

8/13/77 [2]

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memo w/att.	From Brzezinski to The President (2 pp.) re: Background for Luncheon with Kissinger <i>opened per RAC, 2/7/13</i>	8/13/77	A

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THE WHITE HOUSE
WASHINGTON

August 13, 1977

Stu Eizenstat

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

Rick Hutcheson

SOCIAL SECURITY DEVELOPMENTS

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 <i>cost page only</i>
		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.

THE WHITE HOUSE
WASHINGTON

August 12, 1977

Good
J

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT *Stu*
SUBJECT: Social Security Developments

The Administration's Social Security plan has hit on hard days, with both Congressman Ullman and the House Ways and Means staff and Senator Long and the Senate Finance Committee staff opposing key elements.

It now appears clear that neither Committee favors any use of general revenues, even in the limited counter-cyclical fashion in the Administration proposal.

Senator Long, if he desires, can report a Social Security bill within a day or two after Congress reconvenes. Because of his unpredictability and the likelihood that he may wish to bargain on Social Security and energy together, Senator Long may report a Social Security bill as part of H.R. 7200 (which is a monstrosity already with Senator Moynihan's fiscal relief provisions and punitive work provisions), or he may offer it on the floor as an amendment to any House-passed bill which comes along from the House Ways and Means Committee.

The Senate Finance Committee draft proposal (not yet voted on) does have many points of agreement with our plan, including:

- increasing the wage base for employees and the self-employed by \$600 in each of four years,
- increasing the self-employed tax rate to 1-1/2 times the employee rate,
- removing the ceiling on the annual wages subject to the employer tax,
- and, shifting some of the hospital insurance tax rate to the OASDI Trust Fund.

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for Preservation Purposes**

However, the plan woefully fails to meet several of the objectives laid out in the Administration's proposal. These objectives were to:

- insure the soundness of the Social Security Trust Fund,
- maintain the existing replacement rate so that current workers would receive roughly the same percentage of their income in benefits as existing beneficiaries now receive (approximately 45%),
- avoid increasing tax rates on employees beyond those already scheduled in existing law (our proposal would have moved the increase scheduled for 2011 in part to 1990 and in part to 1985).

The Finance Committee draft proposal has the following bad features which run counter to certain of these objectives:

- a) it would remove the ceiling on wages subject to the employer tax, effective January 1978, rather than in the three stage procedure we had suggested, in 1979, 1980 and 1981, thereby causing an immediate inflationary shock to the economy;
- b) it proposes an increase in the contribution rate of .25% in 1981, rather than in 1985 and 1990 as we had proposed;
- c) the Finance Committee has dropped the counter-cyclical revenue proposal and has no other provision which will permit the reduction of the trust fund reserve requirements, which under our plan, because of the counter-cyclical proposal, could have been reduced to the neighborhood of 30%;
- d) it calls for a declining replacement rate (percentages of past wages paid as benefits) starting in some 10 or 15 years, thereby indicating to current workers that their taxes will go up and their benefits will be reduced by the time they are ready to retire -- an absolutely impossible political posture for the Administration to accept.

Although Congressman Ullman's proposals are not as well formed at this stage they appear to be no closer to the Administration's -- and in some respects further away. Thus, for example, he is rumored to be opposed to decoupling at this time, while Long generally supports decoupling, he opposes the counter-cyclical proposal, and appears to be more willing than Senator Long to solve the Social Security problem by raising tax rates on employees.

As a result of these developments, I have done the following:

- 1) Met with Robert Ball, the former Social Security Commissioner and your adviser during the campaign, who was also helpful in developing the Administration's proposal for Social Security financing. He is meeting with Senator Long, with whom he has a long-time close relationship, to try to see if some compromise is possible.
- 2) Met today with representatives of HEW, Labor, Commerce, Treasury, OMB and CEA and with Frank Moore's staff, to discuss both the procedural and substantive alternatives confronting us.

As a result of today's meeting the following will occur:

- 1) Secretary Califano will call Senator Long at the beginning of next week and indicate to him the specific areas of disagreement we have with his proposal. He will stress that while we are willing to sit down and talk with Senator Long that the major criteria which I set out above should be substantially met in any proposal. Secretary Califano will do the same thing with Congressman Ullman.
- 2) In the meantime, HEW will quietly reformulate our initial proposal and come up with alternatives that do not rely on the counter-cyclical general revenues (which it now appears neither House will accept) but which retains as much of the other parts of our bill as possible. Thus, we will have a fall-back position if one is necessary at a later point.
- 3) As a result of these conversations we will see how serious Long is about the Senate Finance Committee's current draft and try to get some idea as to whether he will pass this before the Energy Bill. If it is clear that he will not compromise and that he intends to push this before the Energy legislation hits the floor, we may have to ask Senator Byrd to hold it off the floor until next year -- although we would all prefer to pass this Social Security package in a non-election year. Otherwise, we will have a bitter floor fight just before the energy vote.
- 4) I will try to get the AFL-CIO, which strongly favors the Administration's plan, to put some public and private heat on Senator Long to move away from his position.

I will keep you advised of developments as they occur.

THE WHITE HOUSE
WASHINGTON

August 13, 1977

Stu Eizenstat
Frank Moore

The attached was returned in the President's outbox today and is forwarded to you for information and appropriate handling. The signed original is delivered to Frank Moore for appropriate handling.

Rick Hutcheson

cc: The Vice President
Jack Watson

RE: LETTERS FROM AND TO SENATORS BUMPERS
AND KENNEDY RE AMENDING BID PRACTICES
IN NATIONAL FOREST TIMBER SALES.

THE WHITE HOUSE
WASHINGTON

8/12

Mr. President -

Per your request, Dale
Bumpers' and Ted Kennedy's
letter requesting your
support for their legisla-
tion to amend bidding
practices in National Forest
timber sales.

(Also attached are individual
draft acknowledgements.)



Kathy Baker

THE WHITE HOUSE
WASHINGTON

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

*Have FM deliver letters, cc
SE + WFM*

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
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	PETERSON
	PETTIGREW
	POSTON
	PRESS
	SCHLESINGER
	SCHNEIDERS
	STRAUSS
	VOORDE
	WARREN

DALE BUMPERS
ARKANSAS

THE PRESIDENT HAS SEEN,

COMMITTEES:
ARMED SERVICES
ENERGY AND
NATURAL RESOURCES

United States Senate

WASHINGTON, D.C. 20510

August 4, 1977

*Stu - I
agree with
them
J. C.*

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

*ack FM/SE
- 9 AUG 1977*

Dear Mr. President:

S. 1360, which would repeal Section 14(e) of the National Forest Management Act of 1976, P.L. 94-588, is currently on the Senate calendar. That law, among other things, directed the Secretary of Agriculture to take certain action to eliminate collusive bidding practices in sales of National Forest timber. S. 1360 seeks to repeal Section 14(e) in such a way that the Secretary is encouraged to permit oral bidding for timber sales, rather than the more time-honored sealed bids.

The Forest Service sells timber by sealed bidding and by oral auctions. The latter method is used predominantly in Oregon, Washington, and California, and is used substantially in other Western States. In the South and East, timber from the National Forests is sold mainly by sealed bids. Virtually all Forest Service timber was sold by sealed bid until about 1948. Within a few years almost all timber in Oregon and Washington was sold by the oral method. The system spread to California, and by the mid 1960's 50% of National Forest timber was sold by oral bidding. Oral sales then increased to 90% in recent years. These three states accounted for 87% of the timber revenue derived in 1975, when total income was \$657 million from National Forest timber sales. Thus, these states are the key to the effectiveness of any bidding policy.

In the first half of calendar year 1977, the Forest Service sold 2.5 billion board feet of timber at a bid value of \$402 million in Oregon and Washington. Under the interim policy adopted by the Department of Agriculture, 78% of the sales in Oregon and Washington were by sealed bid as compared to 99% by oral bid previously. A survey of National Forest timber sales in these two states by the Forest Service indicates that sealed bidding, among other things, may substantially enhance Federal revenues from the sale of timber. For example, sales at oral auction in the Douglas fir region of these two states were appraised at about the same price as those sold by sealed bid - \$107.76

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The President
August 4, 1977
Page 2

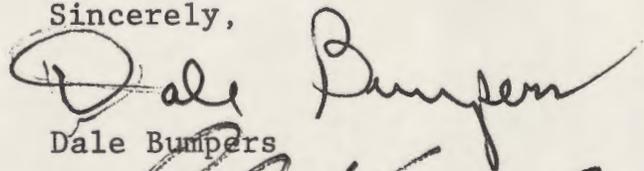
vs. \$106.95 per thousand board feet. Bid prices received for oral auction sales were \$172.42 per thousand board feet versus \$185.00 for the sealed bid sales. Sales brought in \$12.58 more per thousand board feet for the 1.485 billion board feet sold by the sealed bid method. Since the sales were appraised at the same value, it is possible that if this volume had been sold at oral auction, losses of \$18.3 million in revenue would have occurred. Based upon total year sales, the difference is about \$40 million in revenues in these two states alone.

On June 2 the Secretary of Agriculture issued new regulations governing the sale of timber under 36 CFR 223.6. He also issued older regulations on award of bids, 36 CFR 223.7, which contains ample safeguards for rejecting bids if monopoly, job loss, or mill closures are real and imminent for any reason whatsoever. Further the data available to us indicate that the industry in Oregon and Washington has 2.5 times the allowable cut under contract and further it draws only about 30% of its timber from the National Forests. In California, where the industry draws 45% of its timber from the National Forests, it has 2.9 times the Forest Service allowable cut under contract.

The regulations issued by Secretary Bergland provide that in June, 1978, there will be a review as to how effectively they are operating in all particulars, including timber bidding. We would recommend that the Administration take the position that it will support no change whatsoever in the law, or the current regulations, until the full year review has been made and analyzed. Certainly issues of community support are important. There are ample tools available in the existing regulations to meet proper public interest requirements in this vital area.

An early statement of the Administration position on this matter would be most beneficial. Thank you for your consideration of this matter.

Sincerely,



Dale Bumpers

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Edward M. Kennedy

DB/epr



THE WHITE HOUSE

WASHINGTON

August 12, 1977

To Senator Dale Bumpers

Thanks for your August 4 letter regarding S 1360. I will review this legislation and have Stu Eizenstat do the same. You'll be receiving a further response shortly.

Sincerely,

A handwritten signature in cursive script, which appears to be "Jimmy", is written below the word "Sincerely,". The signature is written in dark ink and is somewhat stylized.

The Honorable Dale Bumpers
United States Senate
Washington, D.C. 20510



THE WHITE HOUSE
WASHINGTON

August 12, 1977

To Senator Ted Kennedy

Thanks for your August 4 letter regarding
S 1360. I will review this legislation and
have Stu Eizenstat do the same. You'll be
receiving a further response shortly.

Sincerely,

A handwritten signature in cursive script, appearing to read "Jimmy", written in dark ink.

The Honorable Edward M. Kennedy
United States Senate
Washington, D.C. 20510

THE WHITE HOUSE
WASHINGTON~~CONFIDENTIAL~~

August 13, 1977

MEMORANDUM FOR: THE PRESIDENT
FROM: ZBIGNIEW BRZEZINSKI *WBF*
SUBJECT: Background for Your Luncheon
with Secretary Kissinger

Attached is a copy of the 1974 agreement between Secretary Kissinger and Foreign Minister Tack of Panama, on the principles of a new Canal treaty. You might want to glance over them, and as you will see, the current agreements have been built around these general principles.

Attachment

~~CONFIDENTIAL~~~~CONFIDENTIAL~~

DECLASSIFIED
Per, Rac Project
ESDN; NLC-126-8-36-1-3
BY *RS* NARA DATE *2/6/13*

1. The treaty of 1903 and its amendments will be abrogated by the conclusion of an entirely new interoceanic canal treaty.

2. The concept of perpetuity will be eliminated. The new treaty concerning the lock canal shall have a fixed termination date.

3. Termination of United States jurisdiction over Panamanian territory shall take place promptly in accordance with terms specified in the treaty.

4. The Panamanian territory in which the canal is situated shall be returned to the jurisdiction of the Republic of Panama. The Republic of Panama, in its capacity as territorial sovereign, shall grant to the United States of America, for the duration of the new interoceanic canal treaty and in accordance with what that treaty states, the right to use the lands, waters and airspace which may be necessary for the operation, maintenance, protection and defense of the canal and the transit of ships.

