

6/16/80 [2]

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THE WHITE HOUSE
WASHINGTON

16 Jun 80

FOR THE RECORD:

Brzezinski, Cutler, Eidenberg,
Eizenstat, McIntyre and Moore
received copies of the attached.

*A Haeney General Received
Memo 6/17/80*

THE WHITE HOUSE

WASHINGTON

June 14, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT *Stu*

All agree that it would be desirable to have a meeting to discuss the details of the sub-options of Option 1.

Approve Disapprove

J

THE WHITE HOUSE

WASHINGTON

June 14, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: ZBIGNIEW BRZEZINSKI *ZB*
LLOYD N. CUTLER *LNC*
EUGENE EIDENBERG *Eugene*
STUART E. EIZENSTAT *Stu*
JAMES T. McINTYRE, JR. *Jim*
FRANK MOORE *FM*

SUBJECT: Options Concerning the Arriving Cubans and Haitians

BACKGROUND

As you know,

- . within the past two months, over 100,000 Cubans and approximately 1,500 Haitians have arrived illegally in South Florida;
- . these arrivals are in addition to approximately 400,000 immigrants and the 231,700 "refugees" that we had previously determined to admit this fiscal year;
- . there are 10 - 15,000 other Haitians in INS proceedings--most having filed asylum applications. There is a large but unknown number of other Haitians, not formally known to INS, who have come to this country over the past several years (but this memorandum does not cover these undocumented aliens);
- . the Administration has clearly stated that those who have committed serious crimes or who riot or commit crimes while they are here will be excluded.

There are several options regarding what to do with those who remain; none of them is without significant problems. The status of these aliens determines, in part, the benefits for which they are eligible, the extent of the federal commitment, and the process by which they may be adjusted later to permanent residence and eventually citizenship. The options also have long term implications for our immigration policy and large but differing budgetary consequences.

OBJECTIVES

The objectives of a policy for handling these Cubans and Haitians should include:

- avoiding undesirable precedents;
- distinguishing between these recently arrived Cubans and Haitians and all those who seek to migrate here or who are here illegally;
- assuring adequate health care, education, financial support and resettlement assistance quickly to avoid human suffering and the greater costs of long term dependence;
- factoring in congressional judgments, preferences and inhibitions;
- preserving the integrity of our immigration policies;
- holding open the alternative of third country settlement;
- covering the federal government's fair share of the fiscal burden imposed upon some states and localities; and
- even handed treatment of Cubans and Haitians.

THE REFUGEE ACT OF 1980

The Refugee Act of 1980 (The Refugee Act) established new and detailed provisions for refugees and for aliens seeking asylum. It was signed on March 17, 1980, and is similar to legislation the Administration advocated. It was intended to be comprehensive, to obviate the need for further special legislation to handle refugees and those seeking asylum, and to replace ad hoc, large scale parole actions by the Attorney General. To be granted asylum or to be a refugee, the alien must be determined to be "unable or unwilling to return to, and . . . avail [himself] of the protection of [his home country] because of persecution or a well founded fear of persecution on account of race, religion, nationality, membership in a particular social group or political opinion."

The Refugee Act established a process for the President to determine, following "consultations" with Congress, the number of aliens who could be admitted to this country as "refugees." The Act contemplates (but does not require) that the refugee status of an alien would be determined while the alien was in another country, which would avoid the need to decide what to do with those who do not qualify or who do not fall within the numerical limits. However, the refugee provisions of the Act do not apply clearly to this situation.

The asylum provisions of the Act were not intended to apply to large groups of arrivals. They were meant to apply to small groups and the isolated case of, for example, a ballet dancer or author who reaches this country and then seeks to stay for fear of persecution upon returning to his home. The asylum provisions have always required (as do new INS regulations issued June 1) a case-by-case determination of asylum applications. This rigorous case-by-case review is used to avoid having these exceptional asylum procedures become a routine process by which large numbers of aliens gain admission to this country and avoid the normal immigration procedures. There is no numerical limitation on those who may be granted asylum, and formal congressional consultations are not required. Of the Haitians who have applied for asylum in the past ten years, only a small percentage (less than 5%) have qualified. Return of the rest to Haiti, however, has been blocked by litigation in a Florida federal court.

The "consultations" with Congress required for both "normal flow" and "emergency" refugee procedures presume that there are persons within specified countries or regions who are subject to persecution. The numerical limitations on refugees for this fiscal year provide that refugees may be admitted from the Soviet Union, Indochina and Cuba, among others, but not specifically Haiti. An earlier but controversial review by the Department of State concluded that Haitians were not systematically persecuted.

CURRENT LEGAL STATUS

The current legal status of the Cubans and Haitians who have arrived within the past two months is that of aliens paroled into this country temporarily in order to act upon their applications for asylum under the Refugee Act. The Refugee Act did not change the existing authority of the

Attorney General to parole aliens for this purpose. These Cubans and Haitians have been and are being paroled for a 60-day period which the Attorney General may extend until decisions are made on the applications for asylum. Once the applications for asylum are acted upon, the purpose for the parole is over. The law requires that an alien whose application is denied be returned to the country from which he came.

However, for the Cubans, a law not revoked by the Refugee Act provides that if they have been physically present in the United States for more than one year, the Attorney General may adjust their status to that of an alien lawfully admitted for permanent residence. Such Cubans would participate in virtually all of the programs available to citizens and would give their families in Cuba preference in coming to this country. There is no similar special adjustment measure for the Haitians.

Although our immigration laws, including the recently enacted Refugee Act of 1980, do not provide clear procedures for handling this large influx of aliens into our country, the basic principles of the Refugee Act are sound--that the number and the type of refugees, like the number and the conditions of admittance of immigrants, should be set in conjunction with Congress; that the determinations concerning refugee status should be made whenever possible while the alien is in another country; and that the number of aliens to be admitted annually as refugees should be commensurate with our willingness to provide necessary assistance to assimilate them into our society. Regardless of the process by which these aliens are subsequently handled, reducing to a minimum the uncontrolled and unauthorized flow of aliens to this country is essential.

BENEFITS

In their current parole status, Cubans and Haitians are eligible for Food Stamps and CETA programs, and they are being provided work permits. Currently, HHS regulations do not provide for paying them Supplemental Security Income (SSI), Medicaid or Aid for Families with Dependent Children (AFDC) benefits. However, the regulations could be changed to make them eligible for the AFDC and Medicaid and probably SSI benefits while they remain in a parole status, although this would mean that all similar parolees (about 2,000 each year) would receive the same benefits.

They are not receiving benefits (and the state and local governments are not receiving assistance) under the Refugee Act since they have not as yet been determined to be refugees or asylees. For the Indochinese, such benefits have included:

- initial resettlement costs;
- instruction in English, and job training;
- health services, social services, educational and other services;
- child welfare services, health care and foster care maintenance payments; and
- 100% of the cash assistance and medical assistance (including the states share of AFDC, SSI and Medicaid).

Currently, the Cubans and Haitians are receiving other aid and assistance from Federal agencies, which supplements the efforts of state and local governments and the voluntary agencies (VOLAGS). In addition to processing assistance by INS, FBI, DOD, FEMA and others, HHS is providing increased Federal funding for public health facilities and personnel for health servicing; and the Department of State is supporting the cost of resettlement through the VOLAGS, and we have requested funds for Department of Education to support education for these Spanish and French speaking arrivals.

BENEFITS UNDER THE REFUGEE ACT

Aliens determined to be either "refugees" or asylees under the Refugee Act are eligible for a variety of special educational, health, resettlement and support programs. Regulations for these programs have not as yet been issued. These are discretionary programs subject to available appropriations, not "entitlement" programs; however, the expectation is that these programs will receive full federal funding. Those determined to be refugees or granted asylum under the Refugee Act would be eligible for the benefits under the Act as well as to AFDC, SSI and Medicaid benefits. This could result in total annual Federal costs for these individual benefits of \$200 million per 100,000 refugees. This assumes full Federal funding for each of the three years during which they would be eligible for the special benefits under the Refugee Act.

OPTIONS

There are two principal options that are consistent with the objectives stated above. The table following the Options summarizes the costs of the Options and Sub-Options.

Option 1. Continued parole and special legislation for the long-term solution. Special legislation would be submitted now as a one-time only measure to resolve this problem. Although special legislation cannot be passed in acceptable form this session, we would present now our ultimate plan for the resolution of status and start the needed national dialogue on these difficult issues.

While the legislation is pending before Congress, we would continue to parole these Cubans and Haitians. We would also continue to adjudicate the pending asylum claims. Those who most clearly meet the requirements of asylum would have their cases adjudicated first.

Special status legislation would include the following key elements:

1) Provisions to place this group (Cubans and Haitians in INS proceedings by June 15, 1980) in a new status called "special arrival" permitting them to adjust (as Cubans may now) to permanent resident alien status after one year at the discretion of the Attorney General; and

2) Provisions to improve future asylum processing, underscore our determination to assure fair but expeditious case-by-case review of asylum applications and obviate the need for legislation to handle future problems of this nature.

PRO

- . recognizes the heterogeneous reasons for these arrivals (i.e., political refugees, family reunification, economic opportunity, expelled criminals);
- . would avoid the time-consuming effort of processing every one of these aliens individually when very few of these will be returned anyway;

- preserves the strict application of the persecution standards;
- when coupled with the special legislation to permit the adjustment of Haitians to permanent residence status like Cubans, this option would treat both similarly;
- would result in lower and better tailored federal expenditures than a full refugee program;
- involves Congress most directly in the resolution of this situation.

CON

- Congressional leaders have already indicated that it is unlikely such legislation can be passed this year; the submission of it will be criticized;
- the proposal may be divisive and engender bitter debate by the Congress and the public;
- would be criticized by the Cuban-American community, and especially the states and VOLAGS who would prefer the quicker status resolution and the greater individual federal benefits of the Refugee Act;
- the legislation passed by Congress may be significantly different and less desirable than we propose.

Decisions are needed on whether while in parole status (1) the aliens should be afforded AFDC, Medicaid and, if possible, SSI benefits; (2) appropriations should be sought to reimburse the states for (a) 50% of their general welfare, special education and social service costs, or (b) 100% of such costs.

Option 2. Broad interpretation of "Refugee" Definition. This option substitutes a more rapid and less demanding determination of persecution and subsequent granting of refugee status for the time-consuming case-by-case review of the first option which would occur while the special legislation is pending. It would entail "emergency" consultation with Congress to admit an additional number of refugees from Cuba and Haiti during the remainder of this fiscal year, and an increase in the number of "normal flow" refugees during the

next fiscal year. The relatively few who would not quickly be afforded refugee status would (like those in Option 1 who are not granted asylum) remain in parole (subject to return) pending some ultimate resolution of their status. The Haitians complicate this option, however, because of the absence of any credible finding that many are subject to persecution (or would be upon return) in Haiti. Their treatment under this option could be conditioned upon the results of a further and less controversial review of the question of persecution in Haiti. During this review, their parole may continue. This option has the serious precedential deficiency of a loosened standard that may be applied to others in the future.

PRO

- . would use the Refugee Act as the comprehensive response to this situation;
- . would formally involve Congress in determining entrance numbers;
- . would clearly make available the authorities to provide for the resettlement, health care and education of these aliens and reimbursement of the state and local governments and the VOLAGS;
- . would be favored by the Cuban-American community, the states and the voluntary agencies;
- . would be consistent with refugee programs for Cubans prior to the Refugee Act.

CON

- . significantly weakens the refugee standard for these and future groups;
- . would result in larger federal payments than under Option 1;
- . would encourage other aliens to come to this country instead of applying for refugee status in another country;
- . if Haitians are processed as refugees, this option would make a refusal to treat aliens from other countries as refugees more difficult, unless the processing of Haitians now is preceded by some type of official determination that they are subject to persecution.

✓ Option 1. Continued Parole plus Special Legislation
(All favor, including Brzezinski)

An uncertain proportion would become asylees by case-by-case determination; they would receive full refugee-type benefits, for up to three years, plus costs would be 100% federal. In addition, for those in parole status:

- (a) _____ Benefits would be limited to food stamps and work permits.
- (b) _____ Would be eligible for AFDC, SSI, and Medicaid, the states bearing their normal share. (Similar to benefits for immigrants from other countries reuniting with families.) General assistance would be the responsibility of states and localities.

(Favored by Cutler)

- (c) _____ AFDC, SSI, Medicaid eligibility (normal matching) plus payment by federal government of 50% of the state and local government welfare, educational and resettlement costs.

(Favored by McIntyre and Moore. Moore, however, wants to delay on the legislation.)

- (d) _____ AFDC, SSI, Medicaid eligibility plus payment by federal government of 100% of all state and local costs. (Same as for refugees.)

(Favored by Ambassador Palmieri, Secretary Harris, Eizenstat, Eidenberg. Eidenberg recommends, however, that states pay normal state share of AFDC, SSI, Medicaid.)

