization package," containing both a development assistance and natural resources component.) The memorandum also includes a White House Congressional Liaison analysis of the likely Congressional response to each package.

We have narrowed our differences considerably, so that there now are numerous points on which we agree. Nevertheless, we still differ in our final recommendations.

Points of Agreement:

Listed below are general conclusions that we agree should guide your final decision on natural resources and development assistance reorganization.

- ° Some additional reorganization is important and should be pursued.
- ° The reorganization plans that you send forward should have a reasonable probability of being enacted by Congress.
- ° We must proceed as quickly as possible to prevent further uncertainty in the Departments and polarization on the Hill.
- ° Any of the reorganization options will be difficult politically and will be hard to move through Congress.
- ° The Department of Natural Resources (DNR) and the Department of Development Assistance (DDA) reorganization plans will probably face Congressional disapproval if both are proposed this session in their most ambitious form.
- ° The combined impact of the two reorganization proposals on the Agriculture Department and rural areas must be measured carefully. Many Congressmen expressed considerable concern about the cumulative effect of the original DDA and DNR plans on USDA.
- ° Our Congressional consultations have disclosed that the image of the "host" Department substantially affects opinions of each reorganization plan. HUD is viewed on the Hill as inefficient, unresponsive and biased in favor of urban areas. Interior is viewed as an environmentalist, "lock-up" agency.
- ° There is a general impression in the Congress that the most ambitious of our proposals move efficient and popular programs, such as FDA, FmHA and the Forest Service, to less efficient and less popular agencies.
- ° Most of the interest groups and almost all Members of Congress are aware of the problems caused by fragmentation and duplication in the development assistance programs.
- ° None of the interest groups with whom we consulted regard reorganization as a high priority.

With regard to Natural Resources reorganization, we now agree on the following:

- While the existing organization of the water resources functions is far from perfect, any major organizational change in this area will be highly controversial and if included in DNR is likely to contribute to the defeat of the entire plan.
- Transferring NOAA to Interior is the least controversial aspect of the original DNR plan.
- The Forest Service and Bureau of Land Management perform similar functions and substantively should be combined, but doing so is very difficult politically.

With regard to development assistance reorganization, we now agree on the following:

- The National Development Bank stands little chance of passage as an independent entity as it was proposed last year.
- Some reorganization in this area is desirable.
- Due to Senator Ribicoff's and Senator Percy's reluctance, it may be difficult to proceed with the DDA option by reorganization plan. Unless they can be convinced, we may have to proceed by legislation.
- Both of the development assistance options are opposed by rural interests, although to varying degrees. If we proceed with either option, we will have to tailor the rural delivery system to meet their concerns.

Summary of Principal Options:

Based on our consultations, we have developed three principal "reorganization packages." Each of these "packages" contains a natural resources and a development assistance component. We have presented them to you as "packages," because we believe it is necessary to tailor our reorganization efforts to minimize their combined effect on USDA and rural areas. The three principal options are as follows:

Option #1: Transfer NOAA to Interior and change Interior's name to the Department of Natural Resources. Consolidate the following economic development programs with EDA and the Title V Commissions in the Commerce Department:

- (1) SBA's 501 and 502 programs;
- (2) CSA's Community Economic Development Program;
- (3) FmHA's business and industrial loan and industrial development grant programs;
- (4) National Development Bank (proposed).

(See Chart 1)

Commerce-Based Economic Development

<u>Program/Organization</u>	<u>1979 Financial Resources</u> (\$millions)	<u>Personnel</u>
<u>Economic Development</u> <u>(Commerce)</u>		
EDA (Commerce)	627 (BA) 546 (LA)	830
FmHA business and industry loans and industrial development grants	10 (BA) (1100) (LA)	210
SBA 501 & 502	32 (BA) 95 (LA)	14
Community Development Corporation (CSA)	48 (BA)	42
Title V Commissions (Commerce)	63 (BA)	94
National Development Bank (proposed)	3530 (BA) 3665 (LA)	263

Community Development

Urban and rural community development programs remain in HUD and FmHA respectively.

Housing

Urban and rural housing programs would remain in HUD and FmHA respectively.

Option #2: Same as Option #1, except that the Forest Service also is included in DNR. Development Assistance option is same as Option #1.

Option #3: Decide in principle to proceed with DNR, but defer submission to Congress for up to three months so that a national constituency can be organized to support the plan. Consolidate HUD and the following community and economic development programs into a Department of Development Assistance (DDA):

- (1) all of EDA;
- (2) SBA's 501 and 502 programs;
- (3) CSA's Community Economic Development Program;
- (4) FmHA's business and industry loans, industrial development grants, and community development programs;
- (5) Title V Commissions;
- (6) National Development Bank (proposed).

(See Chart 2)

Discussion of Option #1:

A. Policy Views:

Jack and Anne favor this option because it produces significant substantive benefits, has the greatest chance of Congressional approval and causes the least political damage to the Administration, particularly in rural areas and the South and West. Jack and Anne believe that Option #1 has the following general advantages:

- ° It is by far the most likely to be enacted by Congress and to produce a strong record of reorganization successes for the Administration. If we have learned one thing in the last two years, it is that you get little public credit for "bold" actions that subsequently are jettisoned by the Congress. If our reorganization plans fail in Congress, you will be perceived by the American people to have failed in providing leadership. We simply should not submit proposals that we believe are likely to fail.

- o This option represents a meaningful and doable reorganization package. It will provide a strong record of reorganization successes, including successful natural resources and economic development reorganizations, civil service reform, the Departments of Energy and Education, trade reorganization, regulatory reform, earlier reorganization plans and our efforts to eliminate waste and fraud. The transfer of NOAA into DNR would be the largest reorganization we have attempted and the economic development component will produce significant program consolidation. This option will produce a strong record of successes for the 1980 campaign.
- o It is least likely to produce widespread program disruption that will discredit your efforts to reorganize the government and damage your re-election prospects. The last thing you need is to create another Department that, like the Energy Department, is perceived as a hopeless bureaucratic morass. We fear that this will be the result if we proceed with DDA.
- o It does not preclude additional reorganization efforts at some later date. The Forest Service might be added to DNR at a later date if the political climate improves. Similarly, we could characterize the Commerce-based option as the basis for future program consolidations in the development assistance area. This will provide us with the opportunity to work out the details of the program consolidations before we submit comprehensive legislation.

Jack and Anne believe the DNR component of this option produces real substantive benefits, is a major reorganization proposal and is likely to pass Congress. It will transfer more than 12,000 Federal employees and will be the largest reorganization plan that we have attempted. In fact, it transfers more than eight times as many employees as the entire DDA proposal. Moreover, WHCL's consultations suggest that the NOAA transfer is the most doable of all of these reorganization proposals. It would be a serious mistake to delay or forego such a substantial reorganization proposal that is likely to succeed.

The Commerce-based economic development reorganization which is included in Options 1 and 2, is favored by Stu, Jack, Anne and Dick Moe (who is following this issue for the Vice President in his absence). They believe this option produces

substantial program consolidations and is legislatively and politically superior to DDA. They prefer this option for the following reasons:

- ° It addresses the principal problem in the development assistance area -- the dispersion of economic development programs in five separate agencies. It consolidates all of the economic development loan and loan guarantee programs, all of the economic development grants (except UDAG) and all of the economic development planning programs. It assumes that there are substantive and political advantages to maintaining the highly-targeted urban programs in HUD. (OMB argues that this option also does not consolidate the economic development projects that cities choose to fund with Community Development Block Grants. Stu, Jack and Anne feel that CDBG funds should not be included because the amount spent on economic development is totally unknown and because CDBG, like General Revenue Sharing, is a block grant controlled by the cities. They note that OMB does not include CDBG in its own economic development program consolidations under the DDA proposal, seemingly contradicting their objection to the Commerce option.)
- ° It consolidates the economic development programs in a well-managed agency that is not overburdened by regulations, red tape and time-consuming requirements. It also consolidates these programs in the agency with the greatest expertise and the most experience in building an economic development partnership between the private and public sectors.
- ° This option is doable and significant, particularly when it is packaged with trade reorganization. While OMB argues that this option transfers only 266 people, it should be noted that fewer transfers are needed because the majority of the economic development personnel already are in the Commerce Department. Moreover, locating the Development Bank in Commerce will be considered a significant step since the Bank does not now exist.
- ° The Commerce option is far more likely to be approved by Congress than DDA. Unlike DDA, this option can be implemented fully by two

action forcing legislative vehicles -- the EDA reauthorizing statute and a reorganization plan -- and builds on an agency that is perceived by Congress to be well-managed. WHCL's consultations suggest that DDA might be implemented only through legislation.

