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revised
sent on sub
mitted
12-28

THE WHITE HOUSE
WASHINGTON

10/22

To be re-submitted
by Elliot / McI by
Fri 12/23.

TS

THE WHITE HOUSE
WASHINGTON

*Hold - Mary
the info room
per CEA*

Date: December 15, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat *attended*
Frank Moore (Les Francis)
Jack Watson
Charles Schultze *or*
Secretary Schlesinger *attended*

FOR INFORMATION:

The Vice President
~~ETB~~

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: McIntyre memo dated 12/15/77 re Follow-up on NEP
Budget Implications Meeting

ADMINISTRATIVELY CONFIDENTIAL

**YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:**

TIME:

DAY: IMMEDIATE TURNAROUND

DATE:

*12/20 - P should work
Call back today w/
when it would be
in a not
TS*

ACTION REQUESTED:

Your comments

Other:

STAFF RESPONSE:

I concur.

No comment.

Please note other comments below:

*Per Term - cert 76 (ent column)
in 791 marked - totals*

*ch by
CEA*

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

Date: December 15, 1977

MEMORANDUM

FOR ACTION:
Secretary Blumenthal

FOR INFORMATION:

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: McIntyre memo dated 12/15/77 re Follow-up on NEP
Budget Implications Meeting

ADMINISTRATIVELY CONFIDENTIAL

**YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:**

TIME:

DAY: IMMEDIATE TURNAROUND

DATE:

ACTION REQUESTED:

Your comments

Other:

STAFF RESPONSE:

I concur.

No comment.

Please note other comments below:

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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 SECRETARY OF THE TREASURY
WASHINGTON 20220

December 16, 1977

MEMORANDUM FOR THE PRESIDENT

Subject: Development of an Administrative Position
on the Tax Aspects of the Energy Bill

In his memorandum to you of December 15, 1977, Jim McIntyre suggests the possibility of developing a proposal on the tax aspects of the energy bill for your review by December 20. The Congressional staffs working with us have been taking soundings of the various tax conferees to try to flesh into shape proposals that might be acceptable to us and the conferees. It seems to me that we ought to hold off until after the first of the year in developing our position until we get some more definite indication from these sources of the sensitive spots and the possibilities of developing an acceptable compromise. I think we would be in a better position to develop a settlement at that time after we have received our feedback from Congressional sources. Since the conference will not reconvene until the latter part of January, it seems appropriate to wait until early January to pursue Jim's suggestions.


W. Michael Blumenthal

Date: December 15, 1977

MEMORANDUM

FOR ACTION:

Stu Eizenstat
Frank Moore (Les Francis)
Jack Watson
Charles Schultze
Secretary Schlesinger

FOR INFORMATION:

The Vice President

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: McIntyre memo dated 12/15/77 re Follow-up on NEP
Budget Implications Meeting

ADMINISTRATIVELY CONFIDENTIAL

YOUR RESPONSE MUST BE DELIVERED
TO THE STAFF SECRETARY BY:

TIME:

DAY: IMMEDIATE TURNAROUND

DATE:

ACTION REQUESTED:

Your comments

Other:

STAFF RESPONSE:

I concur.

No comment.

Please note other comments below:

I believe the Administration should take leadership in dealing with the tax credits in the energy legislation. We have communicated concern about the tax credit provisions in the Senate bill, and the conferees are aware of these concerns. We will be pleased to continue working with Mike Blumenthal, Stu Eizenstat, and Charlie Schultze in refining Administration positions on these issues for your review.

The table attached from OMB was developed by the staff coordinating committee and reflects the views of DOE, Treasury, CEA, as well, and OMB.

ADMINISTRATIVELY
CONFIDENTIAL

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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

December 16, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT
KITTY SCHIRMER

Stu

SUBJECT: COMMENTS ON McINTYRE MEMO DATED 12/15/77

We agree with Jim McIntyre's proposal that a group of us get together to develop a position on the tax credits in the energy bill, and their relationship to other provisions (and compromises) which we are willing to accept in the final Conference bill. We have discussed this in our regular evening meetings and we are already fairly close to consensus on what the best approach would be.

