

5/31/79

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note	From Clough to The President (4pp.) re: Call from M.L. King Sr./enclosed in Hutcheson to Watson 5/31/79	5/29/79	C

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DNC SPRING MEETING

5/25/79

(11:30-11:45)

John White - 1 -

Car pool late ^{reserved} parking place gone - long - gas home - trip back -- killer bees

BEFORE I TAKE YOUR QUESTIONS, I WANT TO SPEAK TO YOU VERY BRIEFLY

ABOUT THE RESPONSIBILITIES WE SHARE AS LEADERS OF THE DEMOCRATIC PARTY.

WE WON A GREAT VICTORY TOGETHER IN 1976. BUT THE WORDS WHICH ADLAI

STEVENSON ONCE SPOKE TO OUR CONVENTION STILL SPEAK TO US TODAY. HE SAID:

"EVEN MORE IMPORTANT THAN WINNING AN ELECTION IS GOVERNING THE NATION.
WHEN THE TUMULT AND THE SHOUTING DIE.....THERE IS THE STARK REALITY OF
RESPONSIBILITY IN AN HOUR OF HISTORY."

*NOT INVENTORY ACCOMPLISHMENTS -
PRESENT & FUTURE*

THE RESPONSIBILITY FOR GOVERNING BELONGS TO US DEMOCRATS,...AND THE
AMERICAN PEOPLE ARE LOOKING TO SEE HOW WE DISCHARGE IT. SOME OF THAT
RESPONSIBILITY IS PLEASANT AND ENJOYABLE. BUT SOME OF IT IS VERY DIFFICULT.

(=OVER=) -- IN TIMES LIKE THESE.....

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- 2 -

IN TIMES LIKE THESE WE MUST MAKE DECISIONS FOR THE GOOD OF THIS NATION THAT ARE NOT ALWAYS POPULAR AND RARELY EASY.

THE FOUNDERS OF OUR NATION WONDERED WHETHER A GOVERNMENT OF FREE PEOPLE COULD RISE ABOVE NARROW, SECTIONAL SPECIAL INTERESTS IN TIMES OF CRISIS AND PUT THE GOOD OF THE COUNTRY FIRST. THAT IS THE CHALLENGE WE FACE TODAY.

TOO MANY AMERICANS TODAY WATCH THE SPECTACLE OF POLITICIANS GRAPPLING WITH THE COMPLEX ISSUES OF ENERGY AND INFLATION. THEY SEE THE DEMAGOGUERY AND THE POLITICAL TIMIDITY, AND WONDER IF WE ARE EQUAL TO THAT CHALLENGE.

THE AMERICAN PEOPLE ARE LOOKING TO US FOR HONEST ANSWERS AND CLEAR LEADERSHIP.

(=NEW CARD=) (WHAT THEY OFTEN SEE.....)

WHAT THEY OFTEN SEE INSTEAD IS A GOVERNMENT WHICH SEEMS INCAPABLE OF ACTION AT ALL.

THEY SEE A CONGRESS PUSHED AND PULLED IN EVERY DIRECTION BY HUNDREDS OF WELL-FINANCED AND POWERFUL PRIVATE INTEREST GROUPS.

THEY SEE EVERY EXTREME POSITION DEFENDED TO THE DEATH BY ONE POWERFUL GROUP OR ANOTHER.

AND THEY OFTEN SEE THE BALANCED, FAIR APPROACH THAT DEMANDS SACRIFICE FROM EVERYONE ABANDONED LIKE AN ORPHAN, WITHOUT SUPPORT AND WITHOUT FRIENDS.

OFTEN THEY SEE PARALYSIS, STAGNATION, AND DRIFT.

THE AMERICAN PEOPLE DO NOT LIKE IT, AND NEITHER DO I.

(=OVER=) (THIS COUNTRY WAS NOT.....)

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THIS COUNTRY WAS NOT FOUNDED BY MEN AND WOMEN WHO SAID, "ME FIRST,
LAST AND ALWAYS." WE HAVE NOT PREVAILED AS A FREE PEOPLE IN THE FACE OF
CHALLENGE AND CRISIS FOR MORE THAN TWO CENTURIES BY PRACTICING THE POLITICS
OF SELFISHNESS.

WE HAVE NOT CONTINUALLY ENLARGED INDIVIDUAL OPPORTUNITY AND
HUMAN DIGNITY FOR ALL OUR PEOPLE BY LISTENING TO THE VOICES OF THOSE WHO
SAY: "I MUST HAVE 100 PERCENT OF WHAT I WANT, AND I MUST HAVE IT NOW."

THE TIMES WE LIVE IN CALL FOR PLAIN TALK AND POLITICAL COURAGE.
SLOGANS WILL NOT DO THE JOB. PRESS CONFERENCES WILL NOT SOLVE THE
SERIOUS PROBLEMS WE FACE IN ENERGY, ... IN INFLATION, ... IN MAINTAINING PEACE
IN A DANGEROUS WORLD.

(=NEW CARD=) (WE HAVE ALREADY WASTED.....)

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WE HAVE ALREADY WASTED YEARS UNDER REPUBLICAN LEADERSHIP LOOKING FOR QUICK FIXES. THIS IS^A TIME TO TELL THE AMERICAN PEOPLE THE TRUTH. THE DAYS OF THE QUICK FIX AND THE PAINLESS SOLUTION ARE GONE.

WE CAN ARGUE, DEBATE, EVADE AND DUCK. BUT ONE FACT REMAINS CLEAR. SO LONG AS WE SPEND OUR TIME SEARCHING FOR SCAPEGOATS, WEEPING, WRINGING OUR HANDS. AND JUST HOPING FOR DELIVERANCE, ...OUR PROBLEMS WILL GET WORSE, THE DECISIONS WILL GET MORE DIFFICULT, THE CHOICES WILL DIMINISH, AND THE FUTURE WILL BE LESS BRIGHT. NOW IS THE TIME TO ACT.

I AM NOT ASKING YOU TO SUPPORT VERBATIM EVERY RECOMMENDATION WHICH I MAKE. THE QUESTION TODAY IS NOT WHETHER GOVERNMENT REACHES SOLUTIONS WHICH ANY OF US SUPPORT 100 PERCENT, ...BUT WHETHER IT OFFERS ANY SOLUTIONS AT ALL.

(=OVER=) (THE ISSUE IS NOT ONE OF.....)

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THE ISSUE IS NOT ONE OF POLITICAL PHILOSOPHIES, ... BUT A FAILURE OF WILL AND THE POLITICAL PROCESS. THE BOTTOM LINE IS CLEAR. WE NEED POSITIVE SOLUTIONS IN AMERICA TODAY, NOT A ^{SUSTAINED RECORD} MAJORITY OF NEGATIVE VOTES.

WHATEVER SOLUTIONS WE OFFER, THERE SHOULD BE NO ILLUSIONS IN THE DEMOCRATIC PARTY. NO ONE IN PUBLIC LIFE CAN ESCAPE MAKING DIFFICULT DECISIONS. EVERY PUBLIC OFFICIAL LIVES IN HARRY TRUMAN'S KITCHEN, AND THERE IS NO WAY OF AVOIDING THE HEAT IF WE ARE TO MEET THE RESPONSIBILITIES OF LEADERSHIP.

AS PRESIDENT, I HAVE MADE AND I WILL CONTINUE TO MAKE, DECISIONS WHICH WILL CALL FOR SACRIFICE FROM YOUR STATES. THEY WILL NOT ALWAYS BE POPULAR.

(=NEW CARD=) (BUT I DID NOT SEEK THE.....)

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BUT I DID NOT SEEK THE PRESIDENCY BECAUSE I WANTED TO LIVE IN SELF-IMPOSED COMFORT AT THE WHITE HOUSE. I SOUGHT THIS OFFICE TO LEAD. AND I WILL NOT DUCK ANY DECISION WHICH IS VITAL TO THE WELFARE OF THIS NATION JUST BECAUSE THE POPULARITY POLLS MIGHT GO DOWN.

YOU ARE LEADERS OF OUR PARTY. I NEED YOUR HELP AND SUPPORT. IF THOSE OF US IN POSITIONS OF LEADERSHIP TODAY ARE UNWILLING TO TAKE THE HEAT, ... TO MAKE UNPOPULAR DECISIONS, ... TO STAND UP AND FIGHT FOR THEM, ... TO OFFER ANSWERS TO COMPLEX QUESTIONS EVEN WHEN WE KNOW THERE IS NO EASY WAY -- THEN WE WILL HAVE FAILED IN OUR HOURLY OF HISTORY.

(=OVER=) (THE DEMOCRATIC PARTY)

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THE DEMOCRATIC PARTY HAS NEVER BEEN ELECTED TO OFFICE BECAUSE WE PROMISED TO AVOID PROBLEMS, TO OFFER THE TIMID COURSE OR THE SIMPLE SOLUTION IN DIFFICULT TIMES.

WE ARE THE PARTY OF THE PEOPLE, NOT JUST BECAUSE WE WIN A MAJORITY OF VOTES,...BUT BECAUSE WE BELIEVE IN AN AMERICA UNITED BY COMMON PURPOSE, NOT SELF-INTEREST.

OURS IS AN AMERICA THAT LIVES ON HOPE,...NOT FEAR, NOT CYNICISM, SELFISHNESS, OR DESPAIR,...BUT JUSTICE, EQUALITY, OPTIMISM, AND FAITH.

IF WE ARE TRUE TO THOSE VALUES, AND THAT FAITH, WE WILL MEET OUR CHALLENGE OF LEADERSHIP IN THE DEMOCRATIC PARTY TODAY. TOGETHER, WE WILL SUCCEED. *IN OUR TASK, AND WE WILL WIN IN 1980!*

#

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ok
J

REMARKS AT SPRING MEETING OF THE DEMOCRATIC NATIONAL COMMITTEE,
May 25, 1979

Before I take your questions, I want to speak to you very briefly about the common responsibilities we share as leaders of the Democratic Party. We won a great victory together in 1976. But the words which Adlai Stevenson once spoke to our convention still speak to us today. He said:

"even more important than winning an election is governing the nation. When the tumult and the shouting die...there is the stark reality of responsibility in an hour of history."

The responsibility for governing belongs to us Democrats ~~today~~ and the American people are looking to see how we discharge it. Some of that responsibility is pleasant and enjoyable. But some of it is very difficult. In times like these we must make decisions for the good of this nation that are not always popular and rarely easy.

The Founders of our Nation wondered whether a government of free people could rise above narrow, sectional special interests in times of crisis and put the good of the country first. That is the challenge we face today.

↳ Too many Americans today watch the spectacle of politicians grappling with the complex issues of energy and inflation. *They see the demagoguery and the political handiwork,* and wonder if we are equal to that challenge.

The American people are looking to us for honest answers and clear leadership. What they often see instead is a government which seems incapable of action at all. They see a Congress pushed and pulled ~~and tugged~~ in every direction by ~~a thousand~~ *hundreds of* well financed and powerful private interest groups. They see every extreme position defended to the death by one powerful group or another. And they see every balanced, fair approach that demands sacrifice from everyone abandoned like an orphan, without support and without friends. They see paralysis, stagnation and drift. The

American people do not like it, and neither do I.

~~It is time for a change.~~ This country was not founded by men and women who said, "Me first, last and always." We have not prevailed as a free people in the face of challenge and crisis for more than two centuries by practicing the politics of selfishness. We have not continually enlarged individual opportunity and human dignity for all our people by listening to the voices of those who say: "I must have 100% of what I want, and I must have it now."

The times we live in call for plain talk and political courage. Slogans will not do the job. Press conferences will not solve the serious problems we face in energy, in inflation, in maintaining peace in a dangerous world. We have already wasted years ^{*under Republican leadership*} looking for quick fixes. It is time to tell the American people the truth. The days of the quick fix and the painless solution are gone.

f We can argue, debate, evade and duck. But one fact *searching for scapegoats, weeping, wringing*
remains clear. So long as we spend our time *our hands* ~~crying, praying,~~
and hoping for deliverance, our problems will get worse,
the decisions will get more difficult, the choices will
diminish, and the future will be less bright. Now is
the time to act. *f*

I am not asking you to support verbatim every recommenda-
tion which I make. The question today is not whether
government reaches solutions which any of us support 100%,
but whether it offers any solutions at all. The issue is
not one of political philosophies, but a failure of will
and the political process. The bottom line is clear. We
need positive solutions in America today, not a majority
of negative votes.

Whatever solutions we offer there should be no
illusions in the Democratic Party. No one in public life

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can escape making difficult decisions. Every public official lives in Harry Truman's kitchen and there is no way of avoiding the heat if we are to meet the responsibilities of leadership.

As President, I have made and I will continue to make, decisions which will call for sacrifice from your states. They will not always be popular. But I did not seek the Presidency because I wanted to live in self-imposed comfort at the White House. I sought this office to lead. And I will not duck any decision which is vital to the welfare of this nation just because the popularity polls might go down.

You are leaders of our Party. I need your help and support. If those of us in positions of leadership today are unwilling to take the heat, to make unpopular decisions, to stand up and fight for them, to offer answers to com-

plex questions even when we know there is no easy way:

then we will have failed in our hour of history. †

Together,
~~believe,~~ we will succeed.

The Democratic Party has never been elected to office because we promised to avoid problems, to offer the timid course or the simple solution in difficult times. We are the party of the people, not just because we win a majority of votes, but because we believe in an America united by common purpose, not self-interest. Ours is an America that lives on hope, not fear, *, but* ~~that believes in~~ justice, equality, optimism, and faith-- not cynicism, selfishness, or des-

pair. If we are true to those values, and that faith, we will meet our challenge of leadership in the Democratic Party today.

Patti

THE WHITE HOUSE
WASHINGTON

Susan --

~~Received in Camp David "out"
material, thought you might
need a copy.~~

Patti Maloomian

Madison

out 5/31/79

h
(original not
in attached)

received after July weekend @ CD.

Q

June 30, 1978

Mr. President --

Daddy King and Dr. Benjamin Mays were calling today to express their concern about attached article which appeared in The Atlanta Journal last Friday, June 23rd.

Dr. Mays noted that the implication is that only the black colleges are getting Title III money, whereas the whites are too.

The black colleges which have educated the larger proportion of professionals increasingly find it very difficult to compete with the white institutions.

Dr. Mays also complained about another quote in the article (I see that it's not actually a quote, but an observation of the reporter) (last graph) that says black private colleges have been the poorest institutions in American higher education. Dr. Mays again says that that implies only black.

"poor" in financial assets

Daddy King noted that Secretary Califano won't do anything without the President's knowledge or comment or request.

W Also, Daddy King said that he wanted to ask you for a little more help for his grandson-in-law. Although the deferment apparently worked out, now he wants the boy changed to the Army (he's now "registered in the Navy") and then wants the boy to be able to serve his two years in hospitals close to the city (I presume Atlanta).... apparently the hospitals are more Army personnel allocations than Navy.

Dr. Mays said he appreciates very much the conference in D.C. he had with you.

--Susan

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By CYNTHIA TUCKER

H. L. "Buddy" Whalen has had only one paying job for most of his adult life — being an Atlanta cop. He spent the first 10 years in that vocation on the way up. He spent the next 10 years on the way out.

Mayor Maynard Jackson officially showed him the door Thursday when he fired Whalen, whose colorful, erratic career has resembled a roller-coaster ride, finally ending in a steep plunge.

Whalen has managed to get his name strung across the headlines in three major police scandals in the last nine years. "It's all a damn lie," Whalen said in his defense in an interview Thursday.

Whalen said his troubles started after he "went after the big gamblers, the white guys," in the early 1960s. Somebody in City Hall has wanted to get him ever since, he said.

But Whalen's name didn't make big print until 1969, when he was involved in a campaign contributions scandal with Howard Massell, the brother of soon-to-be-mayor Sam Massell. Whalen escorted Howard Massell to different nightclubs where Massell "assessed" nightclub owners for contributions to his brother's mayoral election campaign that they did not necessarily want to give.

See WHALEN, Page 14-A

Administration Thursday estimated that its own employees, through a variety of criminal schemes, are stealing more than \$66 million a year from the government agency for themselves and the private companies that do business with GSA.

The estimate, made by Vincent R. Alto, GSA's special counsel in charge of investigating the widening circle of abuses being uncovered at the government agency, is the first public indication of the possible scope of the scandals since they were first publicized in March.

Alto told the Senate Governmental Affairs subcommittee on federal spending practices that the total waste of taxpayers' money exceeds \$100 million a year when non-criminal negligence is taken into account.

Alto, a former federal prosecutor, said the criminal activities include "sweetheart" contracts negotiated with certain compa-

nies doing business with GSA and splitting the proceeds of charges for goods never provided to GSA with private companies.

"Very frankly," said Alto, who was appointed less than two months ago by GSA Administrator Jay Solomon, "prior to these investigations, there were no checks and balances (to guard against stealing)."

Testimony at the first of two days of hearings on GSA included lurid details of the organized crime dealings of a company paid by GSA to install security systems in government buildings, tales of charges made to government credit cards for having the same government vehicle washed four times in one day and an account of the installation by GSA of a \$40,000, teak-paneled office for a government worker in Boston's John F. Kennedy Building.

See GSA, Page 14-A

HEW Audits Black Colleges, May Hold Millions in Grants

By GRAYSON MITCHELL

The Los Angeles Times

WASHINGTON — In what was described as a crackdown on fraud and mismanagement, the government is threatening to withhold millions of dollars in federal aid from a number of the nation's 71 private black colleges.

The Department of Health, Education and Welfare, in a change in policy, is about to notify at least nine of the institutions that future aid from a program created to help the schools will be withheld until the results of government audits of each college are known.

Officials said it had not yet been deter-

mined how many of the 71 schools, in addition to the nine, would be audited.

The aid program, launched under Title III of the Higher Education Act of 1965 and known as Aid to Developing Institutions, awarded nearly \$60 million last school year to private black colleges, with the average individual award amounting to \$590,000.

The black colleges, which in the past have educated a huge proportion of the nation's black teachers, doctors, lawyers and other professionals, today find it increasingly difficult to compete with predominantly white institutions for black students

See COLLEGES, Page 14-A

Street Scenes

Construction worker, finished with a job high over Piedmont Avenue, maneuvering the bucket of his cherry picker to pick magnolia blossoms.

Driver of Fulton County sheriff's car lighting cigarette, then tossing empty package and matchbook into street.

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at Wolf Trap," at 9 on Ch. Quincy," starring Jack Klugman, takes a vacationing G.P. in a small town and all kinds of problems, at 10 on Ch. 2.

The Atlanta Braves open a four-game series against the Giants in San Francisco home Monday.

The Atlanta New Play Project 1978 concert "The Shekinah" presented by Trinity 003 Howell Mill Road, tonight and Saturday.

Beautiful summer weekend is forecast for Atlanta, with fair and warm weather forecast Friday evening, Saturday and Sunday, moon highs near 90. Details on Page 2-A.

Atlanta Journal
6/23/78 p. 1

Colleges Continued From Page 1-A

and contributions as a result of victories won by the civil rights movement in the last 20 years.

As a result, the black schools face severe financial problems and many of them are now critically dependent on federal aid for their continued existence. Records show government funds account for 15 to 20 percent of the schools' operating budgets.

In the past, the award of government money was made to the colleges upon approval of their written requests, not upon completion of any audits, which are undertaken periodically at institutions receiving government funds.