_____ Option 2. Processing Both Cubans and Haitians as Refugees - Broad Definition

but: _____ Process Haitians only after a formal determination of persecution in Haiti.

(Favored by NONE)

1981 Costs for 140,000 Arrivals
(\$ in millions).

	OPTIONS				
	<u>1a</u>	<u>1b</u>	<u>1c</u>	<u>1d</u>	<u>2</u>
Federal	\$110	130	210	290	290
State & Local	<u>120</u>	<u>100</u>	<u>50</u>	<u>--</u>	<u>--</u>
Total	\$230	230	260	290	290

- Note:
- 1) That these arrivals will need welfare, educational, and other resettlement assistance at the same rate as Indochinese;
 - 2) That as many as 50% of arrivals might qualify case-by-case as asylees before the end of FY 81; for others, the costs of full refugee benefits would be 100% federal;
 - 3) That 100% of arrivals would be refugees in FY 81 under Option 2;
 - 4) That state and local services might be somewhat less if not federally reimbursed (accounting for most of the differences in the totals).

THE WHITE HOUSE

WASHINGTON

June 14, 1980

MEMORANDUM FOR THE PRESIDENT

FROM:

LLOYD CUTLER *LNC/PKB*

SUBJECT:

Options Paper/Cuban Refugees

The enclosed Options Paper fails to make two aspects of Option #1 clear:

(1) Criminals will be excluded from the parole process.

(2) Those persons who do not qualify for asylum during the ongoing Section 208 process, and who are not criminals will not be immediately deported, but instead will be able to maintain their presence through a series of appeals until legislation permanently adjusts their status.

The plan of Option #1 is untelligible without these facts.

10.55

THE WHITE HOUSE
WASHINGTON

June 16, 1980

MR. PRESIDENT:

Rosalynn would like to
bring Mary and Wayne Dean
and their two children by
for a photograph today.

Approve Disapprove

PHIL

THE WHITE HOUSE
WASHINGTON

16 Jun 80

FOR THE RECORD:

FRANK MOORE RECEIVED A COPY
OF THE ATTACHED.

THE WHITE HOUSE
WASHINGTON

June 13, 1980

*Frank -
I defer to
defense
J*

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE *F.M.*
SUBJECT: LETTER FROM CONGRESSMAN BOLAND
REGARDING THE ROYAL STANDARD

Per your instructions on the Congressional mail summary, attached is the letter from Congressman Boland endorsing the suggestion that the British Royal Standard captured by American naval forces in 1813 be returned to Canada. Also attached is background material which was prepared by a military assistant to Secretary Brown. The Department of Defense recommends that this request be denied. Admiral Hayward, Chief of Naval Operations, approved this recommendation.

The State Department defers to Defense. Officials in State have also been informed by the Canadian embassy that there has been no official request from the Canadian government for the flag's return. An interim response to Congressman Boland's letter to Secretary Muskie indicated that officials in Defense would have to be consulted prior to any final decision.

If you approve the recommendation to deny this request, Congressman Boland's correspondence will be forwarded to Secretary Brown for a final response. I will ensure that Richard Garvey, the editor who raised this same issue during a recent interview with you, is also made aware of the decision.

Attachments

cc: Rick Hutcheson
Marty Beaman

**Electrostatic Copy Made
for Preservation Purposes**

Congress of the United States
House of Representatives
Washington, D. C.

June 4, 1980

ACK. Em/mil. office
CONGRESSIONAL
LIAISON

-ATTN:
Bill
Cuff

The President
The White House

JUN 9 1980
003238 CC

Dear Mr. President:

I wish to enthusiastically endorse the recommendation to you by Richard C. Garvey, Editor of the Springfield, Massachusetts Daily News, that the U. S. Government return to Canada the Canadian Royal Standard captured by American forces in the War of 1812.

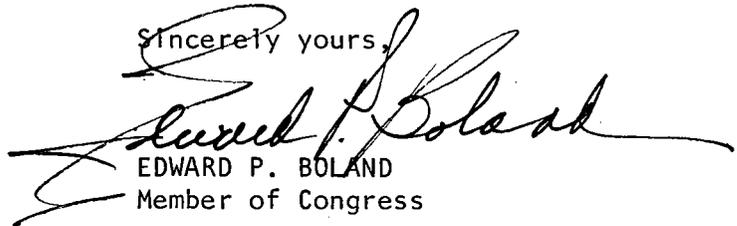
On May 19, I had made the same recommendation to Secretary of State Edmund S. Muskie on the suggestion of Mr. Garvey.

As a Member of the Canada-United States Inter-Parliamentary Group in Congress, I sincerely believe with Editor Garvey that the return of the Canadian Royal Standard would be a noble gesture by the United States Government in gratitude for the assistance given by the Canadian Legation in Teheran, in protecting and facilitating the release of American diplomatic personnel.

Should you decide to return the Canadian Royal Standard, Mr. President, I would suggest that you name Editor Garvey to lead the delegation of American representatives for the transfer ceremony.

With every good wish, I am

Sincerely yours,


EDWARD P. BOLAND
Member of Congress

EPB:jfc

SP03

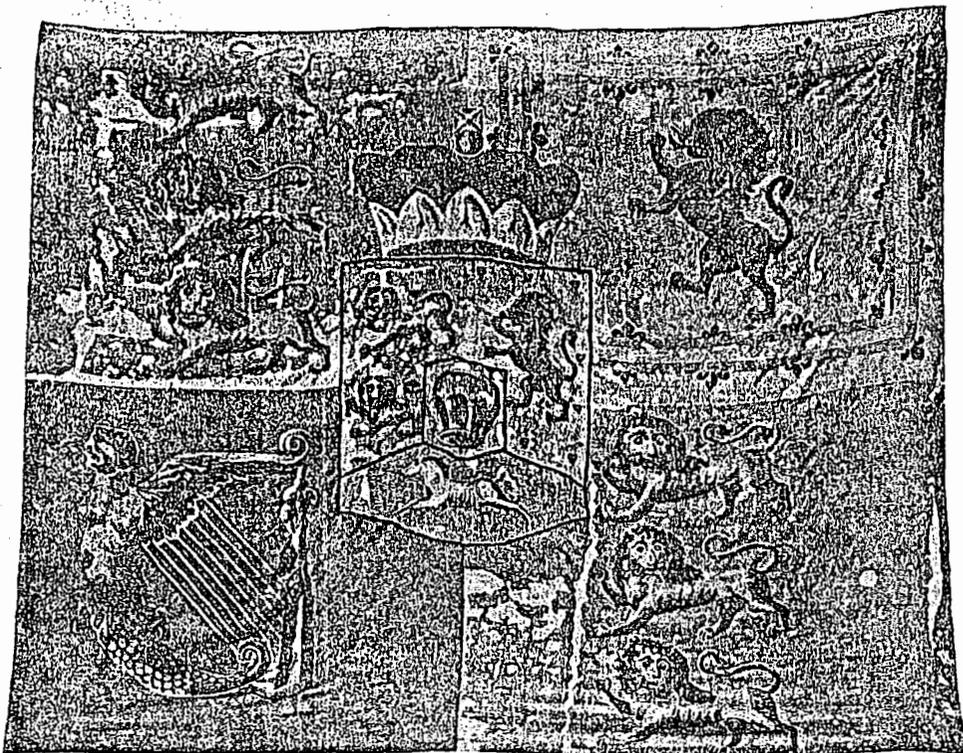
Return of British Royal Standard to Canada

Subject: Return of British Royal Standard to Canada

Problem: Whether to return to Canada a British flag that was captured during the War of 1812 and that has been in the United States for 167 years and at the U. S. Naval Academy for 131 years

- Points:**
1. The British Royal Standard was seized from Parliament House in Toronto by Commodore Isaac Chauncey, USN, in 1813 during the War of 1812. (A xerox picture of the flag is attached as enclosure (1)).
 2. A Congressional Act of 1814 provided for collecting captured flags, and President Polk's Executive Order of 1849 made the U. S. Naval Academy the official repository for flags captured by the U. S. Navy. (See enclosures (2) and (3)).
 3. This Standard is a proper prize of war taken at the expense of American lives.
 4. The flag has been preserved behind glass since 1913, but, because of age, it has become quite fragile.
 5. It would undoubtedly be dangerous to move this fragile flag that measures 30 ft. 4 in. x 24 ft. 3 in.
 6. To return this British Royal Standard to Canada would create an exception to the direction of Congress in 1814 and mandated by Presidential Executive Order since 1849.
 7. The return of this flag to Canada would establish a precedent that would undoubtedly encourage other countries to request the return of their flags now in the possession of the United States.

RECOMMENDATION: Retain the British Royal Standard at the U. S. Naval Academy as an historic and proper prize of war.



NUMBER 14

NUMBER 14

British Royal Standard. Taken from the Parliament House, at York, now Toronto, then the capital of Upper Canada, when that place was taken by the squadron under Commodore Isaac Chauncey and a land force under General Zebulon Montgomery Pike, April 27, 1813.

The Royal Standard of the United Kingdom of Great Britain and Ireland, in the heraldic blazonry here shown, was established by George III. It was first hoisted on the Tower of London and displayed by the Foot Guards, on January 1, 1801. Simultaneously, it was hoisted on Bedford Tower, Dublin, to celebrate the legislative union of Great Britain and Ireland. The United Kingdom dates from the first day of that year.

The three gold lions, "passant gardant," in the first and fourth quarters, are for England; the red lion, "rampant," in the second quarter, is for Scotland; the gold harp, in the third quarter, is for Ireland. In the center, the shield or "escutcheon of pretence," represents the Hanoverian dominions in Germany, including the arms of Brunswick (two gold lions on a red field), of Lunenburg (a blue lion, "rampant," on a gold field "semé of hearts proper"), and of Saxony (a silver, or white horse, "courant," on a red field). The shield in the center of the arms of Hanover is a further escutcheon of pretence, and bears, on a red field, the crown of Charlemagne, as the badge of the office of Arch Treasurer to the Holy Roman Empire. The arms of Hanover are surmounted by, or "ensigned with," the Electoral bonnet, indicating that the ruler of Hanover was an Elector of the Holy Roman Empire.

ed or disabled in the discharge of their duty whilst co-operating with the navy, by order of the President of the United States, shall be entitled to be placed on the navy pension list, at the same rate of pension, and under the same regulations and restrictions, as are now provided by law for the officers and seamen of the navy.

1814.
abled, &c. to be placed on the pension list.

APPROVED, April 18, 1814.

AN ACT (Chapter 78, Vol. 3, page 133) to provide for the collection and preservation of such flags, standards, and colors, as shall have been, or may hereafter be, taken by the land and naval forces of the United States, from their enemies.

[Completed.]

SEC. 1. *Be it enacted, &c.*, That the Secretaries of the War and Navy Departments be, and they are hereby, directed to cause to be collected and transmitted to them at the seat of the Government of the United States, all such flags, standards, and colors, as shall have been, or may hereafter be, taken, by the army and navy of the United States, from their enemies.

Secretaries of war and navy to collect all flags, &c.

SEC. 2. *And be it further enacted*, That all the flags, standards, and colors, of the description aforesaid, which are now in the possession of the departments aforesaid, and such as may be hereafter transmitted to them, be, with all convenient despatch, delivered to the President of the United States, for the purpose of being, under his direction, preserved and displayed, in such public place as he shall deem proper.

Flags, &c., to be displayed in some public place, as the President shall direct.

SEC. 3. *And be it further enacted*, That the sum of five hundred dollars be, and the same is hereby, appropriated, for the above purposes, out of any moneys in the treasury not otherwise appropriated.

\$500 appropriated

APPROVED, April 18, 1814.

AN ACT (Chapter 84, Vol. 3, page 136) concerning the pay of officers, seamen, and marines, in the navy of the United States.

[The pay of all commissioned officers, except pursers, and of all warrant officers, changed by subsequent acts. Sec. 2, repealed Feb. 22, 1817.]

SEC. 1. *Be it enacted, &c.*, That the pay and subsistence of the respective commissioned and warrant officers be as follows: a lieutenant, other than a master commandant, or lieutenant commanding a small vessel, forty dollars per month and three rations per day; a chaplain, forty dollars per month and two rations per day; a sailing-master, forty dollars per month and two rations per day; a surgeon, fifty dollars per month and two rations per day; a surgeon's mate, thirty dollars per month and two rations per day; a purser, forty dollars per month and two rations per day; a boatswain, twenty dollars per month and two rations per day; a gunner, twenty dollars per month and two rations per day.

Pay, &c., of commissioned & warrant officers.

PRESIDENT'S ORDER IN REGARD TO THE FLAGS.

NAVY DEPARTMENT,
February 9, 1849.