In the course of preparing this position paper, however, we suggest that Frank Moore and his staff participate. In addition to substance, political saleability will be an important factor in determining which of several options makes the most sense. Finally, we recommend leaving open a discussion on the exact means and timing of communicating our position to the Conferees. While we can play a constructive role in ensuring that the Conferees are fully aware of the budget impacts of any actions which they might take, determining how this should be communicated will depend on the shape of the proposals, and the activities of the Conferees over the next week.



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

DEC 15 1977

MEMORANDUM FOR: THE PRESIDENT

FROM: JAMES T. McINTYRE, JR. *James T. McIntyre, Jr.*

SUBJECT: Follow-up materials on NEP budget implications meeting

Attached are summary and detailed fiscal year by fiscal year estimates of the House and Senate energy bill tax credit provisions. These estimates were prepared in final form by OMB based on information provided by DOE and Treasury. You requested this information at the December 7, 1977, meeting on NEP legislation.

The Administration has not taken definitive positions on many of the compromises being discussed by the House/Senate conferees, although Administration officials have suggested that additional producer incentives, such as the world price for new domestic oil and a limited trust fund, may be acceptable elements of a compromise.

In return for these concessions, we should get (1) substantial reductions in Senate bill tax credits (close to those in the House bill) and (2) retain as much as possible of the House bill oil and gas use tax on industry and utilities. If you agree, we need to develop our position on specific tax credits and communicate this position to the conferees. Unless the Administration takes a leadership position on these issues, the conferees are likely to ignore the budgetary consequences of a final settlement and send you a bill with an intolerably high price tag. Although you have said that you would veto a bad bill, we should avoid that necessity if at all possible.

Jim Schlesinger, Mike Blumenthal, Stu, Charlie and I could develop a proposal for your review by December 20. Should we proceed?

Develop proposal

Wait

Att.

Summary Comparison of Tax Credits in the
Senate and House Energy Bills
(\$ in millions)

PROVISIONS	Cumulatives									
	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85	FY 78-81	FY 78-85
1. Residential Tax Credit										
Senate	-\$556	-\$870	-\$1,193	-\$1,490	-\$1,689	-\$1,415	-\$1,374	-\$1,471	-\$4,109	-\$10,058
House	-387	-520	-553	-589	-633	-687	-748	-710	-2,049	-4,827
Difference	-\$169	-\$350	-\$640	-\$901	-\$1,056	-\$728	-\$626	-\$761	-\$2,060	-\$5,231
2. Business Tax Credits and Oil & Gas Use Tax	(Note that certain business tax credits are directly related to the oil and gas use tax. Net tax revenues and tax credits are shown to provide complete information.)									
A. Tax Receipts (Net of Rebate)										
Senate	--	\$0	\$21	\$31	\$6	\$33	\$62	\$91	\$52	\$244
House	--	-32	582	326	395	887	1,184	1,292	-940	4,689
Difference	--	-\$32	-\$561	-\$295	-\$389	-\$854	-\$1,122	-\$1,201	-\$888	-\$4,454
B. Tax Credits										
Senate	-\$1,106	-\$1,249	-\$1,596	-\$2,007	-\$2,414	-\$2,779	-\$3,062	-\$3,238	-\$5,958	-\$17,451
House	-316	-304	-395	-559	-686	-392	93	88	-1,574	-2,471
Difference	-\$790	-\$945	-\$1,201	-\$1,448	-\$1,728	-\$2,387	-\$3,155	-\$3,326	-\$4,384	-\$14,980
C. Total Business Provisions (Net of Receipts)										
Senate	-\$1,106	-\$1,249	-\$1,575	-\$1,976	-\$2,408	-\$2,746	-\$3,000	-\$3,147	-\$5,906	-\$17,207
House	-316	-272	187	-233	-291	495	1,277	1,380	-634	2,227
Difference	-\$790	-\$977	-\$1,762	-\$1,743	-\$2,117	-\$3,241	-\$4,277	-\$4,527	-\$5,272	-\$19,434
3. Incentives for Fuel Production										
Senate	-\$33	-\$97	-\$178	-\$263	-\$369	-\$479	-\$587	-\$715	-\$576	-\$2,726
House	-9	-46	-53	-68	-23	-81	-102	-133	-181	-570
Difference	-\$24	-\$51	-\$120	-\$200	-\$296	-\$398	-\$485	-\$582	-\$395	-\$2,156
4. Tax Credits for Individuals	(Note that House bill relies on rebates of wellhead tax revenues.)									
Senate	-\$258	-\$2,668	-\$2,675	-\$2,656	-\$2,639	-\$2,369	-\$1,009	-\$1,016	-\$8,257	-\$15,290
House	--	--	--	--	--	--	--	--	--	--
Difference	-\$258	-\$2,668	-\$2,675	-\$2,656	-\$2,639	-\$2,369	-\$1,009	-\$1,016	-\$8,257	-\$15,290

