

**5/23/79 [2]**

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THE WHITE HOUSE  
WASHINGTON

23 May 79

Stu Eizenstat

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

Rick Hutcheson

2215

THE WHITE HOUSE  
WASHINGTON

5-23-79

To Stu.

This is an informative  
private memo. not to  
be circulated.

We need to plan  
now to meet these  
potentially serious  
Challenges -

J.C.

**Electrostatic Copy Made  
for Preservation Purposes**

May 17, 1979

Ten of the 12 Republican members of the Ways & Means Committee have reached a general agreement among themselves that they want to cooperate fully with the Administration and support the President's crude oil tax proposals, with some revisions. This agreement was reached in caucuses of the group Tuesday afternoon and Wednesday morning.

They have not settled on any specific revisions they want made in the Carter Plan, but, generally, they insist upon a greater tilt given to newly discovered oil and incentive oil than to flowing oil. They want newly discovered particularly excluded from the OPEC tax, but they would settle for a phase-out of the OPEC tax or a cut-off date.

They will not go along with a permanent OPEC tax. They have no real quarrel with the windfall profits tax. In order to make up for revenues lost from modification of the OPEC tax, they want a much stiffer tax on lower tier oil. They want a plowback scheme incorporated in a revised plan as a way of forcing the oil companies to use increased revenues on new exploration.

While creation of the Trust Fund has not been a major part of their deliberations, they are willing to make an accommodation in that area as well.

In order to reach the goal of bringing these Republicans aboard, it is necessary that the Administration tell Al Ullman (and perhaps Dan Rostenkowski as well) what type of revisions would be acceptable. Once that is done, the Republicans can enter into serious negotiations. Presently, Ullman has stated to them that he can't negotiate with them because he doesn't know what the Administration will be willing to accept. Generally, the Republicans share the view of the Democrats that the overall tax should be "tougher" on old oil than it is now.

The foregoing represents a sincere effort on the part of the Ways & Means Republicans to reach an agreement with the Administration. They have decided that, in this case, the country's interests should far outweigh their own partisan concerns, and their ideological beliefs, and that the price of domestic oil must rise to world levels to forestall punitive actions from OPEC, even if that means accepting a tax they don't like.

It is strongly recommended that the Administration give serious new consideration to incorporating a plowback scheme in its tax plan. Not only would this be the best way of working out an agreement with the Republicans, but a plowback can be constructed in such a way as to be appealing to liberal Democrats as well. A plowback would enable the plan to contain a much stiffer tax -- perhaps as much as 100% on various categories of oil. The key to a plowback's validity is its "threshold test," i.e., a meaningless threshold constitutes a loophole while a strong threshold requirement constitutes the toughest possible tax.

It should be stressed that simply revising the Carter Plan to pick up Republican support in Ways & Means is not enough to prevent a liberal Democratic challenge on the House floor from blocking the President. But if a proper plowback is adopted, it can mean winning substantial Democratic votes and the support of the House Republican leadership, bringing as many as 130 or more Republican floor votes.

It is problematical whether Republicans will accept a 100% tax, or whether Democrats will accept a 100% plowback, but it ought to be possible to juggle the numbers to satisfy both groups.

Following, in abbreviated form, is the type of plowback that might be acceptable:

1. A 100% tax on both upper tier and lower tier oil above the present prices of both categories of oil, adjusted for inflation.
2. A 100% plowback on upper tier oil only.
3. For each \$4 in expenditures in qualified expenditures above a "threshold," the producer would get a \$3 tax credit against his windfall tax liability.
4. The threshold would be the average the producer spent on qualified expenditures in the middle three years of the past five years. (The high year and the low year would be thrown out to eliminate distortions.)
5. Qualified expenditures would be legitimate exploration and production costs, excluding lease costs.

By excluding lower tier from the plowback, the Government would be guaranteed substantial revenues. The program, of course, could be revised to deal with lower and upper tier differently.

THE WHITE HOUSE  
WASHINGTON  
23 May 79

Frank Moore

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

Rick Hutcheson

TWO MEMOS ATTACHED

2208

2:00 PM

THE WHITE HOUSE

WASHINGTON

May 22, 1979

*Wants to help -  
Dan was with  
us -*

MEETING WITH SENATOR DONALD W. RIEGLE

Wednesday, May 23, 1979

2:00 p.m. (10 minutes)

The Oval Office

*F*

From: Frank Moore *F.M./pd*

I. PURPOSE

To discuss matters of mutual concern.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

- A. Background: Senator Riegle has not met with you privately since you took office. As he has been helpful to us recently, we decided to try to honor his long-standing request for a meeting.

In the Banking Committee, he introduced our EDA Reorganization funding amendment, which, unfortunately, was defeated. On the floor, he introduced our amendment to delete two of the four destroyers Chairman Stennis had in his FY 79 supplemental authorization bill. That amendment was also defeated, although he made a good effort on our behalf.

Privately, he has been critical of the White House senior staff, charging there are no "experienced Washington hands" around to deal with Congress and the bureaucracy. He is likely to voice such criticisms to you.

He can also be expected to criticize you for concentrating too heavily on foreign policy and neglecting domestic policy. He may suggest that you initiate a major effort to deal with key domestic problems by beefing up the staff and forming a new working group headed by the Vice President.

The Senator is likely to disclose that you are doing poorly in the polls and offer his own ideas how you can be reelected. We should give him the benefit of the doubt at this stage, and be flattered that he cares.

B. Participants: The President, Senator Riegle and Frank Moore

C. Press Plan: White House Photo only.

### III. TALKING POINTS

1. Thank you for your support of our EDA reorganization proposals in the Banking Committee. Although your amendment on funding levels lost last week, we have been working hard to turn that vote around when it is reconsidered in June.
2. If Senator Riegle asks about our current policy on the four Iranian destroyers, you should tell him that Senator Stennis has asked you to reconsider your policy of building two from FY 79 funds and two from FY 80 funds. You are currently doing that, and will inform him if the policy changes. Please keep in mind that we are trying to diminish speculation about a change of position on the destroyers until after the House concludes its consideration of the Budget Conference Report this week.
3. You will recall that the Senator strongly opposes construction of the ELF communication grid in the Upper Peninsula. If he asks about this, you should tell him that you are still awaiting final recommendations from your staff on the issue. You should assure him that he and Senator Levin will be consulted when a final decision is imminent.

### IV. ADDITIONAL INFORMATION

Committees: Banking, Housing and Urban Affairs (6)  
Budget (10)  
Commerce, Science and Transportation (8)  
Human Resources (8)

Wife: Lori Hansen

Administration Support: 80.6%

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THE WHITE HOUSE  
WASHINGTON

May 22, 1979

2:30 PM  
Will look at it  
again -  
J

MEETING WITH CONGRESSMAN BILL COTTER ON HCC

Wednesday, May 23, 1979  
2:30 p.m. (15 minutes)  
The Oval Office

From: Frank Moore

I. PURPOSE

To discuss hospital cost containment.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

Background: Cotter's state of Connecticut has a hospital cost containment plan that is doing well so it will be exempted from the program. Cotter says, however, that they have taken a long time to get it to work properly. He says he does not want to put another layer of bureaucracy on hospitals and he emphasizes that he distrusts HEW and feels they are your greatest problem next to DOE. He says that the bill has 17 discretionary provisions for the Secretary of HEW as he interprets the bill.

Cotter indicated that the only reason he voted to get the bill out of subcommittee last year was as a favor to Rostenkowski.

He additionally is upset with the administration because: 1) the trade bill hurt his district on liquor, 2) his brother in law was not nominated for a judgeship and he was not notified and 3) on Monday, HEW denied a bi-lingual grant in his district. Cotter may be upset with the Administration, but he has a good support record with you. He is a good Democrat and he makes a point that only he and Giaimo have not attacked you.

Participants: The President, Congressman Cotter, Frank Moore, Bob Maher

Press Plan: White House photographer

III. TALKING POINTS

1. Cotter is a key vote on this and many other bills before the Ways and Means Committee. You should mention this and thank him for his past support. Tell him we would like to work with him and if there is any way he can help you on this bill.
2. There are two possibilities to work together if he is determined to be against the bill. One is to change it by possibly eliminating some of the Secretary's discretionary provisions. Another option is to vote with us against weakening Republican amendments.