5. The Republic of Panama shall have a just and equitable share of the benefits derived from the operation of the canal in its territory. It is recognized that the geographic position of its territory constitutes the principal resource of the Republic of Panama.

6. The Republic of Panama shall participate in the administration of the canal, in accordance with a procedure to be agreed upon in the treaty. The treaty shall also provide that Panama will assume total responsibility for the operation of the canal upon the termination of the treaty. The Republic of Panama shall grant to the United States of America the rights necessary to regulate the transit of ships through the canal and operate, maintain, protect and defend the canal, and to undertake any other specific activity related to those ends, as may be agreed upon in the treaty.

7. The Republic of Panama shall participate with the United States of America in the protection and defense of the canal in accordance with what is agreed upon in the new treaty.

8. The Republic of Panama and the United States of America, recognizing the important services rendered by the interoceanic Panama Canal to international maritime traffic, and bearing in mind the possibility that the present canal could become inadequate for said traffic, shall agree bilaterally on provisions for new projects which will enlarge canal capacity. Such provisions will be incorporated in the new treaty in accord with the concepts established in principle 2.

February 7, 1974

9:15

THE WHITE HOUSE
WASHINGTON

THE PRESIDENT HAS SEEN.

C
/

August 13, 1977

MEMORANDUM FOR PRESIDENT CARTER

FROM: HAMILTON JORDAN H.J.

SUBJECT: Meeting with Tyrone Brown, Monday,
August 15 - 9:15 a.m., Oval Office

As a result of your decision to appoint Charlie Ferris Chairman of the Federal Communications Commission, you asked for his reaction to other candidates we were considering.

Charlie recommended Tyrone Brown, indicating he was his first choice. Brown has a legal background and direct experience in communications issues. You then directed that we arrange an interview with Mr. Brown. Some background material on him is attached for your reference.

Attachment

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for Preservation Purposes

To Ham
J

TO: PRESIDENT CARTER
FROM: HAMILTON JORDAN *HJ.*
RE: OTHER-FCC APPOINTMENT

As you suggested, I asked Charlie Ferris to react to several of the candidates that we are considering.

He does not know Howard White and has no comment on him; he does know Ron Brown casually but thinks someone with "communications experience" would be better.

He knows Tyrone Brown and recommends him highly. Says this is his first choice, conceding, of course, that he does not know White.

TYRONE BROWN
1101 Seventeenth Street, NW
Washington, D. C. 20036
B. Nov. 5, 1942 (34 years)

Education

1964 A.B. Hamilton College
1967 LL.B. The Cornell Law School (with distinction)

Experience

1974 -- Partner, Caplin & Drysdale, Washington, D. C.
1971-74 Director and Vice President for Legal Affairs,
Post-Newsweek Stations, Inc. and subsidiary
companies (operators of WTOP-TV, Washington,
D. C.; WPLG-TV, Miami, Florida; WJXT-TV,
Jacksonville, Florida; WCKY, Cincinnati, Ohio)
1970-71 Assistant to Senator Edmund S. Muskie, then Staff
Director, Intergovernmental Relations Sub-
committee, Senate Government Operations Committee
1970 Special Investigator, The President's Commission
on Campus Unrest, Jackson, Mississippi
1968-70 Associate, Covington & Burling, Washington, D. C.
1967 Law Clerk to Earl Warren, Chief Justice of the
(Term of United States Supreme Court
Court)

Honors and Awards

Managing Editor, Cornell Law Review, The Cornell Law School
(1967)
The Fraser Prize (1967)
Tau Kappa Epsilon

Personal

Married Carolyn Thompson; two children

Board of Directors and Executive Committee, National Lawyers'
Committee for Civil Rights Under Law
Board of Directors and Executive Committee, Washington Center
for Metropolitan Studies
Member, Administrative Conference of the United States

Comments:

Al Kramer, Attorney, Arnold and Porter; designated Chief, Bureau of Consumer Protection, FTC: "He's excellent. He's bright. He's tough. Has a tremendous ability to attract staff, The kind of black leadership that should be pushed."

Jim Dyke, Vice President Mondale's staff: "An excellent choice. He is clearly qualified."

Robin Homet, Aspen Institute: "He appeals to me the most. And he has had practical communications experience."

Frank Washington, Attorney, Office of Telecommunications Policy: "He's respected, one of the brightest guys there is. But he doesn't have a strong political base in the community."

Nolan Bowie, Attorney, Citizens Communications Center: "He would be good, very bright. Just exudes sharpness."

Senator Edmund Muskie: "He is truly an exceptional person. He is an excellent lawyer and has specialized experience in the communications field. He has greatly impressed both my colleagues and me and is certainly the sort of individual who would make a fine addition to the FCC."

Congressman Parren Mitchell, Chairman, Congressional Black Caucus: "I'm very impressed with him and hear very good things about him."

Geoff Cowan, Attorney, Beverly Hills, California: "I would recommend him for the FCC highly."

Clifford Alexander, Secretary of the Army: "I know Tyrone both personally and professionally and consider him to be one of the most decent and intelligent people I have ever met. As a lawyer, he has an excellent reputation. I had a lot of contact with him when he was at WTOP and know that he was very well thought of there. He would be an asset to the Administration."

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 appropriate handling.

Rick Hutcheson

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

RE: REORGANIZATION AGENDA
FEDERAL CASH MANAGEMENT

THE WHITE HOUSE
WASHINGTON

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

*don't include my note
do include Tom's*

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

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



PRESIDENT'S
REORGANIZATION
PROJECT

WASHINGTON, D.C. 20503

THE PRESIDENT HAS SEEN.

AUG 4 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Bert Lance

SUBJECT: Reorganization Agenda

Bertha - all ok - clear first
(expeditiously) with
Cabinet members
involved
J.C.
Work in
July on
continuing P.R.
J

In our June 23 meeting we reported that the Government-wide review of major reorganization issues would be completed in July. This review has been completed and its results are summarized in the attached agenda of reorganization projects (Exhibit 1).

The agenda involves three kinds of projects:

- Projects on which work is already underway. This list includes projects that you approved in June, other previously approved projects, and the Education Study being coordinated with the Vice President.
- Issues on which it is recommended that work begin now. This category includes the five issues attached to this memorandum as well as the Natural Resources and Environment and Reform of Regulatory Procedures issues. Descriptions of the latter two were submitted to you for approval earlier. It also includes a separate issue--Federal Cash Management--developed by Harrison Wellford and his staff. Since that issue may result in recommendations that affect the relationships between financial institutions and the Federal government, it will be presented to you directly in a memorandum from Harrison. In order to meet my commitment to you and the Senate Governmental Affairs Committee, I have not taken part, nor will I take part in any discussion or decision involving this or similar issues that affect financial institutions.

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for Preservation Purposes**

- Issues recommended for later study. This category includes issues which merit attention but which are not ready for detailed study because their scope is not fully developed, because resources are not currently available, or because it is not yet determined whether the Reorganization Project or another agency is best equipped to handle them.

Together these projects create a comprehensive although not final agenda. In the course of our work on approved projects, we expect to identify additional issues. Congressional actions, Presidential initiatives and the public involvement processes will also serve to identify topics for further inquiry.

Each of the issues on which the Project staff would like to begin work now has been discussed with relevant agency officials, and they have agreed that the proposed studies are appropriate.

Action Desired

We request that you approve these five additional issues for work to begin now (issue summaries attached).

- Economic Analysis and Policy Machinery (Exhibit 2)
- Food and Nutrition Policy (Exhibit 3)
- Federal Legal Representation (Exhibit 4)
- Improvement of Justice System (Exhibit 5)
- Federal Preparedness and Response to Disaster (Exhibit 6)

We have requested a meeting on reorganization with you and the Executive Committee to discuss this agenda. If you concur with the proposed agenda, we can begin appropriate studies.

Attachments: EXHIBITS ONE-SIX
 WELLFORD MEMO
 WATSON COMMENT

President's Reorganization Project

AGENDA

August 1, 1977

Area	Work Underway	Proposed Projects Early Start	Projects for Later Initiation
Economic Development	Community and Local Economic Development Workplace Safety and Health (joint with Labor)	Economic Analysis and Policy Machinery Food and Nutrition Policy	Transportation Policy Financial Institution Regulation (joint with CEA and Treasury)
General Government	Border Management (joint with ODAP) Law Enforcement Small Agency Reduction Civil Rights	Federal Legal Representation Improvement of Justice System	Government Corporations
Human Resources	Education Human Services Programs ERISA (joint with Labor and Treasury) Welfare Organization (joint with HEW and Labor) National Health Insurance Organization (joint with HEW)		Cultural Programs Health Resources Development and Delivery Biomedical Research
Natural Resources	Toxic Substances (joint with CEQ)	Natural Resources and Environment (previously submitted) Federal Preparedness and Response to Disaster	Federal Research Development
National Security and International Affairs	Classification of National Security Documents (PRM 29)		Defense Management Structure National Military Command Structure Defense Resource Management Foreign Policy Management Peace Corps
Management Improvement	Statistical Organization Intergovernmental Management Circulars Administrative Services Delivery (GSA) Advisory Committee Reduction Automated Data Processing Federal Personnel Management (CSC) Federal Regional Operations Paperwork Reduction Grant Planning Requirements	Federal Cash Management	Citizen Participation in Federal Decisionmaking
Regulatory Reform	Surface Transportation Reform (joint with DOT) Economic Impact Analysis (joint with EPG Task Force) Consumer Functions (joint with Special Assistant to the President for Consumer Affairs and Domestic Policy staff)	Reform of Regulatory Procedures (previously submitted) Food Inspection and Labeling (incorporated in Food and Nutrition Policy issue)	Insurance Regulation Reform

EXHIBIT TWO

President's Reorganization Project
Issue Summary

Economic Analysis and Policy Machinery

Issue: How should the economic policy and analysis machinery of the Federal Government be structured to improve economic policy decisionmaking and implementation in both its domestic and international aspects?

Summary of Problems and Opportunities

The Executive Office of the President reorganization project recently examined the economic policymaking institutions of the White House and Executive Office. It did not, however, look in any depth at the economic policy and analysis machinery outside the EOP, in the departments and agencies--an apparatus that involves some 33 agencies employing approximately 5,000 economists.

Yet this machinery has been found wanting on numerous counts. Policy roles are frequently unclear; quality, capability, and reputation vary widely; functions overlap; and uncertainty persists about who can be relied upon for what. Of special concern are three types of problems: (1) weaknesses and gaps in the basic analytical units; (2) shortcomings in the mechanisms for integrating the work of these units into the policy process; and (3) difficulties with the procedures for monitoring the implementation of economic policy decisions once they are made.

For example:

- ° Commerce, Agriculture, Labor, Treasury, the Federal Energy Administration and the Transportation Department all have sectoral and industry analysis units. Yet the capabilities of some of these units are in question and their role in the policy process frequently unclear. Partly as a consequence, a separate sectoral analysis unit--the Council on Wage and Price Stability--had to be created in the Executive Office of the President. Even so, spotting inflationary shortages and bottlenecks remains a hit-or-miss affair, and the sectoral implications of major decisions frequently go unexamined in any systematic way. This was the case, for example, with regard to the consideration given the impact of the recent energy proposals on the capital markets and investment flows. Similar situations frequently arise in the regulatory sphere where, for example, pollution standards produce unintended ripple

and shortcomings in the mechanisms for monitoring implementation. This work will involve the participation of relevant departments and agencies, and will be coordinated by the Economic Development and National Security/International Affairs Divisions of the President's Reorganization Project to ensure attention to both the domestic and international dimensions of economic decisions. The analysis will focus extensively on examples of how particular kinds of economic decisions have been made and implemented in the recent past.

Potential Benefits:

- Improved capacity for economic policymaking, particularly with respect to sectoral, regional, and foreign policy matters.
- Improved capacity to address trade-offs between energy and environmental goals.
- Elimination of excessive duplication and more efficient utilization of the government's economic analysis resources.

Constraints:

- Economic policymaking by the agencies reflects a particular view/constituency that would have to be represented in any organization scheme.
- Concern that any strengthening of the economic analysis capabilities of government would lead to "national planning."
- Jurisdictional conflict among agencies and congressional committees.

Agencies, Groups, and Individuals Concerned

- Agencies: EPG, CEA, NSC, OMB, STR, AID, CWPS, Domestic Policy Staff, Federal Reserve Board, USDA, DOL, Treasury, DOC, State, HEW, Interior, Energy, DOD, Justice, FTC, EPA, Export-Import Bank, ITC, OPIC, East-West Trade Board, independent economic regulatories, CIA, DIA, and ACDA.
- Groups: Industry interest groups, investment institutions, financial analysts, trade groups, labor, economic technical consultants, private economic "think tanks," state and local government organizations, health care interests.