Detailed Tax Credit Provisions Comparison
Senate and House Bills

(\$ in millions)

PROVISIONS		FY 78	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85	Cumulatives	
										FY 78-81	FY 78-85
RESIDENTIAL TAX CREDITS	Senate	-\$556	-\$870	-\$1,193	-\$1,490	-\$1,689	-\$1,415	-\$1,374	-\$1,471	-\$4,109	-\$10,058
for conservation, solar, geo- thermal equipment use in residential dwellings	House	<u>-387</u>	<u>-520</u>	<u>-553</u>	<u>-589</u>	<u>-633</u>	<u>-687</u>	<u>-748</u>	<u>-710</u>	<u>-2,049</u>	<u>-4,827</u>
	Difference	<u>-\$169</u>	<u>-\$350</u>	<u>-\$640</u>	<u>-\$901</u>	<u>-\$1,056</u>	<u>-\$728</u>	<u>-\$626</u>	<u>-\$761</u>	<u>-\$2,060</u>	<u>-\$5,231</u>
<u>Significant items in Senate bill causing in-</u> <u>creased tax expenditures</u>											
1) Complete furnace/boiler retrofit		-51	-100	-210	-220	-221	-233	-245	-258	-581	-1,538
2) Wood/peat-burning residential equipment		-51	-147	-316	-553	-686	-324	-185	-194	-1,067	-2,456
3) Clock or other automatic thermostats		-2	-4	-6	-7	-9	-11	-13	-15	-19	-67
4) Heat pump		-3	-8	-13	-17	-20	-26	-31	-37	-41	-155
5) Evaporative cooling device		-32	-49	-49	-56	-63	-70	-78	-88	-186	-485
6) Refundability		-19	-25	-26	-27	-29	-30	-32	-34	-97	-222
7) Other (fluorescent lighting systems, energy usage meters, Guam, Virgin Islands, one-year extension)		-11	-17	-20	-21	-28	-34	-42	-135	-69	-308

(\$ in millions)