- o It makes it far easier to achieve the program consolidations already included in the FY 1980 budget. Our budget commits us to consolidating the economic development loan and loan guarantee programs into the Development Bank. This legislation will be referred to the Public Works Committees, which surely will not support it if we are trying to move EDA to HUD.
- o It enhances the current prospects for enactment of the Development Bank legislation, because it can be tied to the EDA reauthorization. Bizz Johnson already has written to you suggesting this approach.
- o Most interest groups would support this approach. While there will be opposition from civil rights groups to putting the Development Bank in Commerce, some of this opposition could be neutralized if Secretary Harris actively supports the outcome and appeals to civil rights leaders for their support. There also is no real opportunity for these groups to impede the legislative process, as the EDA reauthorization surely will pass Congress and the reorganization plan itself would have no effect on HUD.

True.
Jim, Dick and Jerry believe that while moving NOAA to Interior is moving a large organization, it cannot be considered a bold step. Further, we should not settle on such a modest DNR until and unless we are convinced that the other bold and more controversial parts are not doable. Opposition to the NOAA transfer will increase if it is not accompanied by other major changes in the Department of Interior.

Jim and Dick believe strongly that the alternative of building on Commerce is a mistake.

- o It would not improve development assistance delivery very much. Even the economic development programs would not be consolidated because UDAG grants and the economic development portions of CDBG would remain in HUD. These two programs channel twice as much grant money into economic development as all of EDA.

- ° DDA moves closer to one stop shopping for all communities.
- ° The modest "build on Commerce" option solves only one portion of one part of the problem. The part of the problem it attempts to solve is economic development. This is a small segment of the greater problem (of controlling billions of dollars of Federal community and economic development investments -- investments that all concede must be packaged together to cause true economic development. Further, the build on Commerce option only fixes a small portion of the economic development problem. It excludes UDAG (whose 1979 program funding exceeds Titles I and IX together of EDA) as well as the 10-15% of CDBG funds (both formula and discretionary) that are used for economic development.

No matter how skillfully we attempt to sell this as bold, it would be bold only in our temerity of calling it bold. We would move a unit of government that does not yet exist, as well as 266 people from SBA, CSA, and FmHA, and attempt to say that was a major reform.

- ° While we might succeed in the Congress, we would not please key Carter constituencies or those who complain about the fragmentation of Federal development assistance.
- ° Building economic development in Commerce would complicate any effort to consolidate trade activities there as both Ribicoff and Roth (the two prime sponsors of trade consolidation) would object to the colocation of trade, EDA and the Bank.

We need not call it bold

Why?

Severance in HUD, blacks?

**Electrostatic Copy Made
for Preservation Purposes**

B. Congressional Reaction

1. Natural Resources

This option's natural resources proposal is the one most likely to avoid disapproval in the Congress and the one least likely to cause us long term political damage in the House or Senate. We believe the NOAA transfer is the least controversial on Capitol Hill.

In the Senate, Senators Hollings, Stevens and probably Magnuson will vigorously oppose any transfer of NOAA. However, without the Forest Service and water transfers around which to build a coalition, Hollings will have difficulty defeating the reorganization plan. In the House, Murphy (NY) and Breaux will have a difficult time if they seek to block the transfer. (Breaux may in fact support the NOAA transfer.)

One drawback to the Natural Resources component of Option #1 is that it would not appeal to Members who are strong environmentalists and who might be willing to take a lead role in defending a stronger plan. As you know, however, the opponents are the ones that must develop momentum to go forward with a resolution of disapproval.

We doubt that you would be subject to Congressional criticism for proceeding with "minimal" natural resources reorganization if you choose this option. Instead, we expect Members would react with a collective sigh of relief that they would not be asked to face another impossible issue during this difficult year.

2. Economic Development

→ Congress appears to favor economic development reorganization based at Commerce rather than HUD. This sentiment is stronger in the Senate than in the House. The main reason is HUD's negative image. Many Members view HUD as inefficient, unresponsive and biased towards urban areas.

Therefore, Option 1 would be less susceptible to disapproval than Option 3.

We can talk to Lud

The National Development Bank component of Option 1 will be a problem in the House. Any effort to enact the Bank as an expansion of Title II of EDA will be vigorously opposed by Lud Ashley and other Members of the Banking Committees. Since last year's Bank bill was referred to the Banking Committees, it is not at all clear that we can draft a bill that contains the same authorities and keep it out of the House Banking Committee's jurisdiction, even if we do not call it a "bank." On the Senate side, Banking Committee opposition is not as serious a problem.

While both Public Works Committees will obviously support the addition of NDB functions and money to Title II of EDA, it is not at all clear they will be willing to "go to the wall" for it. Their primary concern continues to be the transfer of EDA to DDA (HUD).

The FmHA transfers will be resisted by both Agriculture Committees. However, on the Senate side, opposition is less well developed, probably because the Senate committee is less organized and because Senators are preoccupied with talk of a Forest Service transfer.

Discussion of Option #2

A. Policy Views

True → Stu and Dick Moe believe that the choice between Option #1 and Option #2 is a very difficult one. Option #1 clearly is the least difficult to enact, offers significant substantive benefits and is the least damaging politically. If you decide that your interests are best served by proposing a reorganization package that has a high probability of success, they would recommend Option #1.

→ Stu and Dick Moe believe, however, that Option #1 in its present form will be seen as a less than substantial reorganization package, since the NOAA transfer by itself does not address at all the fragmentation in the administration of land-based resources. They also believe that WHCL's consultations support their view that the DDA aspect of Option #3 offers little hope of even partial success legislatively. Finally, they are concerned that deferral of DNR, as proposed in Option #3, will be perceived as a retreat from your commitment to propose reorganizations in both the natural resources and economic development areas.

They support Option #2 for the following reasons:

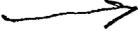
- As stated more fully in the discussion of Option #1, the Commerce-based economic development reorganization will visibly improve administration of economic development programs. While not as dramatic as the DDA, we believe that WHCL's consultations bear out the view that it is far more enactable.
- We believe that consolidation of the BLM and Forest Service land management functions is sound substantively.
- We believe there is some chance (although probably less than 50-50) to soften or eliminate timber industry opposition to the transfer of the Forest Service if we stress the Administration's determination to improve the timber cut on public lands. This will increase chances for enactment and dampen the adverse political impact in the West.
-  Even if the Forest Service transfer is not accepted by the Hill, we should emerge with both the economic development and the NOAA portions of our plan. (Proceeding with Option #3 runs the risk of failing completely.)
- On the negative side, we note that environmental groups may oppose the DNR if it is linked to policies to increase the timber cut. (The decision to announce a policy of expanded cut will be recommended to you independently through the anti-inflation timber review.)

If you should approve Option #2, we strongly recommend that announcement should be timed to permit Cecil, working with OMB and DPS, to do the best job possible of neutralizing timber industry opposition.

- Jim and Dick believe that action on natural resources should follow the development assistance proposal if you decide to do both. This time would be used to develop the Congressional and interest group constituency to make it feasible. Hence, they suggest that you announce your intention to create DNR but defer decision on exactly when to go ahead, pending the results of a first class sales effort.

B. Congressional Reaction

1. Natural Resources

 The inclusion of the Forest Service in DNR will attract major opposition in both Houses. While

Senator Jackson may support the Forest Service transfer, he will spend little of his time or energy to see that it is achieved. The potential coalition to oppose Option #2 is formidable. It will include all Members of the Senate Agriculture Committee, as well as Senators from most southern and western States.

Of the Senators with whom we have talked, McGovern, Eagleton, Bumpers, McClure, Garn, and Packwood said they will oppose transferring the Forest Service. These Senators have expressed concern about the cumulative impact of both plans on USDA. Only Jackson and Hatfield expressed even lukewarm support for a Forest Service transfer. The combination of NOAA and the Forest Service in a single plan may be particularly troublesome because it allows Senators Hollings and Stevens to build an opposition coalition with Senator Talmadge and other key Senators from the South, Midwest and West. Our fear is that adding the Forest Service could sink both plans.

In the House, Foley will join with Whitten, Ed Jones and most Members of the Agriculture Committee as well as many southern and western Members in opposition. Again, their fear, as in the Senate, is the cumulative impact of reorganization on USDA.