Related Issues

- Statistical organization
- Food and nutrition policy
- Financial institution regulation

EXHIBIT THREE

President's Reorganization Project
Issue Summary

Food and Nutrition Policy

Issue: How can the structure of Federal activities related to the production, processing, delivery and nutritional content of food be improved to achieve greater coordination, consistency, and efficiency in Federal food policy?

Summary of Problems and Opportunities

The end of the era of massive agricultural surpluses and the new public concern about food safety, quality, and cost have forced some basic rethinking about American food policy. However, this rethinking has not yet been reflected in the institutional structure through which food policy is formulated and implemented. Although the Department of Agriculture continues to provide a focus for the production concerns involved in food policy, the increasingly important safety, nutritional, and foreign policy concerns are institutionally dispersed among approximately 22 other agencies. As a result, there is no institutional mechanism to formulate comprehensive food and nutrition policies that balance the trade-offs among the competing concerns of producers, processors, consumers, environmentalists and others. Yet these competing concerns promise to grow in significance as a result of the increased use of pesticides, preservatives, artificial flavorings, and other chemicals in the production and processing of food; changes in the availability of energy and land resources; increased reliance on packaged food supply; environmental concerns and regulations; and changes in the international situation that affect the world demand for U. S. farm products. U. S. food policy consequently suffers from a series of gaps and inconsistencies that are increasingly likely to leave both producers and consumers worse off. For example:

- Twelve different agencies conduct food and nutrition research at a cost of \$700 million, yet there is little coordination among these entities nor much effort to tie the research to a coherent set of goals. Particularly lacking is any focus on nutrition, since none of the agencies has nutrition as its primary mission. For example, USDA devotes

only \$13 million of its \$360 million food research budget on nutrition, saving the rest for work on production technology. FDA, for its part, focuses on purity issues in its research, while HEW concentrates on cures for deficiency diseases. Although GAO has estimated that nutrition-related diseases cost the nation \$30 billion annually, nutritional and safety concerns are downplayed or ignored in food policy decisions. This was the case, for example, with the government-sponsored research that developed a tomato with a hard enough exterior to survive machine harvesting, but which sacrificed much of the nutritional content in the process.

- Four different agencies--USDA, Commerce (NOAA), HEW, and DOD--inspect food products, all with differing standards and procedures. Fish, for example, are far less stringently inspected than meat, and far less regularly. Similarly, USDA imposes stricter standards on meat than FDA imposes on imitation red meat products. Most of these variations have little logical basis and reflect, rather, historical accident and dispersed responsibilities.
- Intricate grading systems exist for food products. However, these systems were devised for marketing purposes, with little thought to their role in conveying information to nutrition-conscious consumers. In fact, the grading system seems designed more to confuse, than aid, rational consumer choices.
- Although USDA has responsibility for most food production programs, aquaculture activities are split among three different Departments--Commerce, Interior, and Agriculture. Partly as a result, the development of the fish industry as a major food producer has been limited.
- Agriculture products now account for one-fifth of all U. S. exports. Yet the mechanisms for setting agricultural trade and aid policy are extremely cumbersome, involving 12 different councils, boards, and agencies: the Council of Economic Advisors, the Economic Policy Group, the National Security Council, the Office of the Special Trade Representative, the Treasury, AID, OMB, State, Commerce, Defense, USDA, and the CIA.

- A vast regulatory structure, consisting of at least 14 agencies and 2,000 regulations, governs the food industry from the growing state through processing and sale. Regulatory authorities are so dispersed, however, that conflicts and inconsistencies frequently result. USDA, FDA, and EPA, for example, all have different notions about how much water can be used in meat processing plants to ensure proper sanitation. In some cases, regulatory controls are used to prevent introduction of more nutritious and healthful foods. This was true, for example, with margarine and may be the case again with a new ice cream formula that lowers the required milk protein base and substitutes dry whey instead. In the absence of a coherent institutional structure for promoting nutrition policy, such decisions are frequently made on the wrong basis.
- Although the Federal Government is heavily involved in a variety of feeding programs, its food production programs rarely take nutritional issues into account explicitly and systematically in deciding which products to support. As a consequence, surpluses frequently appear in the less nutritious products, converting the feeding programs into dumping grounds in the process.

What makes the institutional diffusion in the food policy area especially problematic is the fact that significant challenges loom in this area over the near-term future as a consequence of rising world food demands, continued technological changes with significant health and nutritional implications, and new energy and environmental concerns that may force further changes in food production and consumption practices. Under the circumstances, there is a pressing need for a review of the institutional structure through which food policy decisions are made and implemented.

Current Initiatives:

- USDA's creation of an Assistant Secretary for Food and Consumer Services in an attempt to elevate the consumer food concerns in the Department. This division is already looking into possible reforms in the grading systems. USDA is also reviewing its own nutritional research activities.

- CEQ's study of toxic substances in response to the President's Environmental Message.
- Bills are under consideration in Congress to establish a comprehensive crop disaster and insurance program and to establish a nutrition-oriented Bureau of Human Resources Development within NIH.

Comment: None of these initiatives would provide the comprehensive reassessment that is needed.

True

Prior Initiatives:

- The Senate Select Committee on Nutrition and Human Needs proposed the formulation of a National Nutrition Policy and urges changes in the institutional structure to achieve it.
- The Ash Council recommended the merger of the USDA agricultural programs into a Department of Economic Affairs. Faced with opposition from agriculture interests, the Nixon proposal retained the core agriculture programs in USDA.
- Several White House councils and committees were established in 1974 to handle domestic and international food concerns.

Recommended Action:

Conduct a comprehensive study of the institutional structure of the Federal food policy apparatus to discover what changes are needed to improve its capability to formulate and implement a coordinated set of policies aimed at: (1) assuring an adequate supply of wholesome food at reasonable cost to all segments of the American public; (2) ensuring food resources sufficient to meet emergency needs, both at home and abroad; (3) developing a sound public knowledge of nutrition; (4) maintaining a system of quality and safety control that meets the needs of both consumers and producers; (5) enhancing our understanding of nutrition, food production, and food safety through carefully targeted research; and (6) ensuring effective use of food resources in promoting foreign policy objectives. This would involve an examination of the agencies operating programs that deal with food production, food marketing, regulation of food products, nutritional and other food-related research and education, water and soil conservation, commodity trade, and commodity purchase and distribution.

This project would be conducted by the President's Reorganization Project in close consultation with the affected agencies.

Potential Benefits:

- More coherent food policy leading to more comprehensive attention to the trade-offs between producer and consumer concerns.
- Better integration of food policy into economic policy decisionmaking, including foreign economic policy decisionmaking.
- More consistent and reasonable procedures and standards with regard to food inspection.
- More timely decisions on agricultural foreign trade matters and resolution of issues at a lower level than at present.
- Improvements in the food supply through elimination of regulations that prohibit the introduction of more nutritious foods and through more carefully targeted nutrition research.
- The elimination of conflicts between regulatory agencies and a balancing of consumer and economic factors before regulations are issued.

Constraints and Potential Liabilities:

- Diffuse structure of congressional committee jurisdictions making extensive consolidation and streamlining difficult.
- Concern on the part of some USDA interest groups that the Department would no longer serve their needs adequately.
- Departmental jealousies over program responsibilities and difficulty in reaching agreement on a consistent set of goals.

Agencies, Groups, and Individuals Concerned:

- Agencies: USDA, Labor, State, Interior, Commerce, DOD, HEW, Transportation, Energy, Treasury, Farm Credit Administration, EPA, Commodity Futures Trading Commission, International Trade Commission, National Security Council, Domestic Council, Council of Economic Advisors, Consumer Product Safety Commission, Office of Special Trade Representative, and President's Economic Policy Group.
- Groups: State and local governments, organization with food interests, labor groups, environmental groups, and food business organizations.

Related Issues:

- Welfare reform organization
- Human services
- Education
- Natural resources and environment
- Food inspection and labeling

EXHIBIT FOUR

President's Reorganization Project
Issue Summary

Federal Legal Representation

Issue: How can the Federal Government's system of legal representation for its departments and agencies be most effectively organized and coordinated?

Summary of Problems and Opportunities

At one time, the Justice Department carried on all litigation for the government. In recent years, however, departments and agencies have been increasingly given their own litigating capability. At present, 21 separate units conduct at least some of their own litigation. The growing friction between the Department of Justice and the other units of the Federal Government over litigation responsibilities is a symptom of several problems.

First, there is often a lack of coordination in legal action. This inadequacy leads to precedents at odds with government-wide policy positions and to non-uniform application of the law. In 1976, for example, the Federal Power Commission took the position in court that it did not have the power to grant counsel fees to public interest groups who participate in FPC administrative proceedings. The FPC position prevailed and the court's opinion suggested that all other Federal units are now forbidden to provide such fees. Thus, the entire Executive Branch may be bound by a precedent possibly inconsistent with an administration policy. The position might not have been argued at all had broader consultation taken place before trial.

A 1977 Justice Department study revealed there is inconsistency in the area of criminal prosecution. The types of criminal cases considered high priority areas for prosecution by some U.S. Attorneys are regarded as low priority by others. For example, the Justice Department might set white collar crime as a first priority for prosecution, but a particular U.S. Attorney might continue to emphasize large numbers of automobile theft cases. Further, when the study compared overall litigation goals of the U.S. Attorney to those of the Department of Justice, serious differences were revealed. Lack of coordination in this instance leads to non-uniform application of the criminal law.

Second, resources may be misallocated, particularly in the field. There are some 27 departments, agencies, and regulatory commissions which now employ about 10,000 attorneys in regional offices around the country. Their relationship to the 94 U.S. Attorney offices has never been adequately studied to determine whether some consolidation of offices is not preferable.

Third, poor coordination among agency policy-makers sometimes leads to unnecessary litigation. In 1975, for example, after the Bureau of Alcohol, Tobacco and Firearms rejected a proposed requirement that alcoholic beverages bear ingredient labels, the Food and Drug Administration decided to require such labelling. The industry took FDA to court and won at the trial level. The issue was only resolved for both agencies when FDA sought to appeal and the Solicitor General, who became involved at that point, coordinated the formation of an administration position. In this case, the administration concurred with the court. Had the resolution of the policy issue occurred earlier, litigation might have been avoided altogether.

In 1960, the Federal Trade Commission sought to require a company to submit reports previously filed with the Bureau of the Census. The company resisted on the grounds that the reports were confidential, a position supported by the Commerce Department. The lower Federal courts upheld the FTC position. On appeal, the Solicitor General was in the awkward position of simultaneously arguing both positions to the Supreme Court.

The reorganization study proposed in this paper should lead to a better organized and coordinated system of Federal legal representation which, in turn, should improve the ability of the Federal Government to carry out its policies and administer its laws. The study can provide a neutral forum for representatives of the concerned agencies and departments to devise new principles and procedures for organizing and coordinating legal representation.

Current Initiatives:

- The Department of Justice is studying units outside the Department with independent litigation authority. Justice's concern about continued erosion of its role as lead litigator for the Federal Government was the motivating factor in commissioning the study.

- The Administrative Conference has recently completed an exhaustive inventory of formal administrative law bodies and their caseloads, but few recommendations or conclusions were offered.
- Several bills which proposed to grant litigating authority to other agencies are being held in congressional subcommittee at the request of the Department of Justice, pending further study by Justice and this project.

These initiatives should complement but cannot substitute for the proposed comprehensive examination.

Prior Initiatives:

- In 1975, the Administrative Conference surveyed Federal Government units with litigating authority.
- In 1976 a congressional subcommittee studied the civil litigation functions of nine regulatory bodies. Further study of litigation responsibility within the Executive Branch was recommended.
- In 1975 and 1976, litigation and case allocation procedures within the Department of Justice were reviewed. The study concluded that there was a serious lack of coordination and understanding between the U.S. Attorneys and the legal divisions of the Department.

Recommended Action:

Create a PRP study group drawn from concerned departments and agencies to:

1. Survey all Federal units with litigation responsibility, examining the source and scope of their authority, their actual operations, and their interrelationships with other units.
2. Present the issues to a group of representatives of the Attorney General, department and agency General Counsels, and the U.S. Attorneys. This group will be a forum for review of past disputes among the government legal community and the development and testing of new approaches to improved coordination and communication.