Sir:

In compliance with an order of the President, of this date, a copy of which is herewith enclosed, I have delivered to Rev. M. Jones, Chaplain of the Naval School at Annapolis, a number of flags taken by the Navy from our enemies in war, for transmission to you, to be disposed of as indicated by the President.

I am respectfully,

Your obed. servant,

J. Y. MASON.

Commander Geo. P. Upshur,
Supt. U. S. Naval School,
Annapolis.

[Copy.]

Pursuant to the 2d section of an act approved April 18, 1814, directing that all flags, standards, and colors taken by the Army and Navy of the United States from their enemies, be preserved and displayed under the direction of the President of the United States, in such public place as he may deem proper, the Secretary of the Navy is directed to take measures to cause the flags, standards, and colors taken by the Navy of the United States from their enemies in war to be deposited for the purpose specified in the act, in the Naval School at Annapolis, under the care of the Superintendent thereof.

JAS. K. POLK.

Washington,
Feb. 9, 1849.

11:30

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT'S VISIT TO
THE EMBASSY OF JAPAN

June 16, 1980

11:30 am The President proceeds to motorcade
for boarding.

MOTORCADE DEPARTS South Grounds en route
The Embassy of Japan.

(Driving time: 5 minutes)

11:35 am MOTORCADE ARRIVES The Embassy of Japan.

PRESS POOL COVERAGE
CLOSED ARRIVAL

The President will be greeted by:

His Excellency Yoshio Okawara,
Ambassador of Japan to the United
States

11:37 am The President, escorted by Ambassador
Okawara, proceeds inside Embassy
to Main Foyer where he will be met by:

The Honorable Kiyoshi Sumiya, Deputy Chief
Of Mission, Embassy of Japan
The Honorable Aritoshi Soejima, Financial
Minister, Embassy of Japan
The Honorable Yoshio Hatano, Economic
Minister, Embassy of Japan
The Honorable Jiro Aikoh, Economic
Minister, Embassy of Japan

11:40 am The President proceeds inside Memorial Room en route Condolence Book Table.

11:42 am The President pauses briefly before picture of Prime Minister Ohira and signs Condolence Book.

PRESS POOL COVERAGE

11:43 am The President departs Memorial Room en route motorcade for boarding.

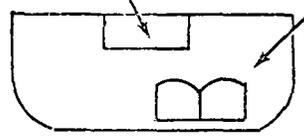
11:45 am MOTORCADE DEPARTS Embassy of Japan en route South Grounds.

(Driving time: 5 minutes)

11:50 am MOTORCADE ARRIVES South Grounds.

ORIRA PICTURE

CONDOLENCE BOOK



PRESS

AMBASSADOR'S CHAMBERS

EMBASSY
MINISTERS

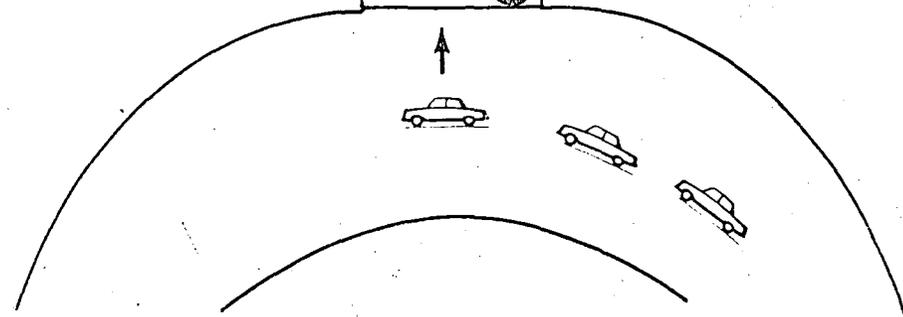
MAIN FOYER

MEN'S ROOM

HOLDING ROOM

AMBASSADOR OKAWARA

THE PRESIDENT'S VISIT
TO THE EMBASSY OF JAPAN
JUNE 16, 1980



THE WHITE HOUSE
WASHINGTON

16 Jun 80

Harold Brown (via NSC) and
Stu Eizenstat recieved copies
of the attached.



The Ohio State University

Program for Energy Research,
Education, and Public Service

Oxley Hall
1712 Neil Avenue
Columbus, Ohio 43210

Phone 614 422-5485

June 10, 1980

*cc Harold, Stu
brief comment
J*

James E. Carter
President of the United States
The White House
Washington, D.C. 20500

Dear Jimmy:

It seems as though the omnibus energy bill will pass. I understand that if all goes well you plan to sign the bill on July 4, Independence Day for 1980. This would be, I think, an appropriate and meaningful gesture--but still a gesture.

I would suggest that in order to put teeth into the gesture and to establish the necessary momentum for the urgent development of synthetic fuels, you direct the Defense Fuel Supply Center through the Department of Defense to contractually implement procurement of synthetic fuels simultaneously with your signing the bill. This would demonstrate a real determination to have the Defense Department get on with this business under provisions of the Defense Production Act while the Synthetic Fuel Corporation is being formed.

Failing such a decisive move, besides giving the "nuts and berries" fringe groups hope that you are not serious about developing synthetic fuels, there is the likelihood that DOD will back off from its responsibilities and that subsequent implementation of the bill will be hindered by squabbles over turf between DOE and TVA. Some of this has already begun.

Warm personal regards.

Sincerely,

Howard Bucknell III
Director, Energy and
National Security Project

THE WHITE HOUSE
WASHINGTON
16 Jun 80

Frank Moore

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

Rick Hutcheson

THE WHITE HOUSE

WASHINGTON

June 11, 1980

Frank J

MEMORANDUM FOR: THE PRESIDENT
FROM: FRANK MOORE *JM*
SUBJECT: DOMESTIC VIOLENCE BILL

At the end of this week, or early next week, the Senate is expected to take up the Domestic Violence Prevention and Services Act (S. 1843). The bill, sponsored by Senator Cranston, provides federal support to state and local communities to prevent domestic violence and assist victims of such violence. It authorizes \$15 million in FY '81, \$20 million in FY '82 and \$30 million in FY '83 to be used for emergency shelter programs, counseling, training, technical assistance and other services. Most of the funds (60%) will be allocated to states for further distribution to local public and nonprofit entities. Special preferences (two-thirds of each state's grants) will be given to private nonprofit organizations.

The House version of the bill (H.R. 2977), which passed in December 1979 and which we supported, contains the same funding levels and is largely identical to S. 1843. The two bills differ slightly in the allocation of appropriations to states for direct services, administration, and service grants. The second significant difference is that the Senate bill contains a Title II, known as the "National Service Commission Act", which calls for the creation of a Presidential commission to examine the desirability and feasibility of establishing a national service program. Although we oppose the commission concept on the grounds that it would duplicate the work of two previous studies and that adequate commissions already exist, we are working to seek modifications in Title II that will enable us to reach a compromise with the House version in conference and not endanger the domestic violence provisions of the bill.

You and members of our staff, particularly Sarah Weddington, have publicly indicated your support for domestic violence legislation on several occasions. In the spring of 1979 you established an Interdepartmental Committee to review and coordinate domestic violence-related activities on a government-wide basis. When the bill was considered in the House, you sent a letter to every Member urging a vote of support.

**Electrostatic Copy Made
for Preservation Purposes**

The situation in the Senate is hard to call. The attention of most Senators has been focused on other items; a hard vote count is difficult to obtain. WH CL is working closely with HHS and Senator Cranston's staff. Several conservative groups (among them, the "Moral Majority") are organizing a grass-roots effort to block the bill on the grounds that it represents another federal intrusion upon the family. In a recent Dear Colleague letter, Senators Hatch and Hayakawa labeled this bill the "OSHA of the family."

Several moderate Senators, generally inclined to agree with the objectives of the bill, are reluctant to support authorization of a new government program, however modest, at a time of budget-consciousness.

I have attached, for your approval, a letter to be sent to every Senator prior to floor consideration of S. 1843. OMB and DPS have reviewed it, as well as Speechwriters.

THE WHITE HOUSE

WASHINGTON

June 11, 1980

ok
J

Dear

To Senator _____ :

Shortly the Senate is expected to vote on S. 1843, which would provide Federal support for the prevention of domestic violence and assistance to victims of such abuse. The House has already passed its version of the bill. I urge the Senate to do likewise.

There are few acts more tragic than those involving physical violence within families. I have taken administrative steps to seek remedies for this growing national problem and relief for those who suffer its consequences. But further Federal action is necessary to assist in providing direct and immediate refuge to victims and to help reduce the incidence of domestic violence.

The Domestic Violence Act would help to provide needed services effectively and sensitively, with emphasis on state and local participation.

I urge you to support the domestic violence prevention and victims' assistance provisions of S. 1843 when they reach the Senate floor.

JIMMY CARTER

**Electrostatic Copy Made
for Preservation Purposes**

THE WHITE HOUSE
WASHINGTON

16 Jun 80

FOR THE RECORD:

HUGH CARTER AND LLOYD CUTLER
RECEIVED A COPY OF THE ATTACHED.

THE WHITE HOUSE

WASHINGTON

June 12, 1980

MEMORANDUM FOR THE PRESIDENT

FROM:

LLOYD CUTLER *JMC (e)*
HUGH CARTER *HC*

SUBJECT:

Installation of an Underground Cable at
Your Residence in Plains

The Secret Service has informed Hugh Carter's office that for security reasons they recommend that an underground cable for increased power and video capabilities be installed at your residence in Plains. The installation cost is approximately \$1,900. It is something that the Secret Service feels must be done and we agree.

The Counsel's office has reviewed and approved this request. Installation of security measures of this sort at your private residence is statutorily authorized.

In the future, it would facilitate and speed the handling of matters like this if you delegate to Hugh Carter the authority to sign off on requests of this nature for you, in accordance with Counsel's guidelines.

APPROVE _____ ✓

DISAPPROVE _____

J

THE WHITE HOUSE
WASHINGTON

June 13, 1980

MEMORANDUM TO THE PRESIDENT

FROM: AL MOSES *al*

SUBJECT: Wolf Blitzer's Question regarding Redeployment
of Israeli Forces under the Camp David Accords.

At the Anglo-Jewish press briefing, Wolf Blitzer of The Jerusalem Post called attention to the language in the Camp David Accords that calls for the redeployment of Israeli forces into specified security locations. You had earlier used the term agreed. This is not a problem.

Wolf Blitzer agreed that the substance of your comment met Begin's definition of "specified". What you stated was that Israel would in the first instance propose the locations for the redeployment of its forces and that if the other parties did not agree Israel would be under no obligation to proceed. This is the point Begin stresses in distinguishing between specified and agreed. End of matter.

THE WHITE HOUSE
WASHINGTON
16 Jun 80

Al McDonald

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

Rick Hutcheson

THE WHITE HOUSE
WASHINGTON

June 13, 1980

Good
C
-

MEMORANDUM FOR THE PRESIDENT

FROM : AL MCDONALD *AM*

We are giving high priority to making the transition in Chief of Staff as smooth as possible. We will try to keep personal reassignments and physical moves to a minimum. Of course, these visible shifts are of far less concern to the key players and their deputies than their realization that the pattern of working relationships will change significantly.

Jack is still reflecting on what his role should be and what he wants to do. His initial comment to me was that he intends to turn over all of his current activities to Gene to leave himself completely free to act as Chief of Staff. In line with my personal commitment to you, I have assured him that I will adjust my role and staff activities during this interim period to complement and supplement whatever he chooses to do, just as I have done with Hamilton.

For your background information, attached is a partial list outlining the main elements of my de facto role at the time of your decision. Hamilton, Jack and I reviewed this outline as a starting point for our initial discussion on the transition.