113

8-

March

THE WHITE HOUSE  
WASHINGTON

23 May 79

Frank Moore

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

Rick Hutcheson

Stu Eizenstat

221



	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  
May 22, 1979

MEETING WITH CONGRESSMAN JIM JONES ON HCC

Wednesday, May 23, 1979  
1:30 p.m. (15 minutes)  
The Oval Office

From: Frank Moore

*Frank - 1:30 PM*  
*Not trying to get our*  
*programs - genuinely wants*  
*to help - will support all out*  
*in 1980. Honest differences re*  
*HCC - will meet with Stee on*  
*the HCC issue - I*  
*told Stee to keep*  
*him -*  
*J*

I. PURPOSE

To discuss hospital cost containment.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

Background: Recent articles compare Jones with Joe Waggoner as the man who carries the conservative vote. It is also noted that Jones' influence goes beyond the South. Congressman Rangel has said that when an administration proposal goes up, Jones goes to the other side of the aisle and starts working against it. He is an important factor on the committee credited with holding 50-60 votes, and also holds credit with Holland, Fowler, Jenkins and Pickle. Jones is willing to talk about amendments, but they would have the effect of killing the mandatory provisions. The bottom line is that he wants to kill our bill.

Participants: The President, Congressman Jones, Frank Moore, Bob Maher.

Press Plan: White House photographer only.

III. TALKING POINTS

1. The reason for meeting with Jones is two fold:
  - a) because of his credibility with the conservatives and Republicans, he carries swing votes on many important issues. We want his help on such things as windfall, trade and cost containment.
  - b) Specifically, he is the one who planted the

idea of having Congress approve of the mandatory provisions before they can go into effect. He has now got Congressman Ed Jenkins pushing this and we cannot go along with the wide ranges of numbers without the trigger. (Congress would approve if more than 2% over the limit, and Congress would have to disapprove if the hospitals miss the goal by under 2%.) We are against this concept of Congressional veto on all legislation. However, they base their argument on the provisions of the rationing proposal, where you submitted it for Congressional approval before it went into effect.

2. Ask Jones why he wants to kill or gut this bill. States and the federal government are spending billions on health care and a conservative should want to get better value on the dollar.
3. You should stress that he has worked against you on important energy votes and tax votes. Also stress that you are a fiscal conservative and yet you get little support from him on key votes such as hospital cost containment. His actions are hurting the party, the committee and the nation.

#### IV. ADDITIONAL INFORMATION

Congressman Jones was Lyndon Johnson's appointment secretary.

THE WHITE HOUSE  
WASHINGTON

23 May 79

Frank MOore

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

Rick Hutcheson

2212



FOR STAFFING
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IMMEDIATE TURNAROUND
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LAST DAY FOR ACTION -

ACTION  
FYI

ADMIN CONFID
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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

Phil  
has  
seen

THE WHITE HOUSE  
WASHINGTON

7:30 am

Mr. President:

Sen. Byrd would like to see you tomorrow am about oil decontrol. Frank recommends. Shall I set up?

yes  no

Phil

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THE WHITE HOUSE  
WASHINGTON  
23 ~~May~~ 79

FOR THE RECORD:

FRANK MOORE RECEIVED A COPY OF  
THE ATTACHED.

THE WHITE HOUSE  
WASHINGTON

*Thanked  
personally  
J*

RECOMMENDED TELEPHONE CALL

TO: Senator Bumpers  
DATE: As soon as possible.  
RECOMMENDED BY: Frank Moore, <sup>F.M.</sup> Bob Thomson

PURPOSE: To thank him for his leadership role in the Committee vote on Clinch River.

BACKGROUND: As you know, Senator Bumpers introduced our amendment to deauthorize the Clinch River Breeder Reactor in the Energy Committee today. Somewhat to his and our surprise, we won, 10 to 8. You should call and thank him.

This was a rare case where the speeches made during Committee consideration influenced the final outcome. The vote was 9 to 9 at the beginning of the debate. Eloquent speeches by Bumpers, Tsongas and Hatfield switched Weicker. Bumpers was particularly good, emphasizing the budget points most appealing to Bellmon, but tactfully weaving in the non-proliferation aspects for Weicker.

- TOPICS OF DISCUSSION:
1. Thank you for offering your amendment to deauthorize the Clinch River Breeder Reactor.
  2. The vote was important to our country and to me personally.
  3. My staff tells me your speech in Committee was very persuasive and probably swayed Senator Weicker to vote with us.

Date of Submission: May 17, 1979

Action \_\_\_\_\_

THE WHITE HOUSE  
WASHINGTON

23 May 79

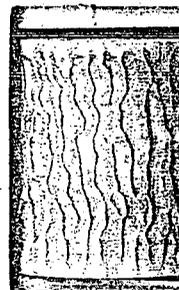
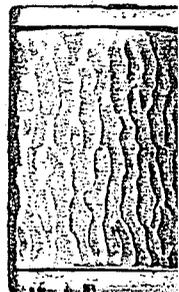
Stu Eizenstat  
Anne Wexler

The attached was returned in  
the President's outbox today  
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Rick Hutcheson

The Vice President  
Frank Moore  
Jody Powell  
Jack Watson  
Jim McIntyre  
Jerry Rafshoon

2215



THE WHITE HOUSE  
WASHINGTON

5/23/79

Mr. President:

CL concurs.

Rick/Bill

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*Five  
called  
Wexler*

ACTION  
FYI

ADMIN CONFID
CONFIDENTIAL
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EYES ONLY

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

	ARAGON
	BOURNE
	BUTLER
	H. CARTER
	CLOUGH
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	CRUIKSHANK
	FALLOWS
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	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

May 22, 1979

*ok -  
(Only 3 1/2 hours  
notice to  
me -)  
J*

MEMORANDUM FOR: THE PRESIDENT  
FROM: STU EIZENSTAT *Stu*  
ANNE WEXLER *AW*  
SUBJECT: Fisheries Policy Principles

Included in this memorandum are a number of policy principles on fisheries development. We recommend your approval of these principles, which Anne will announce at the National Fisheries Development Conference on May 23. The effect of these principles will be to establish a national fisheries development policy.

Policy Principles

The policy principles are the following:

1. The importance of the U.S. commercial fishing industry to the economy.
2. The importance of fish as a food source.
3. The potential and need for fisheries expansion within the nation's 200-mile zone.
4. A Federal policy of assisting in creating a positive climate for fisheries development.
5. Coordination of Federal programs and activities that involve fisheries.
6. Analysis of the economic impact of regulations on the fishing industry, consistent with Administration policy to review burdensome regulations.
7. Continue policy of seeking to improve access of U.S. fish products to foreign markets.
8. Recommend a legislative initiative for fisheries development.

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Reason for the Statement

No American President has formally recognized the importance of the fishing industry to our economy. The mere act of recognizing the importance of our fishing industry, recognizing its potential for expansion, and recognizing fish as a food source would be viewed very positively by individual fishermen, the industry and their Congressional supporters -- notably Senators Kennedy, Magnuson and Hollings. There is great potential for expansion of underutilized species. This potential is even more attractive in view of our huge trade deficit in fisheries products.

It is important to note that the fishing industry does not seek large infusions of Federal funds. The one budgetary impact which Jim McIntyre has agreed to is the recommendation for fishery development legislation.

The direction to coordinate Federal fisheries activities and to analyze the economic impacts of Federal regulations are consistent with this Administration's basic policy. The MTN negotiations have already resulted in some trade benefits for the U. S. fishing industry and the statement merely promises further talks in that direction.

There is strong Congressional sentiment for such a statement as evidenced by the joint letter sent to you and signed by, among others, Senators Magnuson, Jackson, Cranston, Packwood and Hatfield, and a number of Northwest Congressmen.

The policy principles have been prepared in close consultation with Commerce and NOAA.

Your agreement with these broad policy directives will for the first time provide Presidential leadership and direction in the fisheries area. The legislative initiative may pre-empt assured Congressional activity by Senators Magnuson, Kennedy, Hollings and others on this subject. The principles will be received favorably in the regions most impacted by fisheries issues -- the Northwest, New England, Alaska and the Gulf. We will prepare a Presidential statement at the time of submission of the legislative proposal to Congress.