3. Develop and recommend more effective organization and coordination mechanisms.

Such recommendations might include:

- Allocating responsibility for litigation involving technical matters to departments and agencies but retaining responsibility for overall supervision in the Justice Department.
- A reorganization plan to transfer to one central unit responsibility for representation related to Government-wide matters (such as Freedom of Information Act, Sunshine Act, Privacy Act).

Potential Benefits:

- Less confusion as to Federal legal representation.
- More efficient allocation of litigation resources.
- More consistent enforcement of laws and regulations.
- More effective administrative rule making.

Constraints and Potential Liabilities:

- Raising the issue of coordination of legal representation may further antagonize parties already at odds over litigating authority by forcing a reexamination of compromises presently in force.
- The basic conflict between Department of Justice's goals of coordination of all Federal legal representation and the agencies' goal of responsiveness and expertise will have to be addressed.
- Congress may object to any reversal of the trend toward locating more legal responsibilities in the agencies themselves.

Agencies, Groups, and Individuals Concerned:

- The Departments and Agencies of the Federal Government (including the U.S. Attorney's and independent regulatory commissions).

- American Bar Association, Federal Bar Association.
- Judicial Conference of the U.S.; Administrative Conference of the U.S.
- Private sector representatives, e.g., American Bankers Association.

Related Issues:

- Improvement of justice system
- Civil rights
- Department of Justice internal reorganization for improved litigation management
- Various regulatory reform issues

President's Reorganization Project
Issue Summary

Improvement of Justice System

Issue: How can the Federal Government better plan, organize, and manage its responsibilities to encourage improvement of the quality of justice in the United States?

Summary of Problems and Opportunities

One of the most basic functions of government is the development and maintenance of an acceptable system of justice. In the United States, this responsibility is divided among Federal, State, and local governments, and shared by legislative, executive and judicial branches within these governments. The Federal executive branch manages only a small part of the overall justice system, providing only \$2.7 of the \$17 billion expended in 1975. Yet, subject to the constitutional separation of the three branches of government, the President has a clear opportunity to encourage the improvement of the whole system-- Federal, State, and local.

The weaknesses of our present justice system are painfully clear to many citizens. Lawyers are often available only to the wealthy or the very poor. There are substantial backlogs in the courts. While many express interest in developing alternate dispute resolution mechanisms, few such mechanisms are currently in operation. The Federal Government does not bear full responsibility for correcting these inequities, but it does have a clear duty to make its own system a model and to encourage State and local governments to improve the quality of their justice systems. There are several problems in the way it currently discharges these responsibilities:

° Inadequate Systems Planning and Management

No single Federal agency or department is responsible for working to improve the quality of justice. This gap in accountability may in part explain why the Federal Government has never defined its role in this area, much less developed a strategy for fulfilling it. For example:

- The Federal Government provides legal services to some of the poor. Yet the high cost of legal services makes them equally inaccessible to middle income families. If the executive branch had possessed the capacity to look at the broader issue of accessibility to the courts, this inequity might have been avoided.
- Resources in the Federal justice system have been traditionally allocated to one component without analysis

of the impact upon other components. The current backlog in the Federal courts can in some respects be traced to the provision of additional law enforcement resources without corresponding increases in the other components of the system.

- Similarly, the Law Enforcement Assistance Administration (LEAA), the principal Federal agency responsible for assisting State and local justice systems, has devoted resources for upgrading law enforcement capabilities without adequate analysis of the impact upon prosecution and defense, courts, and corrections, in spite of the requirement for comprehensive planning. The result has been significant delays in the processing of cases and widespread overcrowding in most State and local corrections facilities.

° Inadequate Coordination Among Levels of Government and Among Components of the Same System

- Successes in one system are too rarely adapted to another. For example, simplified mechanisms to resolve minor civil disputes might profitably be applied to misdemeanants or first offenders in the criminal system.
- Programs are fragmented. For example, one part of the government's assistance to State and local governments is through research. There are in fact, nineteen separate research programs but unfortunately there is little communication or coordination among them. Hence, duplicative research is commissioned and concepts considered outmoded in one program may be enthusiastically received by another. Furthermore, the overall quality of these research efforts has been questioned.
- Crime and justice statistics are not always coordinated. For example, FBI Uniform Crime Reports indicate crime increased 9% in 1975, but LEAA victimization surveys show there was no significant increase. No effort is made to coordinate these two programs; in fact, both agencies warn users against comparing their statistics.

Federal responsibility for improving the justice system should command more systematic attention than it has previously received.

Current Initiatives:

- Research - The establishment of an independent National Institute of Justice in the Federal Government has been proposed by Chief Justice Burger and the American Bar Association. Its proper relationship to the Department of Justice, however, has not yet been analyzed.
- Management - In early 1977 an Office for the Improvement in the Administration of Justice in the Department of Justice was established. According to its two year plan, it will focus on special projects emphasizing court problems, rather than on the overall justice system.
- State and Local Criminal Justice Assistance - Recommendations for reforming the Law Enforcement Assistance Administration (LEAA), including its research and demonstration components, have been proposed by a Justice Department Task Force and the Twentieth Century Fund.

Prior Initiatives:

- Research - Three major initiatives have addressed problems of criminal justice systems: The Wickersham Commission of the 1930's; the President's Commission on Law Enforcement and the Administration of Justice of 1967; and the National Advisory Commission on Criminal Justice Standards and Goals of 1973 and 1976. No study, however, has focused on civil, as well as criminal justice.
- Management - There have only been a few initiatives in this area, the most notable being the National Conference on the State of the Judiciary held in Williamsburg, Virginia, in 1971, and congressional hearings on particular problems in the justice system.
- State and Local Criminal Justice Assistance - Modifications in the LEAA program were enacted by Congress in 1971, 1973, 1974, and 1976. Private groups have also recommended several changes during the agency's existence.

Recommended Action

1. The President's Reorganization Project should undertake a comprehensive review of existing and possible justice system improvement activities, in cooperation with the departments and agencies involved, State and local counterparts, and public and functional interest groups.

2. As a part of the review, a White House seminar on the Federal role in improving the quality of justice should be held to bring together persons involved in justice throughout the country to discuss current system structures and possible alternatives. The Assistant to the President for Reorganization, in conjunction with the Department of Justice and the President's Reorganization Project would have responsibility for planning and conducting the seminar.
3. Based on the review, recommendations for managerial, structural and other appropriate changes in the executive branch should be proposed by the President's Reorganization Project.

Potential Benefits:

- Fairer, faster, cheaper and more accessible justice in America.
- A more effective and efficient Federal justice system improvement effort.
- A more responsive and less cumbersome system of resolving legal disputes and criminal matters.

Constraints and Potential Liabilities:

Because of the constitutional separation of judicial, legislative, and executive functions as well as Federal and State justice systems, development and implementation of improvements may be impeded, and many must be voluntary.

Agencies, Groups and Individuals Concerned:

- Federal: The Judiciary; the Department of Justice; the law enforcement agencies of the Department of the Treasury; the Legal Services Corporation; the Center for Crime and Delinquency in the National Institute for Mental Health; the Social Science and Law Division of the National Science Foundation, the Administrative Conference, and other Federal justice-related agencies.
- Non-Federal: State and local criminal and civil justice agencies, public policy officials, and public interest groups; functional interest groups (American Bar Association, International Association of Chiefs of Police, American Correction Association, etc.); special interest groups (academic, business, labor, youth, etc.)

Related Issues:

- Law enforcement
- Federal legal representation
- Federal corrections
- State and local justice assistance
- Federal juvenile justice and delinquency prevention programs
- Public education about law and legal institutions
- Protecting personal privacy

THE WHITE HOUSE
WASHINGTON

Mr. President:

Comment from Jack Watson
is attached.

Eizenstat, Schultze, Jordan,
and Costanza have no comment.

Rick

*please read this before
completing the memo
on Regulatory Reform*

EXHIBIT SIX

President's Reorganization Project
Issue Summary

Federal Preparedness and Response to Disasters

Issue: What should be Federal policy and organization for planning, mitigation, response and recovery from the effects of natural, accidental and wartime civil disasters?

Summary of Problems and Opportunities

The Federal Government is being drawn increasingly into the role of protecting the population from the effects of large-scale civil disasters. In spite of a growing Federal involvement and dollar commitment, criticism of Federal performance is widespread. State governmental officials, critics among interest groups, the GAO, Congress and the press charge that there is insufficient coordination among the three principal disaster-related agencies, weak management, multiple contact points and excessive paperwork for those seeking assistance, and inconsistent policy guidelines. Following a year-long review by the Congressional Joint Committee on Defense Production, Senator Charles Percy's comment was typical: "Emergency preparedness and disaster assistance is perhaps the single worst organized functional area in the entire Federal Government."

While these criticisms are organizational in nature, a more fundamental source of the criticisms may well be confusion regarding the appropriate role of the Federal Government in a range of activities related to both natural and wartime disasters. These activities include:

- Pre-Disaster Planning and Preparedness. The Disaster Assistance Act of 1974 authorized grants to States for the development of disaster preparedness programs, and the civil defense program now supports consolidated State emergency preparedness agencies that plan for a variety of natural and accidental disasters rather than solely for nuclear attack.
- Disaster Mitigation. Flood plain insurance and earthquake hazard reduction programs are recent manifestations of the concept that farsighted land-use plans and building standards can avoid the later necessity of emergency assistance.

- Disaster Relief. Immediate post-disaster relief responsibilities have grown from emergency work and debris removal to individual financial assistance and restoration of communities to pre-disaster condition. Each major recent disaster (hurricanes Camille and Agnes, the San Fernando and Alaska earthquakes) has led to congressional expansion of Federal disaster-relief responsibilities.

- Long-term Recovery. So many Federal agencies are involved in long-term recovery grant, loan, and assistance programs that a comprehensive budget is not available. Hundreds of millions of Federal dollars, however, have gone to disaster sites like Wilkes-Barre, Rapid City, and Anchorage.

The range of potential catastrophes that result in demands on Federal resources is expanding beyond floods and nuclear attack to include riots, earthquakes, peacetime nuclear and chemical explosions, sabotage, blizzards, drought and even extended cold weather. The consequences of inadequate policy and/or organization may be increasingly damaging.

Current Initiatives:

Senators Broxmire and Percy, and 20 House members of both parties have introduced legislation to consolidate the Defense Civil Preparedness Agency (DOD), the Federal Preparedness Agency (GSA), and the Federal Disaster Assistance Administration (HUD), into a single independent agency which would have pass-through budget control over emergency capabilities of other agencies. Hearings in both government operations committees are anticipated in September.

Prior Initiatives:

Disaster planning and preparedness has been a perennial organizational problem. The latest reorganization took place in 1973, when the Office of Emergency Preparedness in the EOP was disbanded and its functions distributed.

Recommended Action:

We propose a two-phase study of disaster programs directed by the President's Reorganization Project. The first phase will concentrate on: (1) identifying whether problems are properly those of policy, organization, or program effectiveness; (2) differentiating Federal responsibilities for natural, accidental, and wartime nuclear emergencies, and (3) clarifying Federal and State roles in disaster planning, mitigation, relief, and long-term recovery.

Following Presidential decision on phase one recommendations, a phase two might be undertaken to address implementation, structural alternatives, and management issues such as quality of supervision, grant consolidation, and regional operations.

Staff participation in the project will include each of the three major affected agencies, OMB program analysts, and the NSC. Particularly in phase one, White House staff will be consulted frequently. The GAO, Congress, and the States will also be closely involved in a consultative capacity.

Potential Advantages:

1. Some current duplication can be eliminated. The Proxmire proposal estimates (and mandates) a \$15 million annual saving from consolidation. (President Carter, as Governor of Georgia, was one of the first two governors to adopt a Comprehensive Emergency Disaster and Operation Plan.)
2. Priority reorganization attention will be well received by:
 - Congress, where a cooperative attitude exists on the issue and where no coherent blocs will insist on status quo;
 - the States, where there is a unified interest and organization in place supportive of reorganization and willing to cooperate (at least partially in the expectation of more Federal support); and
 - the public, to the extent that it perceives the benefits of a reinforced or better managed program.
3. This project could help integrate related initiatives (dam safety, earthquake hazard reduction, drought assistance, stockpile policy, an environmental disaster liability fund, civil defense policy) currently going on throughout the executive branch.