Attachment:a/s

Summary Outline of Current Organization and Management Activities
of Staff Director

Organizational (direct)

Presidential Speechwriting unit, including:

- Oversight of Speech Strategies, Scheduling and Quality Checks
- Surveillance of speech drafting, clearance and submission system

Organizational (general)

System of regular staff meetings - Deputies, Senior Staff, President

Communications to White House staff

Oversight of Presidential paper flow - coordination as required of individual major memos and resolution of process questions and short-circuit attempts

Operational reviews- administration, budget, staffing, mess, parking, office space, travel, Residence and social programs

Activities of Special Assistants - Oversight of Landon Butler coordinating mechanism

Presidential Communications - development and promulgation of standards for use of Presidential Signature

Systems

Calendar - advance planning and early warning

Speechwriting system- planning mechanism

Task tracking - for WH task forces/special issue efforts

Introduction of new/revised systems/procedures

Lead on Recurring Coordinating Sessions (and approximate frequency)

Calendar Coordination (twice weekly)
(calendar events and planning, schedule, issues progress)

Platform/Policy/Convention Coordination (twice weekly)

Issues Planning (weekly)

Public Posture/External Communications (once/twice weekly)

Participation for Operational/Coordinating Follow-through

Economic Policy Group

Inflation Advisory Breakfasts

Domestic Policy Breakfasts

Congressional Leadership Breakfasts

Budget Review Sessions with President

Coordination or Follow-up for Special Issue Groups/Task Forces

(always changing with circumstances; list for week of 6/9/80)

Surveillance of development and distribution of talking points

Anti-inflation Task Force

Auto Industry Study

Energy Conservation Task Force

Election law requirements

Trade problems

Urban unrest

Legislative veto

Hazardous waste policy and superfund

Maintenance and improvement of COWPS organization/operation

Other

Responding to special Presidential requests
(individual or at 10 a.m. meeting)

Handling assistance requests from Senior Staff/Cabinet
Officers/Others

Maintaining movement for continuing stream of Nonrecurring
Problems/Needed Decisions/Event Preparation

THE WHITE HOUSE
WASHINGTON

June 14, 1980

MEMORANDUM FOR: THE PRESIDENT
FROM: STU EIZENSTAT *Stu*
SUBJECT: Domestic Policy Staff
Status Report

URBAN POLICY

General Revenue Sharing: The prospects for our proposals are reasonably good in the House. Some of our formula changes probably will be adopted and we have a reasonable chance of sustaining our decision to eliminate the States (despite unanimous Republican support for the State share). The prospects for the \$500 million transitional aid program are very poor.

The legislation has not been as well received on the Senate side. While we may get some of our formula changes, the majority of the Senate Committee currently appears to favor the continuation of State participation in the program.

The Congressional Budget Resolution provided no funding for either the transitional fiscal aid program or the State share. This will make it much more difficult to obtain Congressional approval for the \$500 million aid to cities program. WHCL intends to play a much stronger role on this legislation in the upcoming weeks.

Targeted Fiscal Assistance Legislation: The House-Senate Conference is stalled because no funding was provided for this program in the Congressional budget.

EDA Legislation: I expect the House-Senate Conference to reconvene within the next two weeks. We are trying to work out an agreement in which the Senate accepts many of the House provisions in the basic EDA program and, in exchange, the House weakens its support of the \$2 billion stand-by public works program. The large jump in the unemployment rate will make it more difficult for us to get the House to drop entirely its support for the public works program.

Toward this end, OMB and I met this week with Bob Roe to explore the possibility of a compromise on the public works issue. Roe indicated that he may be willing to accept a much higher trigger for the program, perhaps as high as 8 percent unemployment. The House bill currently contains a 6.5 percent unemployment trigger. I will have his answer Monday.

Urban Policy Report: We are working with HUD to review your biennial urban policy report, which is required by law. After substantial negotiating, we expect to have a report that describes your urban policy accomplishments and does not raise expectations too high about the future.

U.S. Conference of Mayors Meeting: The Conference of Mayors annual meeting was last weekend. We prepared a status report on your urban policy to provide to all of the mayors at the meeting. We also provided them with a report on how you have implemented the policies set in the urban plank of the Democratic platform.

Autos: We have been working with DOT, OMB, Treasury and CEA to accelerate the government's review of the auto industry. We expect DOT to provide a paper to the EPG during the third week in June. That paper should cover the short-run and long-run outlook for the industry and examine policy options in the credit, regulatory, trade and tax areas.

AGRICULTURE

Mount St. Helens: The Federal assistance effort seems to be going smoothly. Relations with the Governor are said to be somewhat better. We are continuing to work with Frank Press, the Forest Service, and the Geological Survey with regard to the longer-term implications.

Farm Policy: We have been discussing the need for changes in the price support/grain reserve program with the Vice President, Secretary Bergland, and others. We are developing a detailed assessment of our major options and will be prepared to discuss it with you following your return from Europe.

Soviet Grain Crop: The USDA has lowered their estimate of the Soviet grain crop slightly . . . from 190 to 230 million metric tons to 190 to 220 million metric tons . . . because of excess moisture and late planting. They also raised their estimate of Soviet imports for the July 1979 - June 1980 period from 30.5 mmt to 31.2 mmt.

Export Marketing Facility Credit Program: We are working with USDA, State, OMB, Treasury, IDCA, and CEA to resolve differences over implementation of a credit program for the construction of agricultural marketing facilities in foreign countries. Israel is prepared to seek assistance for a grain terminal if the program is implemented.

HUMAN RESOURCES

Federal Support for Hospital Construction: CWPS issued a press release on Tuesday on the Administration's new policy to limit Federal support for hospital construction and renovation in overbedded areas. As you know, the policy covers direct construction, grants, loans, loan guarantees, tax subsidies and reimbursement programs. In brief, for non-federal hospitals, the policy states that no subsidies will be provided for construction or renovation unless it is consistent with newly developed State and local plans or approved by the Secretary of HHS. An OMB circular will be published in the Federal Register within the next week for a 30 day public review and comment period.

Child Nutrition: The Senate Committee on Agriculture, Nutrition, and Forestry met Wednesday to mark up the Child Nutrition legislation which affects feeding programs administered by the Department of Agriculture. The Administration's proposal included about \$500 million in savings in those programs, to be accomplished by reducing, by 5 cents, the Federal subsidy for school lunches (for children from families whose income exceeds \$15,000), revising program eligibility standards to target assistance to the most needy children, and reinforcing efforts to reduce fraud and abuse. The bill reported out by the Senate Agriculture Committee included approximately the same dollar level of savings as the Administration proposed, but substituted some of their own savings initiatives for some of the Administration's proposals. They did not adopt the nickel reduction in school lunch subsidies. On the House side, the Education and Labor Committee reported out its Child Nutrition bill on May 16 without the savings proposals. It is not certain when either Committee's bill will be cleared by the House and the Senate.

Higher Education Bill: The Senate version of the higher education bill may go to the floor as early as Wednesday, June 18th. We still have serious concerns about the bill that was reported out of Committee. OMB estimates that if borrowing from the Treasury to capitalize student loans is considered on budget, the full funding costs of the Senate student financial aid provisions alone are still over \$3 billion above our proposal in FY 1981 and about \$18 billion above our proposal over FY 1981-1985.

To address this problem, the Administration is working against formidable odds to sell a series of amendments to the Senate bill. Taken together, these amendments would cut the costs of the Senate bill by \$2.8 billion in FY 1981 and by \$13 billion over FY 1981-85.

We also are working with Senator Stewart on amendments that would preserve Title III (Developing Colleges Program) as an important source of assistance for minority institutions.

Youth Employment: Unconfirmed reports indicate that the House may bring up our youth employment legislation early next week. The Rules Committee has assigned a favorable rule and we are polling members to determine their positions.

Your meeting with members of Senator William's committee has already had positive results. The Senators spoke to the press corps indicating their support and predicting passage this year.

OIC 100,000 Jobs Initiative: We are working with OMB, OPM, DOL and OIC to put together a plan and timetable to implement your Miami announcement. Gus Hawkins raised some initial objections to this program but a special briefing has helped to reassure him.

INSULAR AREAS

Micronesian Negotiations: Senators Jackson, Johnston and McClure have stated that they will not support the proposed \$1.9 billion, 15 year Compact of Free Association if it does not preserve our right to deny military use of the three Micronesian entities to other nations in perpetuity. They appear intransigent despite Administration advice that separate base rights agreements would give us effective long-term denial. Their proposal is to give the islands U.S. social programs in perpetuity and full faith and credit in the compact in return for the preservation of denial rights. Meanwhile, they have joined other Congressmen and Federated States of Micronesia leaders in expressing displeasure at the linkage of essential pre-trusteeship termination assistance to the Micronesian decision whether to sign the Compact. We, along with NSC, Interior, and our negotiator are working with OMB on this.

Puerto Rico Olympic Decision: The local Olympic Committee now plans only to symbolically send one athlete to Moscow. He would, however, compete under the Olympic banner rather than the Puerto Rican flag.

ECONOMICS

Industrial Policy: Working with CEA, OMB, DOC, DOL and others, have spent much of the week in meetings trying to agree upon an agenda for review and analysis of current industrial programs and policies and for considering what new initiatives might be undertaken. Jasinowski's current efforts (an interagency task force) are unlikely to be sufficiently focused to permit development of a major proposal for the fall, but it may provide enough of the initial staff work for us to develop a program from it during the months of July and August.

Already it seems clear, at the very least, there are enough possibilities to be sure we will be in a position to say that we are taking steps to maintain and expand American industry. Which proposals are best is not yet clear.

JUSTICE

Fair Housing: H.R. 5200 passed the House 396-10 on Thursday following Wednesday's critical 205-204 vote for the Synar Amendment. The Senate Judiciary Subcommittee on the Constitution also reported the Senate version, S. 506, on Thursday. It is substantially inferior to the House bill but we will be working closely with the Committee and its staff to improve the bill before it goes to the floor. Tactical arrangements have been made with the Majority Leader to hold the House bill at the desk of the Majority Leader when it goes over to the Senate early next week.

HOUSING AND FINANCE

Section 8 Housing: GNMA has exhausted its tandem funds, which jeopardizes 20,000 - 40,000 multifamily starts which would otherwise occur this year. We are developing options to avoid a shortfall.

Middle-Income Rental Housing Program: As you know, the House and Senate Banking Committees have authorized a new middle-income rental program which has been opposed by the Administration. We are joining low-income housing groups in supporting a Senate floor amendment which would eliminate this new program, and use the savings to subsidize traditional low and moderate income housing. The full Senate will consider the bill this month.

New York City: I met with Mayor Koch last week in New York. He acknowledged our help in favorably resolving 37 out of 57 "priority" issues submitted by the City last fall, and then presented 19 new legislative and administrative priorities. We will give you a memorandum on those issues which are potentially doable shortly; however, most of the Mayor's requests are not feasible, and our objective in the coming months will be to reduce his expectations to avoid a continued deterioration in relations between the Administration and the City.

International Trade Issues: (a) The interagency trade committee, chaired by USTR, is in the process of preparing decision memos for you concerning (i) whether to extend import relief for the color television industry (orderly marketing agreements with Japan, Korea, and Taiwan expire on June 30) and (ii) whether to attempt to negotiate with Japan the terms under which we might be prepared to reduce the tariff on light trucks which was recently increased from 4% to 25% pursuant to the Customs' reclassification decision.

(b) Export trading company legislation has now passed the Senate Banking Committee, and Commerce is pressing for consideration on the Senate floor as soon as possible. Progress in the House is much less certain as the bill has been referred to several different committees.

Transportation

Maritime Legislation: We have completed and sent to the Congress a comprehensive statement of the Administration's views on Representative Murphy's omnibus maritime regulatory reform, reorganization and revitalization bill, H.R. 6899. This 19 page letter discusses in detail the regulatory, maritime promotion, and tax provisions of the bill. We indicate our substantial opposition to many of the anticompetitive and other features of the bill, and provide guidance on how it should be changed to conform to the Administration's policy.

Rock Island Railroad Employee Assistance Legislation: A U.S. District Judge in Chicago having jurisdiction over the Rock Island railroad liquidation proceedings has entered a preliminary injunction enjoining the trustee of the Rock Island railroad, the Secretary of Transportation and the Interstate Commerce Commission from enforcing any of the Rock Island assistance provisions in the Rock Island Employee Assistance Act signed by the President on May 30, 1980. He has concluded that since the Rock Island estate is in liquidation, it is no longer a railroad and the government cannot impose upon the estate the obligations a railroad has to its employees and the public interest. This decision will be appealed. If

upheld, rail labor will seek legislation to convert the \$75 million loan guarantee in the Act into a grant program to provide the protection required by the employees.

Airport Trust Fund and User Tax Legislation: The House Public Works Committee has passed a bill reauthorizing the airport trust fund which proposes funding levels substantially different from the Administration's proposal. The bill would authorize expenditures that would be \$500 million higher than the Administration's request this year, and \$2 billion higher than the Administration's request over the next five years. We are awaiting the House Ways and Means Committee report on the airport user tax provisions in the bill, which are also different from the Administration's proposals. The House bill does include provisions consistent with the Administration's request that trust fund revenues be applied to a greater share of the Federal Aviation Administration's operational and maintenance costs, but this section may be removed in conference, since the Senate has no comparable provision in its bill. These bills are potential veto candidates. DOT has been asked to prepare a letter to all House Members explaining our opposition to the House bill.

Urban Mass Transportation Act Reauthorization and Transportation for Handicapped Persons: An amendment offered by Representative Cleveland to H.R. 6417, the UMT Act reauthorization bill, would allow local mass transportation operating authorities to obtain a "waiver" from DOT regulations which require that all mass transit systems be accessible to the handicapped, if they offer an approved alternate program to transport handicapped persons. This amendment is opposed by the Administration as being inconsistent with our support of efforts to remove barriers to the handicapped in transportation and other services. It appears likely to pass the House, however, and may be modified in Conference. We have maintained a low profile on this issue in the House and are reviewing our strategy should this bill go to Conference.