PROVISIONS									Cumulatives	
	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85	FY 78-81	FY 78-85
2. Business Tax Credits										
A. Alternative Energy Property (AEP)										
The Alternative Energy Property (AEP) tax credit is directly related to the Oil and Gas Use Tax on Industry and Utilities. The tax, rebates of the tax and tax credits must be considered together in assessing fiscal impacts. Described another way, a given business that pays the tax may elect to have a 100% rebate and/or a tax credit (depending on House or Senate bill) by investing in equipment that does not use oil or gas, but that replaces equipment that uses oil or gas.										
<u>SENATE</u>										
Gross Tax			21	39	161	302	466	633	60	1,622
Less Rebates for AEP				-8	-155	-269	-404	-542	-8	-1,378
Less Credits Provided for AEP	-413	-559	-830	-1,157	-1,456	-1,687	-1,834	-1,887	-2,959	-9,823
Net Budget Effect	<u>-\$413</u>	<u>-\$559</u>	<u>-\$809</u>	<u>-\$1,126</u>	<u>-\$1,450</u>	<u>-\$1,654</u>	<u>-\$1,772</u>	<u>-\$1,796</u>	<u>-\$2,907</u>	<u>-\$9,579</u>
<u>HOUSE</u>										
Gross Tax		-\$25	\$1,696	\$2,774	\$3,585	\$4,582	\$7,464	\$8,384	\$4,445	\$28,460
Less Rebates for AEP			-1,298	-2,686	-3,421	-3,990	-6,651	-7,506	-3,984	-25,552
Less Credits Provided for AEP	-23	-21	-32	-50	-58	-34			-126	-218
Plus Credits Denied for AEP 1/	93	168	305	352	334	394	464	502	918	2,612
Net Budget Effect	<u>\$70</u>	<u>\$122</u>	<u>\$671</u>	<u>\$390</u>	<u>\$440</u>	<u>\$952</u>	<u>\$1,277</u>	<u>\$1,380</u>	<u>\$1,253</u>	<u>\$5,302 2/</u>
<u>DIFFERENCE</u>	<u>-\$483</u>	<u>-\$681</u>	<u>-\$1,480</u>	<u>-\$1,516</u>	<u>-\$1,890</u>	<u>-\$2,606</u>	<u>-\$3,049</u>	<u>-\$3,176</u>	<u>-\$4,160</u>	<u>-\$14,881</u>
<u>Significant items in Senate bill causing increased tax expenditures</u>										
1) Lower Net Tax After Rebates		25	-377	-57	-158	-559	-751	-787	-409	-2,664
Senate bill includes many exemptions										
2) Higher Tax Credits	-390	-538	-798	-1,107	-1,398	-1,653	-1,834	-1,887	-2,833	-9,605
◦ 15% ITC instead of 10% as in House										
◦ Extends to 1/1/86 instead of 1/1/83										
◦ Makes credit refundable										
◦ Expands eligible equipment										
3) Existing Tax Credits 10% ITC not denied	-93	-168	-305	-352	-334	-394	-464	-502	-918	-2,612
◦ See Footnote 1/										
TOTAL DIFFERENCE	<u>-\$483</u>	<u>-\$681</u>	<u>-\$1,480</u>	<u>-\$1,516</u>	<u>-\$1,890</u>	<u>-\$2,606</u>	<u>-\$3,049</u>	<u>-\$3,176</u>	<u>-\$4,160</u>	<u>-\$14,881</u>

1/ House bill denies existing 10% ITC and accelerated depreciation for oil and gas fired equipment and air conditioning. The House bill would also deny existing 10% ITC for alternative energy property if the firm elects to take a rebate of the oil and gas use tax.

2/ Note that under the Administration proposal, the net effect was +\$34.4 billion. The primary reason was a much more comprehensive tax.

(\$ in millions)

PROVISIONS	Cumulatives									
	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85	FY 78-81	FY 78-85
B. Specially Defined Property										
The Senate bill expands the list of eligible equipment, and extends the time frame from 1/1/83 to 1/1/86.										
Senate	-\$486	-\$464	-\$498	-\$536	-\$581	-\$626	-679	-734	-\$1,984	-\$4,604
House	<u>-224</u>	<u>-218</u>	<u>-250</u>	<u>-306</u>	<u>-350</u>	<u>-225</u>			<u>-998</u>	<u>-1,573</u>
Difference	<u>-\$262</u>	<u>-\$246</u>	<u>-\$248</u>	<u>-\$230</u>	<u>-\$231</u>	<u>-\$401</u>	<u>-\$679</u>	<u>-\$734</u>	<u>-\$986</u>	<u>-\$3,031</u>
<u>Significant items in Senate bill over House bill causing higher tax expenditures.</u>										
1) Heat exchanger, heat wheel, waste heat boiler	-78	-77	-62	-22	+3	-140	-386	-407	-239	-1,169
2) Electric motors	-11	-11	-13	-14	-15	-17	-17	-19	-49	-117
3) Fuel cells, turbines, other fuel efficient equipment										
4) Fluorescent replacement lighting systems	-4	-4	-6	-8	-11	-14	-17	-21	-22	-85
5) Silicone-controlled rectifier units	-128	-115	-122	-134	-148	-162	-180	-196	-499	-1,185
6) Heat pumps	-40	-39	-45	-52	-60	-68	-79	-91	-176	-474