Decision

\_\_\_\_\_

Approve release of Presidential policy principles on fisheries development.

\_\_\_\_\_

Disapprove



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THE WHITE HOUSE  
WASHINGTON  
23 May 79

Frank Moore  
Hamilton Jordan  
Jody Powell  
Jerry Rafshoon

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the President's outbox today  
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your information.

Rick Hutcheson

2213

THE WHITE HOUSE  
WASHINGTON

9  
—

5/23/79

Budget resolution defeated  
144-260....frank will be  
calling in

*I  
agree*

Giamo advises that the  
President not blast Congress  
on this one; lay low....  
that when you talk about it  
you talk about supplementals  
being hung up....because  
it's back to Conference now.  
Giamo is calling Muskie to  
say that the House Conferees  
are ready to start meeting now,  
any day.

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THE WHITE HOUSE  
WASHINGTON

May 23, 1979

Mr. President -

The Vice President is swearing in  
Dick Celeste as head of the Peace Corps  
today at 3:00 p.m. in the East Room.

Tim Kraft recommends you stop by for  
a few minutes --- positive political  
fallout in Ohio.

Recommend 3:15 p.m. drop-by.

approve  disapprove

J

frank

**Electrostatic Copy Made  
for Preservation Purposes**

3:15 p.m.

THE WHITE HOUSE

WASHINGTON

23 May 1979

DROPBY SWEARING-IN OF DICK CELESTE AS PEACE CORPS DIRECTOR

State Dining Room  
from: Tim Kraft TK

The Vice President will be officiating. A large number of Carter and Celeste campaign supporters have been invited. Among those you may recognize:

Dick Celeste (wife: Dagmar)  
children: Chris, Natalie, Noelle, Eric, Gabriella, Steve  
Ted Celeste (wife: Bobbie) -- Ted was your campaign manager in the 1976 Ohio primary  
Frank and Margaret Celeste (parents of Dick and Ted)

Jim Friedman -- supporter; worked in your general election campaign; is helping us behind the scenes in Cleveland

Marty Hughes -- CWA; will speak on your behalf at Saturday's Cleveland convention; early supporter in 1976

Marvin Warner - Ambassador to Switzerland, with whom you met last week; helping us in Cleveland

Jim Stanton -- former congressman, close to Tip O'Neill; is helping us in Cleveland

Warren Smith -- Secretary/Treasurer of Ohio AFL-CIO; not feeling very close to us at the present time

Paul Tipps -- Ohio State Chairman, who accompanied Marvin Warner to his meeting with you last week; Tipps and Vern Riffe met with Tim Hagan yesterday in an effort to tone down the 'draft Kennedy' resolution; Tipps is one of your principal supporters in Ohio

Mike DiSalle -- former Ohio Governor

Mayor Phil Richley - outgoing mayor of Youngstown

Mike Dorrian - Dick Celeste's 1978 running-mate, losing candidate for Lt. Governor

Senator Paul Tsongas (former Peace Corps volunteer)  
Congressman Doug Applegate  
Congressman Chris Dodd  
Congressman Tony Hall

Congresswoman Mary Rose Oakar (she is urging precinct  
committeemen in her CD not to attend Saturday's  
convention, which is helpful to us)

Congressman Don Pease

Congressman John Seiberling

Sam Brown, Director of ACTION

Mary King, Deputy Director of ACTION

John Lewis, Deputy Director of Action

Sargent Shriver, former Peace Corps Director

Joseph Blatchford, former Peace Corps Director

Donna Shalala, Undersecretary of HUD

THE WHITE HOUSE  
WASHINGTON

23 May 79

The First Lady

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

Rick Hutcheson



THE WHITE HOUSE

WASHINGTON

May 18, 1979

cc Hos  
J

MEMORANDUM FOR THE PRESIDENT

FROM: JODY POWELL *JPP*

SUBJECT: Questions on How our Approach to  
National Health Insurance Differs  
from the Kennedy Approach

I have found that this question can best be handled on a general, almost philosophical level without bogging down in the details of dollars and proposals. My experience has been that the most effective argument runs something like this:

The idea of "a comprehensive plan now or nothing at all" has over the past 20 or 30 years become an absolute article of faith for some elements within the Democratic Party. Consistent with this almost theological principle, year after year for the past couple of decades, comprehensive plans have been laboriously developed, submitted and never heard from again. All of this work, speech-making, press conferences, hearings, etc., has never provided one iota of health care benefits to any single American.

We believe that the time has come to concentrate on actually getting something done to help Americans and that this is more important than adhering to some semi-sacred ideological principle. We will, therefore, propose a first step in a national health insurance plan which we believe can be passed because it will be fiscally responsible and will allow us to evaluate our progress and correct our mistakes, if any, as we move along. We believe that this "phased-in" approach is the only reasonable possibility for providing the most badly needed health insurance benefits to the American people at the earliest possible date.

There are those who argue that passage of a first step which contains catastrophic and other attractive provisions will mean that we can never pass the remaining portions of a comprehensive plan within the foreseeable future. We do not

believe that is a correct assumption, but if it is, it absolutely demolishes the argument for a "comprehensive now or nothing" position. If it is impossible to pass the remaining stages of a phased-in approach within the foreseeable future, it is certainly impossible to enact a full comprehensive plan all at one bite within the foreseeable future.

SUMMARY

	LONG/RIBICOFF	ADMINISTRATION	KENNEDY/LABOR
COST ( <u>Very Tentative</u> )	About 10 Federal About 3 Employer	20 Federal * 5 Employer	26 Federal * 33 Employer
FINANCING	General Revenue + Mandated Premiums	General Revenues + Mandated Premiums	"Earnings Related Premium" (Payroll Tax)
ADMINISTRATION	Private Insurors Administer Cata- strophic  Federal Adminis- tration of Medicaid	Private Insurors Administer Cata- strophic under Federal Regulations  Federal Admin- istration of Health Care	By "Private Insurors" (in effect insurors become quasi-federalized)
REIMBURSEMENT	Present Medicare controls	- HCC  - Physician fee schedules man- datory for Healthcare  - ? for Private coverage	Centrally developed national budget with  - Hospitals paid on budget basis  - Mandatory physician fee schedules

\* Without offsets

ADMINISTRATION (PHASE I NHP)LONG-RIBICOFF (CATASTROPHIC PLUS)KENNEDY-LABOR PLANBENEFITS - Continued

The employer mandated package must contain the same range of minimum benefits.

Under the new "federalized" Medicaid: 60 days of hospital care, skilled nursing and intermediate care facilities, physician services, lab and x-ray, family planning, maternity, and exams for children

Drugs covered only by Medicare.

COST-SHARING

Aged and disabled will maintain their current cost-sharing, but will receive new protection against out-of-pocket costs in excess \$1250 per person.

No cost-sharing on catastrophic portion after meeting the above-mentioned deductibles.

None.

Cash assistance recipients, those whose incomes are less than 55% of poverty and person who enter through spend-down will not have any cost-sharing obligation.

Under the new "federalized" Medicaid there will be a \$3 co-pay for the first 10 doctor visits.

Employers will continue or improve current coverage but no family will face cost-sharing in excess of \$2500. Insurance improved to include ambulatory care services, remove limits on pre-existing conditions.

FINANCING

The Phase I plan will be financed through a combination of premiums, current Medicare payroll tax payments, Federal general revenues, and some share by State governments.

Cash assistance beneficiaries will be jointly financed by States and the Federal government using the current Medicaid matching rate. Those with incomes below 55% of poverty will be covered at federal expense; subsidies for high risk individuals, marginal employers and low-wage workers will be provided through federal general revenues and the EITC.

Financing for the catastrophic portion will be through mandated employer-employee premiums and general revenue subsidies.

The "Federalized" Medicaid program will be financed through Federal and State general revenue funds.

Employers/employees pay wage-related premiums (equal to about 10% of payroll -- employers must pay at least 6.5% of total but can pay more). Premium tax applied to total employer payroll and first \$50,000 of individual earnings. Non-employed persons pay a premium of 3% of income. Wage-related premiums paid to consortia. Consortia then pay risk-related premiums to individual insurance companies.