ENERGY AND NATURAL RESOURCES

Utility Oil Backout: The Bill was reported out of Committee in the Senate by a vote of 17 to 1 on Wednesday. It makes two important but acceptable changes to the Administration proposal: (1) it provides only 25% in automatic grants to the utilities on the list instead of 50%, but that makes an additional 25% in grants and 25% in loans available on a showing of genuine need; and (2) it permits some utilities to continue to burn natural gas after 1990, unlike the present Fuel Use Act, but only for their "economic life" and only if they have made acceptable plans to convert at the end of that life. Although there were strong efforts to add an amendment requiring a "constant emissions" clean air standard, they were narrowly defeated.

We must now begin intensive efforts to convince Chairman Dingell to take the bill up promptly in his Committee, and

to gather support for it.

Alaska Natural Gas Transportation System: The Canadian government has asked that we delay the White House signing ceremony on the agreement on Phase I, which we had hoped to schedule next week, until after they can review the agreement at the highest levels. Since one of the principal purposes of that event was to reassure the Canadians that we do intend to complete the project so that they will start building their part of it, we really had no choice but to accept the delay. This probably means that the signing ceremony will be after your Venice summit trip.

Gasoline Rationing Plan: The Plan and Progress Report were transmitted to the Congress on Thursday. If the current legislative calendar holds, their time to act to disapprove the Plan will expire on July 29. We are working closely with the Department of Energy to gather early support for the Plan.

Reclamation Law: The House Interior Committee is now marking-up a reclamation law reform bill (H.R. 6520) that we view as highly objectionable.

The bill essentially nullifies our proposal for a 960 acre limit for family farm receipt of Federally subsidized water by allowing unlimited leasing, exempting all Corps of Engineers projects, exempting all projects in California's Imperial Vally, and by rejecting a residency requirement. Secretaries Andrus and Bergland have registered strong objections to the bill. However, it is likely that much of these features will remain in the bill when reported by the full Committee. We will coordinate with CL on ways to improve the bill on the House floor.

This bill is similar to S. 14 passed by the Senate last September.

RPA: This week, Secretary Bergland will transmit to you the 1980 Renewable Resources Planning Act (RPA) program. The RPA is a five year assesment of the nation's renewable resource base and is compiled by the Forest Service. We must then transmit the RPA to Congress accompanied by a Presidential policy statement. We plan to transmit the program to Congress on Friday, June 20. While there will be no changes made in the Secretary's RPA program, the statement of policy is undergoing internal EOP review. The policy statement is particularly important with respect to timber policy and environmental concerns. You will receive the policy statement by Tuesday evening.

GOVERNMENT REFORM

Rail Deregulation: Bill has passed Senate and has been reported from full House Commerce Committee. Now that the Budget Resolution impasse is resolved, we will work with Frank's staff and DOT to visit with key House members in preparation for the upcoming floor vote.

Stanford Daily Legislation: Bill providing subpoena-first protection against overly aggressive searches and seizures has been reported from full House Judiciary Committee. It provides full protection to third parties in addition to the press, which Justice Department says would severely hamper law enforcement and DOJ thus opposes it. Bill moves to markup in full Senate Judiciary Committee next week, and Justice is meeting with Senator Birch Bayh about the timing of a possible compromise on the third party issues.

Small Business Administration Authorization Bill: At a meeting last week in the Roosevelt Room which you asked me to chair key House and Senate members agreed with OMB on a compromise proposal. House-Senate conferees have officially agreed to drafting details, and bill should be forwarded to you for signature shortly. It accomplishes one of your major objectives of transferring disaster assistance for farmers from SBA to FmHA, and reduces the need for disaster supplementals. However, it does contain some undesirable provisions.

Lobby Reform: Lobby reform bill has been reported from the full House Judiciary Committee. Senate began markup this week, and should resume on June 16.

Trucking Deregulation: The bill may reach the floor as soon as June 19. Various amendments will be offered, but only two are worrisome. One, sponsored by Rep. Levitas, would add legislative veto for ICC rules. In addition to drawing our opposition, the Senate leaders would refuse this provision, forcing a conference that would delay the bill and jeopardize final passage. The second amendment, sponsored by the Teamsters, would provide protections for drivers laid off because of the bill, including \$100 million of Federal money for lost wages. Again, the Senate leaders oppose this, as do all involved Administration officials. (Few job losses are expected.) We do not have a vote count on either amendment yet.

Regulatory Reform Legislation: The regulatory reform bill is in serious trouble in both Houses. In the Senate, after a single extraordinarily brief mark-up session, the Judiciary Committee on May 7 reported a bill with three very troublesome provisions, including the Bumpers amendment expanding judicial review of rules. Simultaneously the Senate Governmental affairs Committee reported as a separate bill the Levin-Boren proposal for veto of regulations by joint resolution; this will now very likely be added to the regulatory reform bill on the Senate floor, thus severely increasing the risk that an unacceptable legislative veto provision would emerge from any conference that would occur in this legislation. In the House Judiciary Committee, a two-House legislative veto provision was adopted on March 14 applicable to all agencies. We have indicated to Chairman Rodino that we do not wish to have the bill reported unless the legislative veto provision can be changed. Jim McIntyre, Frank, and I will have a more detailed memo to you on this situation in the near future.

Senior Executive Service Bonuses: We have worked with Scotty Campbell, OMB and Frank's staff on the problem of preserving the bonus system for the Senior Executive Service. With your personal intervention, the House Appropriations Committee accepted a compromise permitting payment of bonuses up to a maximum slightly below the level of congressional pay.

THE WHITE HOUSE

WASHINGTON

June 13, 1980

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MEMORANDUM FOR THE PRESIDENT

FROM:

ANNE WEXLER *AW*

AL MCDONALD *AM*

SUBJECT:

INFLATION ACTIVITIES --- WEEK OF JUNE 9, 1980

Attached for your information are this week's summary of activities and Inflation Report.

SUMMARY OF ANTI-INFLATION ACTIVITIES

Week of June 9, 1980

Congress

First Budget Resolution - After reaching a compromise in the Budget Conference Committee, both Houses of Congress passed the first budget resolution on Thursday, June 12. This step removes a procedural obstacle hampering further Congressional consideration of FY 1980 supplemental appropriations.

Outreach

Briefings - Anti-inflation actions were included in most White House briefings - 10 briefings, covering approximately 1800 people, 4 with Presidential participation.

Continuing Actions

Compliance Actions - The Council on Wage and Price Stability announced this week that Elsa Williams company, a subsidiary of Johnson Wax, agreed to take corrective action to come into compliance with the price standards. Separately, the Council said that price reductions instituted by United Wholesale Grocery Company of Grand Rapids, Michigan, were sufficient to bring the company into compliance with the standards.

Unnecessary Hospital Construction - On Tuesday, June 10, President Carter directed federal agencies to limit the use of federal funds and tax subsidies to finance the construction of unnecessary new hospital capacity and the renovation of existing hospitals in areas of surplus capacity. The President's directive covers federal programs, including construction programs; HUD and other loan and grant programs; tax subsidies; and federal reimbursement for patient care allocated to construction.

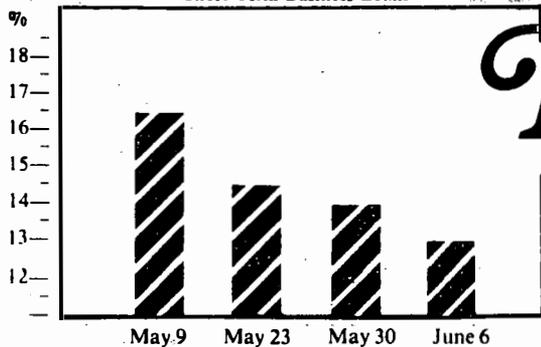
Regulatory Reform - On Friday, June 13, the President met with members of the Regulatory Council to discuss programs on regulatory reform and the elimination of red tape and unnecessary regulatory burdens. He issued a memorandum to executive agencies directing that they review their programs to find areas where more flexible regulatory alternatives can be applied.

Credit

The Federal Reserve Board this week lowered the discount rate, the rate charged member banks, from 12% to 11%. This move follows a continued general decline in interest rates which this week brought the prime rate to 12 - 12-1/2%.

(6/13/80)

Prime Interest Rate Charged by Banks on Short-Term Business Loans



Inflation Report

No. 8

The White House Press Office

June 12, 1980

Congress Votes to Approve Balanced Budget Resolution

President Limits Federal Financing for Unneeded Hospital Construction in Move to Cut Costs

The President has directed Federal agencies to limit the use of Federal funds and tax subsidies to finance the construction of new hospital facilities or renovation of existing facilities in areas where there now are too many hospital beds.

An excess of unused or infrequently used beds is one of the chief contributors to the high cost of hospital care. Inflation adviser Alfred Kahn said construction of added hospital capacity in areas where there already are too many hospital beds escalates costs.

He said patients are charged part of the cost of maintaining these unneeded beds. According to the Department of Health and Human Services, the nation now has about 130,000 excess hospital beds, costing the economy \$4 billion and the Federal government \$1.1 billion annually.

The President's directive will prevent Federal funds from contributing to the problem in areas where there now are more beds than the population requires.

"The President recognizes that the Federal government must take the lead in combating inflation," said Kahn. "This means limiting Federal expenditures and refraining from actions that directly inflate costs, particularly in the necessities."

The directive covers all Federal programs through which funds could be

available for hospital construction and renovation, including:

—Programs under which hospitals are built, owned, and operated by Federal agencies.

—Programs which subsidize hospital construction by private and public groups through grants, loans, and loan guarantees.

—Programs which aid hospital construction through Federal tax subsidy. (Tax-free municipal bonds are used to finance private and public hospital construction.)

—Federal reimbursement for patient care. (Reimbursement to hospitals for care provided to Medicare and Medicaid patients includes reimbursement of costs for construction of facilities required to provide that care.)

In 1981, more than \$850 million is budgeted for Federal hospital construction and renovation. Of almost \$5 billion in non-Federal hospital capital expenditures approved by State planning agencies in 1979, approximately one-half was Federally subsidized or guaranteed. In addition, Medicare and Medicaid reimbursement for capital costs is estimated at \$2.3 billion in 1981.

See *Unneeded Hospital Beds to be Limited* next page

Cost of Credit Continues to Decline

Interest rates continued to decline during the first half of June in all major financial markets. This continued the downward trend in the cost of credit to borrowers which began in early April.

At June 9's Treasury auction, rates on Treasury bills fell below 7%—a full percentage point below the previous week's rate and 8 points below the early-April levels.

Mortgage rates also have declined sharply. The Department of Housing and Urban Development announced in mid-May a reduction in the ceiling rate on FHA/VA-guaranteed single-family mortgages to 11.5%, 2.5 percentage points lower than the mid-April level. For conventional mortgages, the national average rate on new mortgage commitments re-

ported by the Federal Home Loan Mortgage Corporation stood at 13.1% for the week ending June 6, down more than 3 percentage points from early April.

In corporate bond markets, rates on high-grade long-term debt have recently averaged near 10.5%, down more than 2 percentage points from early April. On June 6, the prime rate dropped from 14% to 13%. Some banks that often lead movements in the prime are now posting a 12% rate.

The prime rate, which is the rate large banks charge to their prime business customers for new short-term loans, is a gauge of the cost of business borrowing generally. Often rates charged for lower-

See *Prime Rate Drops* next page

The Congress has passed a balanced budget resolution for Fiscal Year 1981, calling for \$613.6 billion in spending and a surplus of \$200 million.

The budget calls for \$153.7 billion in defense outlays. It reduces a previously agreed-upon defense budget authority by \$800 million and reallocates those funds to domestic programs. The budget also includes an additional \$300 million for transportation and income security functions.

As a major part of his anti-inflation program, the President has urged adoption of a balanced budget.

Two weeks ago, the Congressional conferees began discussions on the current budget compromise after an earlier plan was rejected.

The Senate originally called for \$155.7 billion in defense outlays. The House originally provided \$147.9 billion in defense outlays. They eventually agreed upon a figure of \$153.7 billion, but offset the higher amounts for defense with lower amounts than the President proposed in virtually all remaining functions.

The President opposed that compromise plan. He said it unnecessarily allocated funds from domestic programs to defense expenditures. The President said he has built into defense appropriations a 4% real growth each year for five years. The Congress subsequently rejected it.

The President's revised FY 1981 budget submitted last March called for outlays of \$611.5 billion and base revenues of \$612 billion, for a surplus of \$500 million. He requested \$150.5 billion in defense outlays.

"The agreement of the conferees does not fully reflect the Administration's spending priorities," said James McIntyre, director of the Office of Management and Budget. "However, it does represent a step in the direction of a more appropriate balance between domestic and defense spending. We intend to work closely with the Congress on...authorization and appropriation bills to press for the enactment of the President's priorities."