(\$ in millions)

PROVISIONS										Cumulatives	
	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85	FY 78-81	FY 78-85	
C. <u>Additional Business Property</u> (A 10% investment tax credit for certain property defined as energy property not presently eligible for the existing 10% ITC. The Senate bill expands the list of eligible equipment by adding shale oil, transportation, geopressurized methane, electric arc furnaces and electric motor vehicles. The Senate also extends eligibility to 1/1/86; House bill expires 1/1/83.											
Senate	-\$207	-\$226	-\$268	-\$314	-\$377	-\$466	-\$549	-\$617	-\$889	-\$3,024	
House	<u>-162</u>	<u>-176</u>	<u>-234</u>	<u>-317</u>	<u>-381</u>	<u>-232</u>	<u>--</u>	<u>--</u>	<u>-1,015</u>	<u>-1,502</u>	
Difference	<u>-\$45</u>	<u>-\$50</u>	<u>-\$34</u>	<u>+\$3</u>	<u>+\$4</u>	<u>-\$234</u>	<u>-\$549</u>	<u>-\$617</u>	<u>-\$126</u>	<u>-\$1,522</u>	
<u>Significant items in Senate bill causing increased tax expenditures *</u>											
1) Cogeneration property <u>1/</u>	--	--	+6	+16	3	-133	-286	-325	+22	-719	
2) Recycling equipment <u>1/</u>	-3	-3	-3	-4	-4	-25	-50	-54	-13	-146	
3) Insulation, etc. <u>1/</u>	-11	-13	-9	+1	+8	-42	-132	-141	-32	-339	
4) Shale oil equipment	-3	-10	-17	-24	-30	-37	-44	-57	-54	-222	
5) Transportation equipment	-25	-20	-10						-54	-55	
6) Geopressurized methane equipment	-4	-9	-9	-9	-10	-11	-11	-12	-31	-75	
7) Electric arc furnaces	-12	-14	-18	-19	-21	-23	-26	-28	-63	-161	

1/ Senate bill increases for these items are caused mainly by extension of credit to 1/1/86.

*Note that several minor items have been left out; thus items will not sum to difference between Senate and House bills.

(\$ in millions)

Cumulatives

PROVISIONS	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85	FY 78-81	FY 78-85
D. Incentives for Fuel Production										
Senate	-\$9	-\$46	-\$58	-\$68	-\$73	-\$81	-\$102	-\$133	-\$181	-\$570
House	<u>-33</u>	<u>-97</u>	<u>-178</u>	<u>-268</u>	<u>-369</u>	<u>-479</u>	<u>-587</u>	<u>-715</u>	<u>-576</u>	<u>-2,726</u>
Difference	<u><u>-\$22</u></u>	<u><u>-\$51</u></u>	<u><u>-\$120</u></u>	<u><u>-\$200</u></u>	<u><u>-\$296</u></u>	<u><u>-\$398</u></u>	<u><u>-\$485</u></u>	<u><u>-\$582</u></u>	<u><u>-\$395</u></u>	<u><u>-\$2,156</u></u>
<u>Significant items in the Senate bill causing increased tax expenditures (not in House bill) *</u>										
1) Production Credits for:										
° Oil Shale (\$3/bbl)	-4	-19	-39	-60	-82	-104	-126	-150	-\$122	-584
° Geopressurized methane (50¢/mcf)			-7	-14	-22	-31	-40	-52	-21	-166
° Gas from tight rock formations (50¢/mcf)			-29	-58	-90	-124	-154	-194	-87	-649
2) Other credits for geopressurized methane. Includes 10% depletion and expensing of intangible drilling costs.	-9	-16	-18	-21	-25	-28	-31	-37	-64	-185
3) Industrial Development Bonds for New Sources										
° Coal gasification/liquefaction				-2	-7	-17	-27	-39	-2	-92
° Bioconversion	-1	-3	-7	-12	-18	-25	-34	-45	-23	-145
° Local furnishing of electricity	-2	-10	-20	-33	-44	-55	-63	-68	-65	-295

* Note that several minor items have been left out; thus items will not sum to difference between Senate and House bills.

