

**8/13/77 [1]**

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THE PRESIDENT'S SCHEDULE

Saturday, August 13, 1977

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9:00

National Security Briefing - Mr. William Hyland  
The Oval Office

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THE WHITE HOUSE  
WASHINGTON

August 13, 1977

Bert Lance

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

Rick Hutcheson

cc: The Vice President  
Stu Eizenstat  
Hamilton Jordan  
Jody Powell  
Jack Watson  
Charlie Schultze

RE: REGULATORY REFORM INITIATIVES

THE WHITE HOUSE  
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
	X	MONDALE
		COSTANZA
	X	EIZENSTAT
	X	JORDAN
		LIPSHUTZ
		MOORE
	X	POWELL
	X	WATSON
X		LANCE
	X	SCHULTZE

*don't cc my note so include Jack's comment*

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	KING

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE  
WASHINGTON

Mr. President:

Eizenstat concurs. Watson's comments are attached. No comment from Schultze.

Jim Fallows edited an earlier version of this memo; since that time, Stu's office and OMB have been negotiating, and finally ended up with the attached proposed memo.

Rick

THE WHITE HOUSE  
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

*give SE copy of press notes*

ACTION	FYI	
		MONDALE
		COSTANZA
X		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		LANCE
X		SCHULTZE

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	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN



PRESIDENT'S  
REORGANIZATION  
PROJECT

WASHINGTON, D.C. 20503

THE PRESIDENT HAS SEEN.

AUG 3 1977

MEMORANDUM FOR THE PRESIDENT

FROM: BERT LANCE

*BRL*

SUBJECT: Regulatory Reform Initiatives

*ok - clear draft  
with agencies this  
next week - one  
major regulation not  
nearly adequate -  
have new  
draft  
ready  
8/22  
JC*

Throughout the campaign and from the outset of this Administration, you made a strong and visible commitment to regulatory reform. You stated that regulations should be written in plain English, that regulatory officials should be held accountable, and that agency heads should be more involved in the regulatory process; that regulation should be replaced with competition wherever such action would better serve the public interest; and that regulatory burdens should be reduced.

There is growing public hostility to regulation, not only to the symptoms of the problem--to paperwork, overlap, and duplication, but also the fact that many regulatory programs and approaches are fundamentally obsolete, inefficient or ineffective. Without a strong Administration program, we will be pre-empted by Congress, where several initiatives--some of them quite pernicious--are gathering momentum. One example is the one-house override of regulations which has over 100 co-sponsors in the House alone.

To assure that regulatory reform receives priority attention within the Administration, central coordination is necessary. Insofar as regulatory reform is a major element of the Reorganization Project and in view of your request that OMB reorganize its management arm to emphasize regulatory reform and paperwork reduction, we plan to designate Wayne Granquist the Associate Director for Management and Regulatory Policy. He will have reporting to him a new Division which is being created from existing resources.

**Electrostatic Copy Made  
for Preservation Purposes**

I have discussed the need for coordination and an overall strategy with Stu Eizenstat and Charlie Schultze. We believe that the reorganization project, in cooperation with Stu and Charlie, is the most effective vehicle to provide government-wide coordination on the Administration's program to reform the process of issuing new regulations, to review existing regulations and to reduce paperwork.

Other substantive regulatory reform initiatives such as airline deregulation, surface transportation deregulation and broadcast deregulation will be developed within the framework of the domestic PRM process, which you have approved under the EOP Reorganization Plan recommended by OMB. OMB, CEA and the Domestic Policy Staff will work together closely in developing PRM's in these areas.

Stu and Charlie share our concern that regulatory reform issues have not received the priority attention they deserve. These issues often cut across functional areas and departments. They do not receive intensive scrutiny in the budget process; their budget costs are small in relation to other programs; their consequences are hidden in the prices paid by consumers and businessmen. Individual agencies are sometimes unable or unwilling to confront their constituent groups who oppose change. To see that this situation is corrected, the Policy Staff, CEA and OMB have agreed to work closely together. Si Lazarus of the Policy Staff and Nina Cornell of CEA along with OMB staff have jointly drafted this memorandum. The new OMB Regulatory Policy organization will work with this group to assure that the full resources of the EOP are brought to bear on the Administration's regulatory reform goals. We will also provide you periodic status reports on the progress of the reform program.

*True*

This memorandum outlines our views of the essential components of a regulatory reform program compatible with the Administration's declared priorities and political capabilities. The program includes:

- Immediate administrative actions to improve regulations; and
- Longer term actions designed to identify and apply innovative regulatory approaches and substitute competition for regulation wherever possible.

#### Proposed Administrative Actions

At Tab A is a draft of a memorandum for departments and agencies outlining a three step program for improving new and existing regulations. We recommend that you

distribute this memorandum at a Cabinet meeting immediately after Congress returns from its August recess. The Cabinet and other agency heads would be invited to review and comment on the guidelines before they go into effect. The following is a description of the three elements of the program:

#### 1. Improving New Regulations

Thus far, efforts to improve the development of new regulations have been left to individual departments and agencies. To assure the development in each agency of an effective, well managed process for developing new regulations, we recommend that you require agencies to include in their internal regulatory process, at least the following:

- publication of a semi-annual agenda summarizing upcoming regulatory actions;
- development of regulation work plans on major proposals which focus clear responsibility for the regulation and regular policy oversight;
- greater opportunities for meaningful early public participation;
- certification by the agency head that the original work plan was followed;
- training programs adequate to assure that agency staffs understand the regulatory process, and can write intelligible regulations.

These requirements would apply common sense management principles to the regulation writing process and open it to public scrutiny from the outset. Some of them are already in place in various agencies. We believe that, properly managed, these changes will not increase regulatory delay or needless paperwork. They could be promulgated through an Executive Order. We believe that applying these principles in the development of regulations will produce immediate improvements. In order to assure effective implementation of this initiative we are considering ways to upgrade the Office of the Federal Register and the Administrative Conference, who were consulted, along with others, including the Department of Justice and Jack Watson's staff, in the preparation of this proposal.

## 2. Public Hearings

We recommend that immediate attention be devoted to addressing problems with existing regulations. We recommend a series of public hearings be held in five to six small cities to obtain a better sense of the specific public frustrations and complaints concerning existing regulations. Too often it is only at the local level that the cumulative confusion of regulations is apparent.

If you agree, we will work with Dick Pettigrew to develop specific plans and request assistance from the local officials and appropriate Congressmen.

In addition to these general hearings on regulatory reform, we plan to work with Secretary Adams and Secretary Marshall to incorporate hearings or other opportunities for public participation into the work plans of the task forces established on these issues.

## 3. Sunset Reviews of Existing Regulations

Finally, we recommend that all agencies undertake programs to review regulations already on their books. The scope and pace of these efforts should be left largely to each agency to decide. However, as a beginning, we suggest that each agency select at least one major regulation or set of regulations for in-depth review. We would provide the agencies a set of criteria to be used for identifying target regulations for the evaluation. These would include regulations 1) which have generated public complaints, 2) where overlaps or conflicts have been alleged, 3) where the regulation is over ten years old and 4) which affect broad sectors of the public. The result of such a review would not necessarily be the elimination of the regulation but instead an opportunity to make the regulation fairer, more understandable, less burdensome and more effective. The public hearings should assist the agencies in identifying targets for review.

## Redesigning Regulatory Approaches and Increasing Competition

In addition to improving regulatory procedures, the regulatory policy goals of the Reorganization Project include: (a) the substitution of competition for detailed regulation wherever possible and (b) the identification of innovative regulatory approaches wherever they would result in more effective and less burdensome regulation.

Several projects already underway will be included in future regulatory reform progress reports. These include:

- airline deregulation legislation, now being marked up in the Senate Commerce Committee. Prospects for 1977 Senate passage are uncertain. House action has not yet begun.
- an interagency task force developing an options paper on ICC regulation of surface transportation. We intend to get recommendations to you by mid-August.
- a reorganization task force, reviewing civil rights reforms including more effective and efficient approaches to equal employment opportunity regulation. Recommendations should go to Congress in early 1978.
- a project, on which CEA is working with EPA, to identify more effective approaches to environmental regulations including less reliance on regulation and more on economic incentives. Hearings are being held on Administration amendments to the Water Pollution Control Act which takes significant steps toward installing incentive-based controls as a regular tool of regulators.
- a joint OMB/Labor Department task force to review workplace health and safety regulation. Recommendations will be made by April 30, 1978.
- CEQ has underway an interagency task force to review toxic substances regulation and research activities. In addition, four agencies (EPA, OSHA, FDA and CPSC) have developed a detailed plan to improve interagency coordination of the regulation of toxics, which has been presented to you.

In addition, we are identifying other areas where Administration attention is needed:

- CEA and Treasury are reviewing ways to improve regulation of financial institutions.
- Stu Eizenstat and Barry Jagoda are reviewing options for broadcast deregulation and other reform initiatives in the communications area.

-- Finally, we are developing a project that would review food inspection and labelling regulatory activities throughout the government. This will be presented for your decision as a Reorganization Project issue at our next briefing.

We believe this is an ambitious but achievable agenda. It will require our effective coordination and regular review of progress if we are to achieve concrete results. We look forward to discussing regulatory reform at our next President's Reorganization Project briefing.

Attachment

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE HEADS OF

EXECUTIVE DEPARTMENTS AND AGENCIES

One of my major goals as President is to streamline the federal regulatory process and make it more responsive to the public.

With your help, steps have already been taken to ensure better training for regulation-writers, to include in the Federal Register clear summaries of new regulations, and to reduce paperwork requirements.

Your cooperation is also needed with two other steps which can further this effort:

- Initiation of a sunset review program for selected existing regulations;
- Establishment of guidelines to improve the process of developing new regulations.

Review of Existing Regulations

I strongly believe that each of your Departments and Agencies can benefit from a sunset review of selected regulations. To begin that process, I recommend that you select for review one <sup>or more</sup> of your major regulations or sets of regulations.

That selection should be based on the following criteria: (i) extent of public complaints; (ii) existence of overlaps, conflicts and duplication with the regulations of other agencies; (iii) length of time since the regulation has been reviewed; (iv) frequency of enforcement action under the regulation; (v) scope of the regulation's impact on the public.

By October 1, please notify Mr. Wayne Granquist of the Office of Management and Budget of the regulations you intend to review initially. The method of review will be left to your discretion. You should, however, ensure effective public participation in the process. The result need not be the elimination of the regulations considered, but the new regulations that emerge should be better understood and less burdensome.

To ensure public participation in the continuing effort to streamline the regulatory process, the Reorganization Project will be holding a series of hearings throughout the country. Your cooperation with that effort is also needed.

#### Developing New Regulations

I am convinced that we can improve the development of new regulations. While steps already taken have improved the process that was inherited by each of you, the process continues to be seriously defective. I am therefore proposing for your consideration certain common sense management principles to help eliminate needless regulations and assure that more careful consideration is given to the consequences of new regulations. They should reduce unnecessary costs, duplication and conflict, while achieving our regulatory goals.

I am considering issuing an Executive Order requiring each agency to:

- (1) Publish semi-annually, in the Federal Register, a schedule of major regulations which would be issued or substantially revised over the next six months and a status report on the progress of all pending major rulemaking actions. The Register notice should include:
  - (a) the purpose and legal authority for the regulations affected;
  - (b) the name and telephone number of someone directly responsible for preparing the regulation.
- (2) Prepare a workplan having your personal approval, for each major regulation to be issued. The workplan would include:
  - (a) the purpose and legal authority for the regulation;
  - (b) the name and phone number of someone directly responsible for preparing the regulation;
  - (c) a description of the issues to be covered by the regulation and the alternative approaches to be considered in developing the regulation;

WATSON COMMENT

Peter Petkas called to say ---

David Rubenstein is redoing a tab on the  
Regulatory Memo ---- it will be down this  
afternoon.

GBF 8/9/77

THE WHITE HOUSE

WASHINGTON

Date: August 4, 1977

MEMORANDUM

*still working*  
FOR ACTION:

Stu Eizenstat ✓  
Frank Moore ✓  
Jack Watson ✓  
Charlie Schultze ✓ (*Peter Gould*)  
Jim Fallows

FOR INFORMATION:

The Vice President  
Hamilton Jordan ✓ *H.C.*  
Bob Lipshutz  
Jody Powell

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Lance memo dated 8/3/77 re Regulatory Reform Initiatives.