As for the current audits of black colleges, HEW Secretary Joseph Califano and other department officials said they were launched as the result of charges of fraud and mismanagement at a number of schools.

Califano rejected any idea that the funds would be withheld this school year pending completion of the audits. He confirmed that an audit already had begun at one of the nine schools, but said the decision to disburse Title III funds would not be based on audit findings.

"I will not let that decision be made by auditors and technicians," he said. "We've got an obligation to make sure that this money is being spent wisely. We also have a responsibility to these students to make sure these institutions are viable. But I will not preside over the demise of these institutions."

However, internal HEW documents made available to the Los Angeles Times indicated that moves were under way to

withhold funds from at least some schools this year.

In a letter Califano drafted and circulated among HEW officials preparatory to sending it to officials at financially strapped Bishop College, a private liberal arts college in Dallas, Califano states that Title III funds the school had expected to receive for the coming year, approximately \$600,000, will not be released until government officials evaluate the findings of a comprehensive audit.

Also, according to the minutes of a meeting Califano held with top aides in May, he directed that no HEW funds be disbursed to Shaw University in Raleigh, N.C., before a "top-to-bottom audit" is completed.

Califano said in a recent interview that he was initiating financial audits of these schools to make sure federal funds were being properly spent as well as to compel school officials to adopt improved management procedures.

He said he started the audits upon learning that Bishop College, already about \$3 million in debt to private creditors, owed HEW another \$1.8 million to cover advance aid payments made to the school as well as federal funds that government officials have determined were improperly spent. In addition, the school's business manager was recently convicted for embezzling.

Since they were established nearly a century ago, private black colleges have been the poorest institutions in American higher education. Virtually none has financial endowments, making them heavily dependent on the government for their existence.

Funds Sought For Parents Sued by Son

BOULDER, Colo. (AP) — Friends and acquaintances have rallied to help a Boulder couple whose 25-year-old son is suing them for "malpractice of parenting."

A "Good Parents Fund" has been established to help Richard and Shirley Hansen, now living in Hawaii, pay expenses in the suit, which has attracted national attention. Their son, Tom, is asking \$350,000 for the costs of future psychiatric care. He has been receiving psychiatric care paid for by his parents' insurance.

Dorothy Riddle, a friend of the Hansens who helped set up the fund, said the legal costs present "a hardship for the family to pay these thousands of dollars for even the first step."

"The lawyer for this young boy should have thought about this a little bit more," she added.

White Collar Crimes Costly

NEW YORK (UPI) — Crimes against business — white collar crime — cost American consumers between \$30 and \$40 billion a year, according to a recent survey by American Management Associations.

Make JCPE your lawn & garden head

Garden Centers Open Sat

Assorted 8-in. hanging baskets.

3.99 ea.

Hurry now for a great buy on healthy hanging baskets. Wide variety to choose from. All comes in 8-inch containers.

GSA Continued From Page 1-A

Despite well-publicized investigations

GSA spends nearly \$5 billion a year to

meeting with secretary bergland
5/31/79

THE WHITE HOUSE
WASHINGTON

Bergland.

Jim Williams +

Domestic Commodities - ?

International. Dale Halloway

Gen Counsel - Daniel Marcus

Rupert Cutler leaving?

Legislative affairs

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meeting with oil executives

5/31/79

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Last week 6³/₃
Previous 6

5.8 million barrels
of oil import per day
6.150
6.500 "

To continue in the U.S.

US produce

8.6 mbd COMPARATIVE DELIVERABILITY BY YEARS

Crude oil heavier than before

Gasoline (millions of barrels per day) by quarter

Previous years 1-2%
now 3-5%

	2nd Qtr.	3rd Qtr.	4th Qtr.
1979	7.3/7.3/7.4	7.1/7.2/7.5	7.0/7.2/7.4
1978	7.6 mbd	7.6 mbd	7.5 mbd
1977	7.3	7.4	7.2
1976	7.2	7.2	7.0

Crude inventory
320 mbd ± 20

Total working inventory 10-12 days
Home heating oil ± 120 mbd

Comparable numbers for distillate use in prior years, by quarters:

more Pb - other octane enhancers

	2nd Qtr.	3rd Qtr.	4th Qtr.
1979	3.0	2.6	3.6
1978	3.0	2.6	3.6
1977	2.8	2.6	3.6
1976	2.6	2.4	3.8

Canada refinery capacity

OPEC

inc supply

1 1/2 mbd in 1985 from

decontrol

De control PANAMA WPT clear regs

Most consumer tanks are full

Exxon June 98% gasoline
Decrease in pig count. # short
Need 2400 to break even.
Now 400 short

Max drawdown of crude reserves

Rotterdam - crude & refined
Iran purchases 178 15 mbd
179 0.6 mbd
Saudi's → 8 1/2 mbd, < ARAMCO > LDC's

1Q - us got its share of 50 mil bd, 1 1/2 mbd short

Walter Long - Fortune 2 issues ago
may have 5% shortage - would be one capped edge next 10 years.

June 79 > May '79, but 2% del us yr 90

THE WHITE HOUSE
WASHINGTON

rick --

for secretary harris

thanks--susan

THE WHITE HOUSE

WASHINGTON

May 31, 1979

To Pat Harris

Best wishes on your birthday!

Rosalynn and I hope you will enjoy
a year full of happiness and continued
success!

Jimmy

THE WHITE HOUSE
WASHINGTON
31 May 79

FOR THE RECORD:

TIM KRAFT RECEIVED A COPY
OF THE ATTACHED.

ADMINISTRATIVELY
CONFIDENTIAL

FOR ACTION
FYI

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

VICE PRESIDENT

JORDAN

EIZENSTAT

KRAFT

LIPSHUTZ

MOORE

POWELL

RAFSHOON

WATSON

WEXLER

BRZEZINSKI

MCINTYRE

SCHULTZE

ADAMS

ANDRUS

BELL

BERGLAND

BLUMENTHAL

BROWN

CALIFANO

HARRIS

KREPS

MARSHALL

SCHLESINGER

STRAUSS

VANCE

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



11:30 AM

THE WHITE HOUSE

WASHINGTON

May 30, 1979

Tim

MEMORANDUM FOR THE PRESIDENT

FROM: TIM KRAFT *TK*

SUBJECT: Talking Points - Bob Bergland Meeting 5/31/79
(11:30 a.m.)

1. Bob should be complimented on the real progress which has been made in solving management problems at the Department - especially since Jim Williams has come on board.

Bob agrees

2. We recommended in our May 14th report to you (a copy of which is attached to this memo) that "domestic commodity programs be separated from International Affairs." They are both currently the responsibility of Dale Hattaway.

We understand that Bob is currently considering solving the problem by having two deputies for Dale, one on the commodity side and one on the international side. (Dale currently has one deputy position which is unoccupied).

We oppose this solution for two reasons:

Bob disagrees with this

1. It would downgrade the commodity programs in the eyes of key constituency organizations. Our approach, placing the commodity programs with Assistant Secretaries well respected by the constituencies, would emphasize our continued recognition of the importance of these programs.

2. It does not really face the issue that Dale's interests and true focus are with the international programs.

3. Jim Williams has been effective and strong in a quiet unobtrusive way.

Bob very please

The continuation of his and Bob Bergland's effectiveness is jeopardized by a weak support staff in the Secretary's office. Bob should be urged to bring additional talent to this staff as soon as possible.

4. We understand that Rupert Cutler, Assistant Secretary for Conservation, Research, and Education may be returning to the academic community shortly. We would welcome such a move because it would give us an opportunity to strengthen the leadership in this area.

This is true. Depends mostly on ethics legislation

5. We are currently reviewing with Frank Moore Bob's suggestion that Jim Webster be appointed Assistant Secretary for Legislative Affairs. We recommend that you do not make a decision on this until Frank has had an opportunity to study the situation carefully.

Bob wants
this -

Bob is pleased. Planting now about
Completed (at rate of ~ 8 million acres/day!)
Reserve grain can meet any 1979
demand -

Pleased with political prospects -
I did not push the ^{domestic} commodity
assignment idea strongly -

J

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THE WHITE HOUSE

WASHINGTON

May 14, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: TIM KRAFT TK

SUBJECT: MANAGEMENT PROBLEMS AT AGRICULTURE

There are several unresolved problems at Agriculture; they are both organizational and personal. There has been some improvement in recent months, but much remains to be done. A detailed analysis of the management situation at Agriculture is contained in the sections which follow.

We have asked Phil Wise's office to schedule for you a meeting with Bob Bergland to discuss the contents of this report.

1. JIM WILLIAMS HAS BEEN A POSITIVE INFLUENCE

Jim's presence has been felt in clearer definitions of the roles of top departmental appointees, better staff discipline, and a lessening of Bob Bergland's onerous workload.

Jim cannot do it all, however, and important problems remain.

We have worked closely with Jim since he came on board and will continue to do so. Jim has also enlisted the help of Lynn Daft of the Domestic Policy Staff, and Lynn is keeping in touch with us on his activities.

2. DOMESTIC COMMODITY PROGRAMS SHOULD BE SEPARATED FROM INTERNATIONAL AFFAIRS

Dale Hathaway is currently responsible for both areas as Under Secretary for International Affairs and Commodity Programs.

Bob Bergland, Jim Williams, Jim's predecessor John White, and your senior advisors all agree that Hathaway is overloaded with the double responsibility. The domestic programs (ASCS, The Commodity Credit Corporation, The Federal Crop Insurance Program) have suffered, because Dale has not been able to give them sufficient attention.

Dale should retain his international responsibilities since his expertise lies in this field.

Bergland and Williams are reviewing several options for shifting the domestic programs. They are considering moving some of the responsibilities to Bobby Smith, Assistant Secretary for Marketing Services.

We recommend that Bobby be considered seriously for ASCS and the Commodity Credit Corporation. John White, who worked closely with Bobby, calls him "one of the best Assistant Secretaries in the entire government." He has done a good job with Marketing Services and is well respected in the industry. We believe he has the skills and experience to run ASCS and the Commodity Credit Corporation as well, and we also believe that these programs fit well with his current operations at Marketing Services.

3. THERE ARE WEAKNESSES IN THE SECRETARY'S PERSONAL STAFF

John White believes that the weakness in the Secretary's office is the biggest management problem in the Department. Knowledgeable members of your senior staff do not go that far, but all agree that the Secretary's staff is below par in both management and policy-making skills.

Lee Corcoran, the Secretary's Executive Assistant, has had personal problems which have weakened his performance on the job. Bob and Jim are working hard to resolve this situation compassionately.

4. THE GENERAL COUNSEL'S OFFICE WILL GET BADLY NEEDED LEADERSHIP WHEN DANIEL MARCUS TAKES OVER.

The fact that this office has been rudderless since Sarah Weddington left last October has been one of Bob Bergland's main concerns. Bob feels that the office needs "a good lawyer who is also a tough-minded manager." We feel that Daniel Marcus, who compiled an excellent record as Deputy General Counsel at HEW, fills the bill. He will join Agriculture as Deputy General Counsel while awaiting confirmation as General Counsel.

*Marcus doing
very good
job.*

5. JIM WILLIAMS IS ASSESSING OTHER PROBLEM AREAS

In our previous comments to you last December regarding Agriculture we cited Jim Webster, Acting Director of Governmental Affairs, Rupert Cutler, Assistant for Conservation, Research, and Education, and Carol Foreman, Assistant Secretary for Food and Consumer Services as officials whose abilities had been subject to question.

Jim Williams is studying the performance of all three. He has convinced us that Carol is a valuable asset when her efforts are properly channeled. They have developed a good working relationship, and she is responding well to the direction he is giving her.

Jim wants two to three more weeks to complete his assessments of Webster and Cutler. Our most recent investigations of these two men has not caused to change our opinions about them. We will send you a short follow-up memo when we get the results of Jim's study.

a

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

May 30, 1979

EYES ONLY

MEMORANDUM FOR THE PRESIDENT

FROM: Lyle E. Gramley *LEG*

Subject: Index of Leading Economic Indicators in April

Tomorrow (Thursday, May 31) at 9:30 a. m. the Commerce Department will release the index of leading economic indicators in April. The index declined 3.3 percent -- a huge drop, the largest since the series began in 1948.

Although most of the components of the index fell in April, the size of the reduction mainly reflected two things: the steep drop in the length of the manufacturing work week and the sharp decline in new orders for durable goods. As we have indicated to you before, the drop in the factory workweek last month was largely the result of the Teamsters strike, holidays, and adverse weather in the week the employment survey was taken. (The Commerce Department's press release on the leading indicators will so indicate). The steep decline in new durable goods orders in April -- on which we reported to you early last week -- is a puzzle, but we do not interpret it as a sign of any basic change in business confidence. Qualitative information we have gathered from contacts in the business community supports that view.

The press has carried stories recently suggesting that a recession is imminent, if not already underway. This sharp decline in the index of leading indicators will give rise to more such stories. Economic growth is slowing, but we have no reason to think that a recession is about to commence. Statistics on developments in May are very likely to look more cheery. The first important figures for May will become available this Friday, when the employment data are released.

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for Preservation Purposes**

THOMAS L. FARMER
1101 SIXTEENTH STREET, N. W.
WASHINGTON, D. C. 20036

J
FYI
C
/

May 21, 1979

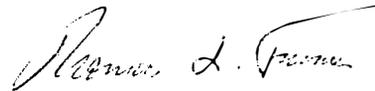
Dear Mrs. Carter:

It was a pleasure to see you at dinner on Friday evening. However, I regret that I did not have an opportunity to speak with you later in the evening, because I wanted to mention to you a rather interesting political item.

As you may know, I am presently serving on a part-time basis as the Chairman of the President's Intelligence Oversight Board. The members of the Board are former Governor William Scranton and former Senator Albert Gore.

A few days ago, Bill Scranton told me of a recent visit to California. Scranton is a part owner of an ABC station in California and in that capacity attended a meeting conducted by the President of ABC with all of the ABC-California affiliates. On that occasion Scranton asked each of the ABC-affiliate owners who they thought would be the Democratic and Republican Presidential candidates in 1980 and who would be the winner in that election. The almost unanimous opinion was that the candidates would be Carter and Reagan and that Carter would be the winner.

Very truly yours,



Thomas L. Farmer

TLF:wrw

Mrs. James Earl Carter
The White House
Washington, D.C. 20500

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for Preservation Purposes**

THE WHITE HOUSE
WASHINGTON

31 May 79

Ed Sanders

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

Rick Hutcheson

2398

FOR ACTION
FYI

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

	VICE PRESIDENT
	JORDAN
	EIZENSTAT
	KRAFT
	LIPSHUTZ
	MOORE
	POWELL
	RAFSHOON
	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE
	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

	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
May 31, 1979

cc Ed
Thank you. Your
help has been
crucial.
J

PERSONAL MEMORANDUM FOR THE PRESIDENT

FROM: EDWARD SANDERS *Ed*

I am approaching the completion of my tenth month in the White House. I feel that I have been remiss in not letting you know directly how proud I am to be a member of your staff. My admiration and respect for you and the job you are doing for our country has multiplied with the passage of time.

It is clear to me that the peace treaty between Israel and Egypt will be marked as one of the great events in the history of the world. In addition, your response to issues in the human rights area has been without parallel. In particular, I think that your messages to Heads of State and the Pope regarding the plight of Iranian Jews were exemplary and responsive to the grave crisis. I wish that we could let everyone know the nature of your messages. I thought that your answer to John Wollach's question at the press conference regarding the Middle East peace settlement was a fine answer to a provocative question, and I have heard praise for it since yesterday.

I think that I am writing you this note at this time to let you know that whatever I can do to help you face the problems of our nation, I want to do. It seems to me that this is the time to take the offensive and to fight the good fight for all the issues which you have tackled, including energy, inflation, SALT, and hospital cost containment, and to remind the country of the accomplishments of your Administration, not only in the field of foreign affairs, but also in the domestic area. I just wanted you to know that I want to be part of that offensive, and that I consider it a privilege to be a member of your team.

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THE WHITE HOUSE
WASHINGTON

Mr. President:

You asked Jim McIntyre
to see you concerning a memo
on overseas staffing. Jim
is out of town this week but
John White is available.

wait for McIntyre to return

see John White

Phil

J *2 min.*
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for Preservation Purposes**

THE WHITE HOUSE
WASHINGTON

31 May 79

The original was given to
Ev Small in Congressional
Liaison for handling and
delivery.

THE WHITE HOUSE
WASHINGTON

May 30, 1979

Mr. President,

you may want to add a handwritten
P.S.

Frank Moore

A handwritten signature in black ink, consisting of a stylized 'F' followed by a 'M'. The 'F' has a long, sweeping tail that curves under the 'M'. The 'M' is composed of two vertical strokes and a connecting top bar.

THE WHITE HOUSE

WASHINGTON

May 30, 1979

To Senator John Chafee

Your leadership role and hard work were perhaps the key factors in the Senate's approval of military grant assistance for Turkey, our friend and a valuable member of the western alliance. Please accept my personal gratitude.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jimmy", with a long horizontal flourish above the first few letters.

The Honorable John Chafee
United States Senate
Washington, D.C. 20510

12:25 PM

THE WHITE HOUSE

WASHINGTON

May 30, 1979

PHOTO SESSION WITH CONGRESSMAN SILVIO CONTE (R-Mass.)

Thursday, May 31, 1979
12:25 p.m., (3 minutes)
The Oval Office

From: Frank Moore *J.m/spd*

I. PURPOSE

Photo session accepting a mosaic from the people of Travesio.

II. BACKGROUND, PARTICIPANTS, & PRESS PLAN

Background: Congressman Conte will be presenting a mosaic made in Travesio, Italy, which was given to him with the understanding that he would give it to you. The mosaic is a thank you gift from the people of Travesio for the money sent to them from the United States to aid in the rebuilding and repair of damage from an earthquake. A school in Travesio was built with a portion of the aid. Total aid to Italy was \$50 million.

Conte needs reassurance that he is still a friend of the administration. There have been a constant flurry of articles regarding the supposed efforts of Evan Dobelle to draft candidates to run against Conte in the next election (examples attached.) Congressman Conte's voting record is better than 75% of the Democratic Congressmen in support of administration policies, and he should be thanked for this support.

Participants: The President, Congressman Conte, Frank Moore, Bill Cable

Press Plan: White House photographer only

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The Berkshire Eagle, Wednesday, April 25, 1979-

Mrs. Doyle getting ready for challenge to Rep. Conte

By A. A. Michelson

Helen "Poppy" Doyle of Ashfield is planning to challenge Rep. Silvio O. Conte, R-Pittsfield, next year for his Congressional seat and as a first step is taking an administration-sponsored "crash course" in foreign policy.

Mrs. Doyle, who is the Western Massachusetts member of the Democratic National Committee, will leave tomorrow on a presidential economic development mission to the Pacific.

"Evan Dobelle," Mrs. Doyle said this morning, "told me that this might be a 'crash course in foreign policy.'"

Evan S. Dobelle, former Pittsfield mayor, is the director of President Carter's campaign for re-election, which is unofficially under way. Carter is in New Hampshire today for one of his "town meetings" but also to make some points for the first-in-the-nation presidential primaries in that state early next year.

Placement of Mrs. Doyle in the mission is not the first benefit that Dobelle has delivered for



Helen 'Poppy' Doyle

people back home. He also had former Pittsfield Mayor Remo DelGallo named to the site selection committee for next year's Democratic National Convention.