Constraints and Potential Liabilities:

1. Unqualified acceptance of new natural disaster preparedness responsibilities may lead to a future major budget threat. The States expect larger and less restrictive grants to follow reorganization.

2. While the three major affected agencies all want greater visibility and already operate relatively autonomously, any changes in current responsibilities would inevitably encounter intragovernmental resistance from "losing" departments.

Concerned Agencies and Groups:

Agencies: DCPA (DOD), FDAA (HUD), FPA (GSA), Agriculture, Office of Industrial Mobilization (Commerce), SBA, Nuclear Regulatory Commission, Corps of Engineers, 25 other departments and agencies, about 40 interagency coordinating committees.

Groups: National Association of State Directors for Disaster Preparedness, United States Civil Defense Council, National Governors Conference, Council of State Governments, Red Cross.

Related Issues:

- Civil Defense
- Community Economic Development
- Law Enforcement
- EOP Reorganization (disaster declarations, crisis management)
- Environmental Disaster Liability Fund
- Earthquake Hazard Reduction
- Planning Assistance and State Plan Requirements
- Drought Assistance Package

WELLFORD MEMO ON
Federal Cash Management



PRESIDENT'S
REORGANIZATION
PROJECT

WASHINGTON, D.C. 20503

AUG 4 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Harrison Wellford *HW*
SUBJECT: Federal Cash Management

As Bert Lance pointed out to you in his memorandum of today on the Reorganization Agenda, my staff has developed a project to devote substantial effort to improving Federal cash management processes. This issue is summarized in the attached paper.

Action Desired

We request that you approve this additional issue. We hope to discuss this proposal with you in a meeting on reorganization.

Attachment

President's Reorganization Project
Issue Summary

Federal Cash Management

Issue: How can cash management in the Federal Government be improved?

Summary of Problems and Opportunities

This year the government will collect and disburse over \$400 billion.

Currently--and despite recent improvements--not enough attention is focused on the time value of these monies and the management of this massive cash flow. Unlike private businesses, which arrange their financial management organizations and procedures to minimize borrowing and reduce interest costs, Federal financial management has historically emphasized accounting and auditing.

Effective cash management means collecting money quickly; paying bills on time--but not before; and minimizing the accumulations of idle cash between those events. Achieving that goal in government is difficult because of the large number of agencies affecting cash flow and the uneven nature of the flow (e.g., receipt levels vary markedly, from \$21 billion to \$40 billion per month).

There may be opportunities for further use in the Federal Government of modern cash management practices (e.g., lock boxes to expedite the collection of money, systems to preclude premature payment of bills). More importantly, Federal program managers do not have the incentives to manage cash that their private sector counterparts do and need to be more aware of the cash management implications of their actions.

No doubt

To illustrate the dynamics of effective cash management, a hypothetical example is useful. Were the government able to accelerate by one day that 25% of its receipts not processed through the tax and loan account, such an action could reduce the public debt by about a quarter of a billion dollars and represent annual savings in interest of \$13 million (assuming a 5% interest rate). Past reviews of cash management in some Federal agencies have suggested opportunities to both accelerate collections and better control disbursements.

Current Initiatives:

- Legislation has been introduced prescribing interest payments on Federal funds deposited in banks and fee arrangements to compensate for services.
- The Treasury Department is at work preparing comprehensive guidelines for cash management to be published in the Fiscal Requirements Manual.
- The Joint Financial Management Improvement Program (JFMIP), participated in by CSC, GAO, OMB and Treasury, has a continuing interest in this area and has prepared specific agency studies.

Prior Initiatives:

- The Joint Financial Management Improvement Program (JFMIP) studied money management in the Department of Agriculture and identified savings of several million dollars in 1976.
- In 1976, the Treasury Department issued Circular 1084 broadly describing cash management principles.
- Treasury continues to "fine-tune" its letter of credit system for administering disbursements.
- The Senate Select Committee on Small Business this June in its investigations of payments to contractors found that 59 percent of payment dollars were paid within 15 days of invoice. (30 days is normal business practice.)
- A number of agencies have undertaken money management improvement efforts (e.g., HEW, Agriculture, Veterans Administration).
- The Advisory Commission on Intergovernmental Relations issued a report on its study of State and local cash management in May.

Recommended Action

The President's Reorganization Project should lead an effort to strengthen cash management throughout the government (including Trust Funds and tax receipts). The project would be staffed largely by OMB, Treasury and Joint Financial Management Improvement Project Staff, and would focus on:

*Use Georgia's
Computer cash
flow model
to help*

1. Identification of professional cash management practices that could improve Federal use of money (e.g., lock boxes, greater control of receipts and disbursements, more desirable contracting payout policies, alternative arrangements for compensating financial institutions for services).
2. Review of current Federal financial management organization (e.g., the roles of Treasury, OMB and the operating agencies).
3. Implementation of strengthened cash management processes and supporting systems in major cash-generating/disbursing agencies.
4. Identification and testing of incentives to create greater awareness by Federal managers of the working capital effects of their actions.

Special attention would be focused on reducing the time associated with processing collections by agencies, on their disbursement practices, and on the administration of Federal loan programs.

Potential Benefits:

- Potential savings in interest costs of millions of dollars without impairment to program delivery systems.
- Institution of modern and sophisticated professional management practices in an activity that affects all agencies.
- Possible reduction in Federal borrowing requirements.
- Greater consistency in government payment policy.

Constraints and Potential Liabilities:

- Departmental jealousies over direction of financial management policy.
- Potential opposition of some vendors accustomed to being paid earlier by government than is normal business practice.

Agency, Groups, Individuals Concerned

Treasury, OMB, and all operating agencies, (especially large ones such as DOD and GSA).

Banking interest groups, State and local governments, vendors.

Related Issues:

- Administrative Services Delivery
- Federal Regional Operations

WATSON COMMENT

THE WHITE HOUSE

WASHINGTON

MEMORANDUM TO: THE PRESIDENT

FROM: Jack Watson

August 12, 1977

RE: OMB's Proposed Reorganization Agenda

Since all of the Cabinet Departments are directly affected by Bert's proposed reorganization agenda, I suggested to Harrison that he do everything possible to insure that Cabinet Secretaries are personally aware of OMB's proposed plans and that Cabinet members, or their designees, be directly involved as the reorganization proceeds.

I also think it would be a good idea for Bert to meet with all interested Cabinet members later this month, just as Mike Blumenthal did earlier this week on tax reform. Such a meeting would give the Cabinet members a chance to raise any questions or concerns they may have and to see how his or her projects fit into the whole plan.

As an example of what I mean, I circulated Harrison's memorandum on Federal Cash Management to Mike Blumenthal for his comments and got back the attached memorandum from Mike. According to Mike, the Treasury Department is nearing completion of a comprehensive set of guidelines for cash management throughout the government. Rather than initiate a whole new effort on the subject, he recommends that the reorganization project work closely with the Treasury Department in reviewing and critiquing the work already underway.



THE SECRETARY OF THE TREASURY

WASHINGTON 20220

August 9, 1977

MEMORANDUM FOR THE PRESIDENT

Subject: Proposed Reorganization Project Study of Federal
Cash Management

I have just been apprised that the Reorganization Project in OMB is proposing to "lead an effort to strengthen cash management throughout the government."

Federal cash management has always been, by law and custom, one of the central missions of the Treasury Department. With very few exceptions, we either directly manage federal cash reserves or control the procedures by which other agencies do so. This is the main responsibility of the Treasury's Fiscal Assistant Secretary. He has worked very hard for a number of years, and with considerable success, to introduce modern and efficient techniques into federal cash management and is presently nearing completion of a comprehensive set of guidelines for cash management throughout the government.

While I thoroughly support the concept of the Reorganization studies now getting underway, I do not believe that interposing this group at this time into a central Treasury activity, now nearing completion, would be anything but disruptive and counterproductive.

My recommendation in this regard is that the Reorganization Project participate closely with Treasury in offering suggestions and criticisms of our ongoing work.

Mike

W. Michael Blumenthal

THE WHITE HOUSE

WASHINGTON

Date: August 4, 1977

MEMORANDUM

FOR ACTION:

The Vice President
Midge Costanza ^{NC} Jody Powell
Stu Eizenstat Jack Watson
Hamilton Jordan Charlie Schultze ^{NC}
Bob Lipshutz ^{NC}
Frank Moore

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Lance memo dated 8/4/77 re Reorganization Agenda
and Harrison Wellford memo dated 8/4/77 re
Federal Cash Management.

*per Jones
Cabinet comments
due Tuesday/Wed*

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:
TIME: 12:00 NOON
DAY: SATURDAY
DATE: AUGUST 6, 1977

*Watson - cabinet
Comments from
Blumenthal
expected
at close of
business
today 8/9
m*

ACTION REQUESTED:

Your comments
Other: _____

STAFF RESPONSE:

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

*Admin conf'd
direct to
sympans*

*★ Should -
commented to Wellford - too technical
NO comment to President ↑*

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)

THE WHITE HOUSE
WASHINGTON

NC

Peter Gould has serious problems
with this one ---

If it is going to the President
before he gets back, please call him.

check
Cabinet comments
Gould

Trudy 8/6/77

THE WHITE HOUSE
WASHINGTON

Peter Petkas

[Handwritten scribbles]
5/16/79

Copy

<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

Call + ask for copies rather than our xeroxing

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



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET

DATE: 8/4/77

TO: Rick Hutcheson

FROM: Peter Petkas

PP

As we discussed, Bert's memo is on top of Harrison's since the President should read Bert's first to understand its relationship to Harrison's.

OMB FORM 38
REV AUG 73

+

Date: August 4, 1977

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Your comments
 Other:

STAFF RESPONSE:

I concur.
 Please note other comments below:

No comment.

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 Your comments

Other:

STAFF RESPONSE:

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

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PRESIDENT'S
REORGANIZATION
PROJECT

WASHINGTON, D.C. 20503

AUG 4 1977

MEMORANDUM FOR THE PRESIDENT

FROM: Harrison Wellford *HW*
SUBJECT: Federal Cash Management

As Bert Lance pointed out to you in his memorandum of today on the Reorganization Agenda, my staff has developed a project to devote substantial effort to improving Federal cash management processes. This issue is summarized in the attached paper.

Action Desired

We request that you approve this additional issue. We hope to discuss this proposal with you in a meeting on reorganization.

Attachment

President's Reorganization Project
Issue Summary

Federal Cash Management

Issue: How can cash management in the Federal Government be improved?

Summary of Problems and Opportunities

This year the government will collect and disburse over \$400 billion.

Currently--and despite recent improvements--not enough attention is focused on the time value of these monies and the management of this massive cash flow. Unlike private businesses, which arrange their financial management organizations and procedures to minimize borrowing and reduce interest costs, Federal financial management has historically emphasized accounting and auditing.

Effective cash management means collecting money quickly; paying bills on time--but not before; and minimizing the accumulations of idle cash between those events. Achieving that goal in government is difficult because of the large number of agencies affecting cash flow and the uneven nature of the flow (e.g., receipt levels vary markedly, from \$21 billion to \$40 billion per month).

There may be opportunities for further use in the Federal Government of modern cash management practices (e.g., lock boxes to expedite the collection of money, systems to preclude premature payment of bills). More importantly, Federal program managers do not have the incentives to manage cash that their private sector counterparts do and need to be more aware of the cash management implications of their actions.

To illustrate the dynamics of effective cash management, a hypothetical example is useful. Were the government able to accelerate by one day that 25% of its receipts not processed through the tax and loan account, such an action could reduce the public debt by about a quarter of a billion dollars and represent annual savings in interest of \$13 million (assuming a 5% interest rate). Past reviews of cash management in some Federal agencies have suggested opportunities to both accelerate collections and better control disbursements.

Current Initiatives:

- Legislation has been introduced prescribing interest payments on Federal funds deposited in banks and fee arrangements to compensate for services.
- The Treasury Department is at work preparing comprehensive guidelines for cash management to be published in the Fiscal Requirements Manual.
- The Joint Financial Management Improvement Program (JFMIP), participated in by CSC, GAO, OMB and Treasury, has a continuing interest in this area and has prepared specific agency studies.

Prior Initiatives:

- The Joint Financial Management Improvement Program (JFMIP) studied money management in the Department of Agriculture and identified savings of several million dollars in 1976.
- In 1976, the Treasury Department issued Circular 1084 broadly describing cash management principles.
- Treasury continues to "fine-tune" its letter of credit system for administrating disbursements.
- The Senate Select Committee on Small Business this June in its investigations of payments to contractors found that 59 percent of payment dollars were paid within 15 days of invoice. (30 days is normal business practice.)
- A number of agencies have undertaken money management improvement efforts (e.g., HEW, Agriculture, Veterans Administration).
- The Advisory Commission on Intergovernmental Relations issued a report on its study of State and local cash management in May.