YOUR RESPONSE MUST BE DELIVERED  
TO THE STAFF SECRETARY BY:

TIME: 10:00 AM

DAY: SATURDAY

DATE: AUGUST 6, 1977

*Rick Hutcheson  
5/6/77*

ACTION REQUESTED:

Your comments

Other:

STAFF RESPONSE:

I concur.

No comment.

*Please note other comments below:*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required

THE WHITE HOUSE  
WASHINGTON

<input checked="" type="checkbox"/>	FOR STAFFING
<input type="checkbox"/>	FOR INFORMATION
<input type="checkbox"/>	FROM PRESIDENT'S OUTBOX
<input type="checkbox"/>	LOG IN/TO PRESIDENT TODAY
<input type="checkbox"/>	IMMEDIATE TURNAROUND

*SM + JACK : pls advise if any  
cabinet staffing is needed.*

ACTION	FYI	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	MONDALE
<input type="checkbox"/>	<input type="checkbox"/>	COSTANZA
<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	EIZENSTAT
<input checked="" type="checkbox"/>	<input type="checkbox"/>	JORDAN
<input checked="" type="checkbox"/>	<input type="checkbox"/>	LIPSHUTZ
<input checked="" type="checkbox"/>	<input type="checkbox"/>	MOORE
<input checked="" type="checkbox"/>	<input type="checkbox"/>	POWELL
<input checked="" type="checkbox"/>	<input type="checkbox"/>	WATSON
<input type="checkbox"/>	<input type="checkbox"/>	LANCE
<input checked="" type="checkbox"/>	<input type="checkbox"/>	SCHULTZE

<input type="checkbox"/>	ENROLLED BILL
<input type="checkbox"/>	AGENCY REPORT
<input type="checkbox"/>	CAB DECISION
<input type="checkbox"/>	EXECUTIVE ORDER

Comments due to  
Carp/Huron within  
48 hours; due to  
Staff Secretary  
next day

<input type="checkbox"/>	ARAGON
<input type="checkbox"/>	BOURNE
<input type="checkbox"/>	BRZEZINSKI
<input type="checkbox"/>	BUTLER
<input type="checkbox"/>	CARP
<input type="checkbox"/>	H. CARTER
<input type="checkbox"/>	CLOUGH
<input checked="" type="checkbox"/>	FALLOWS
<input type="checkbox"/>	FIRST LADY
<input type="checkbox"/>	HARDEN
<input type="checkbox"/>	HUTCHESON
<input type="checkbox"/>	JAGODA
<input type="checkbox"/>	KING

<input type="checkbox"/>	KRAFT
<input type="checkbox"/>	LINDER
<input type="checkbox"/>	MITCHELL
<input type="checkbox"/>	MOE
<input type="checkbox"/>	PETERSON
<input type="checkbox"/>	PETTIGREW
<input type="checkbox"/>	POSTON
<input type="checkbox"/>	PRESS
<input type="checkbox"/>	SCHLESINGER
<input type="checkbox"/>	SCHNEIDERS
<input type="checkbox"/>	STRAUSS
<input type="checkbox"/>	VOORDE
<input type="checkbox"/>	WARREN

THE WHITE HOUSE  
WASHINGTON

Rick -

Peter Gould called on this  
item - Regulatory Reform -

He rewrote a section of this  
package and gave it to OMB last night -  
he understood they were going to change  
the package.

He would like a chance to see  
the new package.

*check on your  
this - your  
witnesses Petra, is going to  
check he thought  
the appended who to be  
putted & then memo r/s to/fid*

Trudy 8/6/77

To \_\_\_\_\_

Date \_\_\_\_\_ Time \_\_\_\_\_

**WHILE YOU WERE OUT**

M *Betty*

of *Peter Petkas*

Phone \_\_\_\_\_

Area Code Number Extension

TELEPHONED	PLEASE CALL	
CALLED TO SEE YOU	WILL CALL AGAIN	
WANTS TO SEE YOU	URGENT	
RETURNED YOUR CALL		

Message: *Hold Reorganization Memt  
until changes are made  
in Regulatory reform memo.  
Reg. Reform should be  
read 1st by President.*

Operator

Date: August 4, 1977

MEMORANDUM

## FOR ACTION:

Stu Eizenstat  
Frank Moore  
Jack Watson  
Charlie Schultze  
Jim Fallows

## FOR INFORMATION:

The Vice President  
Hamilton Jordan  
Bob Lipshutz  
Jody Powell

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YOUR RESPONSE MUST BE DELIVERED  
TO THE STAFF SECRETARY BY:

TIME: 10:00 AM

DAY: SATURDAY

DATE: AUGUST 6, 1977

## ACTION REQUESTED:

 Your comments

Other:

## STAFF RESPONSE:

 I concur. No comment.*Please note other comments below:*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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



PRESIDENT'S  
REORGANIZATION  
PROJECT

WASHINGTON, D.C. 20503

AUG 3 1977

MEMORANDUM FOR THE PRESIDENT

FROM:

BERT LANCE

*BRL*

SUBJECT:

Regulatory Reform Initiatives

Throughout the campaign and from the outset of this Administration, you made a strong and visible commitment to regulatory reform. You stated that regulations should be written in plain English, that regulatory officials should be held accountable, and that agency heads should be more involved in the regulatory process; that regulation should be replaced with competition wherever such action would better serve the public interest; and that regulatory burdens should be reduced.

There is growing public hostility to regulation, not only to the symptoms of the problem--to paperwork, overlap, and duplication, but also the fact that many regulatory programs and approaches are fundamentally obsolete, inefficient or ineffective. Without a strong Administration program, we will be pre-empted by Congress, where several initiatives--some of them quite pernicious--are gathering momentum. One example is the one-house override of regulations which has over 100 co-sponsors in the House alone.

To assure that regulatory reform receives priority attention within the Administration, central coordination is necessary. Insofar as regulatory reform is a major element of the Reorganization Project and in view of your request that OMB reorganize its management arm to emphasize regulatory reform and paperwork reduction, we plan to designate Wayne Granquist the Associate Director for Management and Regulatory Policy. He will have reporting to him a new Division which is being created from existing resources.

I have discussed the need for coordination and an overall strategy with Stu Eizenstat and Charlie Schultze. They agree that the Reorganization Project is the most effective vehicle to provide government-wide policy coordination on the Administration's program of regulatory reform and paperwork reduction. Where appropriate, individual projects should be developed within the framework of the domestic PRM process which you have approved under the EOP reorganization plan.

Stu and Charlie share our concern that regulatory reform issues have not received the priority attention they deserve. These issues often cut across functional areas and departments. They do not receive intensive scrutiny in the budget process; their budget costs are small in relation to other programs; their consequences are hidden in the prices paid by consumers and businessmen. Individual agencies are sometimes unable or unwilling to confront their constituent groups who oppose change. To see that this situation is corrected, the Policy Staff, CEA and OMB have agreed to work closely together. Si Lazarus of the Policy Staff and Nina Cornell of CEA along with OMB staff have jointly drafted this memorandum. The new OMB Regulatory Policy organization will work with this group to assure that the full resources of the EOP are brought to bear on the Administration's regulatory reform goals. We will also provide you periodic status reports on the progress of the reform program.

This memorandum outlines our views of the essential components of a regulatory reform program compatible with the Administration's declared priorities and political capabilities. The program includes:

- Immediate administrative actions to improve regulations; and
- Longer term actions designed to identify and apply innovative regulatory approaches and substitute competition for regulation wherever possible.

#### Proposed Administrative Actions

At Tab A is a draft of a memorandum for departments and agencies outlining a three step program for improving new and existing regulations. We recommend that you

distribute this memorandum at a Cabinet meeting immediately after Congress returns from its August recess. The Cabinet and other agency heads would be invited to review and comment on the guidelines before they go into effect. The following is a description of the three elements of the program:

1. Improving New Regulations

Thus far, efforts to improve the development of new regulations have been left to individual departments and agencies. To assure the development in each agency of an effective, well managed process for developing new regulations, we recommend that you require agencies to include in their internal regulatory process, at least the following:

- publication of a semi-annual agenda summarizing upcoming regulatory actions;
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These requirements would apply common sense management principles to the regulation writing process and open it to public scrutiny from the outset. Some of them are already in place in various agencies. We believe that, properly managed, these changes will not increase regulatory delay or needless paperwork. They could be promulgated through an Executive Order. We believe that applying these principles in the development of regulations will produce immediate improvements. In order to assure effective implementation of this initiative we are considering ways to upgrade the Office of the Federal Register and the Administrative Conference, who were consulted, along with others, including the Department of Justice and Jack Watson's staff, in the preparation of this proposal.

## 2. Public Hearings

We recommend that immediate attention be devoted to addressing problems with existing regulations. We recommend a series of public hearings be held in five to six small cities to obtain a better sense of the specific public frustrations and complaints concerning existing regulations. Too often it is only at the local level that the cumulative confusion of regulations is apparent.

If you agree, we will work with Dick Pettigrew to develop specific plans and request assistance from the local officials and appropriate Congressmen.

In addition to these general hearings on regulatory reform, we plan to work with Secretary Adams and Secretary Marshall to incorporate hearings or other opportunities for public participation into the work plans of the task forces established on these issues.

## 3. Sunset Reviews of Existing Regulations

Finally, we recommend that all agencies undertake programs to review regulations already on their books. The scope and pace of these efforts should be left largely to each agency to decide. However, as a beginning, we suggest that each agency select at least one major regulation or set of regulations for in-depth review. We would provide the agencies a set of criteria to be used for identifying target regulations for the evaluation. These would include regulations 1) which have generated public complaints, 2) where overlaps or conflicts have been alleged, 3) where the regulation is over ten years old and 4) which affect broad sectors of the public. The result of such a review would not necessarily be the elimination of the regulation but instead an opportunity to make the regulation fairer, more understandable, less burdensome and more effective. The public hearings should assist the agencies in identifying targets for review.

## Redesigning Regulatory Approaches and Increasing Competition

In addition to improving regulatory procedures, the regulatory policy goals of the Reorganization Project include: (a) the substitution of competition for detailed regulation wherever possible and (b) the identification of innovative regulatory approaches wherever they would result in more effective and less burdensome regulation.

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In addition, we are identifying other areas where Administration attention is needed:

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We believe this is an ambitious but achievable agenda. It will require our effective coordination and regular review of progress if we are to achieve concrete results. We look forward to discussing regulatory reform at our next President's Reorganization Project briefing.

Attachment

# DRAFT

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR AGENCY AND DEPARTMENT HEADS

FROM: THE PRESIDENT

SUBJECT: Managing the Regulatory Process

A major goal of the Administration is to streamline and improve federal regulatory programs. The Administration is working with Congress on legislation which will improve regulation in a variety of respects--greater consumer representation, avoidance of conflict of interest, increased competition, and sunset procedures. These things will take time to undergo the legislative process. That does not mean, however, that all progress toward regulatory reform must wait. I believe there are a number of actions which can and should be taken administratively to improve regulations and make them more responsive to the public. Accordingly, I seek your assistance in evaluating two proposed reform efforts:

- Establishment of guidelines, ultimately to be incorporated in an executive order, to improve the process of writing new regulations;
- Initiation by each agency and department of its own program for sunset review of selected existing regulations.

## Managing the Regulatory Process

Since the beginning of my Presidency, I have emphasized the need to make the regulatory process better managed and more open to the public. The regulations it produces must be made more understandable to those who must comply and more responsive to practical needs. You have made useful progress toward these goals. Enrollment in training classes for regulation-writers has substantially increased. The name of a contact person for each new

regulation along with a simple summary of what the regulation is intended to do are now being published in the Federal Register. Many of you have substantially increased your personal involvement in the regulatory process and some of the actions taken by your department or agency are worthy of consideration by all agencies. Steps are underway to reduce federal paperwork burdens.

Nevertheless, while individual steps represent some improvement, the regulation development process, inherited by each of you, continues to be seriously defective. I am therefore proposing a set of guidelines, to open up the process from the outset and subject it to more stringent managerial review by agency heads. This will help eliminate needless regulations. It will also assure that more careful consideration is given to the consequences of new regulations, thus reducing unnecessary costs, duplication and conflict, while effectively achieving our regulatory goals.

Your personal commitment to review and redesign your agency's procedures to assure consistency with these guidelines is essential. While each agency shall have flexibility to develop procedures suited to its particular needs, the process you adopt must be fully accountable to you.