Among others in the mission, which leaves Washington aboard a government plane tomorrow,

are U.N. Ambassador and Mrs. Andrew Young and Walter Dunfey, a member of a family that operates an extensive New England hotel and motel chain based in New Hampshire.

The mission will make stops in the Fiji Islands, Australia, New Guinea and Manila. It will return to Washington May 12. Atty. Robert T. Doyle, who practices law in Northampton, will see his wife off at the airport.

Mrs. Doyle, 42, is the mother of eight children.

"All of the children," she said today, "are in school except the baby, so there won't be too much of a baby-sitting problem. Bob will bring Liam (the baby) into Northampton each day, and he'll be tended to there by Susie Gaughan, who used to drive a van for Silvio Conte."

In the presidential primaries of 1976, Mrs. Doyle was not a Carter supporter. She was active for Congressman Morris Udall of Arizona. She was a strong supporter of former state Rep. Edward J. McColgan of Northampton, who challenged the re-election of Congressman Conte that year. In 1978 Conte had no opposition.

Print by Michelson

Doyle joins economic panel

PITTSFIELD — Evan S. Dobbelle, former Pittsfield mayor who now heads President Carter's re-election campaign, has announced that Helen "Poppy" Doyle, wife of Attorney Robert T. Doyle of Ashfield, leaves today as part of a presidential economic development commission to the Australian archipelago.

Dobbelle told Mrs. Doyle that this might be "a crash course in foreign policy." This, apparently being part of a background to her plan to challenge re-election of First District Rep. Silvio O. Conte next year.

The members of the "economic mission" leave Washington by air

today for stops in Australia, New Guinea, the Philippines and the Fiji Islands. Others on the mission will include U.N. Ambassador and Mrs. Andrew Young and Walter Dunfey, member of a family which operates a hotel chain in New England.

Mrs. Doyle is Western Massachusetts member of the Democratic National Committee who did not support President Carter in the 1976 primaries, being a backer of Congressman Morris Udall of Arizona. She had previously supported Rep. Edward J. McColgan of Northampton in his bid to oust Conte in that same year.

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12:20 Pm

THE WHITE HOUSE

WASHINGTON

May 30, 1979

PRESENTATION OF THE 1979 PUBLIC
HEALTH SERVICE AWARD BY THE
NATIONAL ASSOCIATION OF COMMUNITY
HEALTH CENTERS

Thursday, May 31, 1979
12:20 p.m.
Oval Office

From: Stu Eizenstat *Stu*
Bob Berenson

I. PURPOSE

The National Association of Community Health Centers will present the 1979 Public Health Service Award to you.

II. BACKGROUND

The National Association of Community Health Centers has selected you as the recipient of its 1979 Public Health Service Award for "your leadership and efforts to control health costs and bring about system reform in health care delivery." The Association represents predominantly federally-supported community and migrant health centers. Both of these programs have done well in your FY 1979 and FY 1980 budgets. The health care component of your urban policy initiative was a \$50 million expansion of urban community health centers. However, the 1979 supplemental required to support this expansion may not pass Congress.

Currently, the Centers represented by the Association provide primary health care to over 8 million people, mostly the poor, working poor, and racial minorities. Our Phase I National Health Plan should provide substantially increased third-party reimbursements for these Centers,

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mainly due to Medicaid improvements. The Association has been a supporter of hospital cost containment. The leadership of this organization may be influential in determining the position of minority groups in the forthcoming National Health Plan debate. While the leadership is ideologically committed to comprehensive health insurance, its practical experience in running health centers and lobbying for appropriations has made them pragmatic. You should take a moment to appeal to this pragmatism.

III. FORMAT AND PARTICIPANTS

Louis Garcia, the Association President, will present the award to you. While pictures are being taken, you will have the opportunity to make a few remarks to the participants, who are Directors of Community Health Centers.

IV. TALKING POINTS

- Thank them for the award. You have been a supporter of Community Health Centers, both as Governor of Georgia and as President. Your 1979 and 1980 budgets reflect this support.
- You are aware of their support of Administration health policies, particularly hospital cost containment. Now is the time to make the extra effort to convince the Congress that they must pass this legislation.
- The Administration's Phase I plan, which will be announced very soon, significantly improves coverage for the disadvantaged groups that health centers care for. Given current economic and political realities, you hope they will agree that this plan is the first realistic attempt in over a decade to provide improved coverage for the poor and the elderly and is a meaningful first step to a full comprehensive health plan.

12:15 PM

THE WHITE HOUSE

WASHINGTON

MEETING WITH ARTHUR, JANE, AND JOHN OPPENHEIMER

Oval Office

• 12:15pm (3 minutes)

by: Mark Cohen
Tim Kraft TK

I. PURPOSE:

Brief courtesy greeting with an influential Idahoan and key financial backer of former Governor Andrus and Senator Church.

II. BACKGROUND, PARTICIPANTS, PRESS:

A. BACKGROUND:

Mr. and Mrs. Oppenheimer and their son John are from Boise, Idaho. Arthur is a wealthy real-estate developer with major interests in downtown Boise. He also owns a warehouse distributing firm, Idaho Supreme Potatoes.

He is one of the wealthiest men in Idaho. Arthur and Jane are back East to pick up their son John, who has just completed an around-the-world tour. Arthur is a moderate Republican. He has almost no dealings with the state's two conservative Congressmen, Steve Symms and George Hansen. But he is also a supporter of Senator James McClure. He was a financial backer of Senator Church's presidential campaign. He was not at all visible in the 1976 general election and it is unknown whether he supported you or Gerald Ford. The more conservative the GOP nominee, the more likely it is that he will support you.

B. PARTICIPANTS:

Arthur Oppenheimer
Jane Oppenheimer
John F. Oppenheimer

C. PRESS:

None/ White House Photo

III. TALKING POINTS:

1. Welcome Arthur and Jane back to the White House -- they were here one week ago for a SALT briefing.
2. Tell them that their strong support for SALT is needed, both by the White House and by Senator Church, who

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faces a tough re-election fight in 1980.

3. Thank him for his constant and strong support for Senator Church and Cecil Andrus when he was governor and impress upon him how important it is for the White House to have Senator Church re-elected.

THE WHITE HOUSE
WASHINGTON

31 May 79

Dick Moe

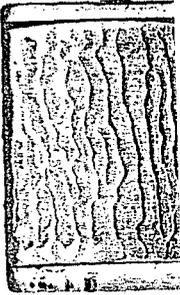
The attached was returned in
the President's outbox today
and is forwarded to you for
appropriate handling.

Rick Hutcheson

Frank Moore

THE ORIGINAL HAS BEEN
GIVEN TO STRIPPING FOR
MAILING.

2341



FOR ACTION
FYI

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

	VICE PRESIDENT
	JORDAN
	EIZENSTAT
	KRAFT
	LIPSHUTZ
/	MOORE
	POWELL
/	RAFSHOON
	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE
	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

	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



OFFICE OF THE VICE PRESIDENT
WASHINGTON

May 30, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: RICHARD MOE *RM*

SUBJECT: STATUS REPORT ON CONSTITUTIONAL
CONVENTION EFFORT

In the event that you can use some good news, I'm pleased to report that the drive to call a constitutional convention appears to be under control, at least for the balance of this year. As you know, our goal has been to prevent 34 state legislatures from passing some form of resolution calling for a convention; to date 30 states have passed resolutions (although widely varying in language and therefore of doubtful legality). Since our effort began nearly four months ago, resolutions have been defeated outright in several legislatures, others have been voted down in committee, but in most cases they have been simply bottled up in committee with the help of the leadership. Only in New Hampshire did we receive an outright defeat, and that was due largely to the sympathy Governor Brown received from the ill-advised treatment he was given on his visit there. Now most remaining state legislatures either have adjourned or are about to do so, and barring unforeseen actions in special session, we hope to get through the year without any further states acting. Even the National Taxpayers Union has virtually conceded the effort has no chance of succeeding this year.

Back in February it was a virtual certainty that it would succeed if no opposition was mounted, and in my judgment there are two factors primarily responsible for the reversal since then:

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MEMORANDUM FOR THE PRESIDENT

May 30, 1979

Page 2

-- Your visibility on the issue, and particularly your letter to Vern Riffe, focused attention on the dangers involved and in effect compelled legislatures to take it seriously by holding hearings, conducting debates, etc. Once this happened, the idea began to fall of its own weight.

-- Lieutenant Governor Tommy O'Neill's coalition has done a very effective job of fighting the drive in the states themselves. It was one of our primary goals, you'll recall, to get such a group established so that the effort could be largely removed from the White House, and that has been accomplished beyond our expectations. I really can't say enough about O'Neill's outstanding leadership, and you might want to send him the attached note as well as mention your appreciation to the Speaker.

Although the convention advocates have not given up and will be back at it next year, their effort -- and the public sentiment that they rely on -- can be further defused if your FY'81 budget is balanced or even nearly balanced.

THE WHITE HOUSE

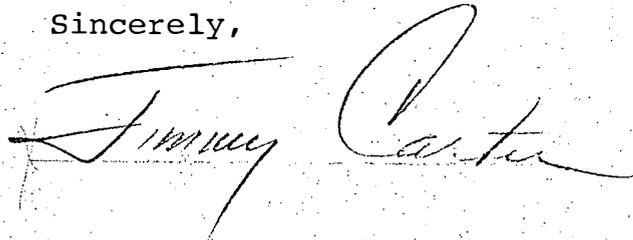
WASHINGTON

May 31, 1979

To Tommy O'Neill

I want you to know how much I admire and appreciate your efforts and those of your coalition in resisting the drive for a constitutional convention. Your leadership in recent months has been a key factor in reversing the prospects for such a convention, and all of us who share your concern for the integrity of the Constitution are in your debt. I realize your work is not yet complete, but I did want you to know how much it means to me. Please convey my thanks and best wishes to the members of your coalition.

Sincerely,

A handwritten signature in cursive script that reads "Jimmy Carter". The signature is written in dark ink and is positioned below the word "Sincerely,".

The Honorable Thomas P. O'Neill III
Lieutenant Governor of
the Commonwealth of Massachusetts
State House
Boston, Massachusetts 02133

THE WHITE HOUSE
WASHINGTON

31 May 79

FOR THE RECORD:

TIM KRAFT RECEIVED A COPY
OF THE ATTACHED.

ADMINISTRATIVELY
CONFIDENTIAL

FOR ACTION
FYI

FOR STAFFING

FOR INFORMATION

FROM PRESIDENT'S OUTBOX

LOG IN/TO PRESIDENT TODAY

IMMEDIATE TURNAROUND

NO DEADLINE

LAST DAY FOR ACTION

VICE PRESIDENT

JORDAN

EIZENSTAT

KRAFT

LIPSHUTZ

MOORE

POWELL

RAFSHOON

WATSON

WEXLER

BRZEZINSKI

MCINTYRE

SCHULTZE

ADAMS

ANDRUS

BELL

BERGLAND

BLUMENTHAL

BROWN

CALIFANO

HARRIS

KREPS

MARSHALL

SCHLESINGER

STRAUSS

VANCE

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



Telephone Calls - Week of May 21, 1979 - Page 2

Gertrude Donahey
Columbus, Ohio
(o) 614/466-2160
(h) 614/237-9470

5/30/79

Gertrude Donahey is the "great old lady" of Democratic politics in Ohio. She has been State Treasurer for many years. She is not expected to seek reelection, and can, therefore, be relied on for a frank and accurate reading on Ohio politics. Among Ohio Pols, she is well-liked personally, as well as respected for her political judgment. In 1976, Donahey headed the uncommitted at-large slate of delegates put together by the state party. In 1980, Donahey can be expected to support your reelection, mostly because she is a loyal partisan. In spirit if not in title, Donahey is the leader of the Democratic Federation of Women in Ohio. These women--a valuable source of campaign workers-- rally to her call.

NOTES: Coming all right = rumblings N. Ohio = will have time in 1980 to help Pres = Types - SBA, etc appointments - Primary election Tues.

Kenneth Rothman
Jefferson City, Missouri
(o) 314/751-3000 (Tuesday-Thursday)
(h) 314/395-4800 (Tuesday-Thursday)
(o) 314/727-6400 (Friday-Monday)
(h) 314/863-4433 (Friday-Monday)

Tim

5/31/79

Rothman is the Speaker of the Missouri House. He represents a district in St. Louis County. He has been very supportive of you and is not shy about expressing his support. He should be asked about the Missouri political situation, and the atmosphere in the Missouri House. He should be thanked for his successful efforts to block a constitutional convention bill from coming out of committee in the House. The Speaker feels he knows you personally; has met you a number of times over the past nine years; he first met you when you were Governor in 1970.

NOTES: "Scott Burnett good man - a good listener = Pres courageous - not demagogue = Concern re energy = Prop 13' transient - no pressure to cut good programs = Be a tough leader. Don't come across too nice."

THE WHITE HOUSE
WASHINGTON

31 May 79

Tim Kraft
ARnie Miller

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

Rick Hutcheson

The originals have been given
to Bob Linder for handling.

2333

THE WHITE HOUSE

WASHINGTON

May 24, 1979

MEMORANDUM FOR THE PRESIDENT

FROM:

TIM KRAFT ^{TK}
ARNIE MILLER ^{AM}

SUBJECT: Presidential Appointments

The President's Commission on Executive Exchange was established to develop an executive exchange program between Federal government and private industry. Each year, a small number of federal employees take positions in the private sector and a small number of industry executives are placed in government positions.

The Commission directs and monitors each year's program. Members of the Commission are appointed by you to serve two year terms.

Attached is an order to appoint the following candidates representing the federal government and the private sector for appointment as Members of the Commission for a term of two years. An order is necessary due to the fact that there is to be a meeting of this Commission on May 31. However, commissions to appoint the Members have been ordered and we recommend your approval of the order and commissions:

_____ approve _____ disapprove

Also attached is an order designating R. E. Kirby, Chairman of Westinghouse Electric Corporation, to be Chairman of this Commission:

_____ approve _____ disapprove

Government Representatives:

Robert Carswell, Deputy Secretary of Treasury, vice David Hoopes, term expired.

Tyrone Brown, Member, Federal Communications Commission, vice William W. Nicholson, term expired.

Charles William Duncan, Jr., Deputy Secretary of Defense, vice Georgiana Sheldon, term expired.

Jule M. Sugarman, Deputy Director, Office of Personnel Management, vice Jayne B. Spain, term expired.

John M. Sullivan, Administrator of the Federal Railroad Administration, vice Robert W. Fri, term expired.

James H. Williams, Deputy Secretary of Agriculture, vice Arthur A. Fletcher, term expired.

Public Members:

Jason S. Berman, of Maryland, vice Robert Davis, term expired.

Thomas Hale Boggs, Jr., of Maryland, vice Red Cavaney, term expired.

Donald G. Brennan, of New York, for reappointment.

Andrew F. Brimmer, of the District of Columbia.

Francis J. Bruzda, of Pennsylvania, vice Stanton Anderson, term expired.

John C. Collet, of Missouri, for reappointment.

Joseph N. Gomez, of Illinois, vice Douglas Bennett, term expired.

R. E. Kirby, of Pennsylvania, vice Maxwell Stanley, term expired.

Melinda L. Lloyd, of New York, vice John Reidman, term expired.

James Patterson Low, of Virginia, for reappointment.

William F. McSweeney, of the District of Columbia, vice William Letson, term expired.

Mariano J. Mier, of Puerto Rico, vice Edwin Harper, term expired.

Robert N. C. Nix, of Pennsylvania.

J. S. Parker, of Connecticut.

Michael V. Rogers, of Kansas.

James Roosevelt, of California, for reappointment.

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William B. Schwartz, III, of Georgia.

Hobart Taylor, Jr., of the District of Columbia.

James Franklin Sasser, of Florida.

Marietta Tree, of New York.

All necessary checks have been completed.

Mr. Berman is President of Berman and Associates, a public relations and public affairs consulting firm.

Mr. Boggs is a Partner in the law firm of Patton, Boggs & Blow.

Mr. Brennan is Director of the National Security Studies, Hudson Institute.

Mr. Brimmer is President of Brimmer & Company, Inc., and is a former Governor of the Federal Reserve Board.

Mr. Bruzda is Executive Vice President of the Girard Bank in Philadelphia.

Mr. Collet is President of the Rupert Manufacturing Company, Blue Springs, Missouri and a former Chairman of this Commission.

Mr. Gomez is Marketing Executive for the Chicago Alliance of Businessmen, a manpower training program.

Mr. Kirby is Chairman of Westinghouse Electric Corporation in Pittsburgh and also Chairman of the Federal Reserve Bank of Cleveland.

Ms. Lloyd is Director of Corporate Planning at Sperry and Hutchinsons and President of the Financial Women's Association.

Mr. Low is President of the American Society of Association Executives.

Mr. McSweeney is President of the Occidental International Corporation and was a Special Assistant to the Postmaster General.

Mr. Mier is Chairman of the Board of Directors of the Bache Securities Corporation of Puerto Rico; previously served as President of the Puerto Rico Government Development

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Mr. Nix is an Attorney and a former Congressman from Pennsylvania.

Mr. Rogers is President and Auditing Division Director of Varney, Mills, Rogers, Burnett and Associates, Certified Public Accountants in Manhattan, Kansas.

Mr. Roosevelt is President of James Roosevelt & Company, a business and financial consulting firm in Newport Beach, California.

Mr. Schwartz is Corporate Officer of the First National Bank of Georgia.

Mr. Taylor is a Partner in the firm of Dawson, Riddell, Taylor, Davis and Holroyd, Attorneys. He is also a former Director of the Export-Import Bank of the United States.

Ms. Tree is a Partner in the firm of Llewelyn-Davies Associates, City Planners in New York.

THE WHITE HOUSE
WASHINGTON

31 May 79

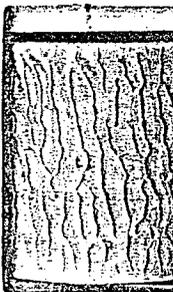
Chariman Campbell
Stu Eizenstat

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

Rick Hutcheson

Frank Moore
Jim McIntyre

2254



THE WHITE HOUSE
WASHINGTON

5/30/79

Mr. President:

Schultze, McIntyre and
Eizenstat concur.

Congressional Liaison has
no comment.

Stu's memo (attached) points
out that congressmen from
the affected areas are
likely to oppose any change
in COLA.

Rick

FOR ACTION
FYI

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

VICE PRESIDENT

JORDAN

/ EIZENSTAT

KRAFT

LIPSHUTZ

/ MOORE

POWELL

RAFSHOON

WATSON

WEXLER

BRZEZINSKI

/ MCINTYRE

SCHULTZE

ADAMS

ANDRUS

BELL

BERGLAND

BLUMENTHAL

BROWN

CALIFANO

HARRIS

KREPS

MARSHALL

SCHLESINGER

STRAUSS

VANCE

ARONSON

BUTLER

H. CARTER

CLOUGH

CRUIKSHANK

FIRST LADY

HARDEN

HERNANDEZ

HUTCHESON

KAHN

LINDER

MARTIN

MILLER

MOE

PETERSON

PETTIGREW

PRESS

SANDERS

WARREN

WEDDINGTON

WISE

VOORDE

/ ~~W~~ CAMPBELL

ADMIN. CONFIDEN.