Federal government pays premiums for SSI recipients, States for AFDC recipients.

Medicare payroll tax and premium plus general revenues subsidy support costs for aged.

PRIVATE INSURANCE RESTRICTIONS

Private insurers will be required to meet a number of standards in order to participate in the Federal Reinsurance Fund. Participation in the Fund is a precondition for selling insurance to meet the employer mandate or to gain preferred tax treatment. In addition to providing the basic benefit package, and limits on catastrophic costs, insurers will be reequred to drop exclusions for pre-existing conditions, and provide continuation of coverage for 90 days after termination of employment.

REIMBURSEMENT

Physicians are to be paid according to a fee scheduled, developed through merger of Medicare and Medicaid fees. The schedule will apply to insurance payments under HealthCare and private insurance plans. Mandatory assignment will be applied across public and private plans.

Hospital reimbursement will be based on the Administration's HCC plan.

There would be a voluntary certification program carried out by HEW under the catastrophic portion of the program. Standards include covering a basic benefit package, eliminating exlusions for pre-existing conditions, and limiting waiting periods.

Under the "Federalized" Medicaid program, reimbursement will be the same as Medicare with the additional requirement that physicians must accept the plan's payment as payment in full.

Insurance firms heavily regulated in quasi-governmental consortia. Character of insurance altered from private independent operations to public utility concept.

National budget set centrally and allocated among States. Within State allocation, limits set for physician, hospital and other providers. Physicians paid according to fee schedule and hospitals on budget basis. Specific rates negotiated by State Commissions in which government, providers, consortia and employers negotiate rates.

ADMINISTRATION

HealthCare will be administered by HEW using the Medicare general model. The Department will establish policy and determine rates of payment to providers.

States will continue to certify eligibility for cash-assistance recipients and to operate a residual Medicaid Long Term Care program. The SSA will certify eligibility for persons meeting the 55% of poverty and spend-down tests.

Private insurers must meet specified Federal standards to qualify as "approved" carriers and reinsure high expenses through the Federal Reinsurance Fund. These approved insurers may underwrite and market as they do now, and may also serve as fiscal intermediaries for Health-Care.

Administration of the catastrophic program will be by private insurers and the "Federalized" Medicaid program will be administered by HEW along the lines of the existing Medicare program.

Private insurance consortia enroll employment groups and other individuals, pay claims to providers and adjust flows of funds between insurance companies.

Federal and State Boards set program policy, determine the annual premium rate. Organize negotiations with providers and enroll any individual who fails to voluntarily obtain coverage.

ADMINISTRATION

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Federal and State Boards set program policy, determine the annual premium rate. Organize negotiations with providers and enroll any individual who fails to voluntarily obtain coverage.

ADMINISTRATION (PHASE I NHP)LONG-RIBICOFF (CATASTROPHIC PLUS)KENNEDY-LABOR PLAN

---

PHASING

Phase I is the first step toward a fully implemented universal, comprehensive national health plan. The first phase, as will later phases, is designed to simultaneously improve coverage for the entire population.

No mention is made of phasing.

No mention is made of phasing.

ID 792117

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

WASHINGTON

DATE: 18 MAY 79

FOR ACTION:

INFO ONLY: STU EIZENSTAT

JERRY RAFSHOON

FRANK MOORE (LES FRANCIS)

SUBJECT: POWELL MEMO RE QUESTIONS ON HOW OUR APPROACH TO NATIONAL  
HEALTH INSURANCE DIFFERS FROM THE KENNEDY APPROACH

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

ACTION REQUESTED: YOUR COMMENTS

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

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE  
WASHINGTON

23 May 79

Stu Eizenstat  
Jack Watson

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

*Rick Hudson*

*The original has been given  
to Bob Binder for handling  
& mailing.*



C

Department of Energy  
Washington, D.C. 20585

May 15, 1979

MEMORANDUM FOR:

THE PRESIDENT

FROM:

JIM SCHLESINGER *J*

SUBJECT:

Letter From President to Governors  
Regarding Termination of Utility Service

Attached for your approval is a draft letter from you to the Governors requesting State action to prohibit termination of utility and heating service during winter months. This request was specifically mentioned in paragraph III.1. of the White House fact sheet that accompanied your recent energy message.

Watson and Eizenstat concur. Aronson has edited.

approve       disapprove

Attachment

*Although it is  
verbose & repetitive  
J*

**Electrostatic Copy Made  
for Preservation Purposes**

THE WHITE HOUSE

WASHINGTON

To ///stop code///

I need your help to minimize the hardships that many consumers will face next winter if they are unable to pay their rising energy bills. Specifically I urge you now to take action to prevent precipitous termination of heating or utility service which could result in critical health and safety problems for individuals and entire families during the cold winter months.

Last year the Congress set federal standards to be followed by electric and gas utilities in terminating service to their customers. I am enclosing a copy of the relevant sections of that law. In essence, the standard prohibits termination of service to a consumer who is unable to pay overdue utility bills when such a cut-off would be especially dangerous to health. Consumers must receive reasonable notice prior to any cut-off and be given an opportunity to contest termination.

Your state public utility commission is required to adopt this standard for all large utilities -- within its jurisdiction -- including publicly owned and cooperative utilities whose rates are not subject to state regulations if it is appropriate and consistent with state law.

The old, the sick and the weak are most likely to suffer if these protections are not fully implemented before severe weather returns. In order to protect our people I am asking you to review the progress within your state toward adopting the federal standard, and to propose or support any additional action needed. I am also requesting that you take action to extend similar protection to consumers who purchase their heating fuel from supplies other than public utilities.

It is essential that all Americans cooperate in conserving energy and that we use our fuel resources wisely. Our currently reduced energy supplies, coupled with rising costs, could create great hardship among those least able to sustain cut-offs if we do not act now. In the past the Community Services Administration has had funds to pay overdue utility bills, but these funds have been available only to applicants in states which did not protect their citizens from precipitous cut-offs. This regulation, which expires May 31, has made many states hesitant to enact prohibitions against service termination if that meant their people would no longer be eligible for aid.

It is my firm intention to make sure that all future federal regulations and programs are complementary and that they support other efforts, particularly state actions, to assist low-income consumers. The CSA emergency program was small in scale and scope and has run out of funds. I have asked the Congress to establish an Energy Security Trust Fund which will finance a much broader program to assist low-income people in paying their heating and utility bills. I urge your cooperation in making sure your state prepares now for next winter, to avert potential suffering and tragedy. With the cooperation and assistance of the States and Congress, we can ensure that the health and safety of low-income Americans is not jeopardized. I hope I can count on your help.

Sincerely,

///s///  
////////  
////////

THE WHITE HOUSE

WASHINGTON

May 22, 1979

Kitty Schirmer:

In the interest of time could you review this and let us know if you have any comments so it can go back to Rick Hutcheson tonight.



Achsah Nesmith

Achsah - looks fine  
This to me  
Kitty

w/ Linda Being typed

5/22/79

DRAFT

(letter to governors)

I need your help to minimize the hardships that many consumers will face next winter if they are unable to pay their rising energy bills. Specifically I urge you now to take action to prevent precipitous termination of heating or utility service which could result in critical health and safety problems for individuals and entire families during the cold winter months.

Last year the Congress set federal standards to be followed by electric and gas utilities in terminating service to their customers. I am enclosing a copy of the relevant sections of that law. In essence, the standard prohibits termination of service to a consumer who is unable to pay overdue utility bills when such a cut-off would be especially dangerous to health. Consumers must receive reasonable notice prior to any cut-off and be given an opportunity to contest termination.

Your state public utility commission is required to adopt this standard for all large utilities - within its jurisdiction - including publicly owned and cooperative utilities whose rates are not subject to state regulations if it is appropriate and consistent with state law.

The old, the sick and the weak are most likely to suffer if these protections are not fully implemented before severe weather returns. In order to protect our people I am asking

you to review the progress within your state toward adopting the federal standard, and to propose or support any additional action needed. I am also requesting that you take action to extend similar protection to consumers who purchase their heating fuel from supplies other than public utilities.