In addition to the procedural changes described below, I am asking that each agency assure that its personnel receive the training necessary to understand the regulatory process and to write regulations which are intelligible to those who must follow them.

#### 1. Regulation Agenda

Too often, regulatory activity is carried out without careful planning and early public involvement. In addition, policy officials and agency heads are frequently unaware of regulations under development in their agency until they are asked to approve their promulgation.

To correct these problems, agencies should publish semi-annually, in the Federal Register, an agenda of major upcoming rulemaking actions. This agenda would announce anticipated new regulations, significant changes in existing regulations and provide status information on the progress of rulemaking activity. The agency head should read and approve each agenda prior to its publication.

## 2. Regulation Work Plan

Regulations are normally developed by agency analysts without benefit of an action plan or production schedule. Authors of individual regulations are not identified and therefore accountability is not fixed. Instead, regulations are developed and written by various groups within the agency and there is no pride in the final product. Opportunities for early public participation in the development of regulations are not explored.

Accordingly, I would ask that a regulation work plan be prepared for each major rulemaking and approved by the agency head or a senior policy official. This plan would include at a minimum: (1) the objectives of and legal authority for the regulation; (b) the name and phone number of an agency official with direct, primary responsibility for preparing the regulation; (c) a brief discussion of the issues to be considered in developing the regulation, including possible alternative approaches to be explored; (b) a statement of which interest groups and other agencies will be affected, and how and when they and the public will be asked to participate; (e) target dates for completing each step in developing the regulation; and (f) criteria and a proposed schedule for evaluating the regulation after it has been put into effect.

## 3. Opportunity for Early Public Participation

Generally, the first opportunity the public is given to read and comment on a proposed regulation, is during the 30-day comment period required once it is published in the Federal Register. Such a practice automatically excludes a majority of the public since most people do not take time to read the Federal Register or are unaware of its existence. Also at this point, it is too late for any significant changes to be made.

In the future, whenever practical, agencies should afford the public every opportunity to be involved in the regulatory process from the very beginning. Members of the public should be consulted in identifying problems and developing regulations so as to minimize unnecessary paperwork and cost. Notices of agency intent to regulate which describe the problem and solicit public advice should be published in advance. Such information should appear not only in the Federal Register but also in trade journals, appropriate periodicals and other public media.

#### 4. Regulatory Checklist

Too often regulations are published for public comment without sufficient analysis. They may not have been subjected to a critical review by responsible officials to ensure that public and other agency views have been weighed, alternatives have been fully considered, and the most cost-effective approach selected.

Accordingly, before proposed regulations are released for publication in the Federal Register, they should receive final approval from the agency head. To receive such approval, the regulation should be tested against a checklist to assure the original work plan has been followed.

At a minimum, the checklist should include: (1) evidence that the most cost-effective regulatory approach has been selected; (2) information on alternative approaches that were considered and why they were discarded; (3) a summary of agency and public involvement in developing the regulation; (4) a summary of the problems, the purpose of the rule, and the anticipated effects in terms of who benefits and who is harmed; and (5) an implementation schedule.

I believe that by applying these common sense principles, we can achieve a fairer, less burdensome and more understandable regulatory system.

Please provide your comments on these proposed guidelines to Mr. Wayne Granquist of the Office of Management and Budget by September 1, 1977. I would hope that you would review your existing procedures and highlight in particular, any implementation problems that you foresee. I intend to issue an Executive Order which carries out these principles while allowing you to adapt them to the unique needs of your departments and agencies.

#### Review of Existing Regulations

To deal with a number of specific problems that have been identified in existing regulatory approaches, programs aimed at fundamental redesign of regulation have been initiated in such areas as transportation, occupational health and safety, civil rights, and coordination of the regulation of toxic substances in the environment. While these long-term efforts move forward, we need to assure that we are taking all feasible steps that can be made without new legislation, to put our regulatory house in order.

Accordingly, I ask each of you to initiate a "sunset" review of a few selected regulations for which your agency is responsible. The scope of this program will be largely left to your discretion. But you should start with at least one major regulation or set of regulations in your agency. The criteria for identifying regulations to be evaluated in this sunset review should include:

- Degree of public complaint;
- Existence of overlaps, conflicts, and duplication with regulations of other agencies;
- Length of time since the regulation has been subjected to fundamental scrutiny;
- Scope of the regulation's impact on the public.

To further help in the identification of target areas for review, I am contemplating a series of 5-6 public hearings in small communities around the country to elicit public complaints and recommendations. Details about the location and format of such hearings will be made available for your review and comment as they are developed.

I would appreciate it if by October you would identify and publish in the Federal Register the regulations you have selected, the reasons for your choice, and your work-plan for review. The work-plan should provide extensive opportunity for public participation in the evaluation process.

These reviews need not in every case result in elimination of the regulations considered. But they should produce regulations which are fairer, more understandable, less burdensome, and more effective.

Regulatory reform is one of the most demanding challenges we face. But it is also a commitment which the American people expect us to meet. I am determined to do so, and I value your counsel and support.

Date: August 4, 1977

MEMORANDUM

D

## FOR ACTION:

Stu Eizenstat  
 Frank Moore  
 Jack Watson  
 Charlie Schultze  
 Jim Fallows

## FOR INFORMATION:

The Vice President  
Hamilton Jordan  
 Bob Lipshutz  
 Jody Powell



FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Lance memo dated 8/3/77 re Regulatory Reform Initiatives.

YOUR RESPONSE MUST BE DELIVERED  
 TO THE STAFF SECRETARY BY:

TIME: 10:00 AM

DAY: SATURDAY

DATE: AUGUST 6, 1977

## ACTION REQUESTED:

 Your comments

Other:

## STAFF RESPONSE:

 I concur. No comment.*Please note other comments below:***PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.**

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

Date: August 4, 1977

MEMORANDUM

## FOR ACTION:

Stu Eizenstat  
 Frank Moore  
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 Charlie Schultze  
Jim Fallows

## FOR INFORMATION:

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 TO THE STAFF SECRETARY BY:

TIME: 10:00 AM

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DATE: AUGUST 6, 1977

## ACTION REQUESTED:

 Your comments

Other:

## STAFF RESPONSE:

 I concur. No comment.

Please note other comments below:

*Revised draft attached.**Griffith*PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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



PRESIDENT'S  
REORGANIZATION  
PROJECT

WASHINGTON, D.C. 20503

AUG 3 1977

MEMORANDUM FOR THE PRESIDENT

FROM:

BERT LANCE

*BRL*

SUBJECT:

Regulatory Reform Initiatives

*How about this one?*  
Throughout the campaign and from the outset of this Administration, you made a strong and visible commitment to regulatory reform. You stated that regulations should be written in plain English, that regulatory officials should be held accountable, and that agency heads should be more involved in the regulatory process; that regulation should be replaced with competition wherever such action would better serve the public interest; and that regulatory burdens should be reduced.

There is growing public hostility to regulation, not only to the symptoms of the problem--to paperwork, overlap, and duplication, but also the fact that many regulatory programs and approaches are fundamentally obsolete, inefficient or ineffective. Without a strong Administration program, we will be pre-empted by Congress, where several initiatives--some of them quite pernicious--are gathering momentum. One example is the one-house override of regulations which has over 100 co-sponsors in the House alone.

To assure that regulatory reform receives priority attention within the Administration, central coordination is necessary. Insofar as regulatory reform is a major element of the Reorganization Project and in view of your request that OMB reorganize its management arm to emphasize regulatory reform and paperwork reduction, we plan to designate Wayne Granquist the Associate Director for Management and Regulatory Policy. He will have reporting to him a new Division which is being created from existing resources.

I have discussed the need for coordination and an overall strategy with Stu Eizenstat and Charlie Schultze. They agree that the Reorganization Project is the most effective vehicle to provide government-wide policy coordination on the Administration's program of regulatory reform and paperwork reduction. Where appropriate, individual projects should be developed within the framework of the domestic PRM process which you have approved under the EOP reorganization plan.

Stu and Charlie share our concern that regulatory reform issues have not received the priority attention they deserve. These issues often cut across functional areas and departments. They do not receive intensive scrutiny in the budget process; their budget costs are small in relation to other programs; their consequences are hidden in the prices paid by consumers and businessmen. Individual agencies are sometimes unable or unwilling to confront their constituent groups who oppose change. To see that this situation is corrected, the Policy Staff, CEA and OMB have agreed to work closely together. Si Lazarus of the Policy Staff and Nina Cornell of CEA along with OMB staff have jointly drafted this memorandum. The new OMB Regulatory Policy organization will work with this group to assure that the full resources of the EOP are brought to bear on the Administration's regulatory reform goals. We will also provide you periodic status reports on the progress of the reform program.

This memorandum outlines our views of the essential components of a regulatory reform program compatible with the Administration's declared priorities and political capabilities. The program includes:

- Immediate administrative actions to improve regulations; and
- Longer term actions designed to identify and apply innovative regulatory approaches and substitute competition for regulation wherever possible.

#### Proposed Administrative Actions

At Tab A is a draft of a memorandum for departments and agencies outlining a three step program for improving new and existing regulations. We recommend that you

distribute this memorandum at a Cabinet meeting immediately after Congress returns from its August recess. The Cabinet and other agency heads would be invited to review and comment on the guidelines before they go into effect. The following is a description of the three elements of the program:

#### 1. Improving New Regulations

Thus far, efforts to improve the development of new regulations have been left to individual departments and agencies. To assure the development in each agency of an effective, well managed process for developing new regulations, we recommend that you require agencies to include in their internal regulatory process, at least the following:

- publication of a semi-annual agenda summarizing upcoming regulatory actions;
- development of regulation work plans on major proposals which focus clear responsibility for the regulation and regular policy oversight;
- greater opportunities for meaningful early public participation;
- certification by the agency head that the original work plan was followed;
- training programs adequate to assure that agency staffs understand the regulatory process, and can write intelligible regulations.

These requirements would apply common sense management principles to the regulation writing process and open it to public scrutiny from the outset. Some of them are already in place in various agencies. We believe that, properly managed, these changes will not increase regulatory delay or needless paperwork. They could be promulgated through an Executive Order. We believe that applying these principles in the development of regulations will produce immediate improvements. In order to assure effective implementation of this initiative we are considering ways to upgrade the Office of the Federal Register and the Administrative Conference, who were consulted, along with others, including the Department of Justice and Jack Watson's staff, in the preparation of this proposal.

## 2. Public Hearings

We recommend that immediate attention be devoted to addressing problems with existing regulations. We recommend a series of public hearings be held in five to six small cities to obtain a better sense of the specific public frustrations and complaints concerning existing regulations. Too often it is only at the local level that the cumulative confusion of regulations is apparent.

If you agree, we will work with Dick Pettigrew to develop specific plans and request assistance from the local officials and appropriate Congressmen.

In addition to these general hearings on regulatory reform, we plan to work with Secretary Adams and Secretary Marshall to incorporate hearings or other opportunities for public participation into the work plans of the task forces established on these issues.

## 3. Sunset Reviews of Existing Regulations

Finally, we recommend that all agencies undertake programs to review regulations already on their books. The scope and pace of these efforts should be left largely to each agency to decide. However, as a beginning, we suggest that each agency select at least one major regulation or set of regulations for in-depth review. We would provide the agencies a set of criteria to be used for identifying target regulations for the evaluation. These would include regulations 1) which have generated public complaints, 2) where overlaps or conflicts have been alleged, 3) where the regulation is over ten years old and 4) which affect broad sectors of the public. The result of such a review would not necessarily be the elimination of the regulation but instead an opportunity to make the regulation fairer, more understandable, less burdensome and more effective. The public hearings should assist the agencies in identifying targets for review.

## Redesigning Regulatory Approaches and Increasing Competition

In addition to improving regulatory procedures, the regulatory policy goals of the Reorganization Project include: (a) the substitution of competition for detailed regulation wherever possible and (b) the identification of innovative regulatory approaches wherever they would result in more effective and less burdensome regulation.