2. Economic Development

Same as Option #1.

Discussion of Option #3

A. Policy Views

Jim, Dick and Jerry believe that the Hill situation has deteriorated for DNR in the past three weeks because of our indecision. The moratorium on consultation and the hard work of the opponents has dimmed the prospects of passage at this time, except for a very modest DNR. Yet we must keep in mind that no effort has been made to sell this plan to a national constituency. Rather than attempt a DNR that could be ridiculed for its modest impact (e.g., Option 1), we propose that you announce that you have decided in principle to proceed with a DNR, but defer a final decision on timing for up to three months. We would use this period to work with Andrus to sell the concept and work to build a national constituency for bold action.

Department of Development Assistance

<u>Program/Organization</u>	<u>1979 Financial Resources</u> (\\$millions)	<u>Personnel</u>
<u>Economic Development</u>		
UDAG (HUD)	400 (BA)	78
EDA (Commerce) ✓	627 (BA)	830
	546 (LA)	
FmHA business and industry loans (USDA) ✓	1100 (LA)	210
FmHA industrial development grants (USDA) ✓	10 (BA)	
SBA 501 & 502 ✓	32 (BA)	14
	95 (LA)	
Community Development Corporation (CSA) ✓	48 (BA)	42
Title V Commissions (Commerce) ✓	63 (BA)	94
National Development Bank (proposed) ✓	3530 (BA)	263
	3665 (LA)	
<u>Community Development</u>		
CDBG (Entitlement and small cities) (HUD)	3307 (BA)	709
701 Planning (HUD)	111 (BA)	270
FmHA Community Development ✓	638 (BA)	435
	1150 (LA)	

Housing

Urban and rural housing programs would remain in HUD and FmHA respectively.

Ab- Jim, Dick and Jerry believe that by announcing a DNR in principle, much as national health insurance has been proposed in principle, we would then have the time to define how large a reorganization could be accomplished politically. This would avoid prematurely picking too modest a proposal (NOAA only) or conversely taking on what might, with additional insight, turn out to be a losing battle on the Forest Service. We should be prepared to exchange the dropping of the water resources option for support on the Forest Service or DDA. Such a decision in principle does not abandon natural resources reorganization, but provides the chance to get the boldest reorganization possible. Similarly, a public Presidential decision to do something enhances the atmosphere for persuasion, unlike merely a delay.

Dick disagrees with this approach on water. He recommends that water options be publicly tested both as part of the DNR and separately since there may be greater potential interest group and Congressional support for a strong water option than for the Forest Service transfer. He feels that water resources reorganization is consistent with your water policy, has the greatest anti-inflation impacts (i.e., personnel reductions) and would be bold whether or not a DNR goes forward. The risk is that keeping both water and Forest Service alive in the 3 month period may kill both -- and DDA.

At the same time, Jim, Dick and Jerry propose a bold Department of Development Assistance because:

- ° It comes closest of all our reorganization initiatives to redeeming the campaign promise to eliminate duplication and fragmentation and simplify the government. DDA is real reorganization to fix real problems. Putting the Bank in Commerce and further splitting community and economic development between two departments is neither bold, constructive, nor easy to explain to the people who expect us to deliver on the campaign pledge.
- ° Unlike the "build on Commerce option" that annoys core Carter constituencies, the DDA will please most big city mayors, blacks, civil rights groups and labor.
- ° While DDA is harder in the Congress, not moving DNR simultaneously lets us target and mobilize Administration forces on DDA. Further, DDA does have important support: Ashley will fight for it, and Brooks and Ribicoff, who have jurisdiction, are strongly committed to the DDA concept.

- While HUD's management image has shortcomings, in many cases its "red tape" and "burdensome requirements" are dictated by statute. Further, in terms of dollars, HUD has a much greater experience through its multibillion dollar housing and commercial financing activities in dealing with the private sector in forging "partnerships" than does Commerce.
- Far from intensifying the Sunbelt-Frostbelt regional controversy, as some claim, DDA may mollify it. The thrust of the DDA proposal is the need for a balanced approach that recognizes the needs of different types of places and regions and the interdependence of rural and urban places. DDA is designed to guarantee that in the future we formulate balanced development policies, not urban policies or rural policies.
- Allegations that DDA will encounter the same administrative disruption as creation of the Energy Department are incorrect. In Energy we merged two new agencies that weren't working to carry out a policy that hadn't been approved by the Congress. In the case of DDA, we are building on the EDA and FmHA delivery systems that work well and following the carefully constructed urban policy. Additionally, substantial grants are already in the pipeline that can carry us through the fall of 1980 with only limited disruption in service.

Any reorganization worth doing is hard. To make DDA happen would require more Presidential time and more Administration effort than any previous reorganization effort, including civil service reform. For this reason, Jim and Dick propose pursuing a bold DDA only if you are (1) willing to make this a major commitment of the Administration (similar in priority to hospital cost containment or multinational trade agreements) and (2) willing to personally expend the time and political capital necessary to convince the Hill we really mean business. Making this a high Administration priority would include a major Presidential announcement; personal calls to and meetings with key legislators; and the commitment of White House resources. DDA passage will be a tough fight that we will need to win. If we do not make an all out commitment on this, Jim and Dick would recommend doing no reorganization in the development assistance area and merely seek passage of the National Development Bank.

→ Senators Ribicoff, Javits and Percy currently question whether reorganization plan can be used for a proposal as massive as DDA. Should you decide to do DDA, you should personally discuss with Senator Ribicoff your desire to accomplish it by plan and attempt

to change his mind. If you cannot persuade him, legislation would be required and would be harder and more drawn out. Alternatively, we could force a plan on the Committee, risking the Committee's unfavorable report, which would hurt us in the full Senate.

Stu, Jack, Anne, Tim, Jody and Dick Moe believe that consulting fully on these issues has identified, rather than created, real opposition that always was there to the full DDA and DNR proposals. They believe it would be a mistake to proceed with Option #3, because it has serious substantive, legislative and political liabilities. Stu, Jack and Dick Moe oppose delaying DNR for the following reasons:

- ° A delay of the DNR proposal would represent a failure to fulfill the commitment you have made publicly to proceed with natural resources reorganization.
- ° The NOAA and Forest Service transfers are the Administration's most substantial reorganization proposals, involving many times more personnel than the entire DDA proposal.
- ° There is absolutely no evidence that three more months will strengthen the public support for the Forest Service or water policy transfers. We already have had two years to build such a coalition, with very little success.
- ° All of your advisors agree that further delay only serves to strengthen opposition, not to build support.
- ° Keeping the DNR option alive will accentuate Congressional concern about the combined effect of the two reorganization plans on USDA, seriously jeopardizing the already slim legislative prospects of DDA.

Stu, Anne, Jack, Tim, Jody and Dick Moe do not support the DDA option for the following reasons:

- ° It is a mistake to consolidate the economic development programs in a Department that is widely perceived by the Congress and the private sector to be poorly managed, unresponsive, overburdened with red tape and too Eastern/big city/urban oriented.

- DDA will be extremely difficult, if not impossible, to enact because WHCL's consultations have disclosed that key Senators believe that DDA cannot be accomplished through the action-forcing reorganization authority. Legislation creating DDA would be referred to at least two, and perhaps four, Congressional committees in each House.
- All of the interest groups view reorganization in this area as low priority and are not willing to fight for it. Proposing DDA, therefore, will not be viewed by your constituency (blacks, big city mayors) as "delivering" something to them about which they really care. Many of DDA's supporters (i.e., Nick Carbone, Coleman Young, Dick Hatcher) would prefer "no reorganization" over DDA. They would prefer to see the Administration work on other priorities (inflation, the budget, countercyclical).
- The combination of strong opposition from the Public Works and Agriculture Committees, interest group apathy, Congressional antipathy to HUD and the cumbersome legislative process probably will be fatal to DDA.
- The lengthy legislative battle over DDA will be extremely costly politically and very disruptive of service delivery in the critical period through 1980. Even if we succeed, the first couple of years of DDA are likely to be accompanied by the same sort of disorganization currently present in the Energy Department. Moreover, DDA will place the Administration in the middle of politically damaging urban/rural and North/South confrontations.
- The private sector job-creation programs could be diluted in a Department that is dominated by housing, community development and neighborhood interests. Less than 10 percent of DDA's FY 1980 outlays would be for economic development.
- The DDA proposal may make it more difficult to get approval for the National Development Bank in the Public Works Committee.

