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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 +

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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,

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