Several projects already underway will be included in future regulatory reform progress reports. These include:

- airline deregulation legislation, now being marked up in the Senate Commerce Committee. Prospects for 1977 Senate passage are uncertain. House action has not yet begun.
- an interagency task force developing an options paper on ICC regulation of surface transportation. We intend to get recommendations to you by mid-August.
- a reorganization task force, reviewing civil rights reforms including more effective and efficient approaches to equal employment opportunity regulation. Recommendations should go to Congress in early 1978.
- a project, on which CEA is working with EPA, to identify more effective approaches to environmental regulations including less reliance on regulation and more on economic incentives. Hearings are being held on Administration amendments to the Water Pollution Control Act which takes significant steps toward installing incentive-based controls as a regular tool of regulators.
- a joint OMB/Labor Department task force to review workplace health and safety regulation. Recommendations will be made by April 30, 1978.
- CEQ has underway an interagency task force to review toxic substances regulation and research activities. In addition, four agencies (EPA, OSHA, FDA and CPSC) have developed a detailed plan to improve interagency coordination of the regulation of toxics, which has been presented to you.

In addition, we are identifying other areas where Administration attention is needed:

- CEA and Treasury are reviewing ways to improve regulation of financial institutions.
- Stu Eizenstat and Barry Jagoda are reviewing options for broadcast deregulation and other reform initiatives in the communications area.

-- Finally, we are developing a project that would review food inspection and labelling regulatory activities throughout the government. This will be presented for your decision as a Reorganization Project issue at our next briefing.

We believe this is an ambitious but achievable agenda. It will require our effective coordination and regular review of progress if we are to achieve concrete results. We look forward to discussing regulatory reform at our next President's Reorganization Project briefing.

Attachment

# DRAFT

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR AGENCY AND DEPARTMENT HEADS

FROM: THE PRESIDENT

SUBJECT: Managing the Regulatory Process

*One of my*  
major goals of the Administration is to ~~streamline and~~ improve federal regulatory programs. *My* ~~The~~ Administration is working with Congress on legislation which will improve regulation in a variety of respects--greater consumer representation, avoidance of conflict of interest, increased competition, and sunset procedures. ~~These~~ *In the meantime* things will take time to undergo the legislative process. That does not mean, however, that all progress toward regulatory reform must wait. I believe there are ~~a~~ *several administrative* number of actions which can and should be taken to ~~administratively to improve regulations and make them~~ *regulation* more responsive to the public. Accordingly, I ~~seek your~~ *am asking for* assistance in evaluating two proposed reform efforts:

- *The* Establishment of ~~guidelines~~ *new requirements* (ultimately ~~to be incorporated~~ *to be embodied* in an executive order) ~~to which will~~ improve the process of writing new regulations;
- *FD* ~~Initiation by each agency and department of its own program for "sunset" review of selected existing regulations in each agency and department.~~

*asking for your opinion*

## Managing the Regulatory Process

Since the beginning of my Presidency, I have emphasized the need to make ~~the regulatory process better managed and more open to the public.~~ The regulations ~~it~~ produces must be made more understandable to those who must comply and more responsive to practical needs. You have made useful progress toward these goals. ~~Enrollment in training classes for regulation writers has substantially increased.~~ The name of a contact person for each new

~~regulation along with a simple summary of what the regulation is intended to do are now being published in the Federal Register. Many of you have substantially increased your personal involvement in the regulatory process and some of the actions taken by your department or agency are worthy of consideration by all agencies. Steps are underway to reduce federal paperwork burdens.~~

Nevertheless, ~~while individual steps represent some improvement, the regulation development process, inherited by each of you, continues to be seriously defective. I am therefore proposing a set of guidelines, to open up the requirements process from the outset and subject it to more stringent managerial review by agency heads. This will help eliminate needless regulations, and it will also assure that more careful consideration is given to the consequences of new regulations, thus reducing unnecessary costs, duplication, and conflict, while effectively achieving our regulatory goals.~~

Your personal commitment to review and redesign your agency's procedures to assure consistency with these ~~guidelines~~ <sup>regulatory process</sup> is essential. ~~While~~ Each agency ~~shall~~ <sup>will</sup> have flexibility to develop procedures suited to its particular needs, ~~but~~ <sup>but you must be</sup> ~~the~~ <sup>accountable</sup> process you adopt ~~must be fully accountable to you.~~ <sup>for</sup>

In addition to the procedural changes described below, I am asking ~~that each agency assure that its personnel are receive the training necessary to understand the regulatory process and to write regulations which are intelligible to those who must follow them.~~ <sup>you to see that your</sup>

1. Regulation Agenda

Too often, ~~regulatory activity is carried out~~ <sup>regulations are written</sup> without careful planning and early public involvement. In addition, policy officials and agency heads ~~are frequently unaware of regulations under development in their agency until they are asked to approve their promulgation.~~ <sup>do not see</sup>

To correct these problems, agencies should ~~publish~~ <sup>announce</sup> semi-annually, in the Federal Register, an agenda of major ~~upcoming rulemaking actions. This agenda would announce~~ <sup>their</sup> anticipated new regulations, significant changes in existing regulations, and ~~provide status information on the progress of rulemaking activity. The agency head should read and approve each agenda prior to its publication.~~ <sup>announcements before it is published.</sup>

## 2. Regulation Work Plan

~~At present,~~  
~~Regulations are normally developed by agency analysts~~  
~~without benefit of an action plan or production schedule.~~  
~~Authors of individual regulations are not identified and are~~  
~~and therefore <sup>not</sup> accountability <sup>is</sup> not fixed. Instead, for their work,~~  
~~Regulations are developed and written by various groups~~  
~~within the agency and there is no pride in the final~~  
~~product. Opportunities for ~~early~~ public participation~~  
~~in the development of regulations are not explored, ~~are neglected.~~~~

Accordingly, I ~~would ask that~~ <sup>want you to</sup> a regulation work plan ~~to be prepared~~  
~~prepared~~ for each major rulemaking and approved by ~~the~~ <sup>you</sup>  
~~agency head~~ or a senior policy official. ~~This plan~~ <sup>it</sup>  
 5 ~~should include, at a minimum:~~ (1) the objectives of and  
 legal authority for the regulation; (b) the name and  
 phone number of an agency official with direct, primary  
 responsibility for preparing the regulation; (c) a brief  
 discussion of the issues to be considered in developing  
 the regulation, including possible alternative approaches  
 to be explored; (b) a statement of which interest groups  
 and other agencies will be affected, and how and when they  
 and the public will be asked to participate; (e) target  
 dates for completing each step in developing the regulation;  
 and (f) criteria and a proposed schedule for evaluating  
 the regulation after it has been put into effect.

## 3. Opportunity for Early Public Participation

~~At present,~~ <sup>public does not ordinarily have a chance</sup>  
 Generally, the ~~first opportunity the public is given~~  
 to read and comment on a proposed regulation, ~~is during~~ <sup>until</sup>  
 the 30-day comment period required once it ~~is~~ published  
 in the Federal Register. ~~Such a practice automatically~~  
~~excludes a majority of the public since most people~~  
~~do not take time to read the Federal Register or are~~ <sup>By then</sup>  
~~unaware of its existence. Also at this point, it is too~~  
 late for ~~any~~ significant changes to be made, and in any case most  
 people do not read the Federal Register.

In the future, whenever practical, <sup>now</sup> agencies should ~~afford~~  
 the public ~~every opportunity~~ <sup>to be involved</sup> to be ~~involved~~ <sup>in the regulatory</sup>  
 process from the very beginning, <sup>Members of the public</sup>  
 should be consulted in identifying problems and developing  
 regulations so as to minimize unnecessary paperwork and  
 cost. ~~Notices of agency intent to regulate which describe~~  
~~the problem and solicit public advice should be published~~  
~~in advance. Such information should appear not only in~~  
 the Federal Register but also in trade journals, appropriate  
 periodicals, and other ~~public~~ <sup>media</sup>.

~~These notices should describe the problem and solicit public advice~~  
~~about how to deal with it.~~

#### 4. Regulatory Checklist

Too often, regulations are published for public comment without sufficient analysis. ~~They may not have been subjected to a critical review by responsible officials to ensure that public and other agency views have been weighed, alternatives have been fully considered, and the most cost effective approach selected.~~

*In the future, you release a*  
Accordingly, before ~~proposed regulations are released for publication in the Federal Register, they should receive final approval from the agency head. To receive such approval, the regulation should be tested against a checklist to assure the original work plan has been followed.~~ *be sure regulation*

~~This should be done by~~ *including a checklist which (at a minimum)*  
At a minimum, the checklist should include: (1) evidence that the most cost-effective regulatory approach has been selected; (2) information on alternative approaches that were considered and why they were discarded; (3) a summary of agency and public involvement in developing the regulation; (4) a summary <sup>of the problem</sup> of the problems, the purpose of the rule, <sup>and the anticipated effects, in terms of who</sup> ~~and the anticipated effects, in terms of who~~ benefits and whom ~~is~~ <sup>is</sup> harmed; and (5) an implementation schedule, *for implementing it.*

*including a checklist indicating of whom it*

~~I believe that by applying these common sense principles, we can achieve a fairer, less burdensome and more understandable regulatory system.~~

~~Please provide your <sup>with</sup> comments on these proposed guidelines to Mr. Wayne Granquist of the Office of Management and Budget by September 1, 1977. I would hope that you <sup>please</sup> review your existing procedures and highlight in particular, any implementation problems that you foresee. (I intend to issue an Executive Order which carries out these principles while allowing you to adapt them to the unique needs of your departments and agencies.~~

*appropriate*

*After ~~you~~ your comments have been reviewed, I will*

#### Review of Existing Regulations

~~Certain fundamental regulatory reforms have already been started to deal with a number of specific problems that have been identified in existing regulatory approaches, programs aimed at fundamental redesign of regulation have been initiated in such areas as transportation, occupational health and safety, civil rights, and coordination of the regulation of toxic substances in the environment. While these long-term efforts move forward, we need to assure that we are taking all feasible steps that can be made without new legislation, to put our regulatory house in order.~~

*the rest of*

~~Amesbury~~

Accordingly, I ask each of you to initiate a "sunset" review of a few selected regulations for which your agency is responsible. ~~The scope of this program will be largely left to your discretion. But you should start with at least one major regulation or set of regulations, in your agency. The criteria for identifying regulations to be evaluated in this sunset review should include:~~

- ~~- Degree of public complaints; or which involve~~
- ~~- Existence of overlaps, conflicts, and duplication with regulations of other agencies; or which have been~~
- ~~- Length of time since the regulation has been subjected to fundamental scrutiny; or which have an~~
- ~~- Scope of the regulation's impact on the public.~~

*These you select should be ones which have received substantial*

To ~~you~~ further help ~~in the identification of target areas for~~ review, I am contemplating a series of ~~public~~ public hearings in small communities around the country ~~to solicit~~ public complaints and recommendations. ~~Details about the location, time, and format of such hearings will be made available for your review and comment, as they are developed.~~

I would appreciate it if ~~By October 31,~~ <sup>31,</sup> you would identify and publish in the Federal Register the regulations you have selected, the reasons for your choice, and ~~your~~ plans for reviewing ~~the work~~ <sup>can be provided</sup> ~~to provide~~ extensive opportunity ~~for~~ public participation in the evaluation process.

These reviews need not in every case result in elimination of the regulations considered. But they should produce regulations which are fairer, more understandable, less burdensome, and more effective.

Regulatory reform is one of the most demanding challenges we face. ~~It~~ It is also a commitment which the American people expect us to meet. I am determined to do so, and I value your counsel and support.

—

THE WHITE HOUSE  
WASHINGTON

Follows  
redraft

(sent to outis to check)

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR AGENCY AND DEPARTMENT HEADS

FROM: THE PRESIDENT

SUBJECT: Managing the Regulatory Process

One of my major goals is to improve the federal regulatory process. My Administration is working with Congress on legislation which will improve regulation in a variety of respects -- greater consumer representation, avoidance of conflict of interest, increased competition, and sunset procedures. In the meantime there are several administrative actions which should be taken to make regulations more responsive to the public. Accordingly, I am asking for your opinion of two proposed reforms:

- The establishment of new requirements (ultimately embodied in an executive order) which will improve the process of writing new regulations;
- A "sunset" review of selected existing regulations in each agency and department.

Managing the Regulatory Process

Since the beginning of my Presidency, I have emphasized the need to make regulations more understandable to those who must comply and more responsive to practical needs. You have made useful progress toward these goals.

Nevertheless, the process continues to be seriously defective. I am therefore proposing a set of requirements to eliminate needless regulations and assure more careful consideration of the consequences of new regulations, thus reducing unnecessary costs, duplication, and conflict.

