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ID 802353

THE WHITE HOUSE
WASHINGTON

*Hold for
TAA memo*

DATE: 24 APR 80

FOR ACTION: FRANK MOORE

JIM MCINTYRE

INFO ONLY: THE VICE PRESIDENT
JACK WATSON

STU EIZENSTAT

SUBJECT: MARSHALL MEMO RE TRADE ADJUSTMENT ASSISTANCE SHORTFALL

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

+ BY: 1200 PM SATURDAY 25 APR 80 +

+++++

ACTION REQUESTED: YOUR COMMENTS

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

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE

WASHINGTON

BK

Date: May 1, 1980

MEMORANDUM

FOR ACTION:

The Vice President
Stu Eizenstat
Charles Schultze
Frank Moore
Al McDonald
Jack Watson

FOR INFORMATION:

Secretary Marshall

1980 MAY 1 AM 9 48
1980 MAY 31 AM 9 48

FROM: Rick Hutcheson, Staff Secretary

SUBJECT:

Memo from Jim McIntyre re: Supplemental Appropriation for Trade Adjustment Assistance

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:
TIME: 11:00 AM
DAY: Thursday
DATE: May 1, 1980

ACTION REQUESTED:

Your comments

Other:

IMMEDIATE TURNAROUND PLEASE

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)



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

MAY 1 1980

ACTION

MEMORANDUM FOR: THE PRESIDENT

FROM: James T. McIntyre, Jr. (Signed) Jim

SUBJECT: Supplemental Appropriation for Trade Adjustment Assistance

The Secretary of Labor has requested a 1980 supplemental appropriation of \$1,498 million to cover increased unemployment compensation payments expected in 1980 and 1981, almost entirely for Trade Adjustment Assistance (TAA) for auto workers. Most of the problems of the auto industry are being blamed on imports (from Canada, as well as Japan). He is also requesting increases in the limitation on expenditures from the Unemployment Trust Fund for State costs of administering unemployment compensation programs of \$44 million in 1980 and \$17 million in 1981 to handle the increased workload. A \$66 million supplement was planned in the March budget revision.

The major increase in TAA benefits was not included in the March revision of the budget because the Department of Labor failed to recognize the significance in early February of numerous petitions for benefits from groups of Ford and General Motors workers. After the TAA program was liberalized in January 1975, attempts to estimate TAA benefit payments based on petition receipts worked poorly; outlays were substantially overestimated. Estimates have therefore been based on trends in the number of workers actually receiving benefits under approved petitions. This method had worked very well for the past two years and through January of 1980. However, our Labor Branch examiner detected an unexpected bulge in February outlays reported by Treasury in late March, resulting from payments to Chrysler workers under certification made last November. Only then did the Department of Labor recognize the probability that total benefit payments would be significantly higher because of the pending auto workers petitions. Two days after the numbers were finalized (March 26) for the March 31 budget revisions, the Department of Labor reported orally a need for \$1.5 billion in supplemental appropriations.

Legislative situation

The increase in TAA benefits is occurring under existing legislation. The Congress is now considering further liberalizations. In November 1977, as part of your decision not to place restrictions on shoe imports, you directed an effort to facilitate and broaden the TAA program. This effort resulted in Administration support for most provisions in a bill (H.R. 1543, introduced by Congressman Vanik). The bill as passed by the House and reported by the Senate Finance Committee would provide TAA benefits to workers who lost jobs in firms supplying any products or services to import-impacted firms. The Administration had supported a provision which would limit the aid to workers

from firms who provided at least 50 percent of their total output of products (but not services) to import-impacted firms. The Labor Department now believes the bill pending before the Senate could add \$500 million to 1981 outlays, double their estimate earlier this year. We fear the estimate still may be low, since there is no way to predict which workers may qualify. We are exploring with the Special Trade Representative and the Departments of Commerce and Labor whether to recommend a change in the Administration position on the bill, and also whether to propose any changes to the basic TAA law to improve its adjustment aspects and help limit its benefits to those facing long-term adverse effects because of imports. Because of the complexity of the issue, including possible impacts on trade policy, this effort will take more time. We must respond now to the Secretary's proposal for a supplemental to meet the requirements of current law.

How much should we revise the budget?