Recommended Action

The President's Reorganization Project should lead an effort to strengthen cash management throughout the government (including Trust Funds and tax receipts). The project would be staffed largely by OMB, Treasury and Joint Financial Management Improvement Project Staff, and would focus on:

1. Identification of professional cash management practices that could improve Federal use of money (e.g., lock boxes, greater control of receipts and disbursements, more desirable contracting payout policies, alternative arrangements for compensating financial institutions for services).
2. Review of current Federal financial management organization (e.g., the roles of Treasury, OMB and the operating agencies).
3. Implementation of strengthened cash management processes and supporting systems in major cash-generating/disbursing agencies.
4. Identification and testing of incentives to create greater awareness by Federal managers of the working capital effects of their actions.

Special attention would be focused on reducing the time associated with processing collections by agencies, on their disbursement practices, and on the administration of Federal loan programs.

Potential Benefits:

- Potential savings in interest costs of millions of dollars without impairment to program delivery systems.
- Institution of modern and sophisticated professional management practices in an activity that affects all agencies.
- Possible reduction in Federal borrowing requirements.
- Greater consistency in government payment policy.

Constraints and Potential Liabilities:

- Departmental jealousies over direction of financial management policy.
- Potential opposition of some vendors accustomed to being paid earlier by government than is normal business practice.

Agency, Groups, Individuals Concerned

Treasury, OMB, and all operating agencies, (especially large ones such as DOD and GSA).

Banking interest groups, State and local governments, vendors.

Related Issues:

- Administrative Services Delivery
- Federal Regional Operations



PRESIDENT'S
REORGANIZATION
PROJECT

WASHINGTON, D.C. 20503

AUG 4 1977

Kover file -
MEMORANDUM FOR THE PRESIDENT

FROM: Bert Lance *Bert Lance*
SUBJECT: Reorganization Agenda

In our June 23 meeting we reported that the Government-wide review of major reorganization issues would be completed in July. This review has been completed and its results are summarized in the attached agenda of reorganization projects (Exhibit 1).

The agenda involves three kinds of projects:

- Projects on which work is already underway. This list includes projects that you approved in June, other previously approved projects, and the Education Study being coordinated with the Vice President.
- Issues on which it is recommended that work begin now. This category includes the five issues attached to this memorandum as well as the Natural Resources and Environment and Reform of Regulatory Procedures issues. Descriptions of the latter two were submitted to you for approval earlier. It also includes a separate issue--Federal Cash Management--developed by Harrison Wellford and his staff. Since that issue may result in recommendations that affect the relationships between financial institutions and the Federal government, it will be presented to you directly in a memorandum from Harrison. In order to meet my commitment to you and the Senate Governmental Affairs Committee, I have not taken part, nor will I take part in any discussion or decision involving this or similar issues that affect financial institutions.

- Issues recommended for later study. This category includes issues which merit attention but which are not ready for detailed study because their scope is not fully developed, because resources are not currently available, or because it is not yet determined whether the Reorganization Project or another agency is best equipped to handle them.

Together these projects create a comprehensive although not final agenda. In the course of our work on approved projects, we expect to identify additional issues. Congressional actions, Presidential initiatives and the public involvement processes will also serve to identify topics for further inquiry.

Each of the issues on which the Project staff would like to begin work now has been discussed with relevant agency officials, and they have agreed that the proposed studies are appropriate.

Action Desired

We request that you approve these five additional issues for work to begin now (issue summaries attached).

- Economic Analysis and Policy Machinery (Exhibit 2)
- Food and Nutrition Policy (Exhibit 3)
- Federal Legal Representation (Exhibit 4)
- Improvement of Justice System (Exhibit 5)
- Federal Preparedness and Response to Disaster (Exhibit 6)

We have requested a meeting on reorganization with you and the Executive Committee to discuss this agenda. If you concur with the proposed agenda, we can begin appropriate studies.

Attachments

President's Reorganization Project

AGENDA

August 1, 1977

Area	Work Underway	Proposed Projects Early Start	Projects for Later Initiation
Economic Development	Community and Local Economic Development Workplace Safety and Health (joint with Labor)	Economic Analysis and Policy Machinery Food and Nutrition Policy	Transportation Policy Financial Institution Regulation (joint with CEA and Treasury)
General Government	Border Management (joint with ODAP) Law Enforcement Small Agency Reduction Civil Rights	Federal Legal Representation Improvement of Justice System	Government Corporations
Human Resources	Education Human Services Programs ERISA (joint with Labor and Treasury) Welfare Organization (joint with HEW and Labor) National Health Insurance Organization (joint with HEW)		Cultural Programs Health Resources Development and Delivery Biomedical Research
Natural Resources	Toxic Substances (joint with CEQ)	Natural Resources and Environment (previously submitted) Federal Preparedness and Response to Disaster	Federal Research Development
National Security and International Affairs	Classification of National Security Documents (PRM 29)		Defense Management Structure National Military Command Structure Defense Resource Management Foreign Policy Management Peace Corps
Management Improvement	Statistical Organization Intergovernmental Management Circulars Administrative Services Delivery (GSA) Advisory Committee Reduction Automated Data Processing Federal Personnel Management (CSC) Federal Regional Operations Paperwork Reduction Grant Planning Requirements	Federal Cash Management	Citizen Participation in Federal Decisionmaking
Regulatory Reform	Surface Transportation Reform (joint with DOT) Economic Impact Analysis (joint with EPG Task Force) Consumer Functions (joint with Special Assistant to the President for Consumer Affairs and Domestic Policy staff)	Reform of Regulatory Procedures (previously submitted) Food Inspection and Labeling (incorporated in Food and Nutrition Policy issue)	Insurance Regulation Reform

President's Reorganization Project
Issue Summary

Economic Analysis and Policy Machinery

Issue: How should the economic policy and analysis machinery of the Federal Government be structured to improve economic policy decisionmaking and implementation in both its domestic and international aspects?

Summary of Problems and Opportunities

The Executive Office of the President reorganization project recently examined the economic policymaking institutions of the White House and Executive Office. It did not, however, look in any depth at the economic policy and analysis machinery outside the EOP, in the departments and agencies--an apparatus that involves some 33 agencies employing approximately 5,000 economists.

Yet this machinery has been found wanting on numerous counts. Policy roles are frequently unclear; quality, capability, and reputation vary widely; functions overlap; and uncertainty persists about who can be relied upon for what. Of special concern are three types of problems: (1) weaknesses and gaps in the basic analytical units; (2) shortcomings in the mechanisms for integrating the work of these units into the policy process; and (3) difficulties with the procedures for monitoring the implementation of economic policy decisions once they are made.

For example:

- ° Commerce, Agriculture, Labor, Treasury, the Federal Energy Administration and the Transportation Department all have sectoral and industry analysis units. Yet the capabilities of some of these units are in question and their role in the policy process frequently unclear. Partly as a consequence, a separate sectoral analysis unit--the Council on Wage and Price Stability--had to be created in the Executive Office of the President. Even so, spotting inflationary shortages and bottlenecks remains a hit-or-miss affair, and the sectoral implications of major decisions frequently go unexamined in any systematic way. This was the case, for example, with regard to the consideration given the impact of the recent energy proposals on the capital markets and investment flows. Similar situations frequently arise in the regulatory sphere where, for example, pollution standards produce unintended ripple effects in key economic sectors. Although some regulatory

laws require the assessment of economic implications prior to promulgation of regulatory standards (e.g., the National Traffic and Motor Vehicle Safety Act), most do not.

- There is no reliable mechanism for assuring that the foreign policy implications of domestic economic decisions are taken into account. The agencies responsible for foreign policy development have neither sufficient capability for economic analysis nor regular involvement in the economic policy process, although the interdependence between the domestic and world economies makes this essential.
- As the EOP study found, there is considerable uncertainty over the roles of State, Commerce, Treasury, USDA, and the Special Trade Representative with regard to trade policy.
- The mechanisms for integrating fiscal and monetary policy remain imperfect. Indeed, the executive branch has long been ill-equipped to formulate, or respond to, initiatives affecting the operations of the capital markets in a coherent way, despite the vital role these markets play in the economy. This is particularly significant in view of the changes that the decline of small scale investors, the use of electronic funds transfers and other developments are making in this area.
- In numerous areas the analytical capability for assessing the trade-offs among different aspects of policy are inadequate. For example, there is no agency equipped to analyze the difficult trade-offs between energy and environment goals systematically and objectively prior to final resolution.
- Substantial sums are spent each year analyzing regional economic trends and the fiscal circumstances of non-Federal governments. Yet the utility of this work is sometimes questionable and its links to the policy process tenuous. In addition, there is no mechanism or capability to take account systematically of the impacts that national policies have on the location of economic activity or the fiscal condition of local governments.
- Major decisions on technology transfer, educational exchanges and the like are frequently made with little consideration of their long-term impacts on the domestic economy.

Although some efforts have been made to improve the economic policy machinery at the Executive Office level through the creation of the EPG, this institution has not worked as well as was hoped, and additional changes are under way. Beyond this, however, any Executive Office institution designed to coordinate departmental economic policymaking and analysis activities can only be as strong as the departmental policymaking and analysis units themselves. If the latter suffer important gaps or overlaps, the former will reflect them. An effective Executive Office process therefore presupposes effective and complete departmental machinery. Yet the current machinery falls short on both of these grounds.

Current Initiatives:

- EOP reorganization will alter the role of the EPG but keep most of the remaining economic policy machinery intact.
- Treasury and Commerce are moving to beef up their respective sectoral analysis units; Treasury with respect to capital markets and Commerce with respect to micro-economic analysis more generally.
- HUD and Commerce are exploring ways to improve their regional analysis capabilities.

Prior Initiatives:

- National Commission on Supplies and Shortages recommended in January 1977 that the economic policy machinery be expanded to focus on sectoral and regional issues more effectively, and to undertake longer-term forecasting.
- The Ash Council recommended establishment of the Council on International Economic Policy.
- The Heineman Commission (1967) and the Murphy Commission (1975) recommended strengthening the economic analysis capabilities of several agencies, including the State Department.

Recommended Action

The President's Reorganization Project should undertake a major analysis of the basic economic analysis and policy units of the government to assess their strengths and weaknesses and determine what changes are needed to eliminate critical gaps, weaknesses in coordinating mechanisms,

and shortcomings in the mechanisms for monitoring implementation. This work will involve the participation of relevant departments and agencies, and will be coordinated by the Economic Development and National Security/International Affairs Divisions of the President's Reorganization Project to ensure attention to both the domestic and international dimensions of economic decisions. The analysis will focus extensively on examples of how particular kinds of economic decisions have been made and implemented in the recent past.

Potential Benefits:

- Improved capacity for economic policymaking, particularly with respect to sectoral, regional, and foreign policy matters.
- Improved capacity to address trade-offs between energy and environmental goals.
- Elimination of excessive duplication and more efficient utilization of the government's economic analysis resources.

Constraints:

- Economic policymaking by the agencies reflects a particular view/constituency that would have to be represented in any organization scheme.
- Concern that any strengthening of the economic analysis capabilities of government would lead to "national planning."
- Jurisdictional conflict among agencies and congressional committees.

Agencies, Groups, and Individuals Concerned

- Agencies: EPG, CEA, NSC, OMB, STR, AID, CWPS, Domestic Policy Staff, Federal Reserve Board, USDA, DOL, Treasury, DOC, State, HEW, Interior, Energy, DOD, Justice, FTC, EPA, Export-Import Bank, ITC, OPIC, East-West Trade Board, independent economic regulatory agencies, CIA, DIA, and ACDA.
- Groups: Industry interest groups, investment institutions, financial analysts, trade groups, labor, economic technical consultants, private economic "think tanks," state and local government organizations, health care interests.

Related Issues

- Statistical organization
- Food and nutrition policy
- Financial institution regulation

President's Reorganization Project
Issue Summary

Food and Nutrition Policy

Issue: How can the structure of Federal activities related to the production, processing, delivery and nutritional content of food be improved to achieve greater coordination, consistency, and efficiency in Federal food policy?