Your personal commitment to review and redesign your agency's procedures to assure consistency with these requirements is essential. Each agency will have flexibility to develop procedures suited to its particular needs, but you must be accountable for the process you adopt.

In addition to the procedural changes described below, I am asking you to see that your personnel are trained to understand the regulatory process and to write regulations which are intelligible to those who must follow them.

1. Regulation Agenda

Too often, regulations are written without careful planning and early public involvement. In addition, policy officials and agency heads frequently do not see proposed regulations until they are asked to approve them.

To correct these problems, agencies should announce semi-annually, in the Federal Register, their anticipated new regulations, significant changes in existing regulations, and an indication of the progress of rulemaking activity. You should read and approve each announcement before it is published.

2. Regulation Work Plan

At present, authors of individual regulations are not identified and are therefore not accountable for their work. Regulations are developed and written by various groups within the agency and there is no pride in the final product. Opportunities for public participation are neglected.

Accordingly, I want a regulation work plan to be prepared for each major rulemaking and approved by you or a senior policy official. It should include, at a minimum: (a) the objectives of and legal authority for the regulation; (b) the name and phone number of an agency official with direct, primary responsibility for preparing the regulation; (c) a brief discussion of the issues to be considered in developing the regulation, including possible alternative approaches to be explored; (d) a statement of which interest groups and other agencies will be affected, and how and when they and the public will be asked to participate; (e) target dates for completing each step in developing the regulation; and (f) criteria and a proposed schedule for evaluating the regulation after it has been put into effect.

3. Opportunity for Early Public Participation

At present, the public does not ordinarily have a chance to read and comment on a proposed regulation until it has been published in the Federal Register. By then it is too late for significant changes to be made, and in any case most people do not read the Federal Register.

In the future, whenever practical, your agencies should give the public the chance to participate from the very beginning, by publishing notices of intent to regulate not only in the Federal Register but also in trade journals, appropriate periodicals, and other news media. These notices should describe the problem and solicit public advice about how to deal with it.

#### 4. Regulatory Checklist

Too often, regulations are published for public comment without sufficient analysis.

In the future, before you release a proposed regulation for publication in the Federal Register, check to be sure the regulation work plan has been followed.

This should be done by examining a checklist which includes, at a minimum: (a) evidence that the most cost-effective regulatory approach has been selected; (b) information on alternative approaches that were considered and why they were discarded; (c) a summary of agency and public involvement in developing the regulation; (d) a statement of the purpose of the rule; (e) a summary of its anticipated effects, including an indication of whom it benefits and whom it harms; and (f) a schedule for implementing it.

Please provide your written comments on these proposed guidelines to Mr. Wayne Granquist of the Office of Management and Budget by September 1, 1977. Please review your existing procedures and indicate any problems that you foresee. After your comments have been reviewed, I will issue an appropriate Executive Order.

#### Review of Existing Regulations

Certain fundamental regulatory reforms have already been started in areas like transportation, occupational health and safety, civil rights, and toxic substances in the environment. While these long-term efforts move forward, we need to put the rest of our regulatory house in order.

Accordingly, I am asking each of you to initiate a "sunset" review of a few selected regulations for which your agency is responsible, including at least one major regulation or set of regulations. Those you select should be ones which have received substantial public complaints; or which involve overlaps, conflicts, and duplication with regulations of other agencies; or which have not recently been subjected to fundamental scrutiny; or which have an exceptionally broad impact on the public.

To help you identify regulations that need review, I am contemplating a series of public hearings in small communities around the country at which public complaints and recommendations can be voiced. Details about these hearings will be made available for your comments.

By October 31, please indicate in the Federal Register the regulations you have selected, the reasons for your choice, and plans for reviewing them with extensive opportunity for public participation.

These reviews need not in every case result in elimination of the regulations considered. But they should produce regulations which are fairer, more understandable, less burdensome, and more effective.

Regulatory reform is one of the most demanding challenges we face. It is also a commitment which the American people expect us to meet. I am determined to do so, and I value your counsel and support.

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE HEADS OF

EXECUTIVE DEPARTMENTS AND AGENCIES

One of my major goals as President is to streamline the federal regulatory process and make it more responsive to the public.

With your help, steps have already been taken to ensure better training for regulation-writers, to include in the Federal Register clear summaries of new regulations, and to reduce paperwork requirements.

Your cooperation is also needed with two other steps which can further this effort:

- Initiation of a sunset review program for selected existing regulations;
- Establishment of guidelines to improve the process of developing new regulations.

Review of Existing Regulations

I strongly believe that each of your Departments and Agencies can benefit from a sunset review of selected regulations. To begin that process, I recommend that you select for review one of your major regulations or sets of regulations.

That selection should be based on the following criteria: (i) extent of public complaints; (ii) existence of overlaps, conflicts and duplication with the regulations of other agencies; (iii) length of time since the regulation has been reviewed; (iv) frequency of enforcement action under the regulation; (v) scope of the regulation's impact on the public.

By October 1, please notify Mr. Wayne Granquist of the Office of Management and Budget of the regulations you intend to review initially. The method of review will be left to your discretion. You should, however, ensure effective public participation in the process. The result need not be the elimination of the regulations considered, but the new regulations that emerge should be better understood and less burdensome.

To ensure public participation in the continuing effort to streamline the regulatory process, the Reorganization Project will be holding a series of hearings throughout the country. Your cooperation with that effort is also needed.

#### Developing New Regulations

I am convinced that we can improve the development of new regulations. While steps already taken have improved the process that was inherited by each of you, the process continues to be seriously defective. I am therefore proposing for your consideration certain common sense management principles to help eliminate needless regulations and assure that more careful consideration is given to the consequences of new regulations. They should reduce unnecessary costs, duplication and conflict, while achieving our regulatory goals.

I am considering issuing an Executive Order requiring each agency to:

- (1) Publish semi-annually, in the Federal Register, a schedule of major regulations which would be issued or substantially revised over the next six months and a status report on the progress of all pending major rulemaking actions. The Register notice should include:
  - (a) the purpose and legal authority for the regulations affected;
  - (b) the name and telephone number of someone directly responsible for preparing the regulation.

- (2) Prepare a workplan having your personal approval, for each major regulation to be issued. The workplan would include:
  - (a) the purpose and legal authority for the regulation;
  - (b) the name and phone number of someone directly responsible for preparing the regulation;
  - (c) a description of the issues to be covered by the regulation and the alternative approaches to be considered in developing the regulation;
  - (d) a statement of which major interest groups and other Agencies will be affected, and how and when they and the public can be assured of an early opportunity to participate in the regulation drafting process;
  - (e) target dates for completion of each step in preparing the regulation;
  - (f) criteria and a proposed schedule for evaluating the regulation after its issuance.
- (3) Ensure that you personally approve major regulations before they are issued. Your approval should be conditioned on a determination that the original workplan has been followed, to the extent possible, and on a review of the following:
  - (a) evidence that the most cost-effective regulatory approach has been selected;
  - (b) information on alternative approaches that were considered and reasons for their rejection;
  - (c) a summary of public and other Agency involvement in developing the regulation;
  - (d) a summary of the problems, the regulation's purpose, and the anticipated effects on those subject to the regulation; and
  - (e) an implementation schedule.

Please provide your written comments on the proposed guidelines to Mr. Wayne Granquist of The Office of Management and Budget by October 1, 1977. Highlight any implementation problems you foresee. After reviewing your comments, I intend to issue an Executive Order that carries out these principles.

Finally, Executive Order 11949, which requires economic impact statements, has been criticized for causing delay and increasing paperwork without improving the quality of regulations. However, I believe that economic analysis, if properly used, can substantially improve agency decisions. Therefore, in conjunction with the development of these guidelines, we will be considering ways to assure that good economic analysis is incorporated into the procedures that precede publication of proposed regulations. Any recommendations you have in this regard would also be welcome.

THE WHITE HOUSE  
WASHINGTON  
August 13, 1977

Stu Eizenstat

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

Rick Hutcheson

cc: Charlie Schultze

CALL TO CHAIRMAN BURNS ON RAISE  
IN INTEREST RATES

THE WHITE HOUSE  
WASHINGTON

Suffer from uncertainty  
Energy - Tax. etc.

Stock market  
Capital gains tax  
Be careful

No action needed

Price index -  
agriculture drop  
Industrial + 0.5%

if recovered -

Fed less responsible for  
recent flurry - M1 up -  
bank credit up - long term  
rates down

THE PRESIDENT WAS SEEN.

THE WHITE HOUSE

WASHINGTON

August 12, 1977

*Done -  
results?  
J*

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT *Stu*  
BOB GINSBURG

SUBJECT: Call to Chairman Burns Concerning  
Possibility that Federal Reserve  
Actions May Raise Interest Rates

There is a strong possibility that the Federal Reserve may decide to tighten monetary policy, and thereby raise interest rates, at its Open Market Committee meeting next Tuesday. The members of the EPG Steering Committee unanimously agree that any sharp increase in interest rates at this time could adversely affect the economic recovery and unanimously recommend that you give Chairman Burns a call before Tuesday and express to him your concern over the effect such action might have on the economy. Attached is a memorandum prepared by Lyle Gramley of CEA further discussing this matter.

We would suggest that if you call Chairman Burns you make the following points:

- Sharp increases in interest rates at this time could damage the economic recovery.
- There is considerable apprehension in the business and financial community that a pause in the economic expansion, similar to that of 1976, may be developing. Increases in interest rates now could shake confidence.
- Housing starts have already begun to flatten out. An increase in interest rates would adversely affect this crucial sector of the economy.
- Recent developments on the inflation front have been relatively encouraging and do not justify additional monetary restriction at this time.
- The dollar appears to have ended its depreciation in foreign exchange markets, and an increase in interest rates is not the best way to deal with our balance of trade problems.

**Electrostatic Copy Made  
for Preservation Purposes**

- In the event that Chairman Burns suggests that the Fed has to act to dampen recent rapid increases in the money supply, you could note that while you agree that prolonged growth of the money supply at recent rates would eventually have adverse results, there is nothing in the present performance of the economy which would warrant sharp increases in interest rates.
  
- The health of the current recovery may depend upon a cautious and restrained response by the Fed to the recent increases in the money supply.

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

August 11, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Lyle E. Gramley *LEG*  
Acting Chairman *LEG*

Subject: Background Material on Monetary Policy

Since the middle of July, the interest rate on Federal funds -- the rate used by the Federal Reserve as a short-run target for controlling the money supply -- has risen sharply. The Federal Reserve's target for this rate (which it does not announce publicly) has risen from 5-3/8 percent to somewhere in the range of 5-3/4 percent to 6 percent.

Other interest rates have followed the Federal funds rate up. For example, the yield on 3-month Treasury bills has increased from about 5.2 percent to 5.5 percent over the past two weeks; long-term interest rates have also risen, but much less.

This tightening action by the Fed was taken in response to evidence of rapid growth during July of  $M_1$ , the narrowly-defined money supply. (The Fed's target growth range for  $M_1$  over the next year, and actual figures for July, are shown in the attached chart.) This is the second time the Federal Reserve has tightened monetary policy a notch this year. The previous tightening -- in May -- occurred in response to a bulge in the money supply in April.

There is a strong possibility that at the August 16 monthly meeting of the Federal Open Market Committee, the central decision-making body of the Federal Reserve, monetary policy will be tightened another notch. Such a move is widely expected by participants in financial markets, who are nervous about the prospects for interest rates. An example of this unease is the unusually large jump in the Treasury bill rate -- from 5.32 percent to 5.53 percent -- that occurred this past Tuesday. It appears to be directly attributable to speculation about Federal Reserve actions.

Arguments Against a Further Tightening of Monetary Policy  
at This Time

Moderate increases in interest rates, particularly short-term interest rates, are normal in a healthy expansion. Sharp further increases in interest rates at the present time, however, could damage the recovery process.