PROVISIONS	(\$ in millions)								Cumulatives	
	FY 78	FY 79	FY 80	FY 81	FY 82	FY 83	FY 84	FY 85	FY 78-81	FY 78-85
4. Tax Credits for Individuals										
Senate	-\$258	-\$2,668	-\$2,675	-\$2,656	-\$2,639	-\$2,369	-\$1,009	-\$1,016	-\$8,257	-\$15,290
House	(No comparable tax credits; House bill relies on: 1) a less costly home heating rebate of the wellhead tax (\$5,607 billion for FY 78-85), and 2) a rebate of the 1978 wellhead tax revenues. Implicitly a rebate beyond 1978 is assumed by House members but the specifics of how it will be rebated will not be decided until next year)									
Difference	<u>-\$258</u>	<u>-\$2,668</u>	<u>-\$2,675</u>	<u>-\$2,656</u>	<u>-\$2,639</u>	<u>-\$2,369</u>	<u>-\$1,009</u>	<u>-\$1,016</u>	<u>-\$8,257</u>	<u>-\$15,290</u>
<u>Significant items in Senate bill causing increased tax expenditures</u>										
1) 25% credit for home heating oil and propane	-252	-1,679	-1,683	-1,660	-1,640	-1,365	--	--	-5,274	-8,279
2) Tax credit for increased home-heating due to import price increases	-6	-37	-40	-44	-46	-50	-52	-57	-127	-332
3) \$75 tax credit for any taxpayer who maintains a household which includes some one aged 65 or over, phased out between adjusted gross incomes of \$7,500 and \$12,000		-952	-952	-952	-953	-954	-957	-959	-2,856	-6,679

MEMORANDUM

NATIONAL SECURITY COUNCIL

December 20, 1977

MEMORANDUM FOR: RICK HUTCHESON

FROM: CHRISTINE DODSON *Christine*

SUBJECT: NSC Comments on Exim Bank Memo re Applicability of National Environmental Policy Act of 1969 to Activities in Foreign Nations

From the NSC perspective, Exim lending is both an economic instrument and a foreign policy instrument. We would oppose any additional restriction on the President's ability to conduct foreign policy.

The memo prepared by Moore, however, will not give the President a balanced view on this issue. Two related points not included in the memorandum are:

- There has been a rapid increase in awareness and concern for environment by all countries including LDCs.
- AID has already begun to do environmental impact studies relating to AID projects and programs.

Also, it should be noted that in the case of Eximbank loans, the decision-making institution in the recipient country has more impact on the transaction than do donor country priorities.

THE WHITE HOUSE
WASHINGTON

December 28, 1977

Stu Eizenstat

The attached is forwarded to
you for your information.

Rick Hutcheson

BASIC ACHIEVEMENT TESTING

THE WHITE HOUSE
WASHINGTON

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

(not to be submitted)

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

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

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



THE SECRETARY OF HEALTH, EDUCATION, AND WELFARE
WASHINGTON, D. C. 20201

December 28, 1977

FOR THE PRESIDENT

FROM JOE CALIFANO

A handwritten signature in black ink, appearing to be "JC" or "Califano", written over the name "JOE CALIFANO".

SUBJECT: Basic Achievement Testing

As you head for Europe, and in the unlikely event the subject comes up tonight, enclosed is my announcement today of the first conference HEW has ever held on basic competency testing.

Have a successful trip.

Attachment

HEW



NEWS

U.S. DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

HEW Secretary, Joseph A. Califano, Jr., announced today that the Department is planning a National Conference on Achievement Testing and Basic Skills to be held on March 1-3 in Washington, D. C. The Conference, the first of its kind sponsored by HEW, will be organized by the National Institute of Education, will draw together educators and educational administrators, experts on testing, government officials at the local, State and Federal levels, parents and teachers and representatives of the broader community.