Jerry Rafshoon believes that unless we are bold in our reorganization efforts, we will be severely criticized. He regards Option #3 as the boldest option, and favors it for this reason. Since he has counseled the President to make major public efforts of only inflation and SALT, however, he believes that we should not choose Option #3 if it requires a major public Presidential effort unless we are confident it can be won. If the chances of victory are too small to risk Presidential involvement, he would favor Option #2. Under no circumstances would he favor Option #1.

B. Congressional Reaction

1. Natural Resources

Any substantial delay of the DNR proposal may have the political effect of abandoning it. Abandonment of DNR would cause no tears to be shed on Capitol Hill. However, we would also be abandoning at least some chance to achieve a degree of natural resources reorganization. We believe Congress should be pressed harder on natural resources than is suggested under Option #3. We do not believe it is wise politically to risk even a modest DNR proposal just to launch a full DDA plan whose future is doubtful under any circumstance.

2. Economic Development

DDA as proposed in Option #3 is more likely to be disapproved by the Congress, than the Option #1 proposal. An option building on HUD has an immense disadvantage to overcome, especially in the Senate where rural influences are stronger. Our consultations clearly revealed a strong bias against HUD.

Opposition to DDA will be orchestrated by the Public Works Committees in both Houses and they will forge strong linkages to the Agricultural Committees in opposition to the FmHA transfers. Additionally there will be opposition to the EDA transfer from many rural area Members in both Houses.

It is possible some of the opposition will be lessened by the deletion of the Forest Service transfer from DNR but opposition to the FmHA transfer will remain strong.

On the question of legislation vs. reorganization plan, this remains a significant problem in the Senate. Both Ribicoff and Percy oppose the use of Reorganization authority to create DDA, believing it must be done by legislation. On the House side, Brooks has not commented on either, although his chief counsel feels if DDA is introduced by legislation, "it probably will never see the light of day." Additionally, in neither House are we assured we can avoid a joint or sequential referral to other committees if legislation is used. This would allow a much greater chance for opponents of the plan to change or kill individual components.

→ To be sure, DDA has its proponents in the House. Brooks, Horton, Bolling, Ashley, Reuss, and others support the plan. Except for Ashley, however, we have no assurance of their willingness to fight for it as opposed to simply voting for it. The one exception might be Brooks who would look upon this as a responsibility to his President to move it out of Committee and work for it on the floor.

Summary of Recommendations:

Your advisors prefer the following options:

- Option #1: Jack Watson, Anne Wexler, Tim Kraft, Jody Powell
- Option #2: Stu Eizenstat, Dick Moe (for the Vice President)
- Option #3: Jim McIntyre, Dick Pettigrew, and Jerry Rafshoon

Next Steps:

→ Any reorganization decision you make will send important political signals. It is critical that the announcement of your decision be timed and presented in the most advantageous manner possible. For this reason, we recommend that prior to indicating any final decision on the above options, you ask Jody Powell and Jerry Rafshoon to work with your staff in coordinating the announcement.

THE WHITE HOUSE

WASHINGTON

February 13, 1979

MEMORANDUM TO THE PRESIDENT

FROM: FRANK MOORE *F.M./BR*

RE: CONGRESSIONAL CONSULTATIONS ON REORGANIZATION

Attached find copies of reports to me from my staff summarizing their findings on the proposed reorganization plans.

The Senate comments were forwarded to you last week but the House comments were held until we could deliver our final senior staff paper. We are re-submitting the Senate memo so that you may have it available as a quick reference of individual comments.

THE WHITE HOUSE

WASHINGTON

February 5, 1979

MEMORANDUM TO FRANK MOORE

FROM: TERRY STRAUB *Terry*

RE: SECOND REORGANIZATION CONSULTATIONS (HOUSE)

In accordance with your directive two weeks ago, I have intensified my consultations on the Hill on the Department of Natural Resources and Department of Development Assistance options. Following is a summary of my findings as well as individual comments for and against both plans. This paper is an addendum to my earlier memo to you.

My consultations focused both on Majority and Minority Members from the following Committees or caucuses:

The Public Works Committee
The Agriculture Committee
The Housing and Banking Committee.
The Interior Committee
The Appropriations Committee
The Government Operations Committee
Members of the Rural Caucus and Black Caucus

I. DEPARTMENT OF DEVELOPMENT ASSISTANCE:

Questions of Committee jurisdiction as well as deeply felt convictions on the merits of the plans evoked mixed responses that varied in intensity.

→ Fundamental opposition to the DDA proposal has risen dramatically however in the last few weeks as knowledge of the plan's details became more widely known. Newspaper accounts, White House consultations, word of mouth and a low key but effective campaign by key Congressional persons and interest groups has heightened the level of anxiety over the DDA plan. This increased awareness combined with the Hill's perception of a clear lack of consensus within the Administration has combined to allow opponents of the DDA plan to mount a subtle offensive strategy. The opposition to the plan is widespread enough at present, and encompassing enough key individuals in the House, that I feel certain the plan cannot pass the House in its present form.
→

Opposition generally centers in the following areas:

1. Most Public Works Committee members strongly oppose moving EDA out of the Department of Commerce. EDA is generally perceived to do an adequate to excellent job where it is and there will be major opposition from both Democrats and Republicans to its transfer. Much of this resistance stems from HUD's (and to some extent Secretary Harris's) reputation for heavy if not exclusive urban bias. There is little confidence in HUD's ability to effectively administer rural area programs. Guarantees of EDA as a separate, beefed-up unit within DDA have been met with skepticism, even ridicule! A powerful array of members line up against us on this issue, including Jim Wright, Bizz Johnson, Bob Roe, Carl Perkins, Dave Obey, Tom Steed and others. Some of their comments are listed below.

In every case their strong preference was to favor the "build on Commerce option". Part and parcel was their strong desire to see the National Development Bank simply folded into Title II of this year's EDA reauthorization.

2. Many if not most of the Agriculture Committee members will oppose the transfer of any of the Farmer's Home Administration out of the Agriculture Department. There is almost unanimous opinion that the FmHA has developed one of the most effective rural delivery systems ever. There further tends to be a fear of the grass roots political clout this FmHA organization has. The Agriculture Committee will almost certainly be joined by most rural members in opposition. Temptations of being able to administer a significantly larger budget at DDA bring replies of "simply transfer the money to FmHA instead of vice versa".

Opponents to the FmHA move include Tom Foley, Ed Jones, Bill Alexander, Rick Nolan, and the entire Kansas Congressional delegation, among others.

To be sure, DDA has its supporters as well as opponents. Henry Reuss, Lud Ashley, Charlie Rose, Jack Brooks and others will support DDA, even enthusiastically in some cases. Clearly most members of the Banking and Housing Committee will support the proposal since they are the big winners. Their degree of enthusiasm remains unclear, however. The exception to this is Lud Ashley who seems willing to actively work. Additionally most members of the Black Caucus would favor the enhancement of a reconstituted HUD.

Regionally many Southern and Western "sun-belt" members will likely oppose the plan for fear of an eastern older city, big city bias by DDA.

In sum, while there is support for the DDA plan, there is more formidable opposition in my opinion. It's much easier to mobilize against this plan than it will be to mobilize support in behalf of it. The Black Caucus for instance will be far more concerned with preventing the diminution of HUD than they will be beefing it up although they obviously support the latter.

With proper modifications that will reflect the political realities the DDA plan could pass the House. In its current form, however, it will be defeated.

Jim Wright, Majority Leader: feels strongly we should go with the build-on Commerce option that would enhance EDA. Feels EDA has an excellent delivery system and that we should enhance it and let it work, that we need to eliminate the reviews, studies, and layers of bureaucracy than inhibit EDA from working. "This is what the public has a real contempt and scorn for, and this is where the reorganization studies should focus".

There is no question in his mind the Public Works Committee members and others will be able to defeat any reorganization plan that suggests moving EDA out of Commerce; cited that the Public Works Committee has a far better track record than the Housing Committee in winning votes on the floor.

"Bizz" Johnson, Chairman, Public Works and Transportation Committee: his position opposing the EDA transfer is well-known (opposed). Continues to feel the housing programs are poorly managed, and that EDA has no place in HUD. Regarding the National Development Bank, he is confident, as is Bob Roe, that the Bank can be included in the EDA Reauthorization Act this year, and that we can cover all of our Development Bank needs with this bill.