CONFIDENTIAL

SECRET

EYES ONLY

United States of America
**Office of
Personnel Management**

Washington, D.C. 20415

MAY 24 1979

In Reply Refer To:

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J
Your Reference:

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Review of Cost of Living Allowance Program and
Post Differential Program

As directed by you in Executive Order 12070, we have completed a review of the statute which authorizes the payment of additional compensation to white-collar Federal civilian employees with duty posts in Alaska, Hawaii, Puerto Rico, Guam, and the Virgin Islands. The additional compensation is based on the extent to which living costs in each area exceed costs in Washington, D.C., or the extent to which environmental conditions differ significantly from mainland U.S. conditions.

Based on our analysis of the impact of the statute on the Government's ability to meet its staffing needs relative to the non-Federal labor market, and the changes in employee compensation practices that will result from enactment of pay reform legislation, we have concluded that the statute should be repealed.

The statute was enacted in 1948, and replaced a very general authority that agencies had been using during World War II to increase pay to help meet staffing needs outside the then 48 United States. Generally, local labor markets in various allowance areas were not able to satisfy all the Federal manpower demands. Recruiting for salaried workers from the mainland U.S., for example, ranged from about 50 percent of the workforce in Hawaii to over 70 percent in Alaska.

Federal pay and benefits have undergone significant improvement since 1948. Except for Alaska, Federal pay is competitive with local pay in all allowance areas. Federal/private pay imbalances in Alaska, however, are a major factor contributing to chronic staffing problems. Local labor markets have expanded to the point where most Federal positions below managerial/supervisory levels have been filled by local hires. Again excluding Alaska, agencies reported hiring only 10-13 percent of the workforce from the mainland. In Alaska, this figure is 28 percent, where the difficulty lies in retaining employees once hired.

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for Preservation Purposes**

We find that

-paying additional compensation on an across-the-board basis in all areas solely because of living cost differences is no longer necessary to meet Federal staffing needs;

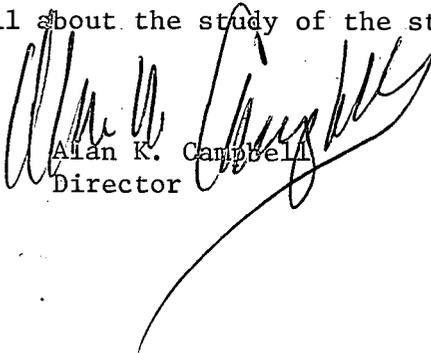
- allowance payments when combined with basic pay result in total Federal pay significantly exceeding non-Federal pay in all areas except Alaska. (Total Federal pay is about 15 percent higher in Hawaii and, as a minimum, about 25 percent higher in Puerto Rico, Guam and the Virgin Islands, while in Alaska, it is as much as 25 percent below local pay.)

The statute long ago outlived its usefulness. It contributes both to overpayment and underpayment of Federal employees relative to other workers and is resulting in unnecessary expenditures of scarce dollars. Total program costs amount to about \$100 million a year. All this would not be saved, however, if the statute were repealed. Payroll costs would increase substantially in Alaska if the shift is made from nationwide pay rates to locally determined rates under the pay reform proposal. The reduction in costs in the other areas would offset the increase in Alaska costs, so that there would be an estimated \$30 million annual reduction in costs if the statute is repealed.

Under pay reform, as previously approved by you, Federal pay will be geared to local pay in discrete pay areas. Therefore, Federal employers in the 48 contiguous United States as well as in the allowance areas will be in the same labor market competitive position as non-Federal employers. We believe this approach, combined with pay flexibility to overcome staffing problems, will enable Federal agencies to meet staffing requirements without payment of unwarranted extra compensation. Major agency employers in the allowance areas, including Defense, support this approach.

We have, therefore, included repeal language in the pay reform legislation. It is not possible, of course, to predict the final shape of the pay reform bill when it emerges from the legislative process. Depending on the bill's final form we may find it necessary to propose for your consideration changes in the current statute to make it more equitable and in Executive order guidance for program administration.

The attachment provides greater detail about the study of the statute and its administration.


Alan K. Campbell
Director

Attachment

THE WHITE HOUSE

WASHINGTON

May 30, 1979

MEMORANDUM FOR: THE PRESIDENT

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

SUBJECT: Campbell Memo re Cost of Living Allowance Program

We concur with Scotty Campbell's recommendation that the present Cost of Living Allowance (COLA) program for federal employees be repealed as part of our pay reform legislation. In your original memorandum to Scotty asking that he review COLA, you noted that there was a "new awareness of fundamental problems". As Scotty outlines in his memo, the policy arguments for repeal of COLA are overwhelming. Consistent with the thrust of the pay reform legislation which you have already approved, federal employees living in Alaska, Hawaii, etc. should have their pay based on a comparison with what non-government workers make in the local area. It is unfair and ill-advised to use COLA to inflate federal employee pay higher than non-federal employee pay in these areas. The vast majority of federal employees who work on the mainland have never received such COLA payments, despite the fact that the cost of living between different mainland cities in recent years has varied even more than between COLA areas and mainland cities. If there is a need for additional pay to attract people to places like Alaska beyond what local pay rates would yield, the pay reform legislation allows additional payment in selected occupational categories. However, most federal staffing needs can today be met from local hires, unlike the situation when COLA was first adopted.

Although we concur in Scotty's recommendation, we should point out that there will be some political heat from the affected areas. Thus Senator Stevens of Alaska, Congressman Heftel of Hawaii, and Representatives Corrada and Evans from Puerto Rico and the Virgin Islands respectively, will probably oppose any change in COLA. At least one response can be that there will be a 5-year phase-in period for the COLA reduction, and no federal employee presently receiving COLA will have his take-home compensation reduced by this move. As Scotty points out, the overall federal payroll savings will eventually be \$30 million annually.

Review of Cost of Living Allowance Program
and Post Differential Program - Nonforeign Areas

Introduction

Under section 5941 of title 5, United States Code, a cost of living allowance (COLA) and post differential are payable to Federal civilian employees whose rates of pay are set by statute and who work in Alaska, Hawaii, the Commonwealth of Puerto Rico, or U.S. territories and possessions (the so-called nonforeign areas or COLA areas). Under the law, COLA may be authorized when local living costs in a nonforeign area are substantially higher than living costs in Washington, D.C. A post differential may be authorized when local conditions of environment differ substantially from conditions in the continental United States and warrant a differential as a recruitment incentive.

Scope of Review

In the last few years controversy and dissatisfaction has arisen over several aspects of the COLA program. One in particular is the practice of reducing COLA rates for employees with access to commissary/post exchange facilities or Federal housing. This practice was implemented, beginning in 1974, as required by section 205(b)(2) of E.O. 10,000, as amended. The COLA reductions stemming from sec. 205(b)(2) and various aspects of the methodology used to determine living cost indexes have been challenged in several lawsuits brought against the OPM, which are still pending.

An additional area of controversy is related to the nature of the allowance program as the statute intends for it to operate. Allowance payments are based on the differences in living costs between Washington, D.C., and an allowance area. Living cost differences between two widely separated areas are subject to a variety of influences and as such, will fluctuate from time to time. Since 1974, economic conditions affecting the U.S. economy have resulted in extraordinary increases in the cost of consumer goods and services. While this has affected the country as a whole, the specific impact from place to place has varied depending somewhat on local factors.

These economic conditions have resulted in more frequent changes in the cost relatives between Washington, D.C., and the various allowance areas. In some instances allowance rates have been increased, while in others the rates have been reduced. Allowance reductions, in effect, a reduction in employee compensation, have been occurring in the face of significant increases in the cost of living in an allowance area. It

is difficult for employees to accept a reduction in compensation when prices are rising and this has triggered dissatisfaction with the program and its methodology.

In 1976 the U.S. Comptroller General published a report (B-146800) titled "Policy of Paying Cost-of-living Allowances to Federal Employees in Nonforeign Areas Should Be Changed." The report stated that COLA is no longer an appropriate compensation program because it conflicts with the Federal Government's overall pay policies. It was recommended that special salary rates under 5 U.S.C. 5303 be used in lieu of COLA to overcome any recruitment or retention problems due to higher private sector pay levels. The report also stated that as long as the COLA program remained in effect certain administrative changes were needed to better achieve the intent of the program.

In recognition of these developments, the President issued Executive Order 12070 on June 30, 1978, which temporarily suspended the application of section 205(b)(2) of Executive Order 10,000, except for employees whose access to such facilities resulted directly from their current Federal civilian employment. In the Executive order and in a Memorandum to the Director of OPM, the President also directed the OPM to conduct a study of compensation problems associated with 5 U.S.C. 5941, and to evaluate the practice of paying additional compensation based on living costs and environmental factors in relation to other compensation programs and benefits. Section 205(b)(2) is to remain suspended until the President has considered the study findings and recommendations.

In light of the above developments, this review covered both specific aspects of the present implementation of 5 U.S.C. 5941 and broader questions related to the identification of compensation policies for the nonforeign areas that meet the goals of the Federal compensation system and are consistent with the Government's compensation philosophy as expressed by Congress. The review included examinations of the administration of the COLA and post differential programs, techniques for living cost measurement and comparison, Federal and non-Federal pay comparisons, Federal staffing needs and labor market factors, and alternative means of compensating employees in the nonforeign areas. Non-Federal pay data were obtained for Hawaii, Alaska, Puerto Rico and Guam. Comments and suggestions were solicited from the public and interested parties on related issues via a notice published in the Federal Register, a Bulletin distributed to agencies, letters sent to union and Congressional representatives, and letters to non-Federal employers who participated in the pay surveys in Alaska and Hawaii.

Basic Conclusion

After consideration of the changes in Federal compensation that will result from implementation of the proposed compensation reform legislation and other factors, we have concluded that the COLA/post differential statute should be repealed. Our reasons for recommending repeal are outlined below.

Statute is obsolete

The statute was enacted in 1948 during a time when Federal pay practices and local labor market conditions were significantly different from today's situation, and it was believed to be necessary to offer additional compensation as a recruiting incentive to fill positions outside the mainland United States.

At that time, for example, agencies in Alaska employed about 70 percent of General Schedule (GS) hires from the mainland U.S., while about 81 percent of wage system employees were from the mainland. In late 1978, agencies reported a need to hire only 28 percent of their white-collar employees from the mainland.

For Hawaii, in the mid-1940's about 42 percent of both the GS and wage employees were hired from the mainland. The most recent data reported by agencies show a need to hire, in total, only about 10 percent of the General Schedule employees from the mainland.

Previous years' data for Puerto Rico are not clear; however, agencies report that only 13 percent of total white-collar employment currently is from the mainland.

Table 1 attached shows that the need to hire from the mainland varies from agency to agency. This variation, however, is not necessarily related to inadequate local labor market conditions in the nonforeign areas, although this is true for some occupations. Moreover, for some agencies the number of employees transferred from the mainland is related to the internal placement or promotion practices of those agencies.

For example, many of the positions identified as being filled by out-of-area employees are managerial/supervisory positions that are filled on a career placement basis. These same positions exist also in mainland field offices of the same agencies and employees in those positions have been transferred to fill them and thus could also be identified as "out-of-area hires".

Positions in engineering, science and other highly technical fields also are filled by mainland recruits. It should be noted, however, that recruitment for these positions is generally done on a nationwide basis. It is not at all uncommon to find positions of this type throughout the Federal service filled by employees who have relocated.

Thus, when looked at in the context of agency career staffing practices and the typical broad area recruiting for some occupations, the need to recruit out of area in the nonforeign areas is not significantly different from recruiting in the contiguous 48 States. Accordingly, providing extra compensation to meet general staffing needs based solely on living

costs or environmental differences is no longer necessary and has not been so for many years. It may be necessary to offer additional compensation on a selected basis to meet specific staffing needs but it is no longer required on an all occupation basis. Matching local rates in Alaska and the other locations will enable us to meet almost all recruiting needs from the local labor markets.

Not consistent with the comparability principle

Since 1962, Federal white-collar pay has been based on the principle of comparability with private pay. This means that other factors such as cost of living, standard of living, or productivity are not considered directly in establishing basic Federal pay. To the extent that private employers take these or any other factors into consideration in fixing pay, then these same factors are implicitly included in Federal pay.

Adjusting pay based on living costs introduces into the compensation program the concept of pay based on employee needs. While this, of course, is a valid concept for an employer to consider, the fact remains that every group that has evaluated Federal pay practices since 1962 has endorsed the comparability principle.

We also endorse and support comparability and believe that it should be extended throughout the domestic service.

Programs result in internal inequities

The additional compensation stemming from the COLA and post differential is geographically oriented and accrues automatically to eligible employees regardless of the particular position or working conditions, or the Government's competitive position in the labor market. The same factors that give rise to the COLA and post differential in nonforeign areas can be applied also to thousands of Federal workers in the contiguous 48 States.

About two percent of total white-collar employment is in the nonforeign areas. A review of living cost factors affecting the 98 percent of the salaried Federal employees in the contiguous 48 States shows that many more of them are affected by living cost extremes than are affected in the nonforeign areas. In the three Standard Metropolitan Statistical Areas of Boston, New York and San Francisco-Oakland alone - cities with living costs well above the national average - there are about 83,000 salaried employees, or roughly two-and-a-half times as many as the 30,000 in all the nonforeign areas combined.

Based on BLS's Urban Family Budget data, the intermediate total budget in Anchorage is 33 percent higher than in Washington, D.C. At the same budget level however, Boston is 35 percent higher than Dallas. On an index basis, Boston at 120 and Honolulu at 122 are not significantly different.

Pay rates for Postal Service workers are now subject to negotiation and the Postal Service has the flexibility to adjust pay where warranted to meet staffing needs. Cost of living escalator clauses based on changes in the CPI are included in current contracts. Thus, Postal Service workers in nonforeign areas receive additional pay based on increases in living costs as measured by the CPI as well as increases based on living cost differences as measured by the COLA program.

From the perspective of internal equity, there is no rational justification for continuing to provide additional compensation to employees in the nonforeign areas based on living cost factors alone while at the same time not recognizing those same factors for other employees in the 48 contiguous States.

The post differential program presents different conceptual problems. Under this program, extra pay is based on the extent to which physical, environmental, health or sanitary factors generate hardships and unusual living conditions that differ significantly from conditions in the contiguous United States. The statute specifically identifies the differential as a recruiting and retention incentive; however, staffing conditions are not considered specifically in establishing or adjusting differential rates. Rather, the environmental conditions have been evaluated and a differential has been approved if warranted on the assumption that staffing problems would materialize if extra compensation were not paid.

The differential is paid to all nonlocal hires regardless of any problems in staffing the positions. Once paid it continues as long as the employee remains in the area regardless of any changes in labor market conditions or of the fact that some employees have been considered nonlocal hires for 10 years or longer.

Within the contiguous 48 States, employees are subject to a wide variety of climate extremes, remoteness and other environmental conditions. Yet, they receive no additional compensation because of those factors or merely because they may have been employed from some other location.

COLA results in overpayment and underpayment of Federal employees relative to non-Federal employees

While living costs and pay rates vary throughout the country, BLS has found in its studies very low correlation between local living costs and local pay. Accordingly, it is to be expected that if Federal pay is based on local non-Federal pay the resulting rates will not necessarily match local living costs. Conversely, if Federal pay is based on local living costs, these rates will not necessarily match local non-Federal pay rates.

The following table drawn from BLS data will illustrate the private pay - living cost differences for clerical workers in selected locations:

TABLE A

<u>Location</u>	<u>Lower Urban Budget*</u>	<u>Private Pay Relative*</u>	<u>Percent Pay Difference</u>
Boston	110	97	-12
Detroit	99	118	+19
Anchorage	166	143	-14
Pittsburgh	97	106	+ 9
Houston	95	102	+ 7
Atlanta	92	103	+12

*Nationwide equals 100

Using the BLS data shown above, local pay, at least for clerical workers, does not relate very closely to local living costs. Although the two may be fairly close in some locations, there will be significant differences in other areas.

Using the GS-4 level for comparison purposes, pay relatives for local pay and nationwide GS-4 pay from the PATC survey are shown below and are compared with living cost relatives in the four nonforeign locations shown.

TABLE B

<u>Location</u>	<u>Local/National PATC Pay Relatives</u>	<u>Living* Cost Relatives</u>	<u>Living Cost/ Private Pay Differences</u>
Anchorage	154	166	+12
Honolulu	105	127	+22
Puerto Rico	81	112	+31
Guam	81	115	+34

*For Anchorage and Honolulu the indexes are BLS's Lower Urban Budget series. The indexes for Puerto Rico and Guam are OPM's COLA indexes rebased to a national average since BLS budgets are not computed for those locations.

This table shows for the allowance areas the same basic situation illustrated for locations in the contiguous 48 States in the previous table. Private pay in nonforeign locations is above and below the national average but in no case is private pay high enough to match the living cost relatives.

Table 2, attached, shows the Federal/non-Federal pay comparisons in the nonforeign areas where COLA is being paid. It can be seen from Table 2 that in Alaska, even with the maximum 25 percent COLA currently being paid, Federal rates are significantly below non-Federal pay. Using our COLA index of 124.1 for Anchorage, however, the 25 percent allowance adequately compensates employees for the living cost differences between there and Washington, D.C. It is the pay difference, however, that creates barriers to staffing Federal positions in the State and may be a factor contributing to significant turnover and the need for a large number of out-of-area hires.

Thus, employees in Anchorage are being adequately compensated for living cost differences but fall far short of local pay comparability with or without COLA.

The other allowance areas are in sharp contrast with the Alaska situation. With COLA added, Federal pay significantly exceeds average private pay. Of course, Federal pay rate comparisons with non-Federal pay are conditioned on the survey universe, inclusion of state and local government data, the weighting scheme, and payline estimating techniques. These factors must be applied to each location in order to produce data that would be valid for pay-fixing purposes. Based on the limited data available at this time, it appears that the regular nationwide General Schedule rates are competitive in Hawaii and significantly exceed local pay in Puerto Rico, Guam and the Virgin Islands.

Significant payroll cost reductions could be realized through a combination of local comparability and repeal of COLA

At the present time, COLA payments for all allowance areas amount to about \$100 million a year. Since the allowance is paid as a percentage of base pay, allowance costs increase automatically whenever base pay increases. Costs also increase, of course, if the allowance rate is increased.

If COLA were replaced by Federal pay being equated to local pay in the allowance areas, that is, local comparability as proposed under the pay reform bill, we estimate that payroll savings would amount to about \$29 million a year when fully implemented.

Payroll Cost Summary

(millions of dollars)

	<u>Base Pay</u>	<u>COLA</u>
Alaska	+75.0	-40.6
Hawaii	No change	-34.4
Puerto Rico	-14.5	- 8.3
Guam and Virgin Islands	<u>- 3.0</u>	<u>- 3.0</u>
	+57.5	-86.3

Overall Payroll Difference -28.8

In Alaska, a shift to local comparability could result in base pay (excluding COLA) being increased as much as 50 percent over current levels. In fact, for certain clerical positions in Alaska it has been necessary to approve special salary rates because of labor market pay competition problems. A combination of special rates plus COLA has produced compensation for those jobs that is as much as 46 percent higher than current base rates alone. Since COLA currently is at 25 percent of base pay, up to an additional 25 percent would be required to be reasonably comparable with local rates. Thus, payroll costs could increase \$30-35 million in Alaska.

We do not have enough pay data on the other allowance areas to give more than a general indicator of the payroll cost impact of local comparability vs COLA and nationwide rates.

In Puerto Rico, as Table 2 shows, basic Federal pay currently is as a minimum 15 percent above non-Federal pay. For Hawaii, much would depend on the survey universe and the private-local government mix in determining local comparability; however, we believe that basic pay would change only slightly if at all.