The newly approved budget resolution also includes new spending figures for Fiscal Year 1980 and raises the limit on the national debt through February. The current temporary limit of \$879 billion would have expired at the end of this month, dropping the ceiling to the permanent level of \$400 billion.

U.S. Total Energy Consumption Picture Is Improving

U.S. ENERGY CONSUMPTION

	1976	1977	1978	1979
Total Energy Consumed (quads)	74.5	76.4	78.2	78.2
Percent Growth in Energy Consumption	5.4%	2.5%	2.3%	.05%
Energy Coefficient (1975 - 1979 Coefficient: .56)	.9	.47	.53	.024
Oil Imports (millions of barrels per day)	7.3	8.8	8.4	8.3
Gasoline Consumption (millions of barrels per day) (product supplied)	7.0	7.2	7.4	7.0
Petroleum End Use (millions of barrels per day)	17.46	18.43	18.85	18.38
Transportation	9.35	9.73	10.16	9.72
Industrial	3.17	3.53	3.59	3.65
Residential and Commercial	3.43	3.41	3.43	3.45
Electric Utilities	1.51	1.77	1.68	1.55

Total U.S. energy consumption in 1979 grew .05%, to 78.197 quadrillion BTUs (quads) from 78.154 quadrillion BTUs in 1978.

That means that in 1979 the growth in energy consumption was 0.02% of the growth in Gross National Product. In 1978, that number was .53%. Before 1976, energy use and the GNP moved together; that is, for every 1% increase in the GNP, there was a 1% increase in U.S. energy consumption.

This means that in 1979, the U.S. exceeded the goals set by President Carter at the Bonn Summit.

Last year's 0.024 energy coefficient compares to the President's pledge in July, 1978, at the Bonn Summit to hold the U.S. energy coefficient at 0.8 and with Energy Secretary Charles Duncan's announcement recently that the U.S. has set a goal for an energy coefficient by 1990 of 0.6.

Holding the Line on Inflation...

Elsa Williams of West Townsend, Mass., a subsidiary of Johnson Wax Associates, Inc., has agreed to limit profits during the second program year in order to comply with the voluntary price standards.

United Wholesale Grocery Co., of Grand Rapids, Mich., a subsidiary of Spartan Stores, has come back into compliance with the price standards by reducing its prices during the first half of this program year.

Liberty House, a West Coast and Hawaii department store chain, is taking corrective action to remain in compliance with the voluntary price standards.

Although it has maintained that it had complied with the anti-inflation program, Liberty House has agreed to hold its percentage gross margin below the allowable limit through this program year, which ends in September.

About 170 businesses and government entities have signed on for the Administration's energy conservation initiative aimed at cutting gasoline consumption in the nation and U.S. oil imports.

The President wants to reduce gasoline use this year by 5.5%.

The participating organizations have agreed to get at least 20% of employees to rideshare or use public transit. If they already have met that goal, they will increase their ridesharing to 40%.

The groups also will inform employees, customers, and the general public about efficient driving techniques, better route planning, and proper car maintenance.

In addition, the groups will take steps to improve fuel economy of their motor vehicle fleets by 10% this year.

The most recent additions to participating organizations are:

Rotelle, Inc.
Aluminum Company of America
American Car Rental Association
Chrysler Corporation
Motor and Equipment Manufacturers Association

Unneeded Hospital Beds to be Limited

from Page 1

In direct Federal construction, agencies will be required to consider acquiring suitable underutilized non-Federal facilities before constructing new ones.

Under the directive, no Federal grants, loans, and loan guarantees will be provided for hospital construction or renovation unless the project is consistent with newly developed State and local plans or unless it is approved by the Secretary of Health and Human Services. Legislation will be sought to extend the procedure to tax-exempt bonds.

In Medicaid and Medicare reimbursement, the Administration supports legislation now before the Congress which would deny reimbursement for projects judged by State and local health planning agencies to be unneeded. The Department of Health and Human Services also is reviewing the reimbursement policy to develop additional administrative or legislative proposals.

Prime Rate Drops to 13%

from Page 1

rated business borrowers are quoted as a certain amount above the prime, and outstanding loans made with floating-rate terms normally have their cost tied to movements in the prime.

Consequently, the 7-percentage-point reduction in the prime rate since mid-April signals a lower cost for short-term funds for business generally.

Just two months ago, banks were charging their prime-business customers a record 20% for short-term loans, while even the highest-quality corporate borrowers were paying 12% to 13% for long-term funds. Rates in other credit sectors also were at record highs, with the Treasury paying 15% to borrow, and mortgages—if available at all—as high as 16% to 18%.

Unemployment Rises in May; PPI Continues to Slow

The unemployment rate rose in May from 7% to 7.8%.

Unlike April's unemployment rise, most of May's increase came not from a decline in the number of those employed (a decrease of 170,000 in May), but from an increase in the number of those in the labor force (up by 700,000).

While employment dropped in manufacturing, particularly in durable goods, it stabilized in construction and was up slightly in trade.

The producer price index for finished goods rose .3% in May, the lowest increase since September, 1977.

Food prices rose only .1%. Energy prices increased by .8%, a sharp slowdown from the large increases during the past 18 months.

Other price indexes, which had been rising at a sharper rate earlier this year, also slowed. Outside of food and energy, prices rose by .2%, the smallest increase in four years. Machinery and equipment prices did not rise at all. That is only the second time that this has happened in more than seven years.

In addition, prices for intermediate goods (component parts and supplies) rose by .1%, the smallest rise in five years.

Administration economists have said that improvement in inflation together with decreases in interest rates should slow the recession and turn the economy towards recovery.

This weekly newsletter is prepared by the Office of Media Liaison in the White House Press Office. Please direct inquiries to Patricia Bario or Karen Ahn, 162 Old Executive Office Building, Washington, D.C. 20500. (202) 456-6623 or 2832.

THE WHITE HOUSE

WASHINGTON

June 13, 1980

MEMORANDUM FOR THE PRESIDENT

FROM:

ALFRED E. KAHN *Fred*

SUBJECT:

Weekly Activities Summary

I have spent many hours over the last two weeks discussing specific outstanding pay standard issues and the future of the programs with John Dunlop and the other principals. We will be discussing the issues at EPG next week.

Wage/Price Program

We released an amendment to the second year price standards that allows heavy users of gold and silver to pass through a portion of the price increases in those commodities. The amendment is similar to the adjustments we made earlier for airline fuel costs. Both have the purpose of permitting companies that have been subjected to clearly indentifiable uncontrollable increases in cost to remain on a price limitation rather than having to go over to the profit margin test which, because it is essentially a cost-plus standard, is much less desirable from our standpoint.

We announced that the United Steelworkers three-year wage agreement with the nation's major aluminum companies is well below the maximum allowed by the voluntary pay standard. This is the result, of course, of our using an assumed 7.5 percent CPI inflation rate in evaluating the COLA clause. The actual cost of the contract, we estimate, will be approximately 12 percent per year, compounded, if the CPI goes up an average 11 percent annually over the three years.

Compliance actions

During the last two weeks the following companies have taken corrective action to bring themselves into compliance with the price standard: Spartan Stores, Inc., a subsidiary of United Wholesale Groceries; House of California, a major

West Coast and Hawaiian department store chain; Elsa Williams, a Massachusetts-based subsidiary of Johnson Wax Associates, Inc.; and United Wholesale Grocery Company of Grand Rapids, Michigan.

Inflation Update

On June 12, we issued our latest Inflation Update, in which we observed that wage and price inflation had decelerated dramatically in April and May, but warned that serious underlying inflationary pressures remain widespread in the economy and may be difficult to reverse.



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

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June 14, 1980

MEMORANDUM FOR THE PRESIDENT

FROM: James T. McIntyre, Jr. *J. McIntyre*

SUBJECT: Seriously Objectionable Legislation in Congress

We have reviewed the bills now being considered actively in the Congress to identify those that appear most troublesome. The list of these 22 bills is attached. In each case, we have already made our objections clearly known.

We are not seeking any decisions from you at this time on veto signals. The list is likely to change in the coming weeks for several reasons:

- . As we continue to work on these bills, we may reach acceptable compromises.
- . The list does not include appropriations bills, which are still in the early stages of consideration.
- . Some other major bills not on this list, whose features now look acceptable, may turn sour despite our efforts.
- . Some kinds of legislation, such as a farm bill, may become desirable later in the year, given future events.

Therefore, we plan to use this list as a planning tool to guide the efforts of the departments and your staff in getting these bills into acceptable form.

Frank, Stu, Jack and others will work with me to give you periodic assessments of our progress.

Attachments

List of Seriously Objectionable
Legislation in Congress

1. Farm Legislation (Agriculture)
2. Omnibus Water Resources Projects Authorizations
(Army Corps of Engineers)
3. Local Public Works (Commerce)
4. Maritime Reform (Commerce)
5. National Tourism Policy Act (Commerce)
6. Coastal Zone Management (Commerce)
7. Department of Defense Authorization Act of 1981
8. Higher Education Reauthorization (Education)
9. Department of Energy Civilian Program
Authorization Act of 1981
10. Reclamation Reform Act (Interior)
11. Supreme Court and School Prayer (Justice)
12. Attorneys Fees (Justice)
13. Trade Adjustment Assistance Amendments (Labor/OMB)
14. Foreign Service Act (State)
15. Grants for Airport Development (Transportation)
16. Grants for Highway/Transit (Transportation)
17. Reduced Workweek for Federal Firefighters (Defense/OPM)
18. Death Benefits for Survivors of Federal Law Enforcement
Officers and Firefighters (Labor/Justice)
19. Extension of Federal Tort Claims Act to National Guard
(Justice)
20. Public Health Service Commissioned Corps Physician and
Dentist Pay Bonus (HHS)
21. Veterans Administration Health Personnel
22. Federal Personnel Ceilings and Contracting Activities (OMB)

Descriptions of Seriously Objectionable Legislation in Congress

Farm Legislation

Various bills have been reported by the House and Senate Agriculture Committees increasing price supports for wheat and feed grains and making other commodity program changes. The costs of these proposals vary but in all cases will exceed current Administration budget recommendations (some up to several billion dollars). Of these, the most likely to receive floor consideration are H.R. 7264, which, among other things, increases minimum price supports for producers of 1980 and 1981 crops of wheat and feed grains who participate in the farmer-held grain reserve (increases to \$3.30 for wheat and \$2.40 for feed grain), and S. 2639, which increases minimum price supports for such producers of 1979 through 1981 crops of wheat and feed grains (increases to \$3.30 for wheat and \$2.25 for feed grains). In light of continuing production-cost pressures on farmers, Presidential guidance will be sought on selected price support issues in the next several weeks.

Two additional bills (H.R. 7121 and H.R. 7142) have also been reported by the House Agriculture Committee increasing price supports for soybeans and waiving cross-compliance requirements. Agriculture estimates the cost of increased price support levels will be \$125 million in 1980 and \$147 million in 1981. The Department strongly opposes waiver of cross-compliance requirements as a matter of fundamental commodity program policy.

Omnibus Water Resources Projects Authorizations

H.R. 4788, passed by the House, and S. 703 authorize appropriations for water resource projects at a cost of about \$3 billion. A large number of the projects are authorized contrary to Army Corps of Engineers' recommendations or without Executive branch project planning or review. Both bills contain unconstitutional legislative vetoes and numerous other provisions that are objectionable on policy grounds, including the lowering or elimination of requirements for State or local contributions for individual projects, and the initiation of new Federal programs, such as direct Federal construction of urban water supply treatment and distribution facilities. These other provisions, particularly those that expand the Federal role, could have an extremely large budgetary impact in future years.

Local Public Works

S. 914, now in conference, authorizes an expanded economic development assistance program to be implemented by EDA in Commerce. Title IV of the House version of the bill authorizes a \$2 billion standby, third-round local public works program triggered when the unemployment rate exceeds a national average of 6.5 percent in the most recent calendar quarter. The Administration strongly opposes this provision as procyclical, difficult to target to areas of high cyclical unemployment, and potentially inflationary.

Maritime Reform

S. 2585, passed by the Senate, and H.R. 6899, reported by the House Merchant Marine and Fisheries Committee, include a repeal of the application of the antitrust laws to much of the maritime industry.

National Tourism Policy Act

S. 1097, passed by the Senate, establishes a federally-chartered, non-profit corporation to promote tourism. It would absorb Commerce's U.S. Travel Service and have the authority to consult with foreign countries, represent the U.S. in international meetings, and monitor the tourism-related policies and programs of Federal agencies. This bill is directly counter to the Administration's policy on tourism: confine the Federal role to development of policies, collection of data, coordination, and limited promotional activities. The international authorities of the proposed corporation raise serious questions about usurpation of the foreign policy functions of the President acting through the Secretary of State.