- . There is considerable nervousness among economic observers regarding the possibility that another pause in the expansion, similar to the 1976 experience, may be developing. Recent statistical indicators leave the question unresolved. For example, retail sales increased in July by 0.5 percent -- the first increase in four months. But the estimated level of these sales in June was revised down by more than one percent. Another turn of the monetary screw now could push up interest rates enough to shake confidence.
- . The rise of housing starts -- which has been an important source of economic momentum since early 1975 -- has already begun to show signs of topping out. A sharp rise of interest rates would affect housing sooner, and more strongly, than other sectors.
- . Recent price developments have been relatively encouraging. Wholesale prices have declined 0.8 percent since May. Prices of farm products fell over the two months, and the rate of increase in industrial commodity prices was relatively moderate. The rise of consumer prices also slowed somewhat in May and June. We see no signs of acceleration in the underlying rate of inflation that would require additional monetary restraint at this time.
- . The depreciation of the dollar in foreign exchange markets that occurred during the latter part of July appears to have ended. For example, the dollar appreciated slightly against the German mark last week, and exchange markets generally are much quieter. In any event, an increase in interest rates is not the best way to deal with our current balance of trade problem.

A suggestion to Chairman Burns that the Administration is concerned about the near-term outlook for interest rates may elicit a response that the Federal Reserve has no good option. He may argue that continued expansion of  $M_1$  at anything like the July pace -- an 18 percent annual rate -- would fuel inflationary expectations, and possibly inflation itself, and would be detrimental to the international value of the dollar.

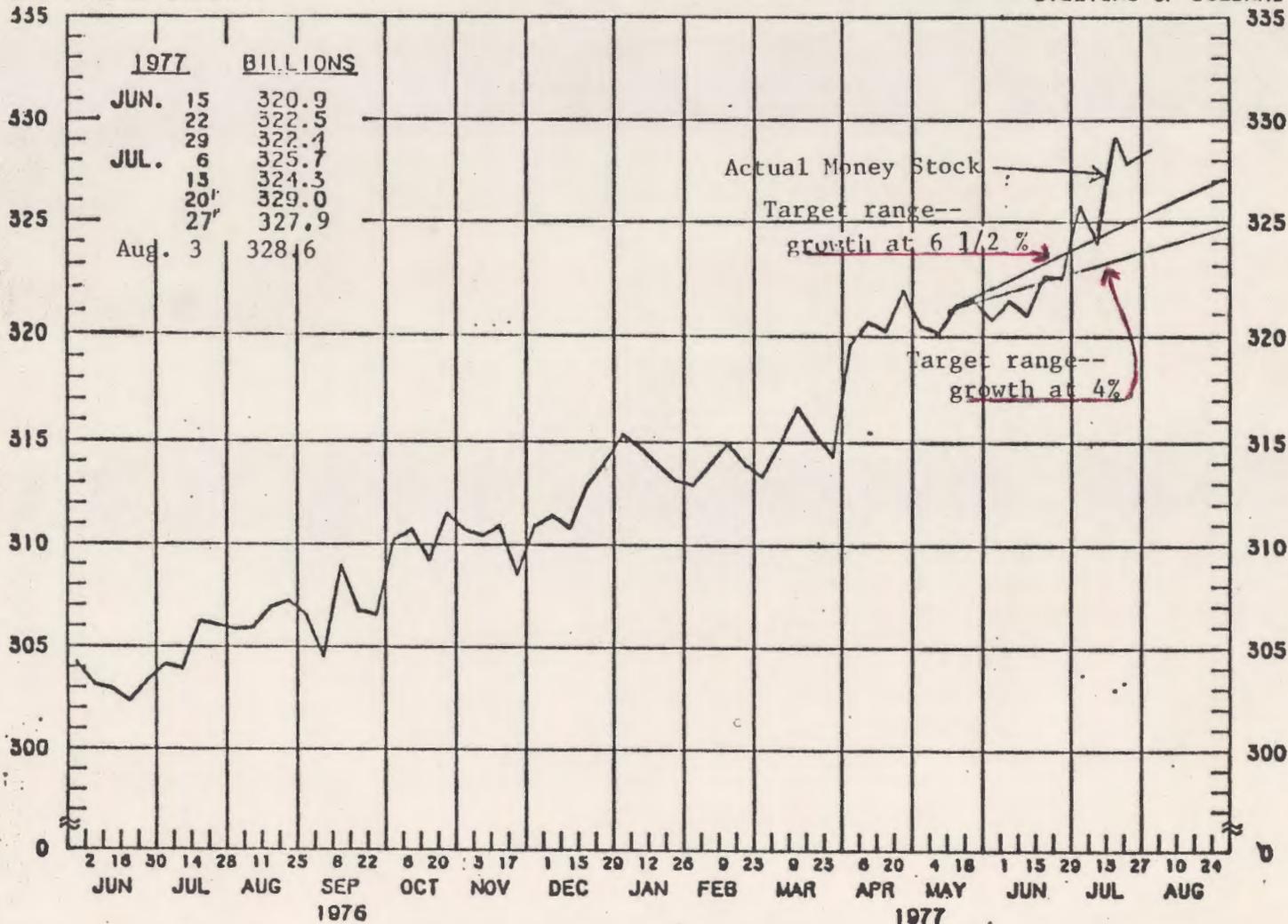
To be sure, prolonged growth of the money stock at recent rates would eventually have adverse results. But there is nothing in the present performance of the economy which would warrant abrupt action on the part of the Federal Reserve now. The health of the current recovery would be enhanced if the Federal Reserve's reaction to the runup of the money stock is very cautious and careful.

# MONEY STOCK (M1)

AVERAGES OF DAILY FIGURES  
SEASONALLY ADJUSTED

BILLIONS OF DOLLARS

BILLIONS OF DOLLARS



LATEST DATA PLOTTED WEEK ENDING: July 27, 1977

THE WHITE HOUSE  
WASHINGTON  
August 12, 1977

The Vice President  
Hamilton Jordan  
Jody Powell  
Jack Watson

The attached is for  
your information.

Rick Hutcheson

RE: POTENTIAL RAISE IN INTEREST  
RATES - CALL TO CHAIRMAN  
BURNS

THE WHITE HOUSE  
WASHINGTON

August 13, 1977

Hamilton Jordan

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

Rick Hutcheson

JUDGESHIP, 5th CIRCUIT, ALABAMA  
VACANCY

THE WHITE HOUSE  
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
/		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		LANCE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	KING

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE PRESIDENT HAS SEEN

TO: President Carter

FROM: Connie Plunkett *Connie Plunkett*

RE: Judgeship, 5th circuit, Alabama vacancy

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*Have I agree - status? J*

This is a request for consideration of Robert (Bob) Vance to fill this Alabama vacancy.

The judicial panel which met three weeks ago and interviewed 13 candidates unanimously recommended Bob Vance to the Justice Department as their first choice. He has also received numerous endorsements, including the three Democratic members of Congress from Alabama, Senator Allen, Governor George Wallace, the Black Caucus, and organized labor, (state AFL-CIO, Steelworkers, and national President of CWA). Senator Sparkman is on record as saying he would support Mr. Vance if his first choice was not accepted. (Senator Sparkman's first choice did not make it into the final five.) He also has received written support from many attorneys and judges around the state, including most of the Alabama Supreme Court.

As a quick political background, he has served on the Democratic National Committee longer than any other member. He has worked most effectively to unite the forces in Alabama, to the point of bringing the Black Democrats, white Democrats and Wallace supporters together.

During your campaign for the Presidency, he was the first state chairman in the country to come out in open support for you. When the southern regional meeting of the DNC was held during the primaries, I commented to Jim Free that Bob Vance was the only one in attendance wearing a Carter button.

Throughout the primaries, I was in constant contact with Mr. Vance, and he always accomplished any task quickly, and gave advice and aid regularly.

For the last six months of the campaign, numerous times he advised and asked Governor Wallace to do certain campaign events for you. He made two trips to the Atlanta headquarters at his own expense to help plan campaign strategy. Also, he refused to sit around waiting for money to come from the DNC, preferring to go out and raise the money on his and the party's own initiative, tying down advertising space and time, and was organizing for the general election two to three months before most other state parties.

There is still some resentment toward Mr. Vance from some of Ambassador Straus's people. This stems back two years ago, when the Washington Post published a story saying the reason Bob Vance was running for President of the State Chairs Association was to take over Bob Straus's position. This was not true, and led to his defeat by Don Fowler, who was put up by Bob Straus.

I am very interested in highly recommending Bob Vance for this judgeship, knowing this appointment would be an asset for your administration.

THE WHITE HOUSE  
WASHINGTON

August 13, 1977.

Charles Warren

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

Rick Hutcheson

cc: Stu Eizenstat  
Bert Lance  
Doug Huron

EXECUTIVE ORDER (PROPOSED) ON  
NATIONAL ENVIRONMENTAL POLICY ACT

THE WHITE HOUSE  
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

*cc Doug Huron*

ACTION	FYI	
		MONDALE
		COSTANZA
	X	EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
	X	LANCE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	KING

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
X	WARREN - <i>his name only</i>

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

August 12, 1977

10

MEMORANDUM FOR THE PRESIDENT

FROM STU EIZENSTAT  
KITTY SCHIRMER

Stu

SUBJECT CEQ MEMORANDUM OF 8/9 RE EXECUTIVE ORDER ON  
THE NATIONAL ENVIRONMENTAL POLICY ACT

In this memorandum, CEQ seeks your approval to circulate a proposed Executive Order on implementation of the National Environmental Policy Act to the various Federal agencies for comment. CEQ is taking the somewhat unusual step of asking for approval to circulate the Order because it may provoke some press interest and CEQ wanted you to know beforehand what is involved.

The Order itself has merit and could help to improve the quality of environmental decision making in the government. From our preliminary review of the issues involved, the Order appears to be sound. It certainly warrants circulation to the other agencies for comment.

We would emphasize, however, that our recommendation that the Order be circulated is without prejudice to comments or recommendations which we may want to make later, after having had the benefit of agency review and comment.

OMB & Lipshutz concur with Stu.

--Rick

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for Preservation Purposes

EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL ON ENVIRONMENTAL QUALITY  
722 JACKSON PLACE, N. W.  
WASHINGTON, D. C. 20006

August 9, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Charles Warren *ew*  
Gus Speth  
Marion Edey

SUBJECT: Executive Order on the National Environmental Policy Act

In the decision memorandum on the National Environmental Policy Act (NEPA) which came to you in connection with the Environmental Message, you directed the Council to prepare an Executive Order which would require agencies to take steps to better implement the underlying environmental policies stated in NEPA and thus move away from the current overemphasis on environmental impact statement paperwork and procedure. The proposed order is attached.

The order states a short, straightforward rule for federal officials to follow in making decisions affecting the environment. It would require federal agencies to take the least environmentally harmful option, unless they have a good reason -- required by another essential consideration of national policy -- why they cannot do so. Agencies would also be required to take all practical steps to avoid or minimize significant environmental harm. For major federal actions on which impact statements are prepared, federal agencies would also be required to make a concise public finding that the order had been carried out.

We believe the order will have a major impact on making federal projects environmentally acceptable. It will complement your previous efforts to focus attention on the need for agencies to make environmentally responsible decisions that are understandable to the public. This order is an important part of the NEPA reform efforts the Council now has underway.

The proposed order has been drafted in consultation with the Domestic Policy Staff and OMB, who believe it to be sound, and they join us in recommending that it be circulated to the agencies for further comment. With your approval, we will proceed with formal interagency clearance.

✓  
\_\_\_\_\_  
Approve

\_\_\_\_\_  
Disapprove

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for Preservation Purposes**

*J. C.*  
*We'll approve  
final version, of  
course*

EXECUTIVE ORDER

-----

RELATING TO PROTECTION AND ENHANCEMENT  
OF ENVIRONMENTAL QUALITY

By virtue of the authority vested in me by the Constitution and statutes of the United States of America, and as President of the United States of America, in furtherance of the purpose and policy of the National Environmental Policy Act of 1969, as amended (42 U.S.C. 4321 et seq.), and the Environmental Quality Improvement Act of 1970 (42 U.S.C. 4371 et seq.), it is hereby ordered as follows:

Section 1. Executive Order 11514 is amended by renumbering Section 2(a) as Section 2(a)(1) and adding the following Sections 2(a)(2) and (2)(a)(3):

"(a)(2) Carry out the environmental policies stated in Sections 101 and 102(1) of the Act in its decisions to the fullest extent practicable consistent with other essential considerations of national policy. In choosing among alternatives in environmental impact statements and in planning and carrying out agency actions, each agency at a minimum shall:

- (i) select that alternative which involves the least harm to the environment unless the agency determines that specific and overriding considerations of national policy require a different alternative; and

- (ii) use all practicable means to avoid or minimize significant environmental harm."