You have already announced that your budget is being revised to cover increased TAA payments to auto workers. There remains the question of how much we should revise the budget. It has not been possible to predict when groups of workers may be certified to be affected by imports or how many individual workers within certified groups will actually be unemployed and for how long. Since the Secretary four weeks ago submitted his request for \$1,498 million, his staff have examined additional information and indicate that their "best guess" estimate for total 1980 and 1981 costs would be \$2,284 million, \$786 million higher than the Secretary's request; their "worst case" estimate would be almost double his request.

The Secretary does not want to revise his request, since the total he is requesting as a 1980 supplemental (to remain available through 1981) would cover the 1980 portion of the "worst case" estimate. If either of the revised estimates proved right, he would later request more money for 1981.

Amount options are:

A. Accept the Secretary's proposal of a \$1,498 million increase

This is almost certain to cover 1980 requirements and probably most if not all of 1981 requirements (barring a deeper recession than anticipated).

B. Request the Department of Labor "best guess" estimate of \$2,284 million over the two years

This estimate assumes that 50,000 more auto workers will receive payments (450,000 assumed in the Secretary's request), that 110,000 steel workers would be certified (steel imports have not been increasing, so no certifications are expected in the Secretary's proposal) and an increase of 50,000 other workers, representing previously certified workers who have not exhausted all their TAA entitlement, who have found other jobs, but who may get laid off from the new jobs. These assumptions are much more speculative than those in the Secretary's proposal. However, requesting this much would eliminate the need for a 1981 supplemental,

unless the unemployment rate significantly exceeded our current estimates. It would also underline the estimating and policy problems in the TAA program and might increase pressure for changing the authorizing law.

I recommend that you accept the Secretary's proposal for a supplemental of \$1,498 million.

Decision

- _____ A. \$1,498 million (DOL and OMB recommendation)
- _____ B. \$2,284 million

Offsets to avoid increasing budget totals

In your March 14 announcement you made clear that you intended to keep the budget balanced and to take any steps necessary to do so. We have explored how these increases to the March budget revision could be offset to avoid increasing the 1980 or 1981 outlay totals you announced as part of your plan to reach a balance in 1981 without increasing taxes. We have considered reducing 1980 spending in an amount sufficient to offset the 1980 increase for TAA. However, only five months of FY 1980 remain and our options are very limited. Most program cuts now would not significantly affect 1980 spending. No significant further reductions could be identified in other agencies. Proposed offsets included such unpalatable items as reductions in the Strategic Petroleum Reserve, in VA medical care, in CSA energy crisis assistance, and in your targeted fiscal assistance plan for cities.

Reductions can be made in other Department of Labor programs to offset partially the increases proposed by the Secretary. The Secretary might agree that they are feasible, but would argue that they are politically unwise, since they reduce jobs programs for the disadvantaged in a time of rising unemployment in order to pay benefits to auto workers who have been relatively well off and would receive supplementary unemployment benefits under their contracts, even if TAA were not available. The following table summarizes our recommendations for offsets in the Department of Labor:

	<u>1980</u>		<u>1981</u>		Total Outlays
	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	
OMB recommendation for TAA Supplemental.....	+1,498	+1,106	-66	+387	+1,493
Revised estimate for Black Lung payments.....	<u>---</u>	<u>-102</u>	<u>---</u>	<u>---</u>	<u>-102</u>
Total.....	+1,498	+1,004	-66	+387	+1,391

Offsets: Possible Outlay Savings

Option A: Cut structural PSE program (CETA Title II-D) by 48,000 jobs to current on-board strength of 192,000.....	-234	-227	-759	-477	-704
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Option B: Option A plus a reduction in countercycli- cal PSE (CETA Title VI) by 49,000 jobs to 100,000 by end of 1980; maintain 100,000 through 1981.....	<u>-74</u>	<u>-55</u>	<u>-622</u>	<u>-490</u>	<u>-545</u>
Option B total.....	-308	-282	-1,381	-967	-1,240

Option C: Request full amount without any offsets.

Option A should offset completely the supplementary request for TAA for 1981. This option offsets only one-fifth of the increased request for 1980 outlays. However, it keeps up PSE Title VI jobs as we approach a recessionary period, and it maintains the summer jobs at your proposed level of 1,000,000 jobs. This option increases the 1980 deficit by \$777 million and would increase the 1981 surplus by \$90 million.