Bob Roe, Chairman, Public Works Subcommittee on Economic Development: Roe's position opposing the transfer of EDA to a Department of Development Assistance is well-known; he is not opposed to a reorganization, per se, but claims OMB does not understand how EDA works. Feels the perception by the rural areas and the small town mayors is that there's too much Administration lean toward the urban areas. He is concerned that we have no domestic economic policy. Feels we have three viable reorganization options; one, we could do nothing because of the potential political upheaval, and everybody remains undisturbed; two, we could create a Department of Commerce and Economic Development that could be the foundation for a new national economic policy, and reauthorize within the EDA (title II) the National Development Bank functions; three, try to achieve better delivery systems by internal reorganization and set up a Department of Economic Development at a later time. If we choose #2, "we would have to accommodate our Southern friends, and this is best done by leaving Farmer's Home functions where they are in Agriculture". Feels the political support in the House will be strongest for this because they could put together a coalition of Southern, rural and Public Works types. This would dramatically improve the delivery systems to

the rural and small town areas. Public Works Committee is "bread and butter", much "log-rolling", "have never lost a bill on the floor". Much of the Leadership people (Steering and Policy Committee) are creatures of the Public Works Committee.

John Hammerschmidt, Ranking Minority, Public Works Subcommittee on Economic Development: Hammerschmidt's position is a mirror image of both Bizz Johnson and Bob Roe, and he has cosigned a letter to you with the others outlining his opposition to the EDA transfer. Feels EDA is a popular program, that it is balanced politically between the big city mayors and the rural areas. "There is a better opportunity to leverage local and private money with EDA programs than there is with UDAG". He would strongly oppose any diminishment of the Farmer's Home Administration. Feels their grassroots political organization is too strong to fight. One exception might be the transfer of business and industrial grants and loans programs.

Ed Jones, Chairman, Agriculture Subcommittee on Conservation and Credit: Opposes the moving of the economic stimulus programs from Farmer's Home to either of the new agency options. Feels the USDA is a great agency and should not be changed in any way. "People at HUD have no concept of housing needs in the rural areas, and are oriented to a more expensive, more cost-consuming process. Feels any transfer of Farmer's Home programs would be a further assault on the Agriculture Department at a time when the President is having enough trouble with farmers and agriculture interests.

Bill Alexander, Appropriations Subcommittee on Housing and Urban Development: Alexander fashions himself the champion of the rural interests in the Congress, and feels strongly that the EDA and Farmer's Home are both doing excellent jobs where they are and shouldn't be tampered with. Feels HUD "is a disaster, and Pat Harris doesn't comprehend the needs of people outside the cities", and "will fight to the death the transfer of EDA to HUD". On politics, feels that although we must forge a coalition of big-city Democrats to win in 1980, "the politics of the '80's are not the politics of the '60's, and that Reuss and Ashley need to understand this". Feels certain the entire rural caucus will be against the DDA.

Rick Nolan, Chairman, Agriculture Subcommittee on Family Farms and Rural Development: Nolan feels it does not make sense to move Farmer's Home to the DDA or to the Department of Commerce; "there is much overlap by moving Farmer's Home". In any case we should not split the business and industrial programs from the community development programs. The Administration should develop a rural policy, independent from urban areas. Would prefer to keep the functions of Farmer's Home all together under one agency. Possibly could get his support if DDA could be made to have a genuine rural focus, and Farmer's Home would remain intact; feels parallel delivery systems within EDA, one for rural areas and one for urban areas, would be helpful.

Charlie Rangel: Rangel has a good relationship with the Department of Commerce and feels they're doing a good job, thus does not support any reorganization of the Department of Commerce.

The following Members have all sent letters to you in the last few weeks opposing the transfer of EDA out of the Department of Commerce, (although most have not had an Administration briefing on DDA):

Mark Andrews, Ranking Minority, Subcommittee on State Justice and Commerce;

Charles Grassley, Ranking Minority, Subcommittee on Family Farms and Rural Development;

Gillis Long, Committee on Rules, and the Joint Economic Committee;

Tom Steed, Committee on Appropriations;

Glenn Anderson, Public Works Committee;

Bill Dickenson, Armed Services Committee;

Carl Perkins, House Education and Labor Committee;

Mike Synar, Government Operations Committee;

Dave Obey, Appropriations Committee;

Jim Jones, Ways and Means Committee;

Glenn English, House Government Operations Committee

Jack Brooks, Chairman, House Government Operations Committee: supportive of the DDA concept as outlined in the earlier memorandum and in his discussion with you last week. Has no particular anxieties about any of the program transfers in this plan. He can be counted on to help.

Frank Horton, Ranking Minority, House Government Operations Committee: strongly supportive of the President's efforts to reorganize the government; feels we should be bold and not shy away from our commitment to reorganization; he felt the plans as outlined were sensible. He is fully supportive of our efforts.

Charlie Rose, past Chairman, House rural caucus: Rose is a supporter of your reorganization efforts, although he is disappointed to hear that if the DDA is created the Department of Commerce would likely not be abolished. He feels there is a definite political attraction to abolishing an agency or two and that we should move ahead on that track. Feels strongly that we need to encourage folks to move to the rural areas; said that if the President can show that this is an efficiency and management question he will go along with it.

Jim Oberstar, Committee on Public Works and Transportation: has written a letter in strong support of the DDA in hopes it will reduce the "duplication, gaps, and overlap that now exist".

John Conyers, Government Operations Committee: Conyers feels strongly that the Department of Commerce is non-functioning and although he is critical of HUD he opposes taking any of HUD's programs from the Department. (Unclear as to whether this includes the Development Bank).

Parren Mitchell: feels Commerce is basically anti-housing, and stimulates the home-builders organizations. Parren is against taking any programs away from NUD and feels there is too much going to Commerce. From a political perspective, Parren feels that because the President is losing ground in the black community, the diminution of programs under the jurisdiction of a black Cabinet member would be politically destructive to the President; feels very strongly about this.

II. DEPARTMENT OF NATURAL RESOURCES:

There is tremendous opposition to the DNR proposal, centered mostly among the Agricultural, Public Works, and western representatives. The Agricultural and rural area members clearly see the resulting effect on the Department of Agriculture as nothing less than devastating. Foley, a traditional supporter of the Administration, is absolutely emotional over this proposal; he plans to link together western and southern members opposed to the Forest Service move and the Soil Conservation Service and Bureau of Reclamation merger with those Public Works types opposing the Corps of Engineers diminution. I stated in my earlier memo to you we will be opposed by some liberals under the leadership of Jim Weaver and others who feel there are strong conservationist reasons to keep the Forest Service and BLM separate. Add the opposition of some House environmentalists to the farming state representatives, other rural interests, western states, and Public Works types and there seems to be little left with which to build a coalition for support.

Shaving the water transfers by different degrees does little to improve the political chances for this transfer. Dropping the water transfers altogether could improve the prospects significantly by eliminating much Public Works and western opposition but does little to ease agricultural opposition.

Individual members opposing the plan include Jim Wright, Bizz Johnson, Jack Brooks, Jamie Whitten, Tom Bevill, and Ed Jones.

The NOAA transfer, although opposed by John Murphy, seems to have a better than even chance of passing. Murphy is not held in particularly high esteem by his colleagues (as evidenced by his last week's snub in his quest to take over a major oversight committee) and his seems to be almost a lone voice opposing the NOAA move.

Our likely leader in this DNR effort would have to be Mo Udall who has already suggested to Stu we might be better off if we simply dropped the water transfer. (He is starting to feel the heat from his Western colleagues). Additionally, there continues to be no clear signal from Udall as to how much of a role he would play. Beyond Udall, enthusiastic support tends to wane.

Again, as in the DDA proposal, it will be easier to mobilize against this plan than to mobilize for it. This has already been proven true.

Additionally, Brooks opposition to this plan will increase the difficulty of moving it out of the Committee with a favorable recommendation. We clearly cannot count on him to defend our Forest Service and water program transfers.

Because of the level of opposition, the intensity of feelings, the key members involved in opposition to the plan, and the rather thin nature of support for it, I feel certain this plan will not succeed without major modifications.

Tom Foley, Chairman, Agriculture Committee: stronger than ever in his opposition to the transfer of the Forest Service and the Soil Conservation Service out of DOA. Said he appreciates what we're trying to do by slicing the water project transfers different ways, but it makes little difference to him. Feels this proposal does not help the President politically; in fact, hurts him in the agriculture community. Feels there is a very anti-Carter feeling among farmers at this time. He is confident they can put together a coalition of Southern, western, and rural and agricultural interests that will defeat this plan if the President moves ahead with the intended transfers.