"(a)(3) In choosing among alternatives in environmental impact statements, adopt a concise public finding stating:

- (i) that all practicable means to avoid or minimize environmental harm as stated in Section 2(a)(2)(ii) have been adopted and will be enforced, and
- (ii) if under Section 2(a)(2)(i) an alternative other than that which involves the least harm to the environment has been selected, the reasons why other specific considerations of national policy overrode the environmentally preferable alternative."

THE WHITE HOUSE

August \_\_\_\_\_, 1977

Date: August 10, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat  
Bob Lipshutz  
Jack Watson

FOR INFORMATION:

The Vice President  
Midge Costanza  
Frank Moore  
Bert Lance  
Charlie Schultze

xc: Kitty  
Camp  
JH

FROM: Rick Hutcheson, Staff Secretary

458

SUBJECT: Executive Order on the National Environmental Policy Act.

YOUR RESPONSE MUST BE DELIVERED  
TO . DOUG HURON BY:  
TIME: 12:00 NOON  
DAY: FRIDAY  
DATE: AUGUST 12, 1977

ACTION REQUESTED:

Your comments  
Other:

STAFF RESPONSE:

I concur.  No comment.  
Please note other comments below:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required

Date August 10, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat  
 Bob Lipshutz  
 Jack Watson

FOR INFORMATION:

The Vice President  
 Midge Costanza  
 Frank Moore  
 Bert Lance  
 Charlie Schultze

Xc: Kitty  
 Corp  
 JH

458

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 TO . DOUG HURON BY:  
 TIME: 12:00 NOON  
 DAY: FRIDAY  
 DATE: AUGUST 12, 1977

ACTION REQUESTED:  
 Your comments  
 Other:

STAFF RESPONSE:  
 I concur.  No comment.  
 Please note other comments below:

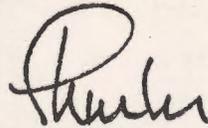
EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL ON ENVIRONMENTAL QUALITY  
722 JACKSON PLACE, N. W.  
WASHINGTON, D. C. 20006

August 9, 1977

MEMORANDUM FOR RICK HUTCHESON

We would appreciate it if EOP review of this memorandum could be completed in time for the President's return from Plains.

Thanks for your cooperation.



CHARLES WARREN  
Chairman

EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL ON ENVIRONMENTAL QUALITY  
722 JACKSON PLACE, N. W.  
WASHINGTON, D. C. 20006

August 9, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Charles Warren *ew*  
Gus Speth  
Marion Edey

SUBJECT: Executive Order on the National Environmental Policy Act

In the decision memorandum on the National Environmental Policy Act (NEPA) which came to you in connection with the Environmental Message, you directed the Council to prepare an Executive Order which would require agencies to take steps to better implement the underlying environmental policies stated in NEPA and thus move away from the current overemphasis on environmental impact statement paperwork and procedure. The proposed order is attached.

The order states a short, straightforward rule for federal officials to follow in making decisions affecting the environment. It would require federal agencies to take the least environmentally harmful option, unless they have a good reason -- required by another essential consideration of national policy -- why they cannot do so. Agencies would also be required to take all practical steps to avoid or minimize significant environmental harm. For major federal actions on which impact statements are prepared, federal agencies would also be required to make a concise public finding that the order had been carried out.

We believe the order will have a major impact on making federal projects environmentally acceptable. It will complement your previous efforts to focus attention on the need for agencies to make environmentally responsible decisions that are understandable to the public. This order is an important part of the NEPA reform efforts the Council now has underway.

The proposed order has been drafted in consultation with the Domestic Policy Staff and OMB, who believe it to be sound, and they join us in recommending that it be circulated to the agencies for further comment. With your approval, we will proceed with formal interagency clearance.

\_\_\_\_\_  
Approve

\_\_\_\_\_  
Disapprove

EXECUTIVE ORDER

---

RELATING TO PROTECTION AND ENHANCEMENT  
OF ENVIRONMENTAL QUALITY

By virtue of the authority vested in me by the Constitution and statutes of the United States of America, and as President of the United States of America, in furtherance of the purpose and policy of the National Environmental Policy Act of 1969, as amended (42 U.S.C. 4321 et seq.), and the Environmental Quality Improvement Act of 1970 (42 U.S.C. 4371 et seq.), it is hereby ordered as follows:

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- (ii) use all practicable means to avoid or minimize significant environmental harm."

"(a)(3) In choosing among alternatives in environmental impact statements, adopt a concise public finding stating:

- (i) that all practicable means to avoid or minimize environmental harm as stated in Section 2(a)(2)(ii) have been adopted and will be enforced, and
- (ii) if under Section 2(a)(2)(i) an alternative other than that which involves the least harm to the environment has been selected, the reasons why other specific considerations of national policy overrode the environmentally preferable alternative."

THE WHITE HOUSE

August \_\_\_\_\_, 1977

xc: Kitty ✓  
Bart ✓

THE WHITE HOUSE  
WASHINGTON

August 4, 1977

MEMORANDUM FOR STU EIZENSTAT

FROM: KITTY *KS*

SUBJECT: ATTACHED MEMORANDUM FROM CEQ

Attached is a draft of a memorandum CEQ proposes to send to the President concerning an Executive Order they would like to circulate to the agencies and departments for comment.

The draft memorandum makes the representation that "The proposed Order has been drafted in consultation with the Domestic Policy Staff and OMB, who believe it to be sound, and they join us in recommending that it be circulated to the agencies for further comment." This represents my view on the subject, which I want to clear with you before the Council sends the memo to the President.

Eliot Cutler and I have been working with Gus <sup>Speck</sup> on the Executive Order and it has been substantially<sup>7</sup> revised as a result of our comments and suggestions. Some of the changes were made reluctantly by CEQ, and for that reason they are anxious to know whether we will support the circulation of the Order before they send it forward to the President. This is the reason for the deviation from usual procedure.

*our buty  
Kitty we  
should so  
state in  
our cover  
memo*

I would emphasize, as I have to Gus, that my belief that the Order "is sound" is based on the review of the subject which I have made thus far. We have clearly reserved our right to further comments, suggestions, or changes which should be made after the Order has been circulated to the Agencies for comment. I would not feel comfortable recommending to the President that he sign such an Order until full agency review and discussion, including possible modification, has occurred.

Please let me know as soon as possible whether you agree and the language in the attached draft memo is OK.

COUNCIL ON ENVIRONMENTAL QUALITY  
WASHINGTON, D. C.

8/4/77

Kitty,

The changes have been made.  
Please get back to me ASAP.

Thanks for your help.

Gus

EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL ON ENVIRONMENTAL QUALITY  
722 JACKSON PLACE, N. W.  
WASHINGTON, D. C. 20006

MEMORANDUM FOR THE PRESIDENT

FROM: Charles Warren  
Gus Speth  
Marion Edey

SUBJECT: Executive Order on the National Environmental Policy Act

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The proposed order has been drafted in consultation with the Domestic Policy Staff and OMB, who believe it to be sound, and they join us in recommending that it be circulated to the agencies for further comment. With your approval, we will proceed with formal interagency clearance.

\_\_\_\_\_  
Approve

\_\_\_\_\_  
Disapprove

EXECUTIVE ORDER

-----

RELATING TO PROTECTION AND ENHANCEMENT  
OF ENVIRONMENTAL QUALITY

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THE WHITE HOUSE

August \_\_\_\_\_, 1977

THE WHITE HOUSE

WASHINGTON

August 4, 1977

MEMORANDUM FOR STU EIZENSTAT

FROM: KITTY

SUBJECT: ATTACHED MEMORANDUM FROM CEQ

Attached is a draft of a memorandum CEQ proposes to send to the President concerning an Executive Order they would like to circulate to the agencies and departments for comment.

The draft memorandum makes the representation that "The proposed Order has been drafted in consultation with the Domestic Policy Staff and OMB, who believe it to be sound, and they join us in recommending that it be circulated to the agencies for further comment." This represents my view on the subject, which I want to clear with you before the Council sends the memo to the President.

Eliot Cutler and I have been working with Gus on the Executive Order and it has been substantially revised as a result of our comments and suggestions. Some of the changes were made reluctantly by CEQ, and for that reason they are anxious to know whether we will support the circulation of the Order before they send it forward to the President. This is the reason for the deviation from usual procedure.

I would emphasize, as I have to Gus, that my belief that the Order "is sound" is based on the review of the subject which I have made thus far. We have clearly reserved our right to further comments, suggestions, or changes which should be made after the Order has been circulated to the Agencies for comment. I would not feel comfortable recommending to the President that he sign such an Order until full agency review and discussion, including possible modification, has occurred.

Please let me know as soon as possible whether you agree and the language in the attached draft memo is OK.

COUNCIL ON ENVIRONMENTAL QUALITY  
WASHINGTON, D. C.

8/4/77

Kitty,

The changes have been made.  
Please get back to me ASAP.

Thanks for your help.

Gus

EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL ON ENVIRONMENTAL QUALITY  
722 JACKSON PLACE, N. W.  
WASHINGTON, D. C. 20006

MEMORANDUM FOR THE PRESIDENT

FROM: Charles Warren  
Gus Speth  
Marion Edey

SUBJECT: Executive Order on the National Environmental Policy Act

In the decision memorandum on the National Environmental Policy Act (NEPA) which came to you in connection with the Environmental Message, you directed the Council to prepare an Executive Order which would require agencies to take steps to better implement the underlying environmental policies stated in NEPA and thus move away from the current overemphasis on environmental impact statement paperwork and procedure. The proposed order is attached.

The order states a short, straightforward rule for federal officials to follow in making decisions affecting the environment. It would require federal agencies to take the least environmentally harmful option, unless they have a good reason -- required by another essential consideration of national policy -- why they cannot do so. Agencies would also be required to take all practical steps to avoid or minimize significant environmental harm. For major federal actions on which impact statements are prepared, federal agencies would also be required to make a concise public finding that the order had been carried out.

We believe the order will have a major impact on making federal projects environmentally acceptable. It will complement your previous efforts to focus attention on the need for agencies to make environmentally responsible decisions that are understandable to the public. This order is an important part of the NEPA reform efforts the Council now has underway.

The proposed order has been drafted in consultation with the Domestic Policy Staff and OMB, who believe it to be sound, and they join us in recommending that it be circulated to the agencies for further comment. With your approval, we will proceed with formal interagency clearance.

\_\_\_\_\_  
Approve

\_\_\_\_\_  
Disapprove

EXECUTIVE ORDER

---

RELATING TO PROTECTION AND ENHANCEMENT  
OF ENVIRONMENTAL QUALITY

By virtue of the authority vested in me by the Constitution and statutes of the United States of America, and as President of the United States of America, in furtherance of the purpose and policy of the National Environmental Policy Act of 1969, as amended (42 U.S.C. 4321 et seq.), and the Environmental Quality Improvement Act of 1970 (42 U.S.C. 4371 et seq.), it is hereby ordered as follows:

Section 1. Executive Order 11514 is amended by renumbering Section 2(a) as Section 2(a)(1) and adding the following Sections 2(a)(2) and (2)(a)(3):

"(a)(2) Carry out the environmental policies stated in Sections 101 and 102(1) of the Act in its decisions to the fullest extent practicable consistent with other essential considerations of national policy. In choosing among alternatives in environmental impact statements and in planning and carrying out agency actions, each agency at a minimum shall:

- (i) select that alternative which involves the least harm to the environment unless the agency determines that specific and overriding considerations of national policy require a different alternative; and

- (ii) use all practicable means to avoid or minimize significant environmental harm."

"(a)(3) In choosing among alternatives in environmental impact statements, adopt a concise public finding stating:

- (i) that all practicable means to avoid or minimize environmental harm as stated in Section 2(a)(2)(ii) have been adopted and will be enforced, and
- (ii) if under Section 2(a)(2)(i) an alternative other than that which involves the least harm to the environment has been selected, the reasons why other specific considerations of national policy overrode the environmentally preferable alternative."

THE WHITE HOUSE

August \_\_\_\_\_, 1977

THE WHITE HOUSE

WASHINGTON

August 4, 1977

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WASHINGTON, D. C.