It is essential that all Americans cooperate in conserving energy and that we use our fuel resources wisely. Our currently reduced energy supplies, coupled with rising costs, could create great hardship among those least able to sustain cut-offs if we do not act now. In the past the Community Services Administration has had funds to pay overdue utility bills, but these funds have been available only to applicants in states which did not protect their citizens from precipitous cut-offs. This regulation, which expires May 31, has made many states hesitant to enact prohibitions against service termination if that meant their people would not longer be eligible for aid.

It is my firm intention to make sure that all future federal regulations and programs are complementary and that they support other efforts particularly state actions, to assist low income consumers. The CSA emergency program was small in scale and scope and has run out of funds. I have asked the Congress to establish an Energy Security Trust Fund which will finance a much broader program to assist low-income people in paying their heating and utility bills.

I urge your cooperation in making sure your state prepares now for next winter, to avert potential suffering and tragedy. With the cooperation and assistance of the States and Congress, we can ensure that the health and safety of low-income Americans is not jeopardized. I hope I can count on your help.

THE WHITE HOUSE  
WASHINGTON

Marilyn - Please see  
J. Watson's note  
Also Shinnor wants  
Energy Security  
Trust Fund used  
Path

Rec'd  
5/22

THE WHITE HOUSE  
WASHINGTON

5/21/79

Rich:

I think that the  
proposed letter from  
the President to the  
Governors is too  
technical & "non-presidential."

I would have the  
speechwriters rewrite it  
to move the President's  
letter to higher & broader  
conceptual ground and  
perhaps attach a more  
technical memorandum with  
the PURPA standards. JW

To Governor Fob James

I am writing to enlist your cooperation and support in a national effort to minimize the hardship on consumers who may be unable to pay their energy bills. Specifically, I urge you to take action to avoid precipitous termination of heating or utility service which may result in critical health and safety problems for individuals and entire families during the cold winter months.

The recently enacted Public Utility Regulatory Policies Act of 1978 (Public Law 95-617, or PURPA) contains a Federal standard to be followed by electric and gas utilities in terminating service to their customers. I am enclosing a copy of PURPA sections 113(b)(4), 115(g), 303(b)(1) and 304(a), which collectively establish this standard. In essence, the standard prohibits termination of service when the consumer is unable to pay and termination would be especially dangerous to health. The standard also requires that any termination of service be preceded by reasonable notice to the consumer and an opportunity to dispute the reasons for the intended termination.

Each State public utility commission is required to consider this standard for all large utilities within its jurisdiction and to adopt the standard if it is appropriate and consistent with State law. This requirement also applies to large publicly owned and cooperative utilities whose rates are not subject to State regulation. I urge you to review the progress within your State towards adoption of the Federal standard and to propose or support additional action, including State legislation, that might be required to protect consumers from unreasonable termination of service. I am further asking you to take action to extend this protection to consumers who purchase their heating fuel from suppliers other than public utilities.

At the Federal level, I have asked Congress to establish an Energy Security Fund to assist low income consumers in paying their heating and utility bills. Under a Community Services Administration (CSA) regulation that expires on May 31, 1979, funds to pay overdue utility bills have been provided to applicants, but only in States where service

termination is not prohibited. I will ensure that future Federal regulations and programs, including those administered by such agencies as CSA, are complementary and that they are fully supportive of the effort to assist low income consumers.

With the cooperation and assistance of the States and the Congress, we can assure low income Americans that their health and safety will not be jeopardized if they are unable to pay rising energy bills. Your support in this important effort is greatly appreciated.

Sincerely,

The Honorable Forrest H. James, Jr.  
Governor of Alabama  
Montgomery, Alabama 36104

ID 792056

THE WHITE HOUSE  
WASHINGTON

*Kitty: retype  
letter: energy  
security trust  
fund*

DATE: 16 MAY 79

FOR ACTION: STU EIZENSTAT

JACK WATSON

BERNIE ARONSON

*- retype  
DATTI has*

INFO ONLY: THE VICE PRESIDENT

JIM MCINTYRE

CHARLES SCHULTZE

ALFRED KAHN

SUBJECT: SCHLESINGER MEMO RE LETTER FROM PRESIDENT TO GOVERNORS  
REGARDING TERMINATION OF UTILITY SERVICE

+++++  
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +  
+ BY: 1200 PM FRIDAY 18 MAY 79 +  
+++++

ACTION REQUESTED:

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

PLEASE NOTE OTHER COMMENTS BELOW:

ID 792056

THE WHITE HOUSE  
WASHINGTON

*Kitty: utyp  
letter: Energy  
Security Trust  
Fund*

DATE: 16 MAY 79

FOR ACTION: STU EIZENSTAT

JACK WATSON

BERNIE ARONSON

*- retyped  
Datti has*

INFO ONLY: THE VICE PRESIDENT

JIM MCINTYRE

CHARLES SCHULTZE

ALFRED KAHN

SUBJECT: SCHLESINGER MEMO RE LETTER FROM PRESIDENT TO GOVERNORS  
REGARDING TERMINATION OF UTILITY SERVICE

+++++  
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +  
+ BY: 1200 PM FRIDAY 18 MAY 79 +  
+++++

ACTION REQUESTED:

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

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE  
WASHINGTON

5/21/79

Rich:

I think that the proposed letter from the President to the Governors is too technical & "non-presidential". I would have the speechwriters rewrite it to move the President's letter to higher & broader conceptual ground and perhaps attach a more technical memorandum with the PURPA standards. JW

FOR ACTION  
FYI

<input checked="" type="checkbox"/>	FOR STAFFING
<input checked="" type="checkbox"/>	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION

<input checked="" type="checkbox"/>	VICE PRESIDENT
	JORDAN
<input checked="" type="checkbox"/>	EIZENSTAT
	KRAFT
	LIPSHUTZ
	MOORE
	POWELL
	RAFSHOON
<input checked="" type="checkbox"/>	WATSON
	WEXLER
	BRZEZINSKI
<input checked="" type="checkbox"/>	MCINTYRE
<input checked="" type="checkbox"/>	SCHULTZE
	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

<input checked="" type="checkbox"/>	ARONSON
	BUTLER
	H. CARTER
	CLOUGH
	CRUIKSHANK
	FIRST LADY
	HARDEN
	HERNANDEZ
	HUTCHESON
	KAHN
	LINDER
	MARTIN
	MILLER
	MOE
	PETERSON
	PETTIGREW
	PRESS
	SANDERS
	WARREN
	WEDDINGTON
	WISE
	VOORDE
<input checked="" type="checkbox"/>	KAHN

	ADMIN. CONFIDEN.
	CONFIDENTIAL
	SECRET
	EYES ONLY

3:15 app.

THE WHITE HOUSE

WASHINGTON

May 23, 1979

2:40 p.m.

MEMORANDUM FOR THE PRESIDENT

FROM:

FRANK MOORE *Fm/ed*

I just spoke with Congresswoman Mary Rose Oakar (D-Cleveland).

Timothy Hagan, Cuyahoga Democratic County Chairman, has endorsed Kennedy.

Mary Rose Oakar and Lou Stokes are boycotting the convention because of this. The Congresswoman is quite proud of this and was going to give me some Ohio press clippings at today's 3:00 p.m. swearing-in to pass on to you.

If you see Congresswoman Oakar, I recommend that you thank her for her endorsement of you.

OHIO



Mary Rose Oakar  
of Cleveland (20th Dist.)  
Democrat—2d term

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for Preservation Purposes

THE WHITE HOUSE

WASHINGTON

23 May 79

Bob Lipshutz

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

Rick Hutcheson

THE WHITE HOUSE  
WASHINGTON

May 23, 1979

Bob.  
ok  
J

MEMORANDUM FOR THE PRESIDENT

FROM: BOB LIPSHUTZ *BL*

RE: Preparation of your response to subpoena  
duces tecum from Paul J. Curran, Special  
Counsel for the Justice Department

With reference to your comments on my memo of May 22, I wish to note as follows:

1. The law requires that we search carefully in every reasonable place for relevant documents. It is much more important to be as accurate and complete as possible in your response than to meet an arbitrary timetable, such as the original "return day" of Friday of this week. Charles Kirbo fully agrees with this opinion; we discussed this question before I requested the extension.