Coastal Zone Management

H.R. 6979, reported by the House Merchant Marine and Fisheries Committee, and S. 2622, passed in the Senate, (1) fail to adopt the Administration's formula for phasing down over an eight-year period the authorization level for State administration grants; (2) authorize funds for programs not requested by the Administration, with H.R. 6979 authorizing \$60,000,000 more than requested by the Administration (\$71,000,000) for 1981, including \$25,000,000 for a new, unnecessary program to assist States affected by the transportation, transfer, or storage of coal, and \$35,000,000 for a new program of grants to States for waterfront rehabilitation and beach access. H.R. 6979 also contains an unconstitutional legislative veto provision.

Department of Defense Authorization Act of 1981

H.R. 6974, passed by the House, authorizes appropriations which exceed the Administration's request of \$46.8 billion by over \$6 billion. Unrequested add-ons include funding for cruise missile carrier aircraft, two additional Los Angeles-class submarines, and reactivation of a World War II battleship and an aircraft carrier. In addition, this bill includes a highly objectionable provision which would give any civilian employees of a military facility, displaced by the contracting out procedures of OMB Circular No. A-76, the right to file suit against the Government in the U.S. District Court to seek an injunction.

Higher Education Reauthorization

H.R. 5192, passed by the House, and S. 1839, reported by the Senate Committee on Labor and Human Resources, contain numerous objectionable provisions, the most critical being costly liberalizations of student loan and grant programs. For the period fiscal years 1981-85, the cost of the loan programs in S. 1839 would exceed the Administration's proposals by \$14 billion in budget authority. The House bill, although less costly does not reform the loan programs as the Administration proposed. In addition, contrary to the Administration's proposals, the bills provide annual increases in the maximum awards and percentage of the cost of education covered by Basic Educational Opportunity Grants. They also extend eligibility in all student assistance programs, except Basic Grants, to less than half-time students (limited to 10 percent of awards).

Neither the House nor Senate versions adopted the Administration's proposals to strengthen the Title III developing institutions program or to focus college library grants on institutions with demonstrated need. Both bills also authorize new programs not proposed by the Administration.

Department of Energy Civilian Programs Authorization Act of 1981

H.R. 6627, as reported in the House, authorizes continuation of the Clinch River Breeder Reactor project contrary to Administration policy. The bill also calls for an aggressive nuclear waste management program to select repository sites (exempt from NEPA review) and build unlicensed "demonstration" repositories capable of becoming full scale repositories on a fast schedule.

Reclamation Reform Act of 1979

S. 14, passed by the Senate, substantially deviates from the Administration's proposed amendments to the Reclamation Act of 1902, which was designed to encourage family farms by limiting the size of farms eligible to receive federally subsidized irrigation water and by requiring personal operation. S. 14, in contrast to the Administration's proposal, allows a much larger farm size, specifies special exemptions for a number of corporate landholders, abolishes residency requirements, and includes less stringent rules on leasing land. H.R. 6520, reported by a House subcommittee, similarly deviates from the Administration's bill. Secretary Andrus has characterized H.R. 6520 as being even more objectionable than S. 14.

Supreme Court and School Prayer

S. 450, passed by the Senate, removes the Supreme Court's jurisdiction to review any case relating to voluntary prayers in public schools and public buildings. The Administration opposes this provision as unconstitutional because it would prevent Supreme Court review of Federal constitutional questions. No action has been taken on the bill by the House Judiciary Committee, but a discharge petition now contains the signatures of about 160 members, with 218 needed for discharge.

Attorneys Fees

S. 265, passed by the Senate, authorizes courts to award attorneys fees paid from agency appropriations to individuals and small businesses who prevail against the Government in administrative proceedings or civil litigation, when the Government fails to show that its action was "substantially justified." This legislation would (a) cost the Government an estimated \$153 million in 1981, increasing to \$228 million in 1983, (b) create the dangerous presumption that the Government was unjustified in bringing suits it loses, and (c) detract from the real solution to the problem of alleviating the cost and burden on businesses of contesting Government enforcement of regulations -- modifying or eliminating indefensible regulations and improving the regulatory process.

Trade Adjustment Assistance Amendments

H.R. 1543, as passed by the House and reported by the Senate Finance Committee, vastly expands trade adjustment assistance coverage to secondary supplier firms of goods or services and their employees, increasingly remote from trade impacts. This expansion of coverage is estimated by the Department of Labor to add \$570 million to Federal outlays in fiscal year 1981; others, using somewhat different assumptions, have estimated added 1981 outlays as high as \$750 million.

Foreign Service Act

H.R. 6790, as reported by the House Foreign Affairs and Post Office and Civil Service Committees, departs in various respects from the Administration's legislative proposal to strengthen and improve the Foreign Service personnel system. In particular, the bill is inconsistent with the President's decision on linking Foreign Service (FS) and General Schedule (GS) pay, and would substantially overpay the Foreign Service in relation to the General Schedule. The bill would also restrict the President's authority to adjust pay linkages between the two systems, and provide an unduly costly method of converting FS employees to GS. The bill, further, contains various excessive benefits and allowances; e.g., as much as 65 percent of basic salary for hardship or danger, and liberalizations of travel, subsistence, and family allowances.

Grants for Airport Development

H.R. 6721, reported by the House Commerce Committee, authorizes appropriations totaling \$14.3 billion in new budget authority for the period 1981-1985. This exceeds the Administration's request by \$2 billion, \$500 million of which is for 1981. In addition the bill authorizes only \$850 million in FAA operations and maintenance expenses to be paid from the Aviation Trust Fund in the first year, while the Administration has proposed \$1.3 billion, compared to \$350 million under current law.

Grants for Highway/Transit

H.R. 6417, reported by the House Public Works Committee, authorizes appropriations of \$27.7 billion for 1981-1985 for mass transit and \$5.8 billion for highways. This exceeds the Administration's request by \$7 billion (\$4.1 billion for highways and \$2.9 billion for mass transit), \$287 million of which is for 1981. In addition, the bill authorizes \$4.8 billion for 1986-89 for mass transit, which will allow advance approval for major transit "new starts" projects, pushing the budget higher in later years. Other objectionable provisions authorize funds for constructing and repairing coal roads and significantly expand the Administration's requested auto-use management program.

Reduced Workweek of Federal Firefighters

H.R. 2748, approved by the House Post Office and Civil Service Subcommittee, and S. 1698 are identical to legislation vetoed on June 19, 1978. These bills reduce the workweek of Federal firefighter employees, while maintaining their pay at nearly the present level. The premium pay of firefighters, which was designed for a longer standby schedule, is not reduced. This legislation would, in effect, raise total hourly pay, including

overtime, by more than 15 percent (a 30 percent increase over basic hourly pay). It would impair the ability of agency heads to manage the work force and regulate the workweek and result in unacceptable increases in personnel and payroll costs in order to maintain the existing level of fire protection. The Department of Defense alone would need over 4,500 additional firefighters at an added cost of \$48 million.

Death Benefits for Survivors of Federal Law Enforcement Officers and Firefighters

H.R. 5888, as reported by the House Education and Labor Committee, provides lump-sum \$50,000 death benefits, in the event of service-connected deaths, to the survivors of specified classes of Federal employees, such as law enforcement employees and firefighters. These benefits would be paid in addition to the regular death benefits currently available under the Federal Employees Compensation Act (FECA) to the survivors of all Federal employees in service-connected death cases. H.R. 5888 is objectionable because (1) substantial death benefits are already provided under FECA, (2) singling out certain groups of Federal employees for preferential treatment could establish an undesirable precedent for other Federal employees with equal claim to hazardous duty, and (3) payment of regular FECA benefits and the \$50,000 benefit amount to a form of "double dipping."

Extension of Federal Tort Claims Act to National Guard

S. 1858, passed by the Senate, would extend coverage of the Federal Tort Claims Act (FTCA) to National Guard members involved in federally authorized training activities. It is settled law that the members of the Army and Air National Guards are employees of the States rather than the Federal Government unless they have been called into active Federal service. S. 1858 would expand the liability of the United States by making the United States liable for the acts or omissions of these State employees, over whom the Federal Government does not have control.

Extension of FTCA coverage to the National Guard not only is bad policy in its own right, it could also become a damaging and potentially costly precedent that certain State and local employees would cite in seeking comparable treatment.

Public Health Service Commissioned Corps Physician and Dentist Pay Bonus

H.R. 7299, the Mental Health Systems Act, reported by the House Commerce Committee, includes most of the Administration's recommendations to improve Federal assistance to the States and local communities for mental health systems, but also ties special pay of PHS Commissioned Corps physicians and dentists to that given Armed Forces physicians and dentists. S. 2460 reported by the Senate Armed Services Committee, which deals with permanent and increased authority for Armed Forces physicians,

similarly links the two special pay systems. In vetoing H.R. 5235 on March 11, 1980, the President cited this link as one of the reasons for veto. The Administration believes that special pay for each of the four Federal physician personnel systems -- Armed Forces, PHS, VA and General Schedule -- should be addressed individually, based on the needs of each system.

Veterans Administration Health Personnel

H.R. 7102, as passed by both Houses, provides permanent authority and substantially increases special pay for VA physicians and dentists, contrary to the Administration's proposal that no action be taken at this time to increase or extend the bonus authorities beyond their present expiration date of September 30, 1980, pending an assessment of present bonus levels. H.R. 7102, as passed by the Senate, contains numerous other seriously objectionable VA personnel amendments and authorizes an unbudgeted expansion in VA geriatrics activities. The House-passed bill authorizes an unnecessary VA health professions scholarship program.

Federal Personnel Ceilings and Contracting Activities

H.R. 4717, reported by the House Post Office and Civil Service Committee, generally would (a) require OMB to adjust agency personnel ceilings to reflect the extent to which agencies contract out their functions and (b) prohibit agencies from obligating more than 20 percent of their funds during the last two months of the fiscal year. While aimed at curtailing abuses in contracting out and in end-of-year obligations, the bill's requirements would destroy the effectiveness of personnel ceilings, generate an enormous and costly paperwork burden, and, with respect to end-of-year obligations, be excessively rigid. Although the House Government Operations Committee has amended the bill to make the end-of-year obligations section more flexible, the Administration favors a managerial rather than a statutory approach to these problems.

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CENTURY

JUNE 18-25, 1980

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'If the blind put their hand in God's, they find their way more surely than those who see but have not faith or purpose.'

Helen Keller, born June 27, 1880.

Bread Instead of Stone

*Seventh in the
'Mind Change'
Series*

Letty M. Russell

California's Unique Theory of Church and State

Dean M. Kelley

- Black and Blue
in America
- Bullet-Biting in
the UPC
- Jamaica and Cuba
as Scapegoats

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for Preservation Purposes

16 Jun 80

Frank Moore

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

Rick Hutcheson

The Vice President
Hamilton Jordan
Stu Eizenstat
Al McDonald
Jack Watson

*Administratively
Confidential*

THE WHITE HOUSE
WASHINGTON

June 14, 1980

cc Frank
Looks better - for
now
J

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE

SUBJECT: Weekly Legislative Report

I. DOMESTIC POLICY ISSUES

1. Energy

EMB/ESC

The EMB conference report has gone to press and should be distributed to the conferees by the beginning of the week.

The ESC report has also gone to print; however this draft is not as polished as that of the EMB and may require several revisions.

Rationing

As you know the Administration's rationing plan was transmitted to the Hill Thursday. The Congress has until July 30 to act or the plan will be automatically approved. In briefing Members and interest groups on Thursday, it was learned that many of the groups originally opposing our plan now support it. Nevertheless, we can still expect vociferous criticism on several aspects of the plan, particularly that it is unfair to the rural poor and should not be based on vehicle registration.

Utility Oil Backout

The Senate Energy Committee reported out their staff's redraft of Phase I of the Administration bill on Wednesday by a vote of 17-1. (Tsongas voted no.) It contains a compromise provision which allows some utilities to burn gas until 1990 or for their book service lives, whichever is later. This is less than the outright repeal of the Fuel Use Act prohibition against burning gas past 1990. Nevertheless, Dingell's staff is still unhappy with the Senate provision and is recommending that he defer action on the bill until Senate floor action is completed. The Senate is likely to begin consideration at the end of the week.

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In other action the Committee added \$200M to the existing \$400M for coal scrubbing and washing and changed language dictating compliance with the Clean Air Act. This latter provision may cause trouble on the Senate floor and in Dingell's subcommittee. Dingell has no desire to open up the Clean Air Act.

2. Selective Service Registration

After 7 days of debate (including 1 all-night session), on Thursday the Senate voted 58-34 to pass the resolution providing the funds necessary to commence Selective Service registration. Senators Byrd, Stennis, Nunn and Warner were instrumental in breaking the filibuster and securing passage of the bill.