It is recognized that it may be necessary to continue to offer additional compensation in order to adequately staff some locations with qualified employees in some occupations. Setting Federal pay based on local non-Federal pay will not necessarily produce compensation high enough to attract some skilled individuals to Federal employment. This will be true for positions within as well as outside the contiguous 48 States. It is for this reason that we are proposing in the pay reform bill enactment of a broader pay flexibility which will enable the Government to offer additional compensation where warranted because of significant staffing problems.

Discussion

The draft pay reform bill includes a provision that will result in closer external alignment of Federal pay with non-Federal pay. This will be accomplished by eliminating the nationwide schedule of rates and instead relating Federal pay to local non-Federal pay in discrete geographic pay areas.

Since it would not be appropriate to pay additional compensation based on living costs on top of local pay rates, the draft bill should contain language that would repeal the COLA statute. Postal Service has requested that language be included in the pay reform proposal which would remove USPS employees from coverage of the COLA and post differential programs.

It is recognized, as pointed out earlier, that it may still be necessary to provide additional compensation in order to staff certain positions with well-qualified employees. Additional pay will be needed in places like Wake Island and Johnston Island based on environmental factors. It may be needed because of a shortage of nuclear engineers at Pearl Harbor or agricultural scientists in Puerto Rico. Extra pay, however, will not be needed across-the-board solely because of living costs or environmental factors.

Table 1 shows that the majority of the Federal workforce in the non-foreign areas consists of local hires. Being competitive with local employers in each allowance area will put us in the same relative posture in those labor markets as we will be in the contiguous 48 States when local comparability is implemented. This concept has worked very well for FWS employees in the nonforeign areas and we see no reason why it will not work as well for the white-collar workforce in the nonforeign areas.

If staffing problems materialize in any location within or outside the contiguous 48 States, the draft pay reform bill contains a provision that will permit payment of a staffing differential to help overcome those staffing problems. With this expanded pay flexibility combined with local comparability, the COLA/post differential statute will be superfluous.

Puerto Rico Considerations

It should be noted that available data show that the general level of non-Federal pay in Puerto Rico is quite low compared to current nationwide General Schedule pay rates. Local comparability, therefore, would result in a reduction in Federal pay within the Commonwealth. (This is also the situation in the Virgin Islands and on Guam but there is some question as to whether valid survey data could be collected in those locations because of the limited local economy.)

We have examined available BLS data to try to put the Puerto Rico situation in perspective in terms of other locations within the 48 contiguous States. Again comparing office clerical workers, BLS data show that Puerto Rico has a pay relative of 79 against a U.S. base of 100 using average pay in 262 SMSA's. There were 16 cities/locations with pay relatives of 85 and below. Six of these were below 80. Northern New York State, for example, was at 82; Laredo, Texas at 77; Macon, Ga. at 79; Southern Idaho at 83. Clarksville-Hopkinsville, Tenn.-Ky. at 75 was the lowest.

Thus, Federal pay in many areas will be reduced because of local comparability in and of itself. Total compensation comparability will have its impact as well. While Puerto Rico will be at one extreme in terms of lower pay in view of the significantly large proportion of local hires which comprise the current Federal workforce, we are not aware of any special labor market factors that would require any special pay treatment for the Commonwealth. None of the major agencies that support local comparability suggested any specific factors that would require separate pay judgments for Puerto Rico.

Comments on request for views on statute

In response to our publication of a Federal Register Notice and OPM Bulletin soliciting comments, we received a total of some 3375 replies from agencies, employees, unions, Congressional sources, Federal executive organizations, and other sources. As near as we could tell, only two responses were from private individuals not connected with the Federal service. The following represents the views expressed as to whether continuation of the practice of fixing pay based on living cost factors is warranted:

Employee views

The general consensus among employees in Alaska is that the COLA program combined with nationwide basic pay does not provide adequate compensation relative to their non-Federal counterparts. Therefore, the majority recommended that Federal pay in Alaska be related to local non-Federal pay.

For all other locations where local non-Federal pay is below local living cost indicators and also at or below current regular Federal pay, almost all employees stated, in effect, that higher living costs generated a need for higher pay. Most believe that COLA should be continued and proposed improvements that would have the effect of increasing allowance rates.

Agency views

Nine agencies provided comments. These nine collectively employ over 90 percent of the Federal workforce in the nonforeign areas. Department of Energy stated that it had no comments. The comments outlined below are related only to the issue of whether compensation should be based on cost of living factors or on local comparability.

- Defense - supports pay reform - local pay
- Justice - supports pay reform - local pay
- HEW - supports pay reform - local pay
- GSA - supports pay reform - local pay
- Commerce - supports local pay
- GAO - reconfirmed earlier recommendation that statute should be repealed

- Transportation - "Federal pay should equate to, but not exceed, equivalent non-Federal pay levels".

- Agriculture - Stated that Alaska is a special problem because of very high local pay and living costs. Does not believe COLA is needed in other locations to be competitive.

- Interior - Recommended that current system of COLA plus nationwide rates be continued in fixing compensation pay in the nonforeign areas.

Congressional views

As with the agency summary, the Congressional summary covers only the issue of whether compensation should be based on cost of living factors or based on local comparability.

- | | |
|--|--|
| Senator Inouye (Hawaii) | - Appears to support local comparability but only if done on a nationwide basis and not have the nonforeign areas singled out. |
| Senator Stevens and Rep. Young (Alaska)
(Letter signed jointly) | - Lower grades should reflect local pay. Higher grades should continue to be based upon nationwide rates. This recommendation is based on removal of the 25 percent limit on COLA. If this limit is not removed, would favor using local wage scales for all grade levels. |
| Senator Gravel (Alaska) | - Strongly supports local comparability. |
| Rep. Heftel (Hawaii) | - A combination of nationwide regular pay plus COLA should continue in effect for the non-foreign areas. Stated that he chose not to comment on the issue of setting Federal pay based on local comparability until the question has been received and acted on by the Congress. |
| Rep. Akaka (Hawaii) | - Supports continuation of COLA program. |
| Delegate Corrada
(Puerto Rico) | - Supports continuation of COLA program. |
| Delegate Evans
(Virgin Islands) | - Did not specifically address the issue but based on letter it is assumed that he supports continuation of COLA. |

Union views

Again, only comments on the issue of COLA vs local comparability are presented.

- | | |
|---|---|
| AFL/CIO | - Does not favor local comparability. |
| National Treasury
Employees Union | - Recommends that present system remain as is. |
| Professional Air
Traffic Controllers
Organization | - "PATCO feels a more realistic way to approach this would be a difference of the Federal basic pay rate in that particular or specific occupation in the nonforeign area, compared to the local non-federal pay for that occupation in that area." |
| National Association
of Air Traffic
Specialists
(Alaska Chapter) | - Adjust compensation to local conditions. |

Improvements in program administration

In the event repeal is unsuccessful, we should be prepared to make needed improvements in both the cost of living allowance program and the post differential program. Before proceeding, we have an obligation to seek views and comments from agencies, employees, and unions on the proposed changes before a final OPM decision can be reached on the details. Changes we believe to be warranted are outlined below:

Cost of living allowance program1. Update expenditure categories and weights

This was last done in 1972. Since then, BLS has completed a consumer expenditure survey (CES) (1972-73) and the results have recently been published. CES data are used by BLS in its administration of the Consumer Price Index (CPI) program and other economic measurements. The CES data for Washington, D.C., have formed the basis for the current categories and weighting scheme being used in the COLA program since about 1955 and we propose to continue to use that data for the future.

One of the problems in the past has been the establishment of some procedure whereby the weights assigned to the various categories and items could be updated on a regular basis between those periods when consumer expenditure surveys are conducted and results published. After discussions with BLS, we have decided that the most valid approach would be to adopt the same method that BLS uses to update the weights used in the

CPI. BLS updates the CPI weights annually based on an analysis of the relative movement of prices between the various expenditure categories. This was the approach used in the 1972 update of the COLA weights. We propose, therefore, to update the COLA program weights on an annual basis using the CPI data made comparable to the COLA system.

2. Update COLA indexes based on Consumer Price Index Changes

The COLA program methodology measures the relative differences in prices between Washington, D.C., and each allowance area. Once a base survey is completed, subsequent COLA surveys, in effect, measure the relative change in price level movements between the two locations. The Consumer Price Index (CPI) measures the change in prices in a single location over time. By comparing the CPI findings for two different cities it is possible to estimate the relative movement of prices between those two locations.

Our analysis of CPI data and discussions with BLS have led us to the conclusion that it would be feasible and technically valid to use CPI data to update the base year COLA indexes for those allowance areas where CPI data exist. At this time, this includes Washington, D.C., Honolulu, Anchorage, Fairbanks and Puerto Rico. The government of Guam started a CPI a few years ago and we are continuing our analysis of that program to determine its usefulness. Also, the Virgin Islands government has started a CPI program but it is not far enough along to be useful at this time.

Almost 82 percent of the 35,000 employees eligible for COLA are in those four locations where usable CPI data are available. For the other locations we would need to follow current procedures and conduct pricing surveys for each annual review.

Using the CPI data to update the COLA base indexes has several advantages:

- 1) It would reduce the frequency of contacts with private business establishments in collecting price data. With so many organizations conducting surveys there is a growing resistance on the part of business establishments to participate. There is also the added problem of confidentiality of the survey data which also creates data collection problems. CPI raw data are kept confidential.
- 2) There would be a slight reduction of about \$10,000 a year in overhead cost associated with conducting the surveys.
- 3) Since published CPI data would be used, the data would be available to employees, unions, and the like for review. Also, the collection and analysis of the CPI data would be conducted by BLS completely independent of OPM. This should help improve confidence in the COLA program.

4) Data analysis, publication of findings and adjustments in allowance rates could be completed more quickly than under the present system.

3. Expand coverage of housing cost surveys to include all employees

For many years, housing cost data has been collected only from married male employees. This approach was based on the COLA program's orientation toward typical family expenditures and since the majority of employees are married, that group would reflect the costs experienced by the majority of employees.

There have been strong feelings expressed by employees and others that the housing cost sample should be more reflective of the general employee population. Since equally valid cost comparisons can be produced under either approach, i.e., married males vs. general population, there are no technical reasons why the change should not be adopted.

Therefore, we propose to expand the housing cost survey to include all employees living in households where income is primarily from Federal employment. Households surveyed would include single persons as well as multi-person households.

4. Adopt the spendable income concept in payment of allowances

The spendable income concept is based on the fact that 100 percent of income is not spent on consumable goods and services, and that as income rises, the proportion spent on consumption items falls. The data used to identify this relation come from BLS Consumer Expenditure Surveys. Since COLA payments are intended to offset price level differences for those consumer items that may be affected by inter-area prices and costs, it has been argued that the allowance should not be paid on that part of salary which is not spent on consumer goods and services. This would include for example, Federal income taxes, and retirement and insurance contributions.

COLA allowances have been paid on 100 percent of base pay, on the assumption that all of base pay is spent on consumer goods and services affected by inter-area price differences. In reality, such is not the case.

Both the State Department and the Department of Defense use the spendable income approach in paying cost of living allowances under their respective programs. Also, most private firms that pay cost of living allowances overseas also base the payments on spendable income. GAO has recommended that the concept be adopted for the nonforeign area program.

While there may be valid technical reasons for using spendable income as the basis for setting COLA rates, we are not recommending that the concept be included as part of our program at this time. We have gone through a very extended period of turmoil in the COLA program. There can be no question that morale among the affected employees is at a low ebb because of the changes we have made over the past few years. Frankly, we are of the view that no further administrative changes of an adverse nature should be made for the time being. We hope that the proposed combined actions of paying local rates and eliminating COLA by statutory action will take care of the problem. If not, we would propose waiting until at least 2-3 years after the current turmoil has subsided to study the situation and determine what, if any, further administrative changes should be made. In any event, while the GAO arguments for adopting the spendable income approach appear to have merit, there also appear to be reasonable arguments on the side of continuing the present practice, and we would want to be absolutely sure of our position before adopting such a controversial change.

5. Inclusion of state and local taxes

Employees in Alaska, Hawaii and Puerto Rico have suggested that state and local income taxes should be considered in determining the living cost differences between Washington, D.C., and those locations. This recommendation was made by GAO as well.

At the present time, real estate taxes, sales and use taxes, (such as auto license fees and road taxes), and excise taxes are considered to the extent they affect the price and cost of consumer goods and services. State or local income taxes, however, have not been included in the measurement.

Our preliminary review of the possibility of including state and local income taxes has led to the conclusion that it may be technically possible to do so but would be a very complex process. Moreover, in order to be equitable, it appears that it would be necessary to consider all the major tax categories as a group. This would mean that real estate, sales, gasoline, income and other major taxes would be combined in order to identify the total tax obligation.

State and local governments derive their revenue from a variety of sources. The mix of sales, real estate, income, excise, business and other taxes is influenced by local judgments and concerns. Thus, it could be possible that in one political jurisdiction the income tax may be low compared to the real estate tax while in another jurisdiction the reverse may be the case. Yet, the total tax load may be the same. It is this need to focus on the total tax obligation in order to make equitable comparisons that will result in very complex techniques.

Nevertheless, we intend to continue to explore the development of a reasonable approach to consideration of state and local taxes and to include them in the COLA process if an equitable procedure can be established.

Post Differential Program

The statute clearly identifies the post differential as a recruiting incentive to attract employees to relocate to otherwise undesirable duty posts. However, the orientation of the program has been toward the conditions which exist at the post of duty with an assumption made that unless extra compensation were paid, staffing problems would exist. It is based on this concept that a differential once authorized is paid to all out-of-area hires and continues to be paid regardless of length of service in the area or changes in the labor market.

In the event repeal is unsuccessful, we believe it is time to reexamine the approach that has been followed and to change the emphasis toward the primary consideration of staffing needs so that extra compensation would be paid only if positions could not be filled without it and only for those positions for which the staffing problems are being experienced.

TABLE 1

OUT-OF-AREA HIRING IN THE NONFOREIGN AREAS (GS EMPLOYEES)

Agency	Alaska		Hawaii		Puerto Rico		Virgin Islands		Guam	
	Reported GS Empl.	% Non- Local Hires								
Agriculture	1,067	55%	324	31%	743	24%	32	44%	-	-
Air Force	719	9	1,734	7	-	-	-	-	266	14%
Army	1,201	23	2,742	8	452	1	-	-	-	-
Army/Air National Guard	209	10	468	0	417	0	-	-	-	-
Commerce	409	50	214	34	-	-	-	-	-	-
HEW	946	5	169	5	597	9	15	13	-	-
Interior	2,116	28	-	-	-	-	61	34	23	48
Justice	-	-	186	33	-	-	-	-	-	-
Navy	-	-	4,840	7	488	2	-	-	1,041	13
Transportation	1,557	29	848	23	189	84	32	59	85	95
Treasury	277	38	430	13	430	4	68	4	-	-
VA	-	-	-	-	1,182	11	-	-	-	-
Total	8,501	28%	11,952	10%	4,498	13%	08	28%	1,415	19%
Total full-time employment as of March 1978. (source: Bureau of Manpower Information Statistics, CSC)	8,452	-	12,216	-	4,684	-	230	-	1,557	-

TABLE 2

FEDERAL/NON-FEDERAL PAY COMPARISONS - NONFOREIGN AREAS 1/

	ANCHORAGE				HONOLULU				PUERTO RICO			GUAM		
	NON-FEDERAL		FEDERAL 4/		NON-FEDERAL 3/		FEDERAL 4/		Private ^{5/}	FEDERAL 4/		Private ^{5/}	FEDERAL 4/	
	Private ^{2/}	State ^{3/}	Basic	w/COLA	Private	Govt.	Basic	w/COLA		Basic	w/COLA		Basic	w/COLA
GS-1	\$10,044	-	-	-	-	-	-	-	-	-	-	-	-	-
GS-2	11,635	-	\$ 7,539	\$ 9,424	\$ 8,175	\$ 7,552	\$ 7,153	\$ 8,405	\$ 6,661	\$ 7,209	\$ 7,968	\$ 7,580	\$ 7,401	\$ 8,141
GS-3	13,835	\$13,241	8,323	10,404	11,157	9,365	8,868	10,419	7,490	8,303	9,126	8,041	8,414	9,256
GS-4	15,652	14,303	10,227	12,784	11,455	10,386	10,672	12,540	7,861	9,530	10,631	9,000	10,025	11,028
GS-5	19,255	18,612	10,649	13,311	13,946	12,981	12,242	14,384	8,733	11,345	12,550	9,112	11,020	12,122
GS-7	21,212	18,324	13,778	17,222	17,621	13,875	14,845	17,743	9,422	14,707	16,545	-	-	-
GS-9	24,272	23,524	16,605	20,756	17,352	14,687	17,217	20,230	-	-	-	-	-	-
GS-11	29,754	28,728	20,116	25,145	23,495	18,328	21,223	24,937	11,856	21,668	24,376	12,376	20,862	22,948
GS-12	43,121	32,078	25,002	31,252	26,395	23,533	25,974	30,519	12,147	25,273	28,432	14,497	25,200	27,720
GS-13	-	38,994	30,000	37,500	27,940	28,332	30,941	36,356	-	-	-	-	-	-
GS-14	-	47,522	34,688	43,360	36,960	32,567	36,106	42,425	-	-	-	-	-	-
GS-15	-	-	-	-	-	34,614	42,840	50,337	-	-	-	-	-	-

1/ Adequate data could not be obtained for the Virgin Islands or for those grade levels for which data are not shown. The data given here should be considered only as an indication of the relative level of non-Federal pay in each location. A much more comprehensive survey would be necessary to obtain non-Federal pay data adequate for use in fixing Federal pay rates.

2/ Rates include data obtained from the Bureau of Labor Statistics Area Wage Survey, Alaska, July 1978; Atlantic Richfield Company's Anchorage Salary Survey, Spring 1978; and a CSC survey of private sector establishments and the State government conducted in August 1978.

3/ Rates obtained from CSC surveys conducted in August 1978.

4/ Actual weighted average rates of pay for Federal employees in the area in the same occupations in the same time period as those represented by the non-Federal data, and excluding the October 1978 general pay increase. COLA rates used were those in effect during same time periods as those represented by the non-Federal data, i.e. Anchorage--25 percent; Honolulu--17.5 percent; Puerto Rico--12.5 percent for employees in San Juan area, 5 percent for employees outside San Juan; Guam--10 percent.

5/ Rates obtained from the Bureau of Labor Statistics Area Wage Survey, Puerto Rico, December 1977.

6/ Rates obtained from the Bureau of Labor Statistics Area Wage Survey, Territory of Guam, December 1977.