Jamie Whitten, Chairman, Appropriations Committee: continues to oppose the DNR proposal if we transfer Corps of Engineers functions and Soil Conservation functions to the new agency. Feels that Soil Conservation Service does not belong in Interior in any fashion; it's agricultural in nature, not conservationist in nature. Regarding the Forest Service, feels a split in the public and private lands issue does not buy much politically for us. Trees are a crop, in his mind, and an agricultural concern, not a natural resources-related concern.

Jim Wright, Majority Leader: will strongly oppose the Corps of Engineers move; will try to defeat any plan that includes the Corps transfer. Says he feels the President should leave the whole area alone, that it's a no-win situation. Claims the President "doesn't take my advice; wants my help on Turkish arms and energy, and then when I try to give him policy advice he ignores me".

Tom Bevill, Chairman, Appropriations Subcommittee on Public Works: feels sure we will have the opposition to the DNR proposal from the rural and farm interests; that it will not pass; that he is sympathetic with what the President is trying to do but the Soil Conservation Service and the Corps of Engineers have too much clout and that the President will have to pay too high a price to get it passed. Feels the President could go ahead and create a skeleton of the DNR now and add programs to it at a later date; perhaps appoint a study group that would look at this issue for a year or two and make recommendations. Feels there is also a hangover effect from

last year that the President is trying to control the Public Works money and projects, a traditional prerogative of Congress. "Congress will rebel against this further erosion of a cherished prerogative".

Ed Jones, Agriculture Subcommittee on Conservation and Credit: "Bitterly opposed to these changes spelled out in the DNR proposal". Would object less if SCS was left out, but doesn't want to move Forest Service under any circumstances. A private vs. public lands split could lessen anxieties about the Forest Service transfer, but only slightly. Feels the President has been led astray by advisors on agricultural interests and engendered much hostility within the agriculture community as a result of this and other proposals.

Jack Brooks, Chairman, House Government Operations Committee: is very concerned about the Forest Service and Corps of Engineers transfers. Sees this as a political problem more than anything else, and he is not anxious to have this conflict before his Committee. Feels "we would be better off to drop the whole thing".

Bizz Johnson, Chairman, Public Works Committee: opposes the policy and planning removal from the Corps of Engineers; feels the Committee is ready to make a fight over the Corps of Engineers transfer. Also feels the consensus of opinion the Congress is to leave the COE intact and where it is.

Walter Jones, Chairman, Agriculture Subcommittee on Tobacco: has been heavily lobbied by forest users to leave the Forest Service where it is. Feels we would eliminate 50% of our opposition to the DNR proposal if we would leave the Forest Service transfer out and also feels there is adamant opposition to this transfer by the Agriculture Committee, although the private vs. public lands split might make it more palatable. Says if the Agriculture Committee could retain authorizing jurisdiction it might be no problem to move (I disagree with this).

George Miller, Interior Committee: opposed to the transfer of the Corps of Engineers; feels the expense of political capital to get it done would not be worth the fight.

Mo Udall, Chairman, Committee on Interior and Insular Affairs: continues to be a strong supporter, although he feels we could remove the western opposition to the water transfers the plan would stand a much better chance. Stanley Scoville, his Committee staff director, is not impressed with our arguments to leave the water transfers in. Feels the western people will surely oppose the tarnishing of the Bureau of Reclamation with Soil Conservation and Corps of Engineers functions. Udall is starting to get heavy mail and editorial opposition to the small watershed transfers. This

is likely to make him even more skittish on the water issue as we move ahead.

Phil Burton, Chairman, Interior Subcommittee on National Parks: what he knows of the proposal he seems to like; feels if the President would ask the Speaker to make this an issue before the Steering and Policy Committee he might get the support of the group (I have my doubts about this strategy, however, due to the strong opposition of Tom Foley, Bill Alexander, and others on the Committee).

Frank Horton, Ranking Minority, House Government Operations: as with the DDA proposal, Horton feels the outline of the DNR proposal is sensible and bold enough to have an impact. Feels the President should go ahead with the proposal as outlined and not be deterred by political considerations.

Matt McHugh, Ranking Member, Agriculture Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition: McHugh feels the DNR proposal is worth the effort, and while acknowledging the opposition from most members of the Agriculture Committee and other more junior members feels that there are some on the Committee (himself, Berkely Bedell and others) who would likely try to help. Feels reasonable people will agree with the Forest Service move and the Soil Conservation Service move, despite the Committee jurisdiction problem. Acknowledges it will be a tough fight, however.

THE WHITE HOUSE

WASHINGTON

February 2, 1979

MEMORANDUM TO FRANK MOORE

FROM: BOB THOMSON

SUBJECT: REORGANIZATION CONSULTATIONS

1. WHO WAS CONSULTED

Since the reorganization plan meeting with the President two weeks ago, I have talked with 21 key Senators and the senior staff from all the major affected Committees except Agriculture. They include the following, arranged by committee (note duplications):

a. Agriculture

McGovern - Acting Chairman
Leahy - Member

b. Appropriations

Magnuson - Chairman
Stennis - past Chairman, Public Works Subcommittee
Proxmire - Chairman, HUD-Independent Agencies
Eagleton - Chairman, Agriculture
Johnston - Chairman, Public Works
Huddleston - Member
Leahy - Member
Bumpers - Member
Hatfield - Ranking Minority, Public Works
Stevens - Ranking Minority, Agriculture
McClure - Member
Proctor Jones - Clerk, Public Works
Dick Lieberman - Clerk, Agriculture

c. Banking, Housing and Urban Affairs

Proxmire - Chairman
Garn - Ranking Minority
Ken McLean - Chief Counsel

d. Commerce, Science and Transportation

Cannon - Chairman
Magnuson - Member
Ford - Member
Packwood - Ranking Minority

Aubrey Sarvis - Chief Counsel

e. Energy and Natural Resources

Jackson - Chairman
Johnston - Member
Bumpers - Member
Ford - Member
Hatfield - Ranking Minority
McClure - Member
Domenici - Member
Stevens - Member
Dan Dreyfus - Staff Director

f. Environment and Public Works

Randolph - Chairman
Hart - Member
Stafford - Ranking Minority
Domenici - Member
Phil McGance - Randolph staff
John Yago - Staff Director

2. METHODS AND PROCEDURES

I viewed each interview as an opportunity to convince the Senator or staff member that reorganization was needed. In each case, I began by pointing out the general advantages of consolidating the federal government's economic development and natural resources programs.

On natural resources, I explained the three parts of the proposal that are most critical - the Forest Service transfer, NOAA transfer and the water proposals. I invited the Senator or staff member to comment on each part.

On economic development, I explained the President was considering two options. I noted the HUD option was the one recommended by the PRP. It became apparent after the first interviews that Senators were biased heavily against HUD, so in subsequent interviews, I stressed that HUD would have an Undersecretary for rural affairs as well as urban affairs, and stressed the advantage of having the UDAG and EDA programs under the same roof as the PRP has recommended.

3. CONCLUSIONS

In evaluating the results of the interviews, I have made allowances for the natural tendency of Senators to oppose anything new or any proposal that would bring political heat to bear upon them.

I have also taken into account the efforts of some Senators to influence the President's decision with excessively tough talk and threats. Consequently, the effort was one of judging the degree and sincerity of negative comments and guessing whether or not the Senator could eventually be persuaded to support one or both plans.

My conclusions are as follows:

a. The Impact of Submitting Both Plans

4 It is inconceivable that the President would send both DDA and DNR to the Hill at this time in their present forms. The major reason is their combined impact on the Agriculture Department.

Under both plans, the Department would lose up to 1/3 of its employees. Its largest agency, the Forest Service, would be transferred to DNR. Its agency with closest contact to farm areas, FmHA, would go to DDA. The Department would lose all its water policy and construction functions when SCS water programs go to DNR and the Corps.

The Senators with agriculture jurisdiction or constituencies all stressed that farmers are not now the most complacent segment of our society. They predict the reaction to both plans would be extreme, intemperate and, in some cases, violent. None would support both plans taken together, with the possible exception of Senators Huddleston and Leahy.