For tactical reasons, the resolution was amended during the Senate filibuster so that it differs from the House version by \$10,000. As a result, the resolution will have to go back to the House for a final vote which should occur next week. If that happens, registration can begin as early as July 21st.

3. Youth Bill

The Youth Bill is scheduled for House consideration on Tuesday. The Rules Committee has granted a one-hour open rule. Calls to Members indicate that there is a widespread positive response to the bill among Members who have focused. However, many have not yet turned their attention to the bill.

On the Senate side, your meeting with key Senators Thursday created a very positive response, making it more difficult for Senator Pell to block the bill. Your call to him will also be helpful.

4. Fair Housing

The Senate Judiciary Subcommittee reported out the fair housing amendments Thursday. Several damaging amendments including one by DeConcini which deletes the use of the Administrative Law Judges have been added. Bayh hopes to reform the bill in full committee.

5. Superfund

The House Ways and Means Committee reported out H.R. 85, the hazardous spills portion of Superfund, on Friday. They will take up H.R. 7020, the waste sites portion of Superfund, on Tuesday. The Committee made several major changes, although general indications are that they are coming down in favor of the Administration's positions. In sum, although the fee system was converted to a trust fund, the Administration's feedstock system was maintained. The Committee also precluded borrowing from the general treasury.

In the Senate markup will resume Wednesday.

6. EDA

Chairman Roe still has under consideration our offer of an 8 percent unemployment trigger on the LPW program. He will report back to us by Monday. Virtually all other issues can be resolved quickly once we break this impasse. We have given Roe no assurances on how the trigger will be calculated or on our position regarding any appropriation measures needed to fund the LPW program. Assuming we can reach agreement on Monday, conference committee should meet late this week to resolve the outstanding issues.

7. Trucking Deregulation

The trucking deregulation bill is likely to go to House Rules this Tuesday and may reach the floor by the end of the week.

The two major problems continue to be the Levitas "legislative veto" threat and the possibility of a Teamster-backed labor protection amendment. If major amendments can be defeated the Senate Commerce Committee will accept the House bill without a conference. We would prefer this outcome and are likely to oppose most amendments.

8. General Revenue Sharing

House subcommittee will meet this week to markup the general revenue sharing bill. Prospects for subcommittee passage are good, but a real question remains as to its final elements. There is little support, except among Republicans, for a state share of revenue sharing. One compromise may be attempted by offering a state share authorization for out-years only and perhaps combining it with a countercyclical formula that would trigger the program to the states under certain economic conditions. Beyond this issue the question of formula changes by the Treasury has caused some confusion and concern in Members' minds. We are working to educate the Subcommittee about the impact and merits of the formula changes. It is fair to say there is a general resistance to any formula changes at this point.

The interest groups, who have been strangely silent on this bill to date, will be strongly encouraged this week to become more actively involved.

9. Thomas Henderson Nomination - Judiciary Hearings

The Justice Department is still locked in a dispute with the Judiciary Committee involving Committee staff access to secret grand jury records. The Department has agreed to allow the

Committee access to the documents, but only with certain assurances to maintain the integrity of the grand jury process and the privacy of the individuals involved. The Committee has not agreed with the conditions.

Since Thomas Henderson, your nominee for the Office of Special Counsel at OPM, had supervisory responsibility for many of these proceedings where there were no prosecutions, there is a tendency to link his nomination with this issue in the press and on the Hill. However, the White House is not involved in the dispute between the Judiciary Committee and Justice over access to the records. This is a matter involving the administration of justice. However, we are working on Henderson's nomination before the Government Operations Committee.

II. ANTI-INFLATION ISSUES

1. First Budget Resolution

As you know, the revised conference report passed the House 205-195 and the Senate 61-26 Thursday. In addition to the 1981 changes already reported, the revision incorporated virtually all of the pending 1980 budget request for disaster assistance and alien arrivals.

The Leadership was crucial in engineering House passage of the conference report. They picked up a wide range of Democratic support to counter the efforts of the Republicans to block vote against passage. Although the resolution finally did pass, there is still considerable resentment over the Administration's direct involvement in the vote on the first conference report.

2. Appropriations

House Schedule

Mon.	June 16	- Full Committee action on the Energy and Water and Legislative
Tues.	June 17	- Full Committee action on Agriculture and Military Construction; Floor action on the Supplemental
Wed.	June 18	- Floor action on Treasury-Postal Service
Thurs.	June 19	- Full Committee action on HUD-Independent Agencies
Fri.	June 20	- Floor action on Agriculture and Legislative

Senate Schedule

This will be discussed at a Committee staff meeting Monday morning. We can expect full Committee action on the Supplemental/Rescission bill approximately next Thursday if the House completes action on Tuesday. Senate subcommittee markups usually follow House full Committee markups in relatively quick succession.

1980 Supplemental

A new version of the 1980 Supplemental/Rescission bill was reported by House full Committee on Wednesday. Major changes to the original bill (H.R. 7325) include:

	Budget Authority (in millions)	
	<u>Request considered</u>	<u>Committee changes</u>
H.R. 7325.....	15,644	-703
Mt. St. Helens.....	+798 <u>a/</u>	- 19
Strategic Petroleum Reserve.....	---	-800
Disaster relief (request sent prior to Mt. St. Helens disaster.....	+225	---
Food stamps.....	+235 <u>b/</u>	- 32
Other.....	+ 22	+ 28
New bill (H.R. 7542).....	<u>16,924</u>	<u>-1,526</u>

The Committee provided funds to cover most of our current estimates for Mount St. Helens, but has not yet provided funds for Cuban aliens, the Miami riots, and several natural disasters in the South and West. House Appropriations Committee staff indicated that their preliminary estimate of the outlays associated with this bill, plus those associated with our disaster estimates would put 1980 spending \$100 million over the outlay ceiling imposed by the third budget resolution. Further cuts may therefore be required, possibly in our preliminary disaster relief proposals.

The Committee has included for food stamps a \$203 million appropriation plus a \$243 million transfer from the Child Nutrition Program. This brings the 1980 food stamp total to the \$9.2 billion ceiling set in the supplemental bill passed last month.

The \$800 million rescission for the Strategic Petroleum Reserve is expected to have no effect on 1980 outlays since \$3.3 billion would still be available for oil purchases.

a/ Formal OMB request not yet transmitted. Our \$20 million estimated request for Impact Aid is not considered in this bill.

b/ This amount represents that portion of our original \$2.8 billion supplemental Food Stamp request not funded in H.J. Res. 545.

Treasury-Postal Service

The full Committee completed its markup of this bill today. The table below shows the bill in summary:

	<u>Budget Authority</u> <u>(in millions)</u>
Request considered.....	9,507
Changes not affecting 1981 programs.....	- 18
Policy changes.....	+199
Postal Service.....	(+250)
Other.....	(- 51)
Total change.....	<u>+181</u>
Congressional level.....	9,688

An Obey amendment to delete \$500 million for the Postal Service subsidy--specifically to terminate Saturday mail delivery--sparked a terse exchange between Congressman Giaimo and Chairman Whitten concerning the role of the Appropriations Committee in meeting the terms of the 1981 Budget Resolution--specifically the reconciliation process. Although an amendment related to eliminating SES bonuses was not offered in Committee, Representative McDade indicated such an amendment may be offered on the floor if the 1980 Supplemental bill or authorizing bills do not include similar action.

State-Justice

The bill remained virtually unchanged from subcommittee markup in Friday's full Committee markup. It is under our budget and is basically acceptable.

3. Legislative Cost Savings

Chairman Giaimo plans to ask the Leadership to help in moving the cost savings through the House. The strong reconciliation language we supported (over Udall's objection) should help in this regard.

Jim McIntyre plans to send a strong letter to Senator Byrd and to the Speaker urging quick action on all the cost savers in our March budget. In addition, the Budget Task Force plans to meet with Giaimo and with Congressman Panetta on legislative savings priorities next week.

4. Defense

Jim McIntyre will be sending a separate memo comparing recent Senate Committee action on the DOD authorization bill with House action and our request.

The "fair benefits" package has been approved in part in the Senate DOD authorization bill. Those elements covered under Nunn/Warner are following a separate track with the House Committee recommending variable housing as an entitlement rather than as a discretionary program as we recommended. The House will introduce a clean bill for those items in the package that are not covered under Nunn/Warner.

III. FOREIGN POLICY ISSUES

1. FY 80 Foreign Aid Conference

It now seems certain that the House will not take up the FY 1980 foreign assistance appropriations conference report. On Wednesday, Jamie Whitten reported out the FY 1980 omnibus supplemental with no additional money for foreign aid. Both the Speaker and Jim Wright were hoping to add at least the \$75 million for Nicaragua to the omnibus bill, but Whitten acted early Wednesday morning before Wright and O'Neill could get to Committee members.

Without any apparent opportunity to fund the FY 1980 programs in the House, our best and perhaps only remaining hope is to fund the essential portions of the Conference Report when the Senate Appropriations Committee considers the omnibus supplemental. We have already discussed this with Dan Inouye and he has agreed to help, although he feels the conference report is dead.

2. FY 81 Foreign Aid Authorization

It now looks as if the FY 81 Foreign Aid Authorization bill will go to the Senate floor on Monday. We expect a number of amendments, although very few have come into clear focus. Jesse Helms is expected to seek removal of certain categories of items from the Munitions Export Control list. Larry Pressler and others will probably seek an across-the-board cut in program funding. Meanwhile, on the House side, we are gearing up for markup for the FY 81 appropriations bill, which is tentatively set for Wednesday. We are also on the alert for policy amendments which may be attached to the State Department authorization bill, expected on the Senate floor next week.

3. Tarapur

Wednesday, the SFRC and some Senators from the Governmental Affairs Committee held a closed-door "consultative hearing" on nuclear fuel exports to India. Senator Glenn chaired the hearing.

In contrast to the HFAC, there seemed to be senatorial support for your prospective decision. Senator Jackson supported the exports outright, as did Senator Javits. Although Senator Glenn, the leading Senate adversary on this matter, said that he was "torn two ways", he is concerned about the political impact. He has told Secretary Muskie that he feels you should postpone the decision and press for a change in the nuclear non-proliferation Act.

4. Pakistan: Debt Rescheduling

A wide-ranging consultation with the Congress revealed far-reaching support for American assistance to Pakistan in the form of debt rescheduling. Members were prepared to accept our assurance that Pakistan is a unique case that would not set a precedent for future debt rescheduling requests. Some who have been most concerned about nuclear non-proliferation issues thought that rescheduling was a sensible way of dealing with the serious dilemma which they face in wishing to support Pakistan without providing explicit relief from the Symington amendment prohibition. Support for the proposal was evident on both sides of the aisle. Bill Young, a traditional opponent of debt rescheduling in the House Appropriations Committee, said he would not only support this one, but would also be helpful to us in bringing other Members along, if there should be a challenge. It would appear that no serious opposition will arise on the Hill on this proposal.

PROSPECTIVE HOUSE CALENDAR

June 16 - July 2	13 working days
July 3 - July 20	July recess and Republican Convention
July 21 - August 1	10 working days
August 2 - August 17	Democratic Convention
August 18 - August 28	9 working days
August 29 - September 2	Labor Day recess
September 3 - October 3	20 working days

Prior to the GOP Convention, the House will focus on the FY 80 Supplemental and 8 of the 13 regular FY 81 appropriations bills. The FY 80 Supplemental should be passed by the House and Senate this week. It is also likely that the House will take up the Youth Initiatives Bill and possibly Truck and Rail deregulation. Along with the Budget Task Force and OMB, we will be concentrating on getting the money bills shaped up to reflect our priorities.

After the GOP Convention the House will focus on finalizing the appropriations bills and completing the remaining authorizations. A Resolution of Disapproval of the Rationing Plan could be scheduled for floor consideration during this time.

The July economic forecast is likely to turn Congressional attention to anti-recessionary, economic stimulus and jobs legislation. The Speaker will want to go to New York City with a promise of doing something for the working man (work and wages). Our guess is that he will view the package as a way to rally the Democrats around a program of hope.

Hill pressure for a "traditional program" will be directly related to unemployment increases and the "temperature of the cities", although there is little likelihood of substantive action.

The resolve of the committees to process the legislative savings mandated in the First Budget Resolution will be tested during this time. Our guess is that we will have no consistent pattern of success. Most savings will not be enacted.

After the Democratic Convention, the economic issues will heat up again in varying degrees. Additionally, during this time the Members will want to tell the people something favorable, something around which they can build a campaign. It will be harder to press restraint if it is clear that the budget cannot be balanced. The issue will then be money for jobs and people instead of the size of the FY 81 deficit. This factor will work against the adoption of any further legislative savings. In short, the talk on the Hill will switch from balancing the budget to spending their way back into office.

During late August the Congress will again be working on the Second Budget Resolution. There will be a strong temptation to put off the pain of admitting what happened during the summer (i.e., that we can no longer have a balanced budget).