Table 3

Estimated Average Salaries, Average COLA Payments
and Total COLA Payments, Non-foreign Areas

January 1979

COLA Rate	GS and Similar				Postal Service				Total COLA Paid *			
	Number Employees	Avg. Salary (dollars)	Avg. COLA (dollars)	Salary +COLA (dollars)	Number Employees	Avg. Salary (dollars)	Avg. COLA (dollars)	Salary +COLA (dollars)	GS	Postal	Total (millions of dollars)	
Alaska												
Anchorage	25%	5,190	17,900	4,500	22,400	590	16,600	4,150	20,750	23.22	2.45	25.67
Fairbanks	25	880	17,900	4,500	22,400	170	16,600	4,150	20,750	3.94	.71	4.65
Juneau	25	720	17,900	4,500	22,400	50	16,600	4,150	20,750	3.22	.21	3.43
Rest of State	25	2,290	17,900	4,500	22,400	380	16,600	4,150	20,750	10.25	1.58	11.83
Total		9,080				1,190				40.63	4.95	45.58
Hawaii												
Oahu	15	12,200	18,000	2,700	20,700	1,660	17,800	2,670	20,470	32.94	4.43	37.37
Molokai	15	10	18,000	2,700	20,700	20	17,800	2,670	20,470	.03	.05	.08
Maui	12.5	120	18,000	2,250	20,250	80	17,800	2,225	20,025	.27	.18	.45
Hawaii	15	230	18,000	2,700	20,700	140	17,800	2,670	20,470	.62	.37	.99
Kauai	17.5	180	18,000	3,150	21,150	50	17,800	3,115	20,915	.57	.16	.73
Total		12,750				1,950				34.43	5.19	39.62
Guam												
Total	10	1,600	15,200	1,520	16,720	200	17,300	1,730	19,030	2.43	.35	2.78
Virgin Islands												
St. Croix	5	150	16,900	845	17,745	80	17,600	880	18,480	.13	.07	.20
St. Thomas	7.5	150	16,900	1,270	18,170	90	17,600	1,320	18,920	.19	.12	.31
Total		300				170				.32	.17	.51
Puerto Rico												
San Juan	10	4,500	16,000	1,600	17,600	1,600	17,600	1,760	19,360	7.20	2.82	10.02
Outside San Juan	5	1,400	16,000	800	16,800	800	17,600	880	18,480	1.12	.70	1.82
Total		5,900				2,400				8.32	3.52	11.84
Grand Total		29,630				5,910				86.13	14.20	100.33

2254

THE WHITE HOUSE

WASHINGTON

Date:

MEMORANDUM

FOR ACTION:

Stu Eizenstat
Frank Moore (Les Francis) *AC*
Jim McIntyre - *Monday concur*

FOR INFORMATION:

The Vice President
Bob Lipshutz
Jerry Rafshoon
Jack Watson
Anne Wexler
Charles Schultze *concur*
Alfred Kahn

FROM: Rick Hutcheson, Staff Secretary

SUBJECT:

Campbell memo re Review of Cost of Living Allowance Program and Post Differential Program

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:

TIME: 12:00

DAY: Monday

DATE: May 28, 1979

ACTION REQUESTED:

Your comments

Other:

STAFF RESPONSE:

I concur.

No comment.

Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

Date:

MEMORANDUM

FOR ACTION:

Stu Eizenstat
✓ Frank Moore (Les Francis)
Jim McIntyre

FOR INFORMATION:

The Vice President
Bob Lipshutz
Jerry Rafshoon
Jack Watson
Anne Wexler
Charles Schultze
Alfred Kahn

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Campbell memo re Review of Cost of Living Allowance Program and Post Differential Program

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:

TIME: 12:00

DAY: ~~Monday~~ TUESDAY

DATE: May 28, 1979

ACTION REQUESTED:

Your comments

Other:

*Copies to: FM
SL
HL*

STAFF RESPONSE:

I concur.

No comment.

Please note other comments below:

Jean - Jim may want to comment on this. Pay no attention to "response date" - I'm sure they'll hold it.

Ms

No Comment

United States of America
Office of
Personnel Management

Washington, D.C. 20415

In Reply Refer To.

Your Reference:

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Review of Cost of Living Allowance Program and
Post Differential Program

As directed by you in Executive Order 12070, we have completed a review of the statute which authorizes the payment of additional compensation to white-collar Federal civilian employees with duty posts in Alaska, Hawaii, Puerto Rico, Guam, and the Virgin Islands. The additional compensation is based on the extent to which living costs in each area exceed costs in Washington, D.C., or the extent to which environmental conditions differ significantly from mainland U.S. conditions.

Based on our analysis of the impact of the statute on the Government's ability to meet its staffing needs relative to the non-Federal labor market, and the changes in employee compensation practices that will result from enactment of pay reform legislation, we have concluded that the statute should be repealed.

The statute was enacted in 1948, and replaced a very general authority that agencies had been using during World War II to increase pay to help meet staffing needs outside the then 48 United States. Generally, local labor markets in various allowance areas were not able to satisfy all the Federal manpower demands. Recruiting for salaried workers from the mainland U.S., for example, ranged from about 50 percent of the workforce in Hawaii to over 70 percent in Alaska.

Federal pay and benefits have undergone significant improvement since 1948. Except for Alaska, Federal pay is competitive with local pay in all allowance areas. Federal/private pay imbalances in Alaska, however, are a major factor contributing to chronic staffing problems. Local labor markets have expanded to the point where most Federal positions below managerial/supervisory levels have been filled by local hires. Again excluding Alaska, agencies reported hiring only 10-13 percent of the workforce from the mainland. In Alaska, this figure is 23 percent, where the difficulty lies in retaining employees once hired.

We find that

-paying additional compensation on an across-the-board basis in all areas solely because of living cost differences is no longer necessary to meet Federal staffing needs;

- allowance payments when combined with basic pay result in total Federal pay significantly exceeding non-Federal pay in all areas except Alaska. (Total Federal pay is about 15 percent higher in Hawaii and, as a minimum, about 25 percent higher in Puerto Rico, Guam and the Virgin Islands, while in Alaska, it is as much as 25 percent below local pay.)

The statute long ago outlived its usefulness. It contributes both to overpayment and underpayment of Federal employees relative to other workers and is resulting in unnecessary expenditures of scarce dollars. Total program costs amount to about \$100 million a year. All this would not be saved, however, if the statute were repealed. Payroll costs would increase substantially in Alaska if the shift is made from nationwide pay rates to locally determined rates under the pay reform proposal. The reduction in costs in the other areas would offset the increase in Alaska costs, so that there would be an estimated \$30 million annual reduction in costs if the statute is repealed.

Under pay reform, as previously approved by you, Federal pay will be geared to local pay in discrete pay areas. Therefore, Federal employers in the 48 contiguous United States as well as in the allowance areas will be in the same labor market competitive position as non-Federal employers. We believe this approach, combined with pay flexibility to overcome staffing problems, will enable Federal agencies to meet staffing requirements without payment of unwarranted extra compensation. Major agency employers in the allowance areas, including Defense, support this approach.

We have, therefore, included repeal language in the pay reform legislation. It is not possible, of course, to predict the final shape of the pay reform bill when it emerges from the legislative process. Depending on the bill's final form we may find it necessary to propose for your consideration changes in the current statute to make it more equitable and in Executive order guidance for program administration.

The attachment provides greater detail about the study of the statute and its administration.

Alan K. Campbell
Director

Attachment

send to RSC VIA

Madeline Harbean

include Susan's
note

2375

FOR ACTION
FYI

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

VICE PRESIDENT

JORDAN

EIZENSTAT

KRAFT

LIPSHUTZ

MOORE

POWELL

RAFSHOON

WATSON

WEXLER

BRZEZINSKI

MCINTYRE

SCHULTZE

ADAMS

ANDRUS

BELL

BERGLAND

BLUMENTHAL

BROWN

CALIFANO

HARRIS

KREPS

MARSHALL

SCHLESINGER

STRAUSS

VANCE

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

*Ros will
Call John
J*

R, - FYI

I asked Phil about the President talking to John Pope...see attached message....and Phil suggested that Lynn Daft call John. Lynn works with agricultural matters on the Domestic Policy Staff.

Lynn will try to reach John this afternoon.

mfm
5/30/79

*Do you want to
react to this?*

Mr. President --

John also called me wanting to talk to you or have me convey this same message to you. I asked him to talk with Stu Eizenstat or Joanne Hurley who could determine what we could do and what was proper to do....he obviously must not have liked not being able to talk with you.

--SSC

Lynn Dept 6560
Kathy Newman
THE WHITE HOUSE
WASHINGTON

Mrs. Carter -

John Pope called and wants to talk to you
SOONEST re the peach growers.

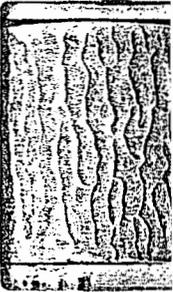
He said they have a very serious problem,
have tried to work thru Talmadge's office,
but he said the problem will require an
executive order of some sort.

In other words, he said he really wants
to talk to Jimmy.

He also said to tell you that he and Betty
have sold \$15,000 worth of tickets to the
fundraiser in Atlanta this weekend and
that Miss Allie will be going with them
(the Popes) to Atlanta.

rita merthan
30 May
1240 pm

(912-924-2465)



THE WHITE HOUSE
WASHINGTON

Jody
J



DANIEL BELL

The
Cultural
Contradictions
of
Capitalism

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THE WHITE HOUSE

WASHINGTON

May 31, 1979

To Mary and Griffin Bell

Rosalynn and I were saddened to learn
of your mother's death. Our prayers
are with you both.

Sincerely,

Jimmy

N103

D

BELL MOTHER-IN-LAW

ATLANTA (AP) -- CHRISTINE LESTER POWELL, THE MOTHER-IN-LAW OF U.S. ATTORNEY GENERAL GRIFFIN BELL, DIED TODAY.

MRS. POWELL, A RESIDENT OF ATLANTA, WAS THE WIDOW OF FOY OSCAR POWELL.

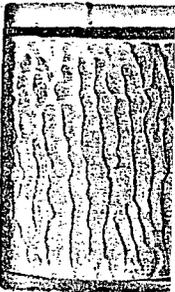
AP-WX-0531 1538EDT

THE WHITE HOUSE
WASHINGTON
31 May 79

Bob Lipshutz

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

Rick Hutcheson



FOR ACTION
FYI

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

	VICE PRESIDENT
	JORDAN
	EIZENSTAT
	KRAFT
✓	LIPSHUTZ
	MOORE
	POWELL
	RAFSHOON
	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE
	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

	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

May 31, 1979

*Bob -
Expedite as much
as possible
J*

MEMORANDUM FOR THE PRESIDENT

FROM: BOB LIPSHUTZ *RL*

RE: Pending nomination of Admiral Rowland G. Freeman
as Administrator, General Services Administration

I am responding to your recent inquiry concerning the status of this matter.

The nomination went forward to the Senate very quickly after you made the decision to proceed with it.

There were no problems encountered by us either in a review of the FBI investigation report nor of the conflicts of interest data submitted by Admiral Freeman.

However, after the Senate Governmental Affairs Committee received the nomination, an allegation was made against Admiral Freeman, and the Senate Committee asked us to have the FBI conduct a supplementary investigation specifically in response to this allegation. Attached is my memorandum to Judge Webster, which sets out the details concerning this allegation.

The FBI advises us orally that it has substantially completed its investigation, that both of the allegations of impropriety or illegality against Admiral Freeman are unsubstantiated, and that its formal, written report will be delivered to us by Monday of next week. We will deliver a copy of this report to the Senate Committee immediately upon receipt of it, and at that time we anticipate that the confirmation process will be concluded promptly.

**Electrostatic Copy Made
for Preservation Purposes**

THE WHITE HOUSE

WASHINGTON

May 19, 1979

MEMORANDUM FOR: THE HONORABLE WILLIAM H. WEBSTER
DIRECTOR, FEDERAL BUREAU OF
INVESTIGATION

FROM: ROBERT J. LIPSHUTZ
COUNSEL TO THE PRESIDENT *RL*

SUBJECT: Request for Investigation of an
Allegation Made Against Rear Admiral
Rowland G. Freeman

The President has nominated Rear Admiral Rowland G. Freeman, III to serve as Administrator, General Services Administration. The nomination is presently pending before the Senate Governmental Affairs Committee. Within the past few days, the Senate Governmental Affairs Committee has been advised by a House Governmental Affairs Committee staff member and by a member of my staff, Michael Cardozo, that allegations have been received charging Rear Admiral Freeman with improper conduct while serving as Commandant of the Naval Weapons Center at China Lake, California.

The allegation which is being made is that Admiral Freeman arranged to have a cul-de-sac constructed around his government-provided quarters at China Lake, without receiving proper authorization from the U.S. Navy to expend funds for that purpose. An ancillary allegation is that once this charge began to surface in Washington following his nomination, Admiral Freeman telephoned an individual at China Lake and requested that the file concerning this matter be "cleaned up."

Michael Cardozo, of my staff, has discussed this matter with Admiral Freeman. Admiral Freeman advised that the Commander's quarters, the Deputy Commander's quarters and the technical officers' quarters at China Lake were on a street which was bordered by a large park. There was heavy traffic on the street and the park was heavily used. Because of discontent with some of the managerial changes made by Admiral Freeman, the quarters of the three above listed individuals were subjected to vandalism of various sorts. Admiral Freeman decided that traffic in front of the three houses should be reduced. Initial efforts to reduce traffic and vandalism

were ineffective, and eventually, traffic experts recommended that a cul-de-sac be constructed to alleviate the traffic and vandalism problems. Admiral Freeman acknowledges that normal street repair funds could not be used for this purpose and he has advised that an application for Special Projects funds was made and approved. The cul-de-sac was constructed with funds received from that source.

I am attaching a memorandum from Patrick Apodaca to Michael Cardozo, dated May 16, detailing the allegations made: (1) that false information was used to receive authorization to construct the cul-de-sac; (2) that Admiral Freeman recently called China Lake and asked that the file concerning this matter be "cleaned up."

Admiral Freeman has acknowledged that he did have a number of phone calls with individuals at China Lake since his nomination on March 23, 1979. He has a telephone log which will be available should the FBI wish to examine it. Admiral Freeman has advised that he has had telephone conversations with the following individuals who are presently assigned to China Lake or who were associated with him there when he was Commander of the base.

RADM W. L. Harris, Jr.
Commander
Naval Weapons Center
China Lake, CA
(714) 939-2201

Capt. William F. Daniel
Naval Facilities Command
Hoffman Building 2
Alexandria, VA
325-0032
(Former Public Works Officer, China Lake)

Mr. Robert M. Hillyer
Technical Director (PL-313)
China Lake, CA
(714) 939-3409

Dr. Richard E. Kistler
Comptroller
Naval Weapons Center
China Lake, CA
(714) 939-3605

Mr. William E. Davis
Security Officer
Naval Weapons Center
China Lake, CA
(714) 939-2892

Admiral Freeman advises that the above listed people will be of assistance to the Bureau in investigating any charges made concerning the creation of the cul-de-sac. They are familiar with the reasons for constructing it and its financing. He further advises that documentary information concerning this matter can be obtained from the Design Division of the Public Works Department of China Lake, the Comptroller Office at China Lake and at the Naval Facility Command Engineering Division (Washington, D.C.) or the Chief of Navy Material in Washington, D.C. Admiral Freeman can be reached at the New Executive Office Building, Office of Management and Budget, telephone (202) 395-3190.

It is important that a written report be received from the Federal Bureau of Investigation as soon as possible.

THE WHITE HOUSE
WASHINGTON

31 May 79

Frank Moore

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

Rick Hutcheson



FOR ACTION
FYI

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

	VICE PRESIDENT
	JORDAN
	EIZENSTAT
	KRAFT
	LIPSHUTZ
✓	MOORE
	POWELL
	RAFSHOON
	WATSON
	WEXLER
	BRZEZINSKI
	MCINTYRE
	SCHULTZE
	ADAMS
	ANDRUS
	BELL
	BERGLAND
	BLUMENTHAL
	BROWN
	CALIFANO
	HARRIS
	KREPS
	MARSHALL
	SCHLESINGER
	STRAUSS
	VANCE

	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
May 31, 1979

Frank
ok -
get me Wides
first names & other
brief data
J

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *F.M.*

FYI, No Action Necessary

After, Rostenkowski declined the invitation to Camp David, I invited Lou Stokes. He was very flattered but was unable to cancel engagements in Ohio.

After that, I invited Bob Giaimo who canceled engagements in Connecticut so that he could be with you.

The final list of your guests is attached.

**Electrostatic Copy Made
for Preservation Purposes**

1:30

THE WHITE HOUSE

WASHINGTON

May 30, 1979

C

MEETING WITH OIL INDUSTRY REPRESENTATIVES

Thursday, May 31, 1979

1:30 p.m. (90 minutes)

The Cabinet Room

From: Stu Eizenstat *Stu*
Kitty Schirmer

I. PURPOSE

To discuss informally with representatives of all segments of the oil industry the problems the country faces with oil shortages over the rest of the year, and to hear their recommendations for managing that shortage; also to solicit their recommendations for longer range policies for dealing with the energy problem.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

- A. Background: You requested this meeting in order to explore with industry heads how we best manage the oil aspects of our energy problem, both in the short term and over the longer run. The participants have been advised that this is an informal, working session in which you would like to hear their views on the problem and on the solutions as candidly as possible. Participants were chosen with a view toward covering all major segments of the industry, and with adequate geographic distribution.

In preparing for this meeting, we have asked for advice from the Justice Department concerning antitrust problems which could arise in such a meeting. The attached memorandum from John Shenefield to Stu gives that advice in detail.

The salient cautions are as follows:

- Specific discussions of prices which any given company has paid or is willing to pay should be avoided; similarly, company by company discussions of product mixes produced by their refineries, levels of or other actions which could affect prices stocks both current and planned/should be avoided.

(Note: the companies do provide such information to API and to DOE, which then aggregate the information for government use and/or dissemination. The companies do not see the individual breakdowns.)

- When discussing questions of policies which you would like to see the companies follow (e.g., rebuilding heating oil stocks or exercising restraint on spot market purchases) you should state these as your priorities, and urge them to take them into account in reaching their own independent decisions, but refrain from asking them to act cooperatively or from giving assurances that you will ask other companies to follow this advice.
- Discussion concerning the recently ordered DOE-Justice Department investigation of the gasoline situation -- or any other law enforcement related investigation should be avoided. A similar stricture applies to divestiture issues.

John Shenefield, Assistant Attorney General for Antitrust, will be present at the meeting, and will be prepared to interrupt the conversation if needed to prevent discussion which would raise questions of antitrust violations.

A suggested agenda, copy attached, has been cleared by the Justice Department and has been made available to the participants at the meeting. Justice is also reviewing your talking points.

- B. Participants: See attached list
- C. Press Plan: White House Photographer only. (Note: Jody will have announced the existence and purpose of this meeting, as well as the consumer meeting on Friday, on Wednesday night.)

III. TALKING POINTS

1. I appreciate your participation in this discussion, which I hope to be an informal and candid working session. Dealing with the energy problem, both over the coming months and in the longer run, will require the best brains and expertise we can muster. I particularly wanted to meet with you who have the day to day, hands-on working knowledge of the oil business and get your best advice on our oil problems.
2. As you know, tomorrow the first phases of decontrol will begin. This is a policy to which I am committed

and which I arrived at in the belief that it is in the best interests of our nation. It was not a decision which has been politically popular for me -- as the current debate over extension of controls has demonstrated. Decontrol will increase revenues to the oil industry, and I will continue to hold high expectations of you, as I stated in my April 5 speech. Exploration and production activity should go up and stay up, and I continue to hope that you will use these increased revenues to reinvest in development and production of new supplies.