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Approve

\_\_\_\_\_  
Disapprove

EXECUTIVE ORDER

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RELATING TO PROTECTION AND ENHANCEMENT  
OF ENVIRONMENTAL QUALITY

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THE WHITE HOUSE

August \_\_\_\_\_, 1977

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

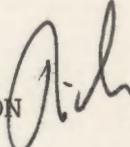
ACTION

11 August 1977

TO:

JIM MCINTYRE

FROM:

RICK HUTCHESON 

SUBJECT:

Attached Proposed Executive Order

Please have the OMB staff clear this proposed E.O. in the usual fashion, with affected agencies and with the Department of Justice, and then return it to me for circulating among the White House staff. Thanks.

cc: Charles Warren

EXECUTIVE OFFICE OF THE PRESIDENT  
COUNCIL ON ENVIRONMENTAL QUALITY  
722 JACKSON PLACE, N. W.  
WASHINGTON, D. C. 20006

August 9, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Charles Warren *ew*  
Gus Speth  
Marion Edey

SUBJECT: Executive Order on the National Environmental Policy Act

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\_\_\_\_\_  
Approve

\_\_\_\_\_  
Disapprove

EXECUTIVE ORDER

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RELATING TO PROTECTION AND ENHANCEMENT  
OF ENVIRONMENTAL QUALITY

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THE WHITE HOUSE

August \_\_\_\_\_, 1977

THE WHITE HOUSE  
WASHINGTON

August 13, 1977

Stu Eizenstat  
Hamilton Jordan  
Jack Watson

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

Rick Hutcheson

PORTMAN LETTER - PROBLEMS OF  
CENTRAL CITIES.

THE WHITE HOUSE  
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION	FYI	
		MONDALE
		COSTANZA
X		EIZENSTAT
X		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
X		WATSON
		LANCE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

	ARAGON
	BOURNE
	BRZEZINSKI
	BUTLER
	CARP
	H. CARTER
	CLOUGH
	FALLOWS
	FIRST LADY
	HARDEN
	HUTCHESON
	JAGODA
	KING

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE PRESIDENT HAS SEEN.

JOHN C. PORTMAN, JR.  
1900 PEACHTREE CENTER SOUTH  
ATLANTA, GEORGIA 30303

August 11, 1977

cc: Ham  
Stu  
Jack

Sounds good -  
Hold to 50 -  
more on this  
J

The President  
The White House  
Washington, D. C. 20500

Dear Mr. President:

I am, at present, working in several of the central cities of our county, such as Dallas, Atlanta, Los Angeles, Detroit, San Francisco, New York and Washington. In my travels, I am beginning to hear over and over that the Carter administration is not any more responsive to the problems of our cities than the previous Republican administrations. The feeling is coming from particularly those people who supported you very strongly.

I would like to respectfully suggest that you consider the possibility of having a dinner in Washington for the heads of all the major U. S. corporations, and to use this occasion to ask them, and all businesses in general, to support the central cities of America. It seems to me that the time is right for the President to give business a new challenge and to ask us point blank to do something about our center cities. I offer this suggestion in that here in Atlanta a group of the Civic leaders plus the Mayor has been very effective in getting together with the Chairman of the Board of major corporations and asking that they stay in the central city in order to maintain a stablized tax base and help prevent the social and economic erosion of our society.

**Electrostatic Copy Made  
for Preservation Purposes**

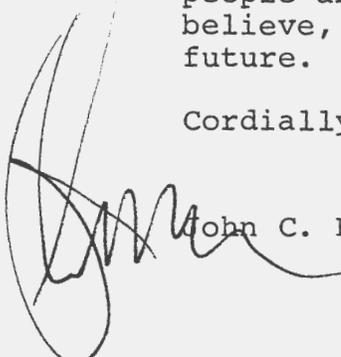
The President  
Page 2  
August 11, 1977

There are a number of companies who have moved their offices to the suburbs in order for the regional manager, at the time, to be close to his home, even though the relocation may not be all that convenient to others. The manager is later transferred to another city or location, but the damage of the suburban decision has already been done. This process is taking jobs and taxes away, leaving behind unemployment and creating a greater burden for the cities with a decreasing tax base. If this situation continues, we are going to see more riots, looting, and social upheaval. A strong point to make to business is that if they don't help solve these problems, then the government will be forced to do more and more, thereby eroding our private enterprise system.

Some major companies are beginning to consider making a company policy to support the urban areas. This could be made a national policy where private enterprise makes the moves that correct the problem of erosion. The only hope for the cities is a joint effort by government and private enterprise. Government programs alone will not solve the problem. If we can create a consciousness and a sense of responsibility in the private sector by a presidential national appeal, I am confident some meaningful progress can be made.

I offer this suggestion because it would do a number of things without really involving huge governmental funds. It would vividly show the people and the cities of your concern, and I believe, create a sense of hope for the urban future.

Cordially,



John C. Portman, Jr.

THE WHITE HOUSE  
WASHINGTON

August 13, 1977

Stu Eizenstat

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

Rick Hutcheson

"GIANT UTILITIES' 'PHANTOM TAXES'" -  
Jack Anderson Article

THE WHITE HOUSE  
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

*send orig to SE; keep copy*

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		LANCE
		SCHULTZE

	ENROLLED BILL
	AGENCY REPORT
	CAB DECISION
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	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

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	HARDEN
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	JAGODA
	KING

	KRAFT
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

THE WHITE HOUSE  
WASHINGTON

8-13-77

Stu.

This doesn't seem  
right.

Work on it

J

**Electrostatic Copy Made  
for Preservation Purposes**

Jack Anderson and Les Whitten

## Giant Utilities' 'Phantom Taxes'

The giant utility companies have learned how to make a profit out of paying taxes. They simply add the taxes to the bills they send their customers. But the utilities charge their customers for the full federal taxes before the exemptions are deducted. Then the companies keep the savings instead of returning the money to the consumers.

Thus the utilities collect millions earmarked for taxes, which end up not in the Treasury but in corporate accounts. This must be one of the most impressive cases on record of having your cake and eating it, too.

The losers, of course, are the consumers who wind up paying not only higher-than-ever gas, electric and telephone bills but also the utilities' tax bills—including phantom taxes that the companies stash away.

These phantom taxes may become a national issue. Already, some state utility commissioners are fighting to return the unpaid taxes to the customers who paid them. This move is encountering massive resistance, however, from the big utilities.

The issue, of course, has two sides. The Congressional Research Service has summed up the public case in an unpublished memorandum, which asks simply: "Should the utility companies collect from the ratepayer what amounts to phantom taxes which are never paid?"

The case for the utilities, on the other hand, has been summarized by the greatest utility of them all, American Telephone & Telegraph Co., which claims its customers get their money

back in the form of lower rates. The tax break, argues AT&T, enables the Bell System to keep rates down.

According to the latest Federal Power Commission figures, electric utilities alone had accumulated \$1.6 billion in deferred tax credits at the end of 1975. The Environmental Action Foundation, which keeps a close watch on electric utilities, estimates they retained at least \$7 billion in unpaid federal taxes from 1954 to 1975.

Most state utility commissions have gone along with this loophole and have permitted the companies to keep the extra money that they collected from their customers for taxes. But a few commissions, notably California, have made moves to require the utilities to return the tax savings.

This can be done through a book-keeping procedure called flow-through accounting. But the telephone utilities, of course, prefer the "normalization" method.

An AT&T official explained that the Bell companies keep the tax savings in a reserve, which is used for modernization and other investment. But eventually, it must be paid back since it is only a deferred tax break, he said.

The memo from the Congressional Research Service, responding to this argument, points out: "The present rates are worth more in an economic sense than the future tax payments. Also, for a utility which is constantly growing and continuing to build new plants, it is not clear that future tax payments ever match current revenues, as deferrals continue to increase each year."

But under the tax laws as they are now written, an Internal Revenue spokesman told us, the savings from tax credits aren't intended to go back to the consumers. Instead, the savings must be kept in reserve and used for investments. The tax breaks can't be treated as income, which they would be if they were returned to the ratepayers, the spokesman said. As Internal Revenue interprets the law, tax savings also can't be used to reduce rates.

There is a good chance this whole tax brouhaha will end up before the Supreme Court.

**Oil Squeeze**—Months before he took office, Jimmy Carter quietly tried to persuade the oil sheikhdoms not to raise their oil prices. As President-elect, he told the Senate Foreign Relations Committee that a new round of oil increases would have a devastating impact on the world economy.

Sen. Charles Percy (R-Ill.) offered to convey Carter's position to the ambassadors of the oil-producing countries. Carter agreed to let the senator pass on his private statements.

Percy contacted nearly 20 ambassadors. But he reported back in a confidential memo that "we are in a weak position" until the United States adopts a tough energy conservation program.

His timing was also unfortunate. He contacted the ambassadors at the same time that U.S. Steel announced a price increase. Complained Percy in his confidential memo: "The U.S. steel price increase at this time doesn't help."

THE WHITE HOUSE  
WASHINGTON

August 13, 1977

Bert Lance

The attached was returned in the President's outbox today and is forwarded to you for your information. The signed original has been delivered to Bob Linder for appropriate handling.

Rick Hutcheson

18th 1977 SPECIAL MESSAGE UNDER  
THE IMPOUNDMENT CONTROL ACT OF  
1974

THE WHITE HOUSE  
WASHINGTON

	FOR STAFFING
	FOR INFORMATION
X	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND

ACTION  
FYI

	MONDALE
	COSTANZA
	EIZENSTAT
	JORDAN
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	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

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	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

AUG 10 1977

MEMORANDUM FOR: THE PRESIDENT

FROM: Bert Lance *D. M. Amber for*

SUBJECT: Eighteenth 1977 Special Message Under the Impoundment Control Act of 1974

The eighteenth 1977 special message to the Congress under the Impoundment Control Act of 1974 is attached for your signature.

This special message reports one new deferral and a revision to a previously transmitted deferral. The reports are discussed below.

-- The Energy Research and Development Administration's (ERDA) plant and capital equipment account is the subject of a \$11.3 million deferral. <sup>1/</sup> It has been determined that the Intense Neutron Source Facility at the Los Alamos Scientific Laboratory, New Mexico, is not required as part of the Magnetic Fusion Energy Program. The Administration's proposed FY 1978 authorization bill for ERDA includes a provision to eliminate the existing authorization for this project. The Congress did not approve appropriations for this project in the regular 1978 ERDA appropriation (signed into law August 8). If no further 1978 appropriations are provided, it may later be necessary to propose rescission of the unobligated project funds. However, it appears unlikely that the proposed provision to delete the existing authorization for this project will be accepted and funds may, therefore, be provided for the project later. This deferral is being reported in order to preclude the obligation of additional funds until the status of the project is clarified.

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<sup>1/</sup> These funds--and an additional \$2.1 million subsequently made available--were reported as deferred in a letter of July 28, 1977, from the Comptroller General to the Congress. This letter was submitted in accordance with Section 1015 of the Impoundment Control Act of 1974. The report was made because the funds had been withheld from obligation without being reported as deferred. ERDA had not reported the withholding to OMB in accordance with established procedures.

-- A previously reported deferral for the antirecession financial assistance fund in the Office of the Secretary of the Treasury has been increased by \$2.4 million. The Secretary of the Treasury must hold a portion of this account in reserve to pay valid claims from State and local governments that past antirecession financial assistance payments to them were too small. The increase in the deferral is the net effect of releases, adjustments, and additional budgetary resources made available to this account in the Economic Stimulus Appropriations Act, 1977 (Public Law 95-29).

There are no objections to the deferrals from the agencies concerned, the Congressional Liaison Staff or the Domestic Policy Staff.

Recommendation

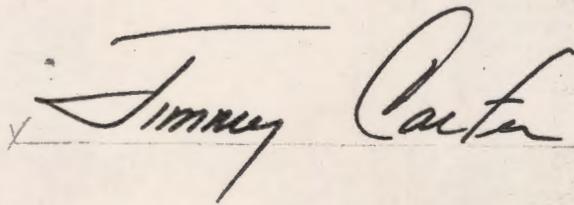
I recommend that the special message be transmitted to the Congress not later than Wednesday, August 17, 1977.

Attachment

TO THE CONGRESS OF THE UNITED STATES:

In accordance with the Impoundment Control Act of 1974, I herewith report one new deferral of budget authority amounting to \$11.3 million for the Energy Research and Development Administration's Intense Neutron Source Facility. In addition, I am reporting a revision to a previously transmitted deferral for the antirecession financial assistance fund in the Office of the Secretary of the Treasury.

The details of each deferral are contained in the attached reports.

A handwritten signature in cursive script, reading "Jimmy Carter", written over a horizontal line.

THE WHITE HOUSE,