There are 24 Democratic Senators up for reelection in 1980. Five of them are from farm belt states (McGovern, Eagleton, Culver, Bumpers and Bayh). Among these 5 are the acting Chairman of the Agriculture Committee and the Chairman of the Agriculture Appropriations Subcommittee. Another 10 of the 24 came from states where farm groups and the agriculture industry are powerful political forces (Stewart, Church, Cranston, Ford, Hart, Leahy, Magnuson, Morgan, Stevenson and Talmadge). Five of the 24 are from western states where the DNR Bureau of Reclamation proposal will be viewed with alarm (Church, Cranston, Gravel, Hart and Magnuson). Judging from my interviews, I predict that none of the Democratic Senators mentioned above can politically afford to support both plans, with the possible exception of Leahy who is concluding his first term.

I believe all 42 Republican Senators would oppose both plans if they are submitted together in the present forms. Senators McGovern and Eagleton believe Senator Dole would be the leader of the opposition. Baker would compete for the honors. Even those few GOP Senators that are not Presidential candidates would immediately recognize the enormous political impact both plans would have on farm state Presidential prospects in 1980.

b. DNR

As expected, the proposed Department of Natural Resources reorganization plan is the most controversial. The major problem is the image of the Interior Department as an environmentalist, "lock-up" agency.

The Forest Service transfer is mentioned as the most controversial by the largest number of Senators. All the western Senators fear the timber lobby. Many mentioned the potent force of the forest rangers in the local communities. Many of the rangers have made known their opposition to the plan already. Some Senators stressed the advantages of having two competing land use agencies - the BLM and Forest Service.

The water policy and construction transfers were the second most frequently mentioned. Senators Stennis and Johnston are very disturbed and would solicit (and probably receive) leadership support to defeat the plan. The Majority Leader has not forgotten the Public Works veto last year. The major problem is the transfer of policy and planning from the Corps.

The agriculture Senators (e.g., Bumpers) were negative on the SCS transfers as expected, but not impossibly so. Also as expected, the western Senators opposed transferring BuRec construction to the Corps (e.g., Hart). However, the opposition is less intense. Dan Dreyfus, Senator Jackson's key aide favors the transfer.

Only Stevens and Magnuson mentioned NOAA as being a problem. The other Senators had an open mind or expressed support once the advantages were explained to them. I believe Magnuson would respond to reassurances about the NOAA transfer and could be convinced not to actively support a resolution of disapproval. On the other hand, Stevens is solidly in the Hollings camp.

c. DDA

Despite my attempt to stress arguments favoring DDA as proposed, almost every Senator criticized the HUD option. The Department's image is not good. It was accused of inefficiency and unresponsiveness. Only a few Senators mentioned a problem with the Department's urban bias. Several Senators are still upset over last year's consolidation of HUD regional offices. Few Senators have analyzed the proposed National Development Bank in any depth.

The Commerce Committee Senators were alarmed at the prospect of the EDA transfer, although few had kind words for the Commerce Department. Some questioned the utility of moving EDA from an environment where it works to one where success is questionable.

Surprisingly, few Senators opposed the concept of transferring FmHA to a new agency, although many questioned the overall impact of both plans on the Agriculture Department as noted above. Senator Eagleton was a particularly harsh critic of moving FmHA, but he said he could survive it politically. Many of the Senators from rural states (e.g., Garn, Bumpers) felt uneasy about the FmHA transfer, but were very aware of the advantages of one-stop shopping.

In general, Senators are not as negative about DDA. However,  virtually all of them voiced preference for doing something in Commerce rather than HUD.

4. RECOMMENDATIONS

I recommend the President take the advice most clearly enunciated by Senators Ford and Hatfield to proceed with a more modest approach. The impact on the Agriculture Department must be measured carefully.

Some form of economic development reorganization is worth a try. If it is possible from a policy standpoint, the effort should be organized in Commerce. This would give us some chance of success. I believe it is less likely that a Department of Developmental Assistance organized around HUD can win approval. Nevertheless, it is not impossible.

Most of the DNR proposal should be deferred. I believe we may be able to succeed moving NOAA to Interior with hard work. Likewise, we may succeed closing out the BuRec construction function and transferring it to the Corps. From a policy standpoint, this would have the advantage of removing much of the incentive for BuRec officials to constantly press for new projects to keep their construction division busy and would centralize most of those pressures in the Corps. Most agree that the Corps is a more efficient construction agency anyway.

The President should not attempt the Forest Service and SCS  transfers before the 1980 elections, particularly if he sends up the FmHA transfer in the DDA package this year.

5. PLAN vs. LEGISLATION

Senators Ribicoff, Percy, Magnuson and McClure all believe the scope of both proposed reorganizations is beyond the reorganization authority granted the President in the Act. The Reorganization Act of 1977 states, "A reorganization plan may not provide for,

and a reorganization under this chapter may not have the effect of creating a new executive department...." (Emphasis added.)

The Senators' preliminary opinion is that the DDA plan, as proposed by the PRP, violates this prohibition. In defending DDA, we have stressed the fact that HUD would become a rural, as well as urban, agency. The Governmental Affairs Committee cites this as evidence that HUD's mission will be changed substantially. Therefore, they reason, we are, in effect, proposing the creation of a "new executive department".

I believe the Committee would be less inclined to raise this objection if a "Commerce option" were proposed. However, this should be confirmed with Chairman Ribicoff and Senator Percy before a plan is sent up. If they still disapprove, the President may have to consider sending the plan up as legislation.

I understand much of the DPS proposal for a "Commerce option" would center upon legislation creating the National Development Bank. It may be possible to reduce Banking Committee opposition to establishment of a National Development Bank in Commerce by encouraging an agreement on jurisdiction between the Banking and Commerce Committees and by an intense lobbying effort among Banking Committee members.

Of course, defeat of a reorganization plan on the Senate floor because it was too broad would limit, by precedent, employment of reorganization authority in the future. Moreover, such a defeat would hurt our chances of gaining an extension of reorganization authority when the current act expires.

SUMMARY OF CONSULTATIONS

SENATOR JACKSON

On DNR, the Senator said the Forest Service transfer was terribly provocative. He cited Foley's concerns. He personally favors the transfer, but he implied the political heat may be more than even he can stand. The key, he said, was how the lands division of DNR could be insulated from environmentalists currently at Interior. He expressed confidence in Secretary Andrus, but said the perceptions were that Interior was too environmentalist to be entrusted with the Forest Service.

He had no concerns about NOAA, but said the water shifts would be a "bitch". He said he would support a modest plan, but implied he could not be counted on for leadership.

Jackson's key staff member has said privately that under no circumstances would the Senator support the full DNR proposal. The forest products industry is too strong a force in Washington state.

SENATOR MAGNUSON

On DNR, the Senator now opposes the transfer of NOAA. He believes Interior is too environmentalist oriented to encourage development of ocean resources. He is less concerned about the Forest Service and water transfers, although Congressman Foley left his office just before I arrived for my appointment.

The Senator believes both plans are too broad to be dealt with under reorganization authority. He believes they should be submitted as legislation so the Congress can "tinker with" the new concepts.

SENATOR EAGLETON

Generally, the Senator was shocked at the impact both plans would have on the Agriculture Department and fearful of the consequences in 1980. He did not see how any of the farm state Senators up for reelection could support both plans. His objections are mainly political, although he believes the current SCS water policy function would get lost in DNR. The Forest Service and SCS transfers would cause a "firestorm". He seemed less concerned about the Forest Service, however.

The Senator stated that if DDA surfaced at the same time as DNR, the farmers would go crazy. The FmHA transfer would be particularly troublesome, although he feels he could survive unless he were the only farm state Senator to support it. He stated the political disadvantages for you would be very great and could cost you every farm state in 1980.

SENATOR BUMPERS

The Senator agrees that some reorganization is desirable. On DNR, he thinks you will "catch hell" for moving the Forest Service. He said the forest industry in the south is paranoid about Interior.

He agrees with the thrust of the water proposal, particularly as it affects the Corps. However, he says the SCS transfers will cause him trouble politically in 1980. He has no opinion on NOAA.

On DDA, he favors the Commerce option. He will oppose moving EDA out of Commerce. The FmHA is not popular in his state, so there will be a minimum of political fallout over that transfer. The Senator said he could actively support the Commerce option if we gave him the cost savings and efficiency figures. We must have good figures on benefits to rural areas.

