

4/24/78 [2]

Folder Citation: Collection: Office of Staff Secretary; Series: Presidential Files; Folder: 4/24/78
[2]; Container 72

To See Complete Finding Aid:

http://www.jimmycarterlibrary.gov/library/findingaids/Staff_Secretary.pdf

THE WHITE HOUSE
WASHINGTON

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

ACTION	FYI	
/		MONDALE
		COSTANZA
/		EIZENSTAT
/		JORDAN
		LIPSHUTZ
/		MOORE
		POWELL
/		WATSON
		McINTYRE
		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
	GAMMILL

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

THE WHITE HOUSE
WASHINGTON

24 April 1978

Frank Moore

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

Rick Hutcheson

cc: The Vice President
Hamilton Jordan
Stu Eizenstat
Jack Watson

RE: WEEKLY LEGISLATIVE REPORT

ADMINISTRATIVELY CONFIDENTIAL

Administrative Copy Made
for Preservation Purposes

*Frank
J*

THE WHITE HOUSE
WASHINGTON
April 22, 1978

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: THE PRESIDENT
FROM: FRANK MOORE
SUBJECT: Weekly Legislative Report

DOMESTIC POLICY ISSUES

1. ENERGY

Natural Gas: Next week, possibly Tuesday, the agreement will be presented to the full conference.

--The House conferees hope to hold their 13 votes and Secretary Schlesinger called Joe Waggoner on Saturday to urge his support. We will still have a long way to go when the gas bill reaches the House floor--it could face a potent coalition of liberals and conservatives.

--On the Senate side, Secretary Schlesinger spoke with Senators Long and Johnston on Saturday. Both are doubtful on the compromise, with the chief problem being Senator Long. He is advising Senator Johnston that it is good election year politics to vote against the compromise. The Secretary will continue to work directly with the Louisiana Senators. He may ask you to get involved today or tomorrow.

I've talked to both

--In the meantime, White House and Energy Department CL will start meeting with Senators today urging them to support the gas compromise. The first Senators on our list are those that voted against cloture (with Abourezk and Metzenbaum) last time. Next in priority are the rest of the liberals who might be inclined to support a filibuster now, even though they did not last year.

--We will urge Senator McClure ^{he's ok} to work the conservatives who might want to join Bartlett and Hanson in opposing the bill or supporting delaying tactics. The Secretary has contacted industry people to work the same Senators.

--Another sensitive group is the northeasterners who want the home heating tax credit. Priority contacts are Dunkin, Hathaway, Pell, Brooke, and Stafford.

--We must assume Abourezk and probably Metzenbaum will mount a filibuster against the gas conference report. All our efforts are directed towards isolating those two