Secretary Califano said:

"The purpose of the National Conference on Achievement Testing and Basic Skills will be to discuss how States and localities can employ testing more effectively to raise the level of student achievement, and to discuss HEW's role in:

- Maintaining a bank of achievement tests and test questions, informing States and school districts about available tests, and helping all districts obtain the tests they need.

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- Developing additional or improved tests to help States and localities measure how well students have learned the curriculum taught in each jurisdiction.
- Organizing local or regional training workshops to aid educators in using tests effectively and appropriately, and in following up to provide remedial assistance to students who need it.
- Providing technical assistance to States and localities in establishing testing programs, with emphasis on early and periodic testing.
- Publicizing successful testing programs and aiding States and localities in emulating these successes.
- Assist States and localities in identifying and obtaining Federal funds that can be used for developing improved testing programs.

"President Carter has expressed to me his deep personal interest in improving the quality of elementary and secondary education through increased use of testing," the Secretary said. "There is no more important goal for this Administration than making certain we are doing everything we can to assist schools in teaching children how to read, write, and do basic arithmetic. To promote that objective, I am sending

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letters of invitation to the Chief State School Officers, professional organizations of school teachers and administrators, State and local government officials, members of Congress, civil rights groups, parental groups, and other interested parties, urging them to participate in the proceedings.

"The Conference on Achievement Testing and Basic Skills will be based on the premise that testing, like many other educational matters, is primarily a State and local concern. As I indicated in a speech on October 24 before the College Entrance Examination Board, HEW will not mandate testing, nor will it develop a single national test or set of national standards. Instead, I hope that this Conference will lay the groundwork for a new partnership between the Department and State and local educators, in which HEW will commit additional resources to provide information, assistance, and support to States and localities in designing testing programs that meet their particular needs.

"The intense concern all across this Nation about the quality of elementary and secondary education makes this Conference timely," Califano added. "There is particularly keen public concern about achievement in basic skills areas."

The 1975 National Assessment of Educational Progress showed that more than 12 of every high school students were

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functionally illiterate, that only 10 percent of 17-year old students could calculate a simple taxi fare, that only 34 percent could determine the most economical size of a product, and that barely half knew that each State has two Senators and that the President does not appoint members of Congress.

"Completion of high school no longer seems to guarantee that a student possesses even the most fundamental skills: This is a national disgrace," Califano said.

Secretary Califano continued:

"More than half of the fifty States have responded to the critical need to improve our educational system by instituting achievement testing programs in their schools. Achievement testing is not the only way, but it is an important way to obtain information about the course that education is taking, to discover where its problems lie, and to point us on the right course for the future.

"Testing can help to diagnose an individual student's learning problems, especially when used together with other indicators like classroom performance. The purpose of this assessment is not to attach a stigmatizing label, but to identify students to whom teachers -- and parents -- should give special attention. Early diagnostic testing, followed

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by carefully crafted remedial programs, is a key method of raising a student's achievement to acceptable levels.

"Testing can also provide an important perspective for administrators, teachers, parents, taxpayers, and government officials who are vitally concerned about how well schools are performing their mission. The results of achievement tests help to pinpoint where schools are succeeding and where they are not -- and focus the attention of all concerned on what to do about the problem areas.

"Tests can upgrade educational quality if -- and only if -- they are properly interpreted to identify educational problems and pinpoint the areas where efforts to find solutions should be concentrated.

"Our youth is our most precious resource. I hope that the Conference on Achievement Testing, and the assistance to States and localities that HEW can provide, will play an important part in providing the high quality of education that all Americans desire and that our children deserve.

"We ask many things of our schools, but none is more important than teaching students how to read, write, and compute. Without these skills, a teenager is likely to find himself in the unemployment lines, unable to find a job; an individual is not equipped to function in the adult world -- as a consumer, a parent, a voter, and a member of an inter-dependent society; and a student is barred from more advanced

study and from fully developing his ability to reason critically and to share in the culture and traditions that enrich our lives."

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