3. I am anxious to use this discussion to hear from you your views on the supply outlook both in the immediate future and over the next five years. Also on the agenda are issues relating to the current shortfall and how we can best deal with it. I hope that you will be frank with me in identifying problems which you may see with our current system. Clearly, however, in these discussions we will have to talk in general rather than company specific terms in order to avoid antitrust problems. I have asked John Shenefield, the Assistant Attorney General for Antitrust, to join us at this meeting and to interrupt if necessary to prevent our conversation from straying.
4. After a general discussion on the nature of the problem, I would like to list for you the main concerns which I have on managing the shortfall.

Clearly our first priority must be provision of adequate supplies of home heating oil for next winter. As each of you independently develop your plans for the coming months, I hope that you will take this critical priority into account.

Secondly, as you know, the Department of Energy has issued a special allocation rule to ensure that agricultural production receives 100% of its needs for diesel fuel. I urge each of you to follow these regulations carefully and to cooperate with the department to ensure that these priorities are met.

Finally, I would hope that, consistent with your own independent business judgment, you would not keep back stocks of gasoline or crude oil in an excessively conservative manner. Clearly, each of you will have to judge for yourselves how that can best be exercised, but behavior which borders on overly conservative withholding of supplies from the market is not productive in any segment of our society. We will work with each of you independently to help ensure that these goals are met.

Department of Justice
Washington, D.C. 20530

MAY 23 1950

MEMORANDUM TO: Stuart E. Eizenstat
Assistant to the President
for Domestic Affairs and Policy

FROM: John H. Shenefield *JHS*
Assistant Attorney General
Antitrust Division

SUBJECT: Antitrust Issues Which Should Be
Considered in Connection With a
Proposed Meeting Between the President
and Major Oil Companies

This memorandum responds to your request for advice from the Department of Justice with respect to the antitrust and competition issues which may arise in connection with a proposed meeting between the President and the chief executive officers of several major oil companies. We believe that your concern that such a meeting could raise antitrust and competition problems is well founded; however, we also believe that if a few relatively straightforward precautions are taken, there is no reason why the meeting should not proceed as planned.

The antitrust issues which should be considered whenever an important government official meets in the same room with competing firms fall into two categories: those which may arise from what the official tells the companies and those which may result from statements by the companies themselves. While it is not possible to list and analyze in this memorandum all of the situations which could present problems, I do set forth below a number of examples how such problems could arise.

The most serious antitrust concerns would arise from any suggestion by the President that the oil companies engage in cooperative activity not formally authorized under law or

regulation; for example, to take steps to allocate supplies, set quotas on the production of particular products, or take any other action which would directly or indirectly affect price. Thus, it would be unwise for the President to urge cooperative activity even if his purpose would be to assure adequate supplies of diesel fuel for agricultural uses or gasoline for the West Coast market. However, it is perfectly appropriate for the President to urge the oil companies to take his concerns into account when they make their independent decision on how to respond to market conditions and to meet their obligations under DOE regulation. Although this may appear to be a fine distinction, it is an important one, because cooperative activity which is not authorized according to law is clearly actionable under the antitrust laws.

A related problem would arise should the President try to persuade oil companies to undertake certain activity, such as avoiding paying high prices for crude oil on the spot market, or producing extra heating oil, if such a request is accompanied by a promise or an indication that all other major oil companies are being asked and have agreed to go along. Even though companies would not be asked to cooperate with one another directly, oil companies would be engaging in parallel conduct with the full knowledge and expectation that their competitors would be cooperating. This type of situation is also anti-competitive and has been held to be unlawful under the antitrust laws. Consequently, a request by the President to the oil companies should not be accompanied by the assurance that competitors have agreed to comply.

We would also urge that the President avoid getting into discussions concerning ongoing antitrust investigations, such as the recently ordered joint Department of Justice - Department of Energy investigation into the West Coast gasoline situation, this Department's International Oil Investigation or other sensitive antitrust issues such as interfuel or vertical divestiture. As we understand the purpose of the meeting, there should be no need to get into these issues except to the extent that the companies seek assurances that there will be no predetermined outcome.

Our most serious concern with respect to what the companies would say at such a meeting relates to the disclosure of proprietary information which, if shared, could result in a diminution of competition among them. For example, discussion of a particular company's crude oil costs (such as spot market

purchase prices), individual supplies or customer allocation problems would permit other companies to harmonize their responses based on that information. Consequently, when a company's views are either solicited or offered, they should be confined to assessments of the general situation and not reveal their own specific price and supply information.

A simple way to avoid any antitrust problem would be for the Antitrust Division to review any "talking points" or agenda prepared for the President. 1/ Assuming that the discussion stays within the general areas covered by the talking points, and that the President himself utilizes the talking points as the basis of his remarks, advance review by the Antitrust Division should suffice to avoid competitive problems. Further, I am in agreement with Kitty Schirmer that it would be wise for me to attend this meeting. We have found that the presence of an Antitrust Division observer is comforting to oil company officials when they are asked to meet together with government officials.

1/ We believe the preparation of talking points would be better than a simple agenda since it would direct the specific content of the discussion as well as the general areas of discussion.

THE WHITE HOUSE

WASHINGTON

May 30, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: ALFRED E. KAHN
BARRY BOSWORTH

Fred

SUBJECT: Gasoline prices

Last week the Consumer Price Index showed a 6% increase in average retail gasoline prices -- 4.7 cents a gallon -- in the month of April alone.

On the basis of preliminary information, we estimate that prices rose an additional 4.2 cents a gallon in May and that they will be up another 4.3 cents, reaching a level of 86.5 cents a gallon, at the beginning of June. And these figures understate the actual price increase that consumers have had to pay, because many service stations have closed their self-service pumps; self-service prices are typically 3 to 4 cents a gallon below full-service prices.

Line one of Tables 1 and 2 shows some longer-term comparisons: an average retail price increasing from 63.8 cents a gallon in the second quarter of 1978 to an estimated 82.2 cents this month. The increase of 8.5 cents in just the three months January to April 1979 represents an annual rate of 58.6%. These increases are far larger than can be explained by the rise in crude oil costs to refiners. The long lags in the collection and publication of government statistics makes it difficult for us to be precise about the most recent changes. Our best estimate, however, is that the 8.5 cent increase between this January and April, at the retail level, breaks down as follows:

Increases in:

Dealer Margins	2.5 cents a gallon
Refinery Margins	3.0 " " "
Crude Oil Costs	3.0 " " "

(The 50-50 division of responsibility for the 6.0 cents increase in the wholesale (dealer tank wagon) price is an estimate. But there is a similar relationship over the longer term. As the first column of Table 2 demonstrates, for example, only 3.6 cents out of the 10.4 cent increase

in the average price of gasoline between March 1978 and March 1979 was accounted for by the increased cost to refiners of acquiring crude oil.)

Retail margins have jumped sharply in recent months (see line 4 of Table 1) -- from 7.3 cents in the fourth quarter of 1978 to 8.0 cents in March of this year, and, we estimate, 10.0 cents in April and 10.8 cents in May. The April figure represents a 33 percent increase over January. This impression of suddenly widening dealer margins is supported by private survey information for April and May. (The Lundberg Letter).

The greater portion of the absolute rise in gasoline prices in recent months, however, has been at the refiner level. And the greater portion of that increase, in both absolute and percentage terms (see, for example, the bottom two lines on Table 2) has been in the refiner margin rather than in the cost of crude oil to the refinery.

If anything, the price of gasoline at the refinery (which can be estimated crudely as the price to jobbers -- line six of Tables 1 and 2) has increased slightly more than the price of all other refinery products. DOE's adoption of the "gasoline tilt," which permitted refineries to allocate a larger portion of their common costs to DOE-controlled gasoline prices, may have added 3 to 5 cents a gallon, but it has not been offset by lesser rates of increase in the prices of uncontrolled refinery products. The clear evidence is, then, that there has been a substantial widening of refinery margins (see line 9 of the two tables). Between March 1978 and March 1979, crude oil acquisition costs of refiners went up 3.6 cents a gallon, but refined product prices went up .83; in the three months December 1978 to March 1979, the corresponding figures were 1.8 cents and 4.3 cents respectively.

It seems clear to us that at least some important portion of the widening margins, at both refinery and retail level, has been the result of the shortages we are now experiencing. Refiners have in recent months evidently been purchasing increased quantities of refined products from one another for resale, at sharply increasing prices. This has had the result of inflating the costs that individual refiners have presented to us more than the cost of crude oil acquisitions alone. To what extent this reflects increasing recourse to imports --with domestic refiners choosing to put more of their crude oil through their own refineries abroad, because

the price of their imported products is not subject to DOE or CWPS control -- and to what extent swaps of products, which are traditional in this industry, at sharply increasing nominal prices, we are still in the process of investigating. But the data refiners have been presenting to us do definitely show that their total refinery acquisition costs (of crude plus products) have been going up much more than acquisition of crude oil costs alone.

CWPS monitoring efforts

Since gasoline dealers are subject to mandatory controls administered by DOE, and the crude oil operations of the integrated companies are exempt from the voluntary standards, the Council's staff has focused its monitoring efforts on the prices charged by refiners. DOE continues to regulate refined gasoline prices, but most other major refinery products are exempt from those controls. The voluntary standards apply to the total of refinery operations -- not to the prices of individual products.

Under those standards, refiners are permitted to choose between the price deceleration standard and a gross margin test that allows them to pass through their costs of acquiring both crude oil and products. In either case, if a refiner cannot comply with one or another of those two basic standards, it may apply for a profit margin exception.

The fact that refiners subject to the gross margin standard are permitted to pass through the sharply increased cost of refined products purchased from other refineries for resale seems to explain in the case of several of them why it is possible for their product prices to increase more than crude oil acquisition costs alone, while yet complying with the gross margin standard. We are investigating to see how widespread this phenomenon is, and what the explanation is.

We do not know yet to what extent refiners are in compliance; we have during the last week been in touch with about 80% of them, to obtain statistics on the basis of which to judge, and we have had intensive consultations with many of them.

CWPS will announce this week that it has found one refiner out of compliance. It is also sending notices of probable non-compliance to about eight others. These may still be able to demonstrate with more detailed statistics that they are in fact in compliance.

Several major oil companies, prominent among them Gulf and Union, have been found to be in compliance with the gross margin standard; a substantial number of others have formally requested permission to use the profit margin exception. We are still passing on these.

While we cannot predict the outcome of these monitoring efforts, it does seem clear that gasoline prices are not being effectively controlled on a cost basis, and they are unlikely to be, in a shortage situation. Gasoline sold for a long time below DOE's maximum permissible prices, when supplies were in surplus. Now that the supply and demand balance is reversed, it is going to be extraordinarily difficult to hold them to cost. DOE's policy of permitting sellers to "bank" deficiencies -- i.e., to accumulate credits to the extent that they have in the past made sales below permissible levels -- and recover them in prices thereafter, guarantees for at least a substantial period of time prices above current costs. In any event, however, surveillance of 170,000 service stations will inevitably be defective in a period of shortage.

This situation presents us with a dilemma. Enforcement of the standards on a cost basis is extremely difficult, and of course encourages excess demand. On the other hand, letting prices go free in a time of shortage exposes us to the possibility of quite sharp and painful increases.

TABLE 1

COMPONENTS OF GASOLINE PRICES

Average Price (cents per gallon)^{1/}

	Quarterly Average				1979 Monthly Averages				
	78-2	78-3	78-4	79-1	Jan.	Mar.	Apr.	May ^e	June ^e
1. U.S. Average Retail Prices	63.8	66.2	67.7	71.2	69.5	73.3 ^{12 1/2}	78.0	82.2	86.5
2. Tax	12.6	12.6	12.6	12.6	12.6	12.6 ^{5 1/2}	12.6	12.6	12.6
3. Dealer Realized Price	51.1	53.6	55.1	58.6	56.9	60.7	65.4	69.6	73.9
4. Retail margin	6.6	6.9	7.3	7.7	7.5	8.0	10.0 ^{3 1/2}	10.8	N.A.
5. U.S. Dealer Tank Wagon Price	44.5	46.7	47.9	50.9	49.4	52.7	55.4 ^e	58.8	N.A.
6. U.S. Jobber Price (Regular Leaded)	38.8	40.9	42.4	45.7	44.2	47.6	N.A.	N.A.	N.A.
7. All Refined Petroleum Products	39.4	40.4	41.9	45.0	43.3	47.0	N.A.	N.A.	N.A.
8. Refinery Acquisition Cost (Domestic/Import Composite)	28.8	30.1	30.9	32.4	31.7	33.1	N.A.	N.A.	N.A.
9. Gross Refinery Margin	9.6	10.3	11.0	12.6	11.6	13.9	N.A.	N.A.	N.A.

^{1/} Average of premium, leaded regular, and unleaded regular gasoline prices.

^{e/} Estimated

NA Not available.

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TABLE 2

CHANGES IN GASOLINE-PRICE COMPONENTS
(Changes in Cents per gallon and Annual Percentage Rate)

	TO MARCH 1979				TO APRIL 1979			
	12 mos. from 3/78		3 mos. from 12/78		6 mos. from 10/78		3 mos. from 1/79	
	¢	%	¢	%	¢	%	¢	%
1. U.S. Average Retail Gasoline	10.4	16.5	4.8	31.1	10.9	35.1	8.5	58.6
2. Tax	.0	.0	.0	.0	.0	.0	.0	.0
3. Dealer Realized Price	10.4	20.7	4.8	39.0	10.9	44.0	8.5	74.5
4. Wholesale-Retail Margin	1.0	14.3	.6	16.5	2.6	82.6	2.5	216.0
5. Dealer Tank Wagon Price	9.4	21.7	4.2	39.4	8.3	38.3	6.0	58.2
6. Jobber Price - Regular Leaded	10.1	26.9	4.3	46.0	N/A	N/A	N/A	N/A
7. All Refined Petroleum Products	8.3	21.4	4.3	46.8	N/A	N/A	N/A	N/A
8. Refinery Acquisition Cost of crude oil	3.6	12.2	1.8	25.1	N/A	N/A	N/A	N/A
9. Gross Refiner Margin	4.7	51.1	2.5	121.0	N/A	N/A	N/A	N/A



9200 EDMONSTON ROAD, SUITE 212
GREENBELT, MARYLAND 20770
AREA CODE (301) 441-1600

*Greater
Washington/Maryland Service Station Association*

MEMBER NATIONAL CONGRESS OF PETROLEUM RETAILERS

WOODY COLE
President

VICTOR RASHEED
Executive Director

MAY 31, 1979

MR. PRESIDENT:

THE BIGGEST DOMESTIC ENERGY PROBLEM WE FACE TODAY IS A SKEPTICAL PUBLIC WHICH IN MANY CASES STILL DOES NOT BELIEVE THERE IS A SHORTAGE.

TO ENLIST IT'S FULL COOPERATION, THE PUBLIC OBVIOUSLY MUST BE GIVEN ADEQUATE INFORMATION ON OUR ENERGY PICTURE FROM A CREDIBLE SOURCE. IT MUST KNOW THE REAL STATUS OF OUR OIL RESERVES AND SUPPLY, THE TRUE EFFECT OF THE IRANIAN SHORTFALL; WHETHER NOT OIL COMPANIES ARE DIVERTING PRODUCT TO EUROPEAN MARKETS, ETC..

ONLY SATISFACTORY ANSWERS TO THESE QUESTIONS FROM A TRUSTED SOURCE, HIGH IN PUBLIC CONFIDENCE, WILL BRIDGE THE ENERGY CREDIBILITY GAP THAT WE HAVE TODAY.

MR. SCHLESINGER HEADS A HUGE CONGLOMERATE OF MANY DEPARTMENTS, YET HE IS EXPECTED TO HAVE AT HIS FINGERTIPS EVERY MINOR DETAIL ON DOMESTIC ENERGY. THIS IS IMPOSSIBLE.

I BELIEVE THAT DOMESTIC ENERGY REFERRING SPECIFICALLY TO HEATING OIL, DIESEL FUEL, AND GASOLINE WHICH ARE SOLD IN THE RETAIL MARKET, SHOULD BE PLACED UNDER THE SUPERVISION OF A DOMESTIC ENERGY ADVISOR, WITH THE SAME STATUS ALFRED KAHN HAS ON INFLATION.

HE MUST BE A SPECIALIST IN THE RETAIL MARKET WITH THE RESPONSIBILITY AND THE POWER TO ACT ON BEHALF OF THE CONSUMER.

HE MUST ALSO BE ABLE TO GET THE INFORMATION THAT THE PUBLIC WANTS: WHY OIL COMPANIES NEED THEIR HUGE REVENUES, WHY SERVICE STATIONS HAVE RAISED PRICES, ETC..

THE SERVICE STATION IS SO IMPORTANT TODAY THAT IT IS THE OIL INDUSTRY TO MOST MOTORISTS AND YET IT HAS BEEN ALL BUT IGNORED BY D.O.E.. IT IS THE VITAL LINK BETWEEN THE INDUSTRY AND THE PUBLIC.

DEALERS TODAY ARE HELD TO THE SAME MARGIN OF PROFIT AS IN MAY 1973, PLUS THREE CENTS PER GALLON, YET THEY PAY OVER \$6,000 FOR A TANKLOAD OF GAS TODAY AS COMPARED TO \$2,700 IN 1973.

ALTHOUGH HE IS STILL UNDER PRICE CONTROLS, OIL COMPANIES HAVE BEEN ALLOWED TO DOUBLE AND TRIPLE DEALER RENTS. CROWN, FOR EXAMPLE PLANS RENT INCREASES IN JULY UP TO \$2,000 PER MONTH FORCING SOME OF ITS DEALERS TO PAY \$5,500 PER MONTH IN RENT. THIS CAN NOW BE PASSED ON TO THE CONSUMER ... BUT WHAT ABOUT THE INFLATIONARY EFFECT? WHERE IS MR. KAHN? THESE ARE 60% INCREASES ! THE DEALERS ARE MAD. THEY HAVE BEEN ACCUSED OF PRICE GOUGING. SOME MAYBE BECAUSE THEIR ONLY OTHER ALTERNATIVE IS TO BE FORCED OUT OF BUSINESS.

YET MOST PRICE-GOUGING CHARGES SHOULD BE ADDRESSED TO THE COMPANY OPERATED GAS-ONLY LOCATIONS WHICH MADE 5¢ PER GALLON LAST DECEMBER AND NOW MAKE UP TO 15¢ PER GALLON. SOME HAVE INCREASED 25¢ PER GALLON. SINCE DECEMBER 31, ALTHOUGH THE WHOLESALE PRICE INCREASE WAS ONLY 9.5¢. SOME OF THESE HAVE BEEN ALLOCATED 5-10 TIMES AS MUCH GASOLINE AS COMPETING DEALERS BECASUE OF THEIR PAST CUT-RATE SELLING. NOW THEY ARE PRICED ABOVE THE MARKET.

THERE IS AN URGENT NEED FOR A NEW PRICING STRUCTURE USING A 30% MARGIN OF PROFIT BASED ON THE COST OF PRODUCT LESS TAXES, TO HELP DEALERS SURVIVE TODAY'S SHORTAGE. DEALERS MAKE ABOUT 50% OF THEIR PROFIT ON THE TOP 20% OF THEIR SALES VOLUME. THE REST OF HIS SALES ONLY MEET FIXED EXPENSES, WHEN HIS ALLOCAITON IS CUT 20%, HE COULD LOSE 50% OF HIS PROFIT UNLESS HE CAN CUT HIS OPERATING COSTS. WHEN SUPPLY IS NORMAL THIS MARGIN WILL QUICKLY BE DISSOLVED BY REGULAR COMPETITION.