Option B reductions would completely offset the Secretary's current proposal for 1981 outlays, though TAA outlays in 1981 may rise severalfold. It would not offset the effect of the Secretary's proposals in 1980 outlays. I would not recommend cutting below the current on-board level for Title II-D. Further, although it has been difficult to increase enrollments under Title II-D, our welfare reform proposal assumes we will be able to create large numbers of those types of jobs. Reduction of Title VI below 100,000 would not leave a viable program. This option increases the 1980 deficit by \$722 million and would increase the surplus for 1981 by \$580 million. It is likely that much more funds will be needed for TAA payments in 1981, but in the absence of a documented request we cannot obtain these funds.

Option C represents Secretary Marshall's views that no cuts should be made in any of these Labor Department programs. This option would increase the 1980 deficit by \$1.0 billion and would decrease the 1981 surplus from \$500 million to \$113 million.

I recommend that you use Option B to offset the TAA.

Decision

_____ Option A

_____ Option B (OMB)

_____ Option C (DOL)

THE WHITE HOUSE
WASHINGTON

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not sent

THE WHITE HOUSE

WASHINGTON

April 24, 1980

MEMORANDUM TO THE PRESIDENT

FROM: STU EIZENSTAT *SE*

SUBJECT: Impending Food Stamp Cut-Off

I recommend that you send the attached letters to Congressional leadership expressing the White House concern over the impending food stamp cut-off.

On Monday, April 28, Secretary Bergland will be holding a press conference where he will say that unless the appropriations we have requested are provided by May 15, 1980, he will have to order a suspension of food stamps after June 1st. I think it is important that the Secretary be able to say at that time that we sent these messages to Congress.

OMB, Congressional Liaison, and the Department of Agriculture concur in this recommendation.

THREE SIGNATURES REQUESTED

1:00 PM

THE WHITE HOUSE

WASHINGTON

April 24, 1980

MEMORANDUM FOR: RAY JENKINS

FROM: DAVID RUBENSTEIN DR

SUBJECT: Michigan Issues for the President's
Interview with the Detroit Free Press

Based on discussions with Congressional staff, our campaign people in Michigan, and the Vice President's staff, let me briefly summarize the Michigan issues likely to arise in the President's interview with the Detroit Free Press.

1. Economy. The economy is by far the most important issue in Michigan. The State is in a serious recession because of the decline in the automobile industry. Unemployment in the State is the highest in the Nation (the unemployment rate was 8.9% at the beginning of the Administration; it is now 10.2%). A daily occurrence in the State is an announced layoff of automobile workers. (Last week, Ford laid off 8,000 in Michigan; GM, 6,000.) The fear is pervasive that the situation in the automobile industry will worsen considerably and that the industry will be going through a much larger recession in the next several months. There are now 163,000 autoworkers out of work.

2. Automobile Industry. In addition to the expected concern in the State about the declining automobile industry, there is a concern about the Administration's efforts to help the industry. This is due to a number of factors:

- o The perception that the President's remarks at his last press conference essentially amounted to an encouragement to purchase Japanese automobiles. That view has circulated, no doubt aided by Doug Fraser and the Kennedy forces, because of the President's discussion of the errors of the American automobile industry and the virtues of fuel-efficient cars;
- o The fact that the Administration has not proposed -- indeed has opposed -- import restrictions;
- o The fact that the Chrysler Loan Guarantee Board has not yet approved Chrysler's proposed financial package needed to trigger the guarantee; and

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- o The fact that the Administration has not yet submitted the supplemental request for transitional adjustment assistance.

In discussing the automobile industry, the President should emphasize our commitment to the industry, and the work the Administration has done to help the industry and its workers. Specifically, the President can make the following points:

- o A strong domestic automobile industry is essential to the American economy, and we are going to do everything to ensure that such an industry is preserved and strengthened. Now is a time of transition -- not transition to a smaller domestic industry and a larger Japanese industry, but a transition to a revived, more efficient, and more profitable domestic industry.
- o We are now doing everything we can to encourage a strong industry: we are working with the industry to assess its problems in depth (Secretary Goldschmidt is heading this effort); we are easing the regulatory burden (a recent example being the less stringent emission standards for light-duty trucks); we are pursuing a credit policy which exempts automobile loans from the restraints imposed elsewhere; and we are pursuing an economic policy which involves both labor and business in reducing inflation and will produce a very mild recession -- not the prolonged one the industry experienced in 1974-75.
- o As the industry retools, and produces more fuel-efficient automobiles, we are helping autoworkers in a number of direct ways: encouraging foreign car makers to invest in plants and jobs here (Honda and Datsun have already announced plans to do so; and Volkswagon will be able to do so soon because of a bill the President signed yesterday); and making available \$800 million in transitional adjustment assistance for this industry alone (125,000 Michigan workers are receiving transitional adjustment assistance today; 80,000 more certifications are expected soon. An autoworker getting trade assistance can get up to \$14,000 per year in benefits from the program).
- o The Administration will definitely be submitting the transitional adjustment assistance supplemental next week. (McIntyre said so in a letter to Congress today.) That program has been strongly supported by the Administration, and we will fully fund the requirements of that legislation. We recognize that it provides important funding for workers who have lost their jobs, and there will be no delay in the payment of transitional adjustment assistance benefits.

- o The Chrysler Board has been working very closely with Chrysler management over the last several days to determine the matter of the Chrysler financial package. The Board will be making a decision very soon, probably next week, on whether to authorize loan guarantees (we do not control the Board -- its three members are the Secretary of the Treasury, the Chairman of the Fed and the Comptroller General). (The decision will probably be favorable, but it is premature to say so now.)

In addition, it can be pointed out that we have restricted efforts to invoke policies which would be harmful to the industry. For instance, we do not favor six-month freezes on the industry; that would only worsen the financial situation of Chrysler and Ford, and would lead to a further decline in the industry. Further, we have not proposed immediate gasoline rationing, which under Senator Kennedy's proposal would reduce gasoline consumption by 35%; that would only speed demand for foreign cars and decrease the demand for American cars during this transition period.

Finally, the President should be upbeat about the future of the American automobile industry, and should offer hope that the industry will shortly (without giving a specific timetable) be back on its feet. In making that point, it is probably counter-productive to indicate again that the management of the automobile industry is to blame for not converting to smaller cars earlier. There is nothing to be gained in Michigan by criticizing the automobile industry's management for lack of foresight.

3. Detroit Finances. The City of Detroit is experiencing its annual financial crisis. The Administration has been very helpful to Detroit, though the City has been running large deficits. Last year's deficit was \$53 million. The FY '81 deficit may be even greater. As a result, the City has had to lay off firemen and policemen. And like New York City, there are major labor contracts to be negotiated later this year (the police are threatening to strike during the Republican Convention in July if a satisfactory settlement is not reached).

Because of the relatively weak financial situation of the City, it is likely to experience difficulty in selling short-term notes for seasonal financing.

Further, the City's unemployment rate has been skyrocketing lately as automobile production declines: in 1977 unemployment was 9.9%; it is now 15.1%. In discussing this issue, the President can point out that we have had a very close relationship with the Mayor and have targeted our urban policy to cities like Detroit. A recent example that might be cited is the newly-announced HUD approval of a \$38 billion CBDG loan guarantee. These funds will allow Detroit to finish construction of the Joe Louis Arena.

While the Mayor has remained positive about the budget cutbacks proposed in March, others in the City have not. The papers have run a number of stories about declining Federal aid. The best point to be made, in this area, is that major urban and people programs have been protected (Social Security, youth employment programs, SSI, AFCD, Medicare and Medicaid, assisted housing, Head Start, and summer jobs); and that Detroit will be receiving \$14 million from the new transitional program proposed by the President. (That \$14 million will go directly to Detroit and is obviously money the City does not get now; but it probably represents a reduction by nearly \$20 million from what Detroit would have received indirectly from the State share of revenue sharing.)