SENATOR MCGOVERN

Generally, the Senator had no doubt that both plans were logical, efficient and economical. However, he would be forced to oppose the DNR proposal for political reasons since he is now in charge of the Agriculture Committee until the Chairman's return. The Forest Service proposal was particularly troublesome to him, but he was also concerned about transferring the SCS water functions. He strongly favors the eventual transfer of nutrition and food functions to Agriculture, but sees no short term political benefits for him in 1980 since the nutrition reorganization proposal is some distance down the road.

He was less familiar with the DDA options and not as negative. The FmHA transfers worry him, but he accepts the argument that rural areas could benefit from one-stop shopping. He sees no political difference between the HUD and Commerce options, but sees an advantage in having the UDAG and EDA programs under the same roof.

SENATOR HUDDLESTON

The Senator was positive on both plans. He said reorganization was needed and "someone must take the bull by the horns".

He said there had been no discussions in the agriculture committee on DNR. He stated some kind of consolidation was needed and indicated he had an open mind on the Forest Service. He said Secretary Andrus' image could pose problems. He voiced mild support for the water proposals.

Senator Huddleston was even more positive on DDA. He said he could live with the HUD option, but would like to see funds formally committed within the agency to rural development.

SENATOR McCLURE

On DNR, the Senator has no strong feeling about the NOAA transfer, but opposes the rest. He said the Forest Service transfer would be one of the most politically explosive fights of your Administration. He would be in the middle of it. He cited Interior's record as an environmentalist agency and spoke in favor of two competing land use agencies.

On water, he professed no strong feeling about the Bureau of Reclamation or Corps transfers, but adamantly opposes the SCS transfer. He reasons that SCS applies the "farmer's criteria" to water policy.

He suggested several modest legislative alternatives to reorganization and stated that DNR would be an "abuse" of your reorganization authority. He believes such a proposal should come up as legislation.

SENATOR STAFFORD

Generally, the Senator supports reorganization, as long as rural areas do not suffer. He is not as negative as Randolph on DDA, and sees no distinction between the HUD and Commerce option, politically.

He stated he could not support the plan if Randolph was strongly opposed, however. The Senator believes the appointments you make to the rural side of DDA could diminish the controversy, if they became known early enough.

SENATOR FORD

The Senator stated the Commerce Department option for developmental assistance reorganization sounded much better to him. He said the major problem with the HUD option was the Department's image of inefficiency and the Secretary's reputation as an urban figure. He asked why EPA water and sewer grants were not included, but seemed relatively satisfied with the explanation. Generally, he did not feel strongly about this reorganization proposal.

As for DNR, the Senator expressed concern about the impact on the Agriculture Department. He did not register specific objections about the transfer of NOAA and the Forest Service to DNR. However, he stressed that Carl Perkins' opposition to the water policy aspect of the proposal would make it difficult

for him to support it.

Generally, he advocates reorganization. However, he urged you to decide on a more modest option and rely heavily on creation of the Department of Education to fulfill your commitments to reorganize.

SENATOR LEAHY

Generally, he has not paid much attention to reorganization. He insisted that neither plan should adversely affect rural areas, but responded well to arguments that the plans could help the smaller towns and counties.

As for DNR, Leahy fears SCS advocates will be a major opposition force on water policy. He does not oppose the NOAA transfer and had no significant comment on the Forest Service. He mentioned he could be an ally on DNR, mainly because he favors the water policy proposals.

Regarding DDA, he noted that HUD's performance is poor, but he had no love for Commerce either. He favored the transfer of EDA and would not object to the FmHA transfer. He is a potential ally here, as well.

SENATOR HATFIELD

The Senator said the DNR proposal makes imminent good sense, but was not achievable in its present form. He thinks we could win on NOAA, but could not succeed on removing the policy and planning function from the Corps. He sees a vicious battle if we go forward with the latter proposal. The Senator's reaction was mildly favorable to transferring the Forest Service, but doubted whether he or Chairman Jackson could publicly support such a plan.

The major problem the Senator sees is Interior's environmentalist image. He pointed out that this problem could be partially solved if you signalled your intention to appoint relatively pro-development people to senior positions in DNR.

The Senate recalled that, as Governor of Oregon, he launched a sweeping reorganization of state government, but only succeeded when he used a gradual, piecemeal approach. He suggests you follow the same course.

SENATOR JOHNSTON

The Senator promised "to pull out every stop" in opposition to the water policy changes in DNR. He predicted that both GOP and Democratic leadership would join him and hand us a crushing defeat. He sees the proposal as a direct attack on the water policy system established by Congress over the years. He claims to be far more incensed about this proposal than he was about the public works veto last year. He has begun organizing opposition within the Senate and within the industry, although I believe these efforts are not far along. He indicated he was now inclined to support your budget figures on water projects, but would not do so if you sent up the plan.

Much of what the Senator said about water policy was bluster, intended to scare you out of submitting the water policy proposal. His staff member who is strongly opposed had briefed him well. Nevertheless, he will fight hard against the plan.

Significantly, the Senator stated he had an open mind on the Forest Service and NOAA transfers, and was now only mildly opposed.

SENATOR DOMENICI

The Senator suggested you forget the DNR proposal. Taken as a whole, it would be terribly controversial. He was ambivalent on the NOAA transfer and, surprisingly, supportive of the water proposal. However, he believes the Forest Service transfer would be a disaster. He favors two competing land use agencies (BLM and Forest Service).

Interior's image as an environmentalist agency is his chief concern.

SENATOR STEVENS

The Senator said he might support the DNR water consolidations, but would oppose the rest of the plan. His criticisms of Interior were harsh. He was particularly adamant about the NOAA transfer. He has told Senator Hollings he will help fight the NOAA transfer. He has introduced a bill to establish a full cabinet level Department of the Oceans.

SENATOR GARN

On DDA, the Senator could be supportive if we succeed in convincing his staff member, Skip Glines, of its value to smaller communities. From his experience as Mayor of Salt Lake City, he appreciates the concept of one-stop shopping. His first reaction to the FmHA transfer is negative, but he can be convinced.

He is very negative about HUD, however even though he is Ranking Minority on the Department's oversight committee. He is still bitter about closure of the Salt Lake City HUD office.

On DNR the Senator stated the climate in his state was so fiercely anti-federal government that such a plan could provoke violence. He favors two competing land use agencies and strongly opposes transfer of the Forest Service. His opposition is intense to the water policy changes, but he might be sold on the BuRec transfer if the figures were good and there was some effective PR work in Utah.

SENATOR RANDOLPH

The conversation was very brief. He reiterated his strong opposition to any EDA transfer.

SENATOR PROXMIRE

The Senator is an enthusiastic supporter of both plans as proposed by the PRP. He is particularly happy with the DDA proposal.

SENATOR STENNIS

Although he claims he has not heard from the Corps on DNR, he is fearful of the plan's impact there. The Senator is "very serious" in his opposition. His position has "hardened" on the water policy issues. He would oppose the BuRec transfers as well.

A major concern is that the Corps policy and planning unit at Vicksburg would be adversely affected by DNR. The Senator is confident that he and Senator Johnston can prevail in the Senate on a resolution of disapproval.

SENATOR PACKWOOD

The Senator is not a believer in reorganization. On DDA, he says HUD is a poorly-run agency, second only to HEW in that regard. He would favor the "Commerce option" among the two, but really did not like either.

On DNR, his initial reaction to the water policy proposals was favorable. He stated that the Forest Service was a "far better agency" than the BLM, and he would oppose the transfer. He has no opinion on NOAA.

SENATOR HART

The Senator has already given a great deal of thought to the DNR proposal. He points out that the Forest Rangers have dug themselves into the local communities and could be a potent lobby against the plan. He recognizes the basic good sense of the Forest Service transfer and would support it if at all possible. He made it plain, however, that his support of such a plan would hurt him badly.

On water, the Senator believes westerners will strongly resent loss of BuRec construction functions. The Corps has a negative image according to Hart. Because of past conflicts, any initiative by the Administration in this area will be suspect.

On NOAA, his only concern was that the Boulder weather facility not be moved.

The Senator's initial position will be that some reorganization of natural resources programs is necessary, but that he will be skeptical of the specifics until later.

On DDA, Senator Hart says HUD is poorly run. Commerce is not a model of efficiency either, but better than HUD he says. He would favor the "Commerce option". He could be a supporter of economic development reorganization based in Commerce since he enthusiastically supports the concept of one-stop shopping.

He will need documentation on improved efficiency and figures on savings, and proof that a National Development Bank at Commerce would still achieve some of the benefits of one-stop shopping.