IN MARCH 1974 DEALERS MADE 10.8¢ PER GALLON FOR A GROSS PROFIT OF 37.2% ON APRIL OF THIS YEAR THE AVERAGE MARGIN WAS 9.6¢ or 17.6%. THE CPI HAS RISEN 48.2% SINCE THEN.

THESE INNER WORKINGS OF THE GASLOINE MARKET CAN BE EASILY EXPLAINED BY A COMPETENT DOMESTIC ENERGY ADVISOR. HE CAN BE A LIASON BETWEEN ALL SEGMENTS OF THE INDUSTRY AND THE PUBLIC. HIS REAL JOB WILL BE TO FORGE A BOND BETWEEN THE INDUSTRY, THE PUBLIC AND THE ADMINISTRATION.

IF HE IS SUCCESSFUL, THEN WE WILL EXPERIENCE A NEW NATIONAL UNITY THAT WILL MAKE IT EASIER FOR US TO OVERCOME OUR CURRENT ENERGY PROBLEMS.

Crude +5¢

Tilt 3-4¢

Dealer margin 2 1/2 - 3¢

THE WHITE HOUSE
WASHINGTON

May 30, 1979

Q

Shenefield

TOPICS SUGGESTED FOR DISCUSSION
AT MEETING WITH THE PRESIDENT
MAY 31, 1979

Chas D. Bona

I. The Domestic and International Supply Outlook

- o General discussion on the impacts of Iran on stocks and crude availability; duration of those impacts.
- o Outlook for crude availability outside the U.S. both near term and over the next five years.
- o General expectations for U.S. production; impacts of decontrol on supply; summer gasoline allocations.
- o Discussion of general expectations for world market prices and OPEC action in June;

II. Managing the current shortfall

- o Statement of general Presidential objectives for allocation to priority users and rebuilding of stocks.
- o Discussions of problems or bottlenecks current system; suggestions for improving that system.
- o Identification of particularly vulnerable regions or types of product which require special attention or monitoring.
- o Adequacy of current information systems for managing shortfall.

Homes, Farms

Each sector

III. Policy Recommendations for dealing with the energy problem over the longer term.

- o Oil and gas production
- o Development of Alternative Sources
- o Conservation/Demand Restraint

overly
conservative

Allen - IPAA

Swearingen - std. Indiana

Miller - Michigan Indep.

Rasheed - Va. Retail Dealers

McAffee - July

King - Texas

Garvin - Exxon

Grueskin - Viclers

DiBona - API

Williamson - La. Lands

Murphy - Murphy oil

Stu

Schumer

Yancey - Ashland

Hogman - Marathon

Bradshaw - ARCO

Schlesinger

Pres

Gillin - Petroleum Heating & Power

LIST OF PARTICIPANTS

MAJORS

1. Thornton Bradshaw
President, ARCO
2. John Swearingen
Chairman of the Board, Standard Oil of Indiana
also, current industry President, American
Petroleum Institute
3. Jerry McAfee
Chairman of the Board
Gulf Oil Corporation
4. Clifton Garvin
Chairman of the Board
Exxon Corporation *Outbacks*
5. Charles DiBona
President, American Petroleum Institute

MEDIUM SIZED REFINERS/DISTRIBUTORS

6. Harold Hoopman
President, Marathon Oil Company (Ohio)
7. Robert Yancey
President, Ashland Oil Company (Kentucky)
8. C.H. Murphy
President, Murphy Oil Corporation (Arkansas)
also, President, National Petroleum Council

INDEPENDENT PRODUCERS

9. Alan C. King
Goldrus (Texas)
(Note: King is Jack Warren's partner. Jack is
in China with Bob Strauss.)
10. E. L. "Chick" Williamson
President, Louisiana Land and Exploration Company
11. C. John Miller
President, Miller Brothers (Michigan)
12. Jack Allen
Alpar Resources, Inc. (Texas)
also, current President, Independent Petroleum
Association of America (IPAA)

JOBBERS/MARKETERS

13. Harold Grueskin
President, Vickers Petroleum (Midwest)
14. James Gillin, Jr.
President, Petroleum Heating & Power (Pa.)
15. Victor Rasheed
President, Virginia Retail Dealers Association

ADMINISTRATION PARTICIPANTS

Stu Eizenstat
Kitty Schirmer
Jim Schlesinger
Les Goldman
Eliot Cutler

THE WHITE HOUSE
WASHINGTON

May 31, 1979

MEMORANDUM FOR THE PRESIDENT

FROM:

Frank Moore

J.M./pd.

SUBJECT:

Congressmen Rodino

Rodino has maintained a consistently high level of support for the Administration's programs. Of the 20 votes selected by WHCL as tough indicators of a Member's support during the second session of the 95th, Rodino voted with the Administration on 18 of them.

His support score for the 95th Congress as a whole is 95.2%. Of all the Members who chair Committees in this Congress, not a single one has a higher support score than Rodino.

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for Preservation Purposes**

THE WHITE HOUSE

WASHINGTON

May 30, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE

FYI, No Action Necessary

The following is a report on our calls regarding Camp David:

1. The Speaker has not yet accepted. He is doing a fundraiser for Tom Downey on Long Island Friday night.

Wright - no

2. Cong. Rostenkowski will let me know by 9:30 tomorrow morning. He wants to check with his wife.

All of the following are acceptances:

1. Cong. Brooks and Charlotte
2. Cong. Brademas and Mary Ellen
3. Cong. Foley - Heather is speaking for him in the state and will join you on Saturday.
4. Cong. Chisholm - her husband is still in the hospital
5. Cong. Bolling and Prudence
6. Cong. Fascell
7. Cong. Thompson and Evie
8. Cong. Preyer and Emily
9. Cong. Edwards *CA*
10. Cong. McKay and Donna

We have decided to put Fascell and Edwards in one cabin thus making room for another couple. We have not decided who but will choose from your list.

We will send you and Mrs. Carter a more detailed background sketch on each of the attendees tomorrow.

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for Preservation Purposes**

THE WHITE HOUSE

WASHINGTON

May 31, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *Fm/pd*

Attached is background information on those Members of Congress who will be joining you at Camp David.

I have also sent a copy to Mrs. Carter.

THE WHITE HOUSE

WASHINGTON

May 31, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *f.m./pd*

FYI, No Action Necessary

I recommend that chopper space and cabins for this weekend's trip to Camp David be made strictly on the basis of seniority.

Listed below in seniority order are those Members of Congress who will be joining you:

Cong. and Mrs. Bolling *Prudence*
Cong. and Mrs. Brooks *Charlotte (Katherine, Kimberly)*
Cong. and Mrs. Thompson *Evvie*
Cong. Fascell
Cong. and Mrs. Brademas *Mary Ellen*
Cong. and Mrs. Giaimo
Cong. Edwards
Cong. and Mrs. Foley (Mrs. Foley will arrive Saturday) *Heather*
Cong. Chisholm
Cong. and Mrs. Preyer *Emily*
Cong. and Mrs. McKay *Donna*
Lou Stokes & Jay

Suggested pairings for cabins are as follows:

The Bolling's and the Brademas'
The Brooks' and the Preyer's
The Thompson's and the Giaimo's
Fascell and Edwards and Foley
Chisholm
The McKay's

cc: Phil Wise

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DICK BOLLING
(D-Missouri-5)



Committee: Rules, CHAIRMAN

Administration Support: 93.2%

Personal Background: Dick received his B.A. and M.A. degrees from the University of the South. Before being elected to the U.S. House of Representatives in 1948, Bolling was a teacher and coach at Sewanee Military Academy, the Veterans Adviser and Director of Student Activities at the University of Kansas City and served in the U.S. Army.

Several times in the past decade, Dick has tried to seek elective House positions.

Bolling recently married Prudence Orr, who has a Ph.D. in clinical psychology and still lives in Memphis, Tennessee. He is 62 years old.

He considers himself to be the economist in the House and as Chairman of the Rules Committee, is an arm of the leadership. He cooperates thoroughly with Tip and the other House leadership. Bolling has a good insight into the majority of his Democratic colleagues. Frank Thompson refers to him as his "hortatory friend."

JOHN BRADEMAS
(D-Indiana-3)



Committees: # 3 Education & Labor
 Subcommittees: Labor-Management Relations
 Select Education
 Postsecondary Education
 Task Force on Welfare &
 Pension Plans

 # 3 House Administration
 Subcommittees: Accounts, CHAIRMAN
 Libraries & Memorials

MAJORITY WHIP

Administration Support: 94.2%

Personal Background: Prior to his election to the U.S. House of Representatives in 1958, Brademas acquired a most impressive career and education background. He was an aide to Rep. Lud Ashley and Senators Pat McNamara and Adlai Stevenson; professor of political science and the recipient of numerous earned and honorary degrees including graduating magna cum laude from Harvard University and being a Rhodes Scholar.

In 1977 Brademas married the former Mary Ellen Briggs, who graduated from Georgetown Medical School last Saturday. She expects to begin her residency this July in the D.C. area.

During the Easter recess, Brademas was Chairman of the U.S. delegation which visited the Soviet Union.

JACK BROOKS
(D-Texas-9)



Committees: Government Operations, CHAIRMAN
Subcommittees: Legislation & National
Security, Chairman

2 Judiciary
Subcommittees: Monopolies & Commerical Law

Administration Support: 56.0%

Personal Background: Jack Brooks received both a B.J. and a J.D. degree from the University of Texas. After serving in the U.S. Marine Corps during World War II, he was a Texas legislator for four years. He was elected to the U.S. House of Representatives in 1952. Jack married Charlotte Collins in 1960 and has three children: Jack Edward Brooks, age 11; Katharine, age 9 and Kimberly, age 5. He is 56 years old.

Brooks is partisan, profane, knowledgeable, witty and effective. These qualities were particularly apparent during the Judiciary Committee hearings on the impeachment of Richard Nixon.

Brooks has been a faithful supporter of our reorganization efforts, and will be managing the floor vote on the Department of Education bill. He is furious with Dick Pettigrew over the Florida waiver issue and may mention this to you.

SHIRLEY CHISHOLM
(D-New York-12)



Committee: # 6 Rules

Secretary of the Democratic Caucus

Administration Support: 79.7%

Personal Background: Shirley Chisholm was born in Brooklyn and received her B.A. degree from Brooklyn College, and her M.A. from Columbia University. She was a nursery school teacher and served as Director of the Hamilton Madison Child Care Center from 1954 to 1959. After serving as Educational Consultant for the New York City Division of Day Care, she was elected to the New York State Assembly in 1964. She is 54 years old.

In 1968, Mrs. Chisholm defeated the former CORE Director, James Farmer, to win election to the U.S. House of Representatives. She possesses one of the celebrity images in the Congress, and always seems to rebel against the male-oriented political system. In 1972 she was the first black woman to run as a presidential candidate, although she was unable to win as much as 10% of the vote in any state.

About a year ago Mrs. Chisholm married Arthur Hardwick, who is still recuperating from his automobile accident of April 23. (Note: The day after the accident, you tried to call her twice, but could only talk to staff.) Although a part of the leadership, she feels isolated and as if she is unable to communicate her intense interest in certain legislative issues (unemployment, housing, etc.) She also feels that the Administration ignores her concerns. Because of the makeup of her district (mostly ghetto), she is under enormous pressure to produce programs to solve its problems. Thus she always faces difficult elections.

Currently she is not supporting the Department of Education bill.

DANTE FASCELL
(D-Florida-15)



Committees: # 3 Foreign Affairs
Subcommittees: Inter-American Affairs
International Operations, Chairman

3 Government Operations
Subcommittees: Legislation and National Security

Administration Support: 92.5%

Personal Background: Dante received his J.D. degree from the University of Miami. After serving with the Florida National Guard from 1941 to 1946, he was legal attache to the State legislative delegation from Dade County. Dante served in the Florida House of Representatives for four years before being elected to the U.S. House of Representatives in 1954.

He is married to the former Jeanne-Marie Pelot (who will not be accompanying her husband); they have three children; daughters, Sandra Jeanne and Toni and son, Dante Jon. He is 62 years old.

Dante is especially interested in foreign policy issues -- particularly the Conference on Security and Cooperation in Europe and Latin American politics. Although he ranks third on Foreign Affairs, some observers consider him to be the de facto head of the Committee. Dante is considered to be one of the House's most crafty legislators.

He is actively helping us on the passage of the Panama Canal implementing legislation. He is also involved in the Florida waiver problem with the Department of Education bill, and offered the amendment on behalf of Governor Graham. He is helping to organize a core group to push passage of the bill on Wednesday.

TOM FOLEY
(D-Washington-5)



Committees: Agriculture, CHAIRMAN

Democratic Caucus, CHAIRMAN

Administration Support: 79.3%

Personal Background: Tom Foley attended the University of Washington and earned his law degree from the University of Washington law school. He served as deputy prosecuting attorney of Spokane County and was later appointed assistant attorney general for the State of Washington. Just prior to being elected to the U.S. House of Representatives in 1964, Tom was assistant chief clerk and special counsel to the Committee on Interior & Insular Affairs of the U.S. Senate. Tom's wife, Heather, (who will not accompany him to Camp David), is very much a political influence in his office where she serves as administrative assistant (unpaid).

Tom had an extremely tough re-election race in 1978. In the state he is attacked as having a perceptively liberal voting posture. He is a very thoughtful national Democrat who works vigorously with us on most issues. He was particularly pleased, however, when we dropped the DNR proposal, which he opposed.

BOB GIAIMO
(D-Connecticut-3)



Committees:

Budget, CHAIRMAN

As Chairman, Giaimo is a member of all Budget task forces.

8 Appropriations

Subcommittees: Defense
Legislative
Treasury-Postal Service-General
Government

Administration Support: 86.4%

Personal Background: Giaimo received an A.B. degree from Fordham College in 1941 and an LL.B. from the University of Connecticut in 1943. Before being elected to the U.S. House of Representatives in 1958, Giaimo served in the U.S. Army, was Captain of the Judge Advocate General Corps, Chairman of the State of Connecticut Personnel Appeals Board, Third Selectman for the Town of North Haven, Member of the Board of Education and Member of the Board of Finance.

Bob is 59 years old and is married to the former Marion Schuenemann; they have one child: Barbara Lee. Both are total devotees to their daughter, who was recently married.

Bob's leadership on the budget resolution was an additional example of his expertise as Chairman of the Budget Committee. Without his efforts, we would not have been as successful in getting a resolution with which we were all happy.

GUNN McKAY
(D-Utah-1)



Committees: # 15 Appropriations
Subcommittees: District of Columbia
Interior
Military Construction (Chairman)

Administration Support: 59.7%

Personal Background: Congressman McKay is 53 years old, the nephew of David McKay, who was President of the Mormon Church until his death in 1970. He is married to the former Donna Biesinger, and his children are Gunn, Mavis, Marl, Kolene, Carla, Ruston, Chad, Lon (deceased), Ruth, and Rachel. Prior to the Congress he was Administrative Assistant to Utah Governor Calvin Rampton (1967-70); served in the Utah House of Representatives (1962-66); was a businessman and teacher; served in the Coast Guard (1943-46); and has a B.S. from Utah State University.

McKay is our political key to the Rocky Mountain states, and to the Mormon Church. He is a strong supporter and is most eager to help with our organization of those states to bolster our chances. He may be the only truly dependable Carter Democrat with clout in that area.

RICH PREYER
(D-North Carolina-6)



Committees: #11 Government Operations
Subcommittees: Government Information &
Individual Rights, CHAIRMAN

7 Interstate & Foreign Commerce
Subcommittees: Consumer Protection & Finance
Health & the Environment

3 Standards of Official Conduct

Administration Support: 78.2%

Personal Background: Rich received his A.B. degree from Princeton University and his LL.B. degree from Harvard University Law School. After serving in the U.S. Navy during World War II, he served as an attorney, city judge, State superior judge and U.S. District court judge. He ran for Governor of North Carolina in 1964, and served as vice president and city executive for the North Carolina National Bank before being elected to the U.S. House of Representatives in 1968.

Preyer prides himself with your starting to call him "Rich" after he played tennis with you last summer.

He is married to Emily Harris; they have five children. The oldest, Mary Norris, recently graduated with honors from the University of North Carolina at Chapel Hill law school. A younger daughter, Jane, is quite a good tennis player and is on the Futures Circuit, sponsored by Virginia Slims. She played well enough to qualify for doubles at Wimbledon last year.

After the retirement of Paul Rogers, Rich especially wanted to be Chairman of the Health & the Environment Subcommittee. As you know, Waxman is now Chairman. The Subcommittee, as a consequence, is in disarray with the conservatives and Republicans trying to thwart our efforts. Without the support of the Republicans, we will have great difficulty getting Hospital Cost Containment out of the subcommittee. Rich could be the key to the Republicans, especially Tim Lee Carter. Preyer might be able to get Tim Lee to make concessions.

FRANK THOMPSON
(D-New Jersey-4)



(Chairman Thompson underwent major vascular surgery during the Easter recess. He must return to the hospital in August for additional surgery. The first surgery was successful.)

Committees: House Administration, CHAIRMAN

2 Education & Labor
Subcommittees: Labor-Management Relations,
CHAIRMAN
Postsecondary Education

Administration Support: 91.0%

Personal Background: Thompy was educated at Wake Forest College and Wake Forest Law School. He entered the U.S. Navy in 1941 and served until 1948, receiving three combat decorations for action at Iwo Jimo and Okinawa while commanding landing craft squadrons. He was elected to the New Jersey General Assembly in 1949, was assistant minority leader in 1950 and was minority leader in 1954. Thompy was elected to the U.S. House of Representatives in 1954. He was chairman of the National Voters Registration Committee for the 1960 presidential campaign. Thompy and his wife Evelina (Evvie) have two children. He is 60 years old.

Rep. Thompson succeeded Wayne Hays as Chairman of the House Administration Committee in 1976. He was one of the original founders of the liberal Democratic Study Group and while serving as its chairman in 1965-1967, played a key role in the enactment of LBJ's Great Society programs. His major legislative preoccupation has been labor issues, and he has been a driving force behind labor legislation in the House. In 1973 he was key in the successful passage of the act permitting labor unions to bargain for group legal services, and in 1975 was the legislative force behind the attempt to enact a common situs picketing bill. Thompy's interests also focus on the arts and he is a trustee of the John F. Kennedy for the Performing Arts. His cutting and acerbic wit has at time offended some of his colleagues, but he is recognized as an excellent organizer and very fair committee chairman.

As you know, public financing of congressional elections was recently defeated in his committee despite Thompy's considerable efforts.

LOU STOKES
(D-Ohio-21)



Committees: #15 Appropriations
Subcommittees: District of Columbia
HUD-Independent Agencies
Labor-HEW

4 Budget
Subcommittees: Human & Community Resources,
CHAIRMAN

Administration Support: 83.7%

Personal Background: Using the GI Bill, Rep. Stokes graduated first from Cleveland College of Western Reserve University and then received his juris doctor degree from Cleveland Marshall Law School. He was a practicing attorney until 1968, when he was elected to the 91st Congress. He and his wife, Jay, have four children: Shelley, Angela, Louis C. and Lorene. His brother, Carl, is a former Mayor of Cleveland and is now a New York newscaster.

Rep. Stokes, along with Mary Rose Oakar, publicly urged their supporters not to attend the "draft Kennedy" convention in Cleveland. Stokes is one of the few Congressmen who can deliver votes in his congressional district, and the votes in his district are critical to our chances of carrying Ohio in 1980.