4. Detroit Record. As mentioned above, the Administration has been very kind to Detroit. Examples that might be cited include:

- o 10 UDAG grants totaling \$36 million and creating 4,000 jobs
- o 75% increase in mass transit funds
- o 115% increase in CDBG funds
- o \$14 million in low-income energy assistance
- o Food stamp reforms permitting an additional 11,000 low-income persons to participate
- o 175% increase in SBA assistance
- o A National Health Plan which, when enacted, will provide \$8 million in fiscal relief for Detroit

THE WHITE HOUSE

WASHINGTON

April 24, 1980

MEETING WITH AD HOC GROUP
SUPPORTING TRUCKING DEREGULATION

Friday, April 25, 1980

11:00 a.m. (5 minutes)

The Roosevelt Room

FROM: ANNE WEXLER *AW*

I. PURPOSE

Brief meeting with leading supporters of trucking reform.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

Background: An ad hoc coalition in favor of trucking deregulation has been working hard with the Administration to achieve passage of a good bill. Their efforts in the Senate were extremely helpful, and they are now working with us to prepare for mark-up in the House.

The purposes of the meeting are to show our appreciation for their efforts thus far; to emphasize the importance of this issue to the Administration; and to share information on the status and timetable of the bill in the House. An agenda for the meeting is attached.

Participants: A list of participants is attached. The coalition of supporters is broadly based and bipartisan. It includes farm groups, including the American Farm Bureau and the National Council of Farm Cooperatives; public and consumer groups such as the National Association of Counties, the American Association of Retired Persons, and Common Cause; and associations representing large and small businesses, including the National Federation of Independent Business and the NAM.

Administration participants include Secretary Goldschmidt, Stu Eizenstat, Fred Kahn and staff.

Press Plan: White House Photographer.

III. TALKING POINTS

1. The trucking reform bill passed by the Senate last week represents a real victory for American consumers, farmers, and shippers.
2. Your efforts and the efforts of the organizations you represent were crucial in achieving this result. I want you to know that I am aware of how hard and how productively you have been working on this.
3. I consider this legislation to be a high priority matter. I'm sure you are aware of the effort the Administration made in the Senate. I was involved personally, and I will continue to be involved.
4. Keeping a good bill in the House will be next, and it will be no less difficult -- and may well be even harder -- than the struggle in the Senate.
5. The Administration will continue to press hard for strong legislation in the House. The commitment made by Chairman Cannon and recently reaffirmed by Congressman Jim Howard to have a bill on my desk by June 1 should help greatly in moving the legislation forward. I am determined -- as you are -- that that bill must be a good one.
6. With your continued and renewed efforts, we can achieve landmark legislation. The fight will be hard. But I believe we will prevail and I am already looking forward to the day -- I hope in June -- when I can invite you all back to witness the signing of that legislation.

THE WHITE HOUSE

WASHINGTON

MEETING WITH TRUCKING DEREGULATION SUPPORTERS

April 25, 1980
Roosevelt Room
10:30a.m.

AGENDA

10:30a.m.	Informal Discussion & Coffee	
10:40	Opening Remarks	Secretary Neil Goldschmidt
10:50	Legislative Update	Stuart Eizenstat
11:00	Remarks	The President
11:10	General Discussion	Secretary Goldschmidt

THE WHITE HOUSE

WASHINGTON

MEETING WITH TRUCKING DEREGULATION SUPPORTERS

April 25, 1980
Roosevelt Room
10:30a.m.

ATTENDEES

Joe Ayres
American Farm Bureau

Bob Brunner
American Association of Retired Persons

Kay Daines
American Retail Federation

Nancy Drabble
Congress Watch

Karen Eisner
National Association of Counties

Thomas D. Finnigan
Union Carbide Corporation

Don Frederick
National Council of Farm Cooperatives

Eugene Hardy
NAM

Cornish Hitchcock
Transportation Consumer Action

Jeff Hollingsworth
American Conservative Union

Mary Jo Jacobi
3M Company

Steven Larkin
International Paper Company

Ann McBride
Common Cause

Mark Nelson
DuPont Company

Sharon Nelson
Consumers Union

Jack Pearce
Law Offices of Jack Pearce

Phillip Pulizzi
PPG Industries Inc.

Robert Ragland
NAM

Stanton Sender
Sears, Roebuck & Co.

Harold R. (Harry) Sullivan
Food Marketing Institute

Shelby Southard
Cooperative League of the U.S.A.

Frank Swain
NFIB

Lois Tschirhart
Union Camp

Richard Warren
Lever Brothers

STAFF

The Honorable Neil Goldschmidt
Stuart Eizenstat
Alfred Kahn
Susan Williams - DOT
Mark Aron - DOT
Bill Johnston - DOT
Ron Lewis - WH
Jay Beck - WH
Richie Reiman - WH