Summary of Problems and Opportunities

The end of the era of massive agricultural surpluses and the new public concern about food safety, quality, and cost have forced some basic rethinking about American food policy. However, this rethinking has not yet been reflected in the institutional structure through which food policy is formulated and implemented. Although the Department of Agriculture continues to provide a focus for the production concerns involved in food policy, the increasingly important safety, nutritional, and foreign policy concerns are institutionally dispersed among approximately 22 other agencies. As a result, there is no institutional mechanism to formulate comprehensive food and nutrition policies that balance the trade-offs among the competing concerns of producers, processors, consumers, environmentalists and others. Yet these competing concerns promise to grow in significance as a result of the increased use of pesticides, preservatives, artificial flavorings, and other chemicals in the production and processing of food; changes in the availability of energy and land resources; increased reliance on packaged food supply; environmental concerns and regulations; and changes in the international situation that affect the world demand for U. S. farm products. U. S. food policy consequently suffers from a series of gaps and inconsistencies that are increasingly likely to leave both producers and consumers worse off. For example:

- Twelve different agencies conduct food and nutrition research at a cost of \$700 million, yet there is little coordination among these entities nor much effort to tie the research to a coherent set of goals. Particularly lacking is any focus on nutrition, since none of the agencies has nutrition as its primary mission. For example, USDA devotes

only \$13 million of its \$360 million food research budget on nutrition, saving the rest for work on production technology. FDA, for its part, focuses on purity issues in its research, while HEW concentrates on cures for deficiency diseases. Although GAO has estimated that nutrition-related diseases cost the nation \$30 billion annually, nutritional and safety concerns are downplayed or ignored in food policy decisions. This was the case, for example, with the government-sponsored research that developed a tomato with a hard enough exterior to survive machine harvesting, but which sacrificed much of the nutritional content in the process.

- Four different agencies--USDA, Commerce (NOAA), HEW, and DOD--inspect food products, all with differing standards and procedures. Fish, for example, are far less stringently inspected than meat, and far less regularly. Similarly, USDA imposes stricter standards on meat than FDA imposes on imitation red meat products. Most of these variations have little logical basis and reflect, rather, historical accident and dispersed responsibilities.
- Intricate grading systems exist for food products. However, these systems were devised for marketing purposes, with little thought to their role in conveying information to nutrition-conscious consumers. In fact, the grading system seems designed more to confuse, than aid, rational consumer choices.
- Although USDA has responsibility for most food production programs, aquaculture activities are split among three different Departments--Commerce, Interior, and Agriculture. Partly as a result, the development of the fish industry as a major food producer has been limited.
- Agriculture products now account for one-fifth of all U. S. exports. Yet the mechanisms for setting agricultural trade and aid policy are extremely cumbersome, involving 12 different councils, boards, and agencies: the Council of Economic Advisors, the Economic Policy Group, the National Security Council, the Office of the Special Trade Representative, the Treasury, AID, OMB, State, Commerce, Defense, USDA, and the CIA.

- A vast regulatory structure, consisting of at least 14 agencies and 2,000 regulations, governs the food industry from the growing state through processing and sale. Regulatory authorities are so dispersed, however, that conflicts and inconsistencies frequently result. USDA, FDA, and EPA, for example, all have different notions about how much water can be used in meat processing plants to ensure proper sanitation. In some cases, regulatory controls are used to prevent introduction of more nutritious and healthful foods. This was true, for example, with margarine and may be the case again with a new ice cream formula that lowers the required milk protein base and substitutes dry whey instead. In the absence of a coherent institutional structure for promoting nutrition policy, such decisions are frequently made on the wrong basis.

- Although the Federal Government is heavily involved in a variety of feeding programs, its food production programs rarely take nutritional issues into account explicitly and systematically in deciding which products to support. As a consequence, surpluses frequently appear in the less nutritious products, converting the feeding programs into dumping grounds in the process.

What makes the institutional diffusion in the food policy area especially problematic is the fact that significant challenges loom in this area over the near-term future as a consequence of rising world food demands, continued technological changes with significant health and nutritional implications, and new energy and environmental concerns that may force further changes in food production and consumption practices. Under the circumstances, there is a pressing need for a review of the institutional structure through which food policy decisions are made and implemented.

Current Initiatives:

- USDA's creation of an Assistant Secretary for Food and Consumer Services in an attempt to elevate the consumer food concerns in the Department. This division is already looking into possible reforms in the grading systems. USDA is also reviewing its own nutritional research activities.

- CEQ's study of toxic substances in response to the President's Environmental Message.
- Bills are under consideration in Congress to establish a comprehensive crop disaster and insurance program and to establish a nutrition-oriented Bureau of Human Resources Development within NIH.

Comment: None of these initiatives would provide the comprehensive reassessment that is needed.

Prior Initiatives:

- The Senate Select Committee on Nutrition and Human Needs proposed the formulation of a National Nutrition Policy and urges changes in the institutional structure to achieve it.
- The Ash Council recommended the merger of the USDA agricultural programs into a Department of Economic Affairs. Faced with opposition from agriculture interests, the Nixon proposal retained the core agriculture programs in USDA.
- Several White House councils and committees were established in 1974 to handle domestic and international food concerns.

Recommended Action:

Conduct a comprehensive study of the institutional structure of the Federal food policy apparatus to discover what changes are needed to improve its capability to formulate and implement a coordinated set of policies aimed at: (1) assuring an adequate supply of wholesome food at reasonable cost to all segments of the American public; (2) ensuring food resources sufficient to meet emergency needs, both at home and abroad; (3) developing a sound public knowledge of nutrition; (4) maintaining a system of quality and safety control that meets the needs of both consumers and producers; (5) enhancing our understanding of nutrition, food production, and food safety through carefully targeted research; and (6) ensuring effective use of food resources in promoting foreign policy objectives. This would involve an examination of the agencies operating programs that deal with food production, food marketing, regulation of food products, nutritional and other food-related research and education, water and soil conservation, commodity trade, and commodity purchase and distribution.

This project would be conducted by the President's Reorganization Project in close consultation with the affected agencies.

Potential Benefits:

- More coherent food policy leading to more comprehensive attention to the trade-offs between producer and consumer concerns.
- Better integration of food policy into economic policy decisionmaking, including foreign economic policy decisionmaking.
- More consistent and reasonable procedures and standards with regard to food inspection.
- More timely decisions on agricultural foreign trade matters and resolution of issues at a lower level than at present.
- Improvements in the food supply through elimination of regulations that prohibit the introduction of more nutritious foods and through more carefully targeted nutrition research.
- The elimination of conflicts between regulatory agencies and a balancing of consumer and economic factors before regulations are issued.

Constraints and Potential Liabilities:

- Diffuse structure of congressional committee jurisdictions making extensive consolidation and streamlining difficult.
- Concern on the part of some USDA interest groups that the Department would no longer serve their needs adequately.
- Departmental jealousies over program responsibilities and difficulty in reaching agreement on a consistent set of goals.

Agencies, Groups, and Individuals Concerned:

- Agencies: USDA, Labor, State, Interior, Commerce, DOD, HEW, Transportation, Energy, Treasury, Farm Credit Administration, EPA, Commodity Futures Trading Commission, International Trade Commission, National Security Council, Domestic Council, Council of Economic Advisors, Consumer Product Safety Commission, Office of Special Trade Representative, and President's Economic Policy Group.
- Groups: State and local governments, organization with food interests, labor groups, environmental groups, and food business organizations.

Related Issues:

- Welfare reform organization
- Human services
- Education
- Natural resources and environment
- Food inspection and labeling

President's Reorganization Project
Issue Summary

Federal Legal Representation

Issue: How can the Federal Government's system of legal representation for its departments and agencies be most effectively organized and coordinated?

Summary of Problems and Opportunities

At one time, the Justice Department carried on all litigation for the government. In recent years, however, departments and agencies have been increasingly given their own litigating capability. At present, 21 separate units conduct at least some of their own litigation. The growing friction between the Department of Justice and the other units of the Federal Government over litigation responsibilities is a symptom of several problems.

First, there is often a lack of coordination in legal action. This inadequacy leads to precedents at odds with government-wide policy positions and to non-uniform application of the law. In 1976, for example, the Federal Power Commission took the position in court that it did not have the power to grant counsel fees to public interest groups who participate in FPC administrative proceedings. The FPC position prevailed and the court's opinion suggested that all other Federal units are now forbidden to provide such fees. Thus, the entire Executive Branch may be bound by a precedent possibly inconsistent with an administration policy. The position might not have been argued at all had broader consultation taken place before trial.

A 1977 Justice Department study revealed there is inconsistency in the area of criminal prosecution. The types of criminal cases considered high priority areas for prosecution by some U.S. Attorneys are regarded as low priority by others. For example, the Justice Department might set white collar crime as a first priority for prosecution, but a particular U.S. Attorney might continue to emphasize large numbers of automobile theft cases. Further, when the study compared overall litigation goals of the U.S. Attorney to those of the Department of Justice, serious differences were revealed. Lack of coordination in this instance leads to non-uniform application of the criminal law.

Second, resources may be misallocated, particularly in the field. There are some 27 departments, agencies, and regulatory commissions which now employ about 10,000 attorneys in regional offices around the country. Their relationship to the 94 U.S. Attorney offices has never been adequately studied to determine whether some consolidation of offices is not preferable.

Third, poor coordination among agency policy-makers sometimes leads to unnecessary litigation. In 1975, for example, after the Bureau of Alcohol, Tobacco and Firearms rejected a proposed requirement that alcoholic beverages bear ingredient labels, the Food and Drug Administration decided to require such labelling. The industry took FDA to court and won at the trial level. The issue was only resolved for both agencies when FDA sought to appeal and the Solicitor General, who became involved at that point, coordinated the formation of an administration position. In this case, the administration concurred with the court. Had the resolution of the policy issue occurred earlier, litigation might have been avoided altogether.

In 1960, the Federal Trade Commission sought to require a company to submit reports previously filed with the Bureau of the Census. The company resisted on the grounds that the reports were confidential, a position supported by the Commerce Department. The lower Federal courts upheld the FTC position. On appeal, the Solicitor General was in the awkward position of simultaneously arguing both positions to the Supreme Court.

The reorganization study proposed in this paper should lead to a better organized and coordinated system of Federal legal representation which, in turn, should improve the ability of the Federal Government to carry out its policies and administer its laws. The study can provide a neutral forum for representatives of the concerned agencies and departments to devise new principles and procedures for organizing and coordinating legal representation.

Current Initiatives:

- The Department of Justice is studying units outside the Department with independent litigation authority. Justice's concern about continued erosion of its role as lead litigator for the Federal Government was the motivating factor in commissioning the study.

- The Administrative Conference has recently completed an exhaustive inventory of formal administrative law bodies and their caseloads, but few recommendations or conclusions were offered.
- Several bills which proposed to grant litigating authority to other agencies are being held in congressional subcommittee at the request of the Department of Justice, pending further study by Justice and this project.

These initiatives should complement but cannot substitute for the proposed comprehensive examination.

Prior Initiatives:

- In 1975, the Administrative Conference surveyed Federal Government units with litigating authority.
- In 1976 a congressional subcommittee studied the civil litigation functions of nine regulatory bodies. Further study of litigation responsibility within the Executive Branch was recommended.
- In 1975 and 1976, litigation and case allocation procedures within the Department of Justice were reviewed. The study concluded that there was a serious lack of coordination and understanding between the U.S. Attorneys and the legal divisions of the Department.

Recommended Action:

Create a PRP study group drawn from concerned departments and agencies to:

1. Survey all Federal units with litigation responsibility, examining the source and scope of their authority, their actual operations, and their interrelationships with other units.
2. Present the issues to a group of representatives of the Attorney General, department and agency General Counsels, and the U.S. Attorneys. This group will be a forum for review of past disputes among the government legal community and the development and testing of new approaches to improved coordination and communication.

3. Develop and recommend more effective organization and coordination mechanisms.

Such recommendations might include:

- Allocating responsibility for litigation involving technical matters to departments and agencies but retaining responsibility for overall supervision in the Justice Department.
- A reorganization plan to transfer to one central unit responsibility for representation related to Government-wide matters (such as Freedom of Information Act, Sunshine Act, Privacy Act).

Potential Benefits:

- Less confusion as to Federal legal representation.
- More efficient allocation of litigation resources.
- More consistent enforcement of laws and regulations.
- More effective administrative rule making.

