

**[7/11/79-Not Submitted-DF]**

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ID 792900

THE WHITE HOUSE  
WASHINGTON

*DE*  
*Pulled*

DATE: 11 JUL 79

FOR ACTION: STU EIZENSTAT

FRANK MOORE (LES FRANCIS)

JIM MCINTYRE

CHARLIE SCHULTZE

*1*  
*7/12 - Etc of Cong action*  
*on 7/11 - no longer a*  
*rush.*

INFO ONLY: THE VICE PRESIDENT

JACK WATSON

ANNE WEXLER

ALFRED KAHN

SUBJECT: CALIFANO MEMO RE 1980 BUDGET AMENDMENT NEEDED TO OFFSET  
THE IMPACT OF THE MICHEL AMENDMENT TO HEW'S 1979 ACT

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

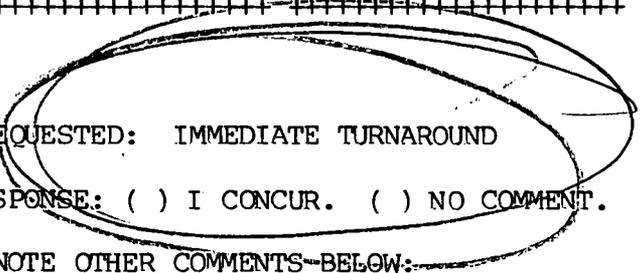
+ BY: +

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ACTION REQUESTED: IMMEDIATE TURNAROUND

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

PLEASE NOTE OTHER COMMENTS-BELOW:



FOR ACTION  
FYI

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

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

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



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

JUL 10 1979

MEMORANDUM FOR THE PRESIDENT

SUBJECT: 1980 Budget Amendment Needed to Offset  
the Impact of the Michel Amendment to  
HEW's 1979 Appropriation Act

In order to avoid major problems next year -- both programmatic and political -- I urge you to send a \$1 billion 1980 budget amendment to the Congress by Wednesday, July 11, to offset the impact of the Michel Amendment in fiscal year 1979.

We have taken the necessary steps to implement a June 15 Justice Department interpretation stating that the Michel Amendment cuts \$1 billion from our 1979 appropriations. Our implementation plan involves the following appropriation cuts in three of HEW's programs:

- We have already saved \$169 million from the 1979 appropriation for Basic Educational Opportunity Grants. Your fiscal year 1980 budget request carries these funds forward to finance a portion of the 1980 program. It is now necessary to request a new 1980 appropriation of \$169 million because these unused 1979 funds are no longer available.
- To make up the balance, we now are forced to cut fourth quarter grant awards for Aid to Families with Dependent Children and Medicaid by a total of \$831 million. The Comptroller General has today ruled that HEW has legal authority to borrow from fiscal year 1980 appropriations to offset this cut. Although such borrowing will not add to Federal outlays proposed in your 1980 budget, it will create an immediate need for an additional \$831 million in 1980 budget authority.

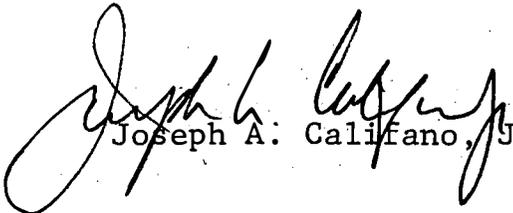
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We have two choices in solving the 1980 budget problem created by the Michel Amendment. We can either request a \$1 billion fiscal year 1980 supplemental appropriation when the 1981 budget is submitted next January or we can make an immediate amendment to the 1980 budget now pending in the Congress.

I strongly favor the immediate budget amendment. A supplemental sent next January will become a target for opponents who wish to discredit our programs to curtail fraud, abuse, and waste and is likely to be characterized as a supplemental for fraud, abuse and waste. It would be far better if the 1980 adjustments could be made now, when the current problems created by the Michel Amendment are being resolved.

We must move quickly on a 1980 budget amendment. The 1980 Appropriations bill has already passed the House. The full Senate Appropriations Committee is scheduled to report their recommendations on 1980 HEW funding on Thursday, July 12. In order to get this before the Committee for consideration, it is necessary to have an amendment cleared through the White House by Wednesday, July 11.

We will, of course, work with the Appropriations Committee in advance of the submission of the official amendment to ensure that they will act on it favorably, after it is actually transmitted. The necessary technical documents were submitted to OMB last Friday, July 6, and we are working with OMB staff to expedite their submission to you.

  
Joseph A. Califano, Jr.