2. Obtaining an extension does not preclude filing some records earlier, such as your bank records. As you undoubtedly have noted, this subpoena is very broad. It requires a search for documents relating not only to the two campaigns, Carter's Warehouse, and Carter's Farms, Inc., but also relating to: Billy Carter and his personal businesses, National Bank of Georgia, T. Bertram Lance, Walter E. Heller and Company, New York Terminal Company (presently known as Collateral Control Corporation), Sybil Carter, Charles Kirbo, Bob Perry's accounting firm, Arthur Andersen and Company, Rosalynn Carter, lenders to the campaigns (such as Fulton National Bank of Atlanta and Citizens & Southern National Bank), communications with Justice Department and the SEC and Comptroller of the Currency and the FDIC, John Parks, and Bob Lipshutz.

Further, with reference to all documents, it is important for me to review papers which are located in the various searches in order to judge their relevance, relationship to other papers, possible privilege status (such as attorney-client), and other factors. I also would copy and catalog all documents filed in court by you.

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3. You stated to me, "you are just dragging it out . . . Do the best we can. Perfection may or may not be achieved."

I can assure you I am not dragging out this job! With reference to this Grand Jury investigation, along with many other campaign financing/Warehouse/NBG related matters, I have devoted a tremendous amount of time, effort, and thought that I consider necessary. My responsibility is to make certain that the accurate information is obtained and presented; we have nothing to hide. My goal is to handle these matters with complete honesty and as thoroughly as possible, in order to protect your reputation against the malicious attacks and accusations which have been made.

I will continue to do the best I can. But in a matter such as this I respectfully suggest that such a mandate does require striving for perfection, whether or not we achieve it.

4. Perhaps the greatest strength which you and your Administration have in the eyes of the American people is your integrity. I have done and will do everything I can to help assure the continuance of that very accurate perception.

Thus, in an investigation which might have a profound effect upon you and your reputation -- hopefully a very beneficial effect -- your personal response to this subpoena should be as accurate and complete as humanly possible. The manner in which you respond is critical and legally mandated; the timing of your response is much less important.

I would like to discuss this matter with you personally so that both of us can have a similar understanding of the situation.

*no  
need  
now*

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for Preservation Purposes**

Jim Wms

THE WHITE HOUSE  
WASHINGTON

USDA-ASCS

Include Governors

State set aside 4% →

Strike force → Neb, Iowa

Gov. Ray - 4%, out tonight

Alternate sources. Utilities, military

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THE WHITE HOUSE

WASHINGTON

May 22, 1979

Mr. President:

This evening I was informed by the Department of Energy, at our daily Task Force meeting, that there may be a 10-15% diesel fuel shortfall, which would obviously cause difficulties in meeting the 100% allocation requirement.

I directed DOE to prepare a report on this situation, so that we are in a position to explain the shortfall at your meeting. DOE is planning to get the report to me first thing tomorrow morning, and I will provide an explanation to you on it before your meeting.



Stu Eizenstat

10:00 AM

THE WHITE HOUSE

WASHINGTON

MEETING WITH SENATOR EXON  
AND OTHER SENATORS

Wednesday, May 23, 1979

10:00 a.m.

The Cabinet Room

From: Stu Eizenstat *Stu*  
Lynn Daft *Lynn*

I. PURPOSE

To discuss the shortage of diesel fuel in the Midwest and Federal actions to ease the problem.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

A. Background: As you know, Senator Exon requested this meeting. He is concerned that the problem is not being effectively handled. He is also concerned that the Republicans are taking unfair advantage of the situation to be critical of the Administration and he would like to put the discussion in a more constructive mode. Senator Exon will probably suggest that the State set-aside program be increased from 4 percent to 6 percent. Also, he will likely ask about how the mandatory allocation program can be made more effective.

B. Participants: Senator J. James Exon (D NE)  
Senator Edward Zorinsky (D NE)  
Senator John C. Culver (D IA)  
Senator Nancy L. Kassebaum (R KS)  
Senator George McGovern (D SD)  
Senator Gary W. Hart (D CO)  
Senator Birch Bayh (D IN)

Secretary James Schlesinger  
Secretary Bob Bergland

Stu Eizenstat  
Lynn Daft

C. Press Plan: White House photographer

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## TALKING POINTS

### SITUATION

The supply of diesel fuel in the Midwest is clearly very tight. Spot shortages have been reported in several areas, although comparatively few people have actually run out. Directors of the State Energy Offices in Iowa and Nebraska reported yesterday that they know of no cases where farmers were actually without fuel, although there had been cases reported earlier.

The demand for diesel fuel is particularly heavy in agricultural areas in the months of March-May for purposes of spring planting. Planting delays due to a wet spring have exacerbated the problem. However, there has been significant progress in plantings over the past week. For example, Iowa and Illinois are nearly up to normal in plantings, as of this past Monday.

### ACTIONS TAKEN

- o On May 11, 1979 the Department of Energy implemented a Federal mandatory diesel allocation program (Rule #9) that entitles farmers to 100 percent of their diesel fuel requirements. This has the effect of requiring wholesale suppliers of diesel fuel to provide local distributors and retailers with supplies sufficient to meet farmers' needs. If necessary, major oil company refineries can be instructed to move supplies to wholesale suppliers in agricultural areas.
- o The Agricultural Stabilization and Conservation Service State and county offices have been instructed to report farmers' planted acreages and provide other information that will assist in the effective implementation of the agricultural priority and provide this, upon request, to fuel dealers, state energy offices, and the Department of Energy.
- o The Department of Energy, with the cooperation of the USDA, DOT, and the State Energy Offices is this week establishing a diesel fuel strike force to ensure that the objectives of the mandatory allocation program are met. The Strike Force will assist the agricultural sector in receiving adequate supplies of diesel fuel. The heart of this operation will be at the State level, with outreach conducted through ASCS county offices. A team from these agencies will visit Nebraska, Iowa, and Minnesota on Wednesday and Thursday for purposes of getting a first-hand look at the problem and establishing bases of operation for the Strike Force in those States.

STATE SET-ASIDE

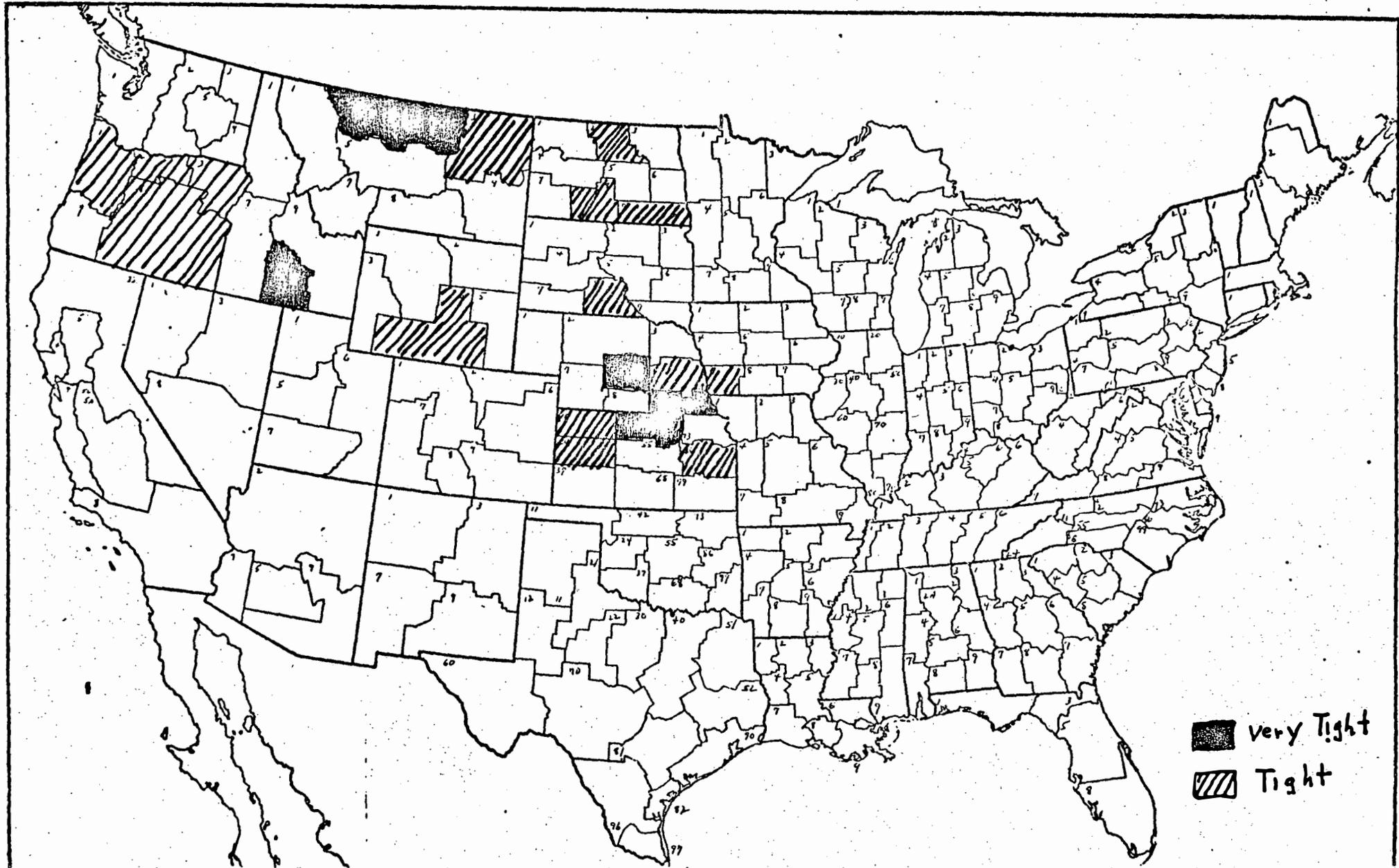
Although Senator Exon argues persuasively that State Energy Offices are closer to the problem and therefore better able to judge priorities, he also points out that allocating additional quantities of fuel through the State set-aside will shift the political heat from Washington to the State Capitals.