Constraints and Potential Liabilities:

- Raising the issue of coordination of legal representation may further antagonize parties already at odds over litigating authority by forcing a reexamination of compromises presently in force.
- The basic conflict between Department of Justice's goals of coordination of all Federal legal representation and the agencies' goal of responsiveness and expertise will have to be addressed.
- Congress may object to any reversal of the trend toward locating more legal responsibilities in the agencies themselves.

Agencies, Groups, and Individuals Concerned:

- The Departments and Agencies of the Federal Government (including the U.S. Attorney's and independent regulatory commissions).

- American Bar Association, Federal Bar Association.
- Judicial Conference of the U.S.; Administrative Conference of the U.S.
- Private sector representatives, e.g., American Bankers Association.

Related Issues:

- Improvement of justice system
- Civil rights
- Department of Justice internal reorganization for improved litigation management
- Various regulatory reform issues

President's Reorganization Project
Issue Summary

Improvement of Justice System

Issue: How can the Federal Government better plan, organize, and manage its responsibilities to encourage improvement of the quality of justice in the United States?

Summary of Problems and Opportunities

One of the most basic functions of government is the development and maintenance of an acceptable system of justice. In the United States, this responsibility is divided among Federal, State, and local governments, and shared by legislative, executive and judicial branches within these governments. The Federal executive branch manages only a small part of the overall justice system, providing only \$2.7 of the \$17 billion expended in 1975. Yet, subject to the constitutional separation of the three branches of government, the President has a clear opportunity to encourage the improvement of the whole system-- Federal, State, and local.

The weaknesses of our present justice system are painfully clear to many citizens. Lawyers are often available only to the wealthy or the very poor. There are substantial backlogs in the courts. While many express interest in developing alternate dispute resolution mechanisms, few such mechanisms are currently in operation. The Federal Government does not bear full responsibility for correcting these inequities, but it does have a clear duty to make its own system a model and to encourage State and local governments to improve the quality of their justice systems. There are several problems in the way it currently discharges these responsibilities:

° Inadequate Systems Planning and Management

No single Federal agency or department is responsible for working to improve the quality of justice. This gap in accountability may in part explain why the Federal Government has never defined its role in this area, much less developed a strategy for fulfilling it. For example:

- The Federal Government provides legal services to some of the poor. Yet the high cost of legal services makes them equally inaccessible to middle income families. If the executive branch had possessed the capacity to look at the broader issue of accessibility to the courts, this inequity might have been avoided.
- Resources in the Federal justice system have been traditionally allocated to one component without analysis

of the impact upon other components. The current backlog in the Federal courts can in some respects be traced to the provision of additional law enforcement resources without corresponding increases in the other components of the system.

- Similarly, the Law Enforcement Assistance Administration (LEAA), the principal Federal agency responsible for assisting State and local justice systems, has devoted resources for upgrading law enforcement capabilities without adequate analysis of the impact upon prosecution and defense, courts, and corrections, in spite of the requirement for comprehensive planning. The result has been significant delays in the processing of cases and widespread overcrowding in most State and local corrections facilities.

° Inadequate Coordination Among Levels of Government and Among Components of the Same System

- Successes in one system are too rarely adapted to another. For example, simplified mechanisms to resolve minor civil disputes might profitably be applied to misdemeanants or first offenders in the criminal system.
- Programs are fragmented. For example, one part of the government's assistance to State and local governments is through research. There are in fact, nineteen separate research programs but unfortunately there is little communication or coordination among them. Hence, duplicative research is commissioned and concepts considered outmoded in one program may be enthusiastically received by another. Furthermore, the overall quality of these research efforts has been questioned.
- Crime and justice statistics are not always coordinated. For example, FBI Uniform Crime Reports indicate crime increased 9% in 1975, but LEAA victimization surveys show there was no significant increase. No effort is made to coordinate these two programs; in fact, both agencies warn users against comparing their statistics.

Federal responsibility for improving the justice system should command more systematic attention than it has previously received.

Current Initiatives:

- Research - The establishment of an independent National Institute of Justice in the Federal Government has been proposed by Chief Justice Burger and the American Bar Association. Its proper relationship to the Department of Justice, however, has not yet been analyzed.
- Management - In early 1977 an Office for the Improvement in the Administration of Justice in the Department of Justice was established. According to its two year plan, it will focus on special projects emphasizing court problems, rather than on the overall justice system.
- State and Local Criminal Justice Assistance - Recommendations for reforming the Law Enforcement Assistance Administration (LEAA), including its research and demonstration components, have been proposed by a Justice Department Task Force and the Twentieth Century Fund.

Prior Initiatives:

- Research - Three major initiatives have addressed problems of criminal justice systems: The Wickersham Commission of the 1930's; the President's Commission on Law Enforcement and the Administration of Justice of 1967; and the National Advisory Commission on Criminal Justice Standards and Goals of 1973 and 1976. No study, however, has focused on civil, as well as criminal justice.
- Management - There have only been a few initiatives in this area, the most notable being the National Conference on the State of the Judiciary held in Williamsburg, Virginia, in 1971, and congressional hearings on particular problems in the justice system.
- State and Local Criminal Justice Assistance - Modifications in the LEAA program were enacted by Congress in 1971, 1973, 1974, and 1976. Private groups have also recommended several changes during the agency's existence.

Recommended Action

1. The President's Reorganization Project should undertake a comprehensive review of existing and possible justice system improvement activities, in cooperation with the departments and agencies involved, State and local counterparts, and public and functional interest groups.

2. As a part of the review, a White House seminar on the Federal role in improving the quality of justice should be held to bring together persons involved in justice throughout the country to discuss current system structures and possible alternatives. The Assistant to the President for Reorganization, in conjunction with the Department of Justice and the President's Reorganization Project would have responsibility for planning and conducting the seminar.
3. Based on the review, recommendations for managerial, structural and other appropriate changes in the executive branch should be proposed by the President's Reorganization Project.

Potential Benefits:

- Fairer, faster, cheaper and more accessible justice in America.
- A more effective and efficient Federal justice system improvement effort.
- A more responsive and less cumbersome system of resolving legal disputes and criminal matters.

Constraints and Potential Liabilities:

Because of the constitutional separation of judicial, legislative, and executive functions as well as Federal and State justice systems, development and implementation of improvements may be impeded, and many must be voluntary.

Agencies, Groups and Individuals Concerned:

- Federal: The Judiciary; the Department of Justice; the law enforcement agencies of the Department of the Treasury; the Legal Services Corporation; the Center for Crime and Delinquency in the National Institute for Mental Health; the Social Science and Law Division of the National Science Foundation, the Administrative Conference, and other Federal justice-related agencies.
- Non-Federal: State and local criminal and civil justice agencies, public policy officials, and public interest groups; functional interest groups (American Bar Association, International Association of Chiefs of Police, American Correction Association, etc.); special interest groups (academic, business, labor, youth, etc.)

Related Issues:

- Law enforcement
- Federal legal representation
- Federal corrections
- State and local justice assistance
- Federal juvenile justice and delinquency prevention programs
- Public education about law and legal institutions
- Protecting personal privacy

President's Reorganization Project
Issue Summary

Federal Preparedness and Response to Disasters

Issue: What should be Federal policy and organization for planning, mitigation, response and recovery from the effects of natural, accidental and wartime civil disasters?

Summary of Problems and Opportunities

The Federal Government is being drawn increasingly into the role of protecting the population from the effects of large-scale civil disasters. In spite of a growing Federal involvement and dollar commitment, criticism of Federal performance is widespread. State governmental officials, critics among interest groups, the GAO, Congress and the press charge that there is insufficient coordination among the three principal disaster-related agencies, weak management, multiple contact points and excessive paperwork for those seeking assistance, and inconsistent policy guidelines. Following a year-long review by the Congressional Joint Committee on Defense Production, Senator Charles Percy's comment was typical: "Emergency preparedness and disaster assistance is perhaps the single worst organized functional area in the entire Federal Government."

While these criticisms are organizational in nature, a more fundamental source of the criticisms may well be confusion regarding the appropriate role of the Federal Government in a range of activities related to both natural and wartime disasters. These activities include:

- Pre-Disaster Planning and Preparedness. The Disaster Assistance Act of 1974 authorized grants to States for the development of disaster preparedness programs, and the civil defense program now supports consolidated State emergency preparedness agencies that plan for a variety of natural and accidental disasters rather than solely for nuclear attack.
- Disaster Mitigation. Flood plain insurance and earthquake hazard reduction programs are recent manifestations of the concept that farsighted land-use plans and building standards can avoid the later necessity of emergency assistance.

- Disaster Relief. Immediate post-disaster relief responsibilities have grown from emergency work and debris removal to individual financial assistance and restoration of communities to pre-disaster condition. Each major recent disaster (hurricanes Camille and Agnes, the San Fernando and Alaska earthquakes) has led to congressional expansion of Federal disaster-relief responsibilities.

- Long-term Recovery. So many Federal agencies are involved in long-term recovery grant, loan, and assistance programs that a comprehensive budget is not available. Hundreds of millions of Federal dollars, however, have gone to disaster sites like Wilkes-Barre, Rapid City, and Anchorage.

The range of potential catastrophes that result in demands on Federal resources is expanding beyond floods and nuclear attack to include riots, earthquakes, peacetime nuclear and chemical explosions, sabotage, blizzards, drought and even extended cold weather. The consequences of inadequate policy and/or organization may be increasingly damaging.

Current Initiatives:

Senators Proxmire and Percy, and 20 House members of both parties have introduced legislation to consolidate the Defense Civil Preparedness Agency (DOD), the Federal Preparedness Agency (GSA), and the Federal Disaster Assistance Administration (HUD), into a single independent agency which would have pass-through budget control over emergency capabilities of other agencies. Hearings in both government operations committees are anticipated in September.

Prior Initiatives:

Disaster planning and preparedness has been a perennial organizational problem. The latest reorganization took place in 1973, when the Office of Emergency Preparedness in the EOP was disbanded and its functions distributed.

Recommended Action:

We propose a two-phase study of disaster programs directed by the President's Reorganization Project. The first phase will concentrate on: (1) identifying whether problems are properly those of policy, organization, or program effectiveness; (2) differentiating Federal responsibilities for natural, accidental, and wartime nuclear emergencies, and (3) clarifying Federal and State roles in disaster planning, mitigation, relief, and long-term recovery.

Following Presidential decision on phase one recommendations, a phase two might be undertaken to address implementation, structural alternatives, and management issues such as quality of supervision, grant consolidation, and regional operations.

Staff participation in the project will include each of the three major affected agencies, OMB program analysts, and the NSC. Particularly in phase one, White House staff will be consulted frequently. The GAO, Congress, and the States will also be closely involved in a consultative capacity.

Potential Advantages:

1. Some current duplication can be eliminated. The Proxmire proposal estimates (and mandates) a \$15 million annual saving from consolidation. (President Carter, as Governor of Georgia, was one of the first two governors to adopt a Comprehensive Emergency Disaster and Operation Plan.)
2. Priority reorganization attention will be well received by:
 - Congress, where a cooperative attitude exists on the issue and where no coherent blocs will insist on status quo;
 - the States, where there is a unified interest and organization in place supportive of reorganization and willing to cooperate (at least partially in the expectation of more Federal support); and
 - the public, to the extent that it perceives the benefits of a reinforced or better managed program.
3. This project could help integrate related initiatives (dam safety, earthquake hazard reduction, drought assistance, stockpile policy, an environmental disaster liability fund, civil defense policy) currently going on throughout the executive branch.

Constraints and Potential Liabilities:

1. Unqualified acceptance of new natural disaster preparedness responsibilities may lead to a future major budget threat. The States expect larger and less restrictive grants to follow reorganization.

2. While the three major affected agencies all want greater visibility and already operate relatively autonomously, any changes in current responsibilities would inevitably encounter intragovernmental resistance from "losing" departments.

Concerned Agencies and Groups:

Agencies: DCPA (DOD), FDAA (HUD), FPA (GSA), Agriculture, Office of Industrial Mobilization (Commerce), SBA, Nuclear Regulatory Commission, Corps of Engineers, 25 other departments and agencies, about 40 interagency coordinating committees.

Groups: National Association of State Directors for Disaster Preparedness, United States Civil Defense Council, National Governors Conference, Council of State Governments, Red Cross.

Related Issues:

- Civil Defense
- Community Economic Development
- Law Enforcement
- EOP Reorganization (disaster declarations, crisis management)
- Environmental Disaster Liability Fund
- Earthquake Hazard Reduction
- Planning Assistance and State Plan Requirements
- Drought Assistance Package