However, the arguments against an increase in the State set-aside are just as persuasive, if not more so. They include:

- o It would remove additional supplies from the established channels that are already short. This would further exacerbate the problem.
- o Agricultural cooperatives would be particularly hurt by this since most are already very short.
- o Some State energy offices are not very effective.
- o Once State Energy offices get in this business, it is hard to get them out.
- o Rule #9 is a more promising solution.

Information regarding areas of tight diesel supply, spring planting progress and diesel requirements is attached.

Fig. 1 Diesel Fuel Supply May 11, 1979



Source: ESCS Crop Reporters

Data are by Crop Reporting Districts

Table 3--Estimated Farm Diesel Fuel Requirements May 1979

States	Farm Diesel Requirements		Total State Diesel Allocation for May 3/	Farm Requirement as a Percent of Allocation	
	May 1979 Normal 1/	Adjusted for Weather 2/		May	Adjusted
Alabama.....	6,776		52,529	13	
Alaska.....			14,005	-	
Arizona.....	679		23,340	5	
Arkansas.....	18,150	24,717	34,482	53	72
California.....	16,614		176,284	9	
Colorado.....	9,045		35,968	25	
Connecticut.....	123		63,168	4/	
Delaware.....	496		16,742	3	
Florida.....	10,025		86,214	12	
Georgia.....	7,092		65,473	11	
Hawaii.....	245		16,216	2	
Idaho.....	3,417		15,846	22	
Illinois.....	35,310	43,901	150,877	23	29
Indiana.....	17,615	19,568	101,931	17	19
Iowa.....	40,071	47,144	61,173	66	77
Kansas.....	12,749	13,119	39,480	32	33
Kentucky.....	5,536	6,996	62,541	9	11
Louisiana.....	11,211	12,935	68,507	16	19
Maine.....	410		34,756	1	
Maryland.....	1,302		63,777	2	
Massachusetts....	233		105,710	2	
Michigan.....	11,061	12,137	84,648	13	14
Minnesota.....	29,983	38,137	80,152	37	48
Mississippi.....	14,848	18,531	36,612	41	51
Missouri.....	15,849	19,856	58,918	27	34
Montana.....	5,984	9,520	20,782	29	46
Nebraska.....	18,145		36,915	49	
Nevada.....	1,099		10,780	10	
New Hampshire....	64		24,439	4/	
New Jersey.....	654		146,295	4/	
New Mexico.....	1,893		21,005	9	
New York.....	3,920		268,535	1	
North Carolina..	10,251		83,399	12	
North Dakota....	20,031	27,730	26,245	76	106
Ohio.....	13,336	14,904	142,834	9	10
Oklahoma.....	4,723		33,641	14	
Oregon.....	2,900		46,981	6	
Pennsylvania....	2,540		238,138	1	
Rhode Island....	22		23,166	4/	
South Carolina..	3,873		33,340	12	
South Dakota....	11,619	16,441	22,120	53	74
Tennessee.....	7,275	7,609	74,781	10	10
Texas.....	15,646	18,258	193,776	8	9
Utah.....	1,661		21,809	8	
Vermont.....	188		6,343	3	
Virginia.....	3,667		96,154	4	
Washington.....	4,934	5,055	59,804	8	8
West Virginia...	341		33,314	1	
Wisconsin.....	11,199	11,557	69,367	16	17
Wyoming.....	1,423		18,992	7	
U.S.....	416,339	66,223	3,382,309	12	14

1/ ESCS, Energy Data Base.

2/ Estimated from crop plantings.

3/ ERA, DOE.

4/ Less than one percent.



THE WHITE HOUSE  
WASHINGTON

May 23, 1979

MR. PRESIDENT:

Here is additional information I mentioned to you in the Diesel Fuel memorandum.

Stu Eizenstat



Department of Energy  
Washington, D.C. 20461

①  
23 May 79

MEMORANDUM FOR STUART EIZENSTAT

FROM: BARTON R. HOUSE *Bart House*  
SUBJECT: DIESEL FUEL SITUATION

### Background

There are indications that agricultural fuel requirements for spring planting are not being met in some areas. Due to this problem in obtaining diesel fuel for the farming community, DOE has created a special Task Force consisting of members from DOE, State Energy Offices, USDA and DOT.

The initial purpose of the Task Force is to provide factual information on the nature and extent of the diesel fuel shortage. This information will include the status of supplies, the identification of need and distribution constraints, and suggested steps to alleviate the problem. Task Force representatives will visit Nebraska, Iowa, and Minnesota in the next two days. A briefing on the findings will be presented to Lynn Daft at 1 PM on Friday.

### Discussion

Middle distillates comprise 21.0 to 23.5 percent of the total yield from each barrel of refined crude oil. Middle distillates are used for home heating, as diesel fuel for agricultural production, trucks, buses, railroads and by utilities. In 1977, 5.1 percent of distillate fuel oil sales went to agricultural uses. Table 1, compares 1979 projected agricultural requirements to total 1978 middle distillate demand. It is important to note that agricultural use of distillates is significantly higher during the months of April, May, and June, comprising almost 10 percent of distillate demand during this period.

The present tight supply situation of middle distillates results from a combination of factors. First, in the last quarter of 1978, refiners maximized motor gasoline production at the expense of middle distillates in order to meet an unexpected demand for gasoline and to build up depleted gasoline inventories. Second, due largely to the prolonged interruption of

Iranian crude oil exports in the first quarter of 1979 were about 700,000 barrels per day less than that needed to maintain petroleum product stocks at desired levels. Consequently, refinery utilization rates declined 91 percent last December to 87.2 percent in January, 83.8 percent in February, and increased slightly to 84.1 percent in March and 84.9 percent in April. Third, demand for middle distillate fuels increased dramatically during the winter months due to extremely severe weather conditions.

Middle distillate inventories have been drawn down at excessive rates to meet demand, which has increased 25 percent since 1974. Middle distillate inventories currently total 116 million barrels, an unacceptably low level. Inventories of home heating oil must be rebuilt during the spring and summer months and into the fall, to compensate for the high demand for this product next winter while attempting to meet current demand.

Information available to the DOE indicated that the tight supply situation for middle distillates could create serious hardships for many consumers, especially those engaged in agricultural production in the midwest. Moreover, due to sustained unfavorable weather conditions in the midwest, the planting season, which normally runs from late March through late May and in some areas continues into June, has been delayed by several weeks. Consequently, spring planting operations, which normally take place over a two-month period, must be completed in the next few weeks and, therefore, the demand for diesel fuel for agricultural purposes during this period will approximately double historical agricultural demand.

Accordingly, on May 10, 1979, DOE adopted Special Rule No. 9 permitting consumers engaged in agricultural production including commercial fishing to obtain their full requirements for middle distillates for the period May 10, 1979 through July 31, 1979.

This action will reduce the availability of middle distillates for other critical uses. As shown in Table 2, the primary use of middle distillate is for home heating. Other essential uses include industrial fuel, including fuels used in production of energy, utility fuel and commercial transportation. The increased demand for kerosene-based jet fuel, a middle distillate use not shown on Table 2 further reduces the availability of middle distillates.

The petroleum industry in meeting the supply requirements of Special Rule Number 9 and the President's charge to ensure adequate heating oil supplies for next winter, in an environment of limited crude availability, has reduced the amount of supply for other critical distillate uses. In order to augment the available supply of distillates DOE will shortly issue an emergency rule granting entitlements worth \$5.00 per barrel for imports of distillate. This should bring additional distillate volumes to the U.S. from Caribbean and Canadian refineries.

### Next Steps

Task force activities to be accomplished in the next few days include:

- o Identify nature and extent of problem in Iowa, Nebraska and Minnesota;
- o Identify nature and extent of problem in other affected states;
- o Establish priorities for planting requirements;
- o Determine major sources of supply for other affected states and areas;
- o Distribute ERA Form 100 to state agricultural and energy offices for immediate processing;
- o Coordinate with ASCS and state energy offices to identify nature and extent of problem in other states;
- o Define appropriate roles and responsibilities for DOE, USDA and DOT;
- o Establish a regional base of operations in Kansas City including DOE, USDA, and DOT personnel;
- o Determine role for DOE regional offices other than Kansas City;
- o Determine maximum beneficial use of state set aside for June and provide technical assistance if necessary;
- o Develop procedures for expeditious certification and dispute resolution.

Attachments

TABLE 1

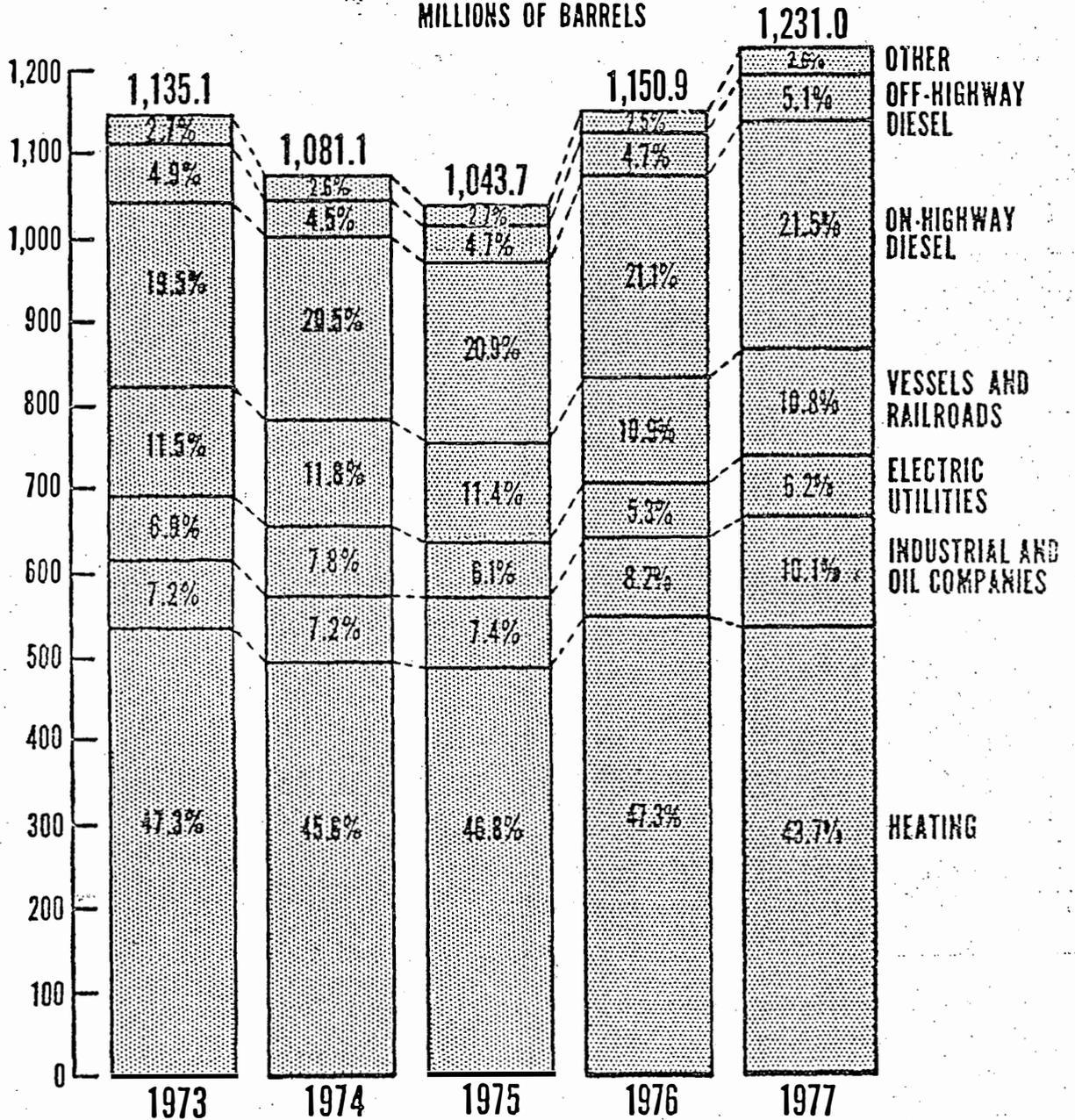
	PROJECTED 1979 AGRICULTURAL DIESEL USE <sup>1</sup> (1000 Bbls/Day)	ACTUAL 1978 TOTAL DISTILLATE DEMAND <sup>2</sup> (1000 Bbls/Day)	AGRICULTURAL REQUIREMENTS AS PERCENT OF DISTILLATE DEMAND
JAN	62	4411	1.4
FEB	92	4889	1.9
MAR	172	4077	4.2
APR	284	3087	9.2
MAY	320	3039	10.5
JUN	240	2844	8.4
JUL	212	2605	8.1
AUG	141	2755	5.1
SEP	223	2747	8.1
OCT	165	3086	5.3
NOV	211	3602	5.9
DEC	64	4189	1.5

<sup>1</sup>Based on USDA projections

<sup>2</sup>From DOE Monthly Petroleum Statistics Report

Table 2

# SALES OF DISTILLATE FUEL OIL BY USE AS PERCENT OF TOTAL MILLIONS OF BARRELS



For additional information see Table 2.

THE WHITE HOUSE  
WASHINGTON

May 31, 1979

Patti--

This is for your files.

Ev

THE WHITE HOUSE

WASHINGTON

5-23-79

To Jim Hanley

Congress passed no part of our energy policy proposals dealing with oil, rejected all three versions of a rationing plan, have not given me authority to designate days of the week for gas purchases or to control wasteful lighting, etc.

What do you suggest that I do - ignore the problem or hope it will go away? Find a scapegoat?

Jimmy

d) FBS = FBI in U.S. = FMI in Europe.  
Neither accounted totally 300  
50 on CV's

THE WHITE HOUSE

WASHINGTON

e) Intel data → intel com → other security

f) Coop = br. & fr. - 2 sensitive

5/23/79

7:20 a.m.

**Electrostatic Copy Made  
for Preservation Purposes**

Mr. President --

Secretary Brown called,  
and asked that you return  
his call, if possible,  
before you get into your  
scheduled round of appoint-  
ments.

--SSC

air defense  
SALT mtg. Radar test = SAS  
on during BM flight. They quit  
Kamchatka - ABM radar - test ranges  
b) "Spirit"  
c) Notice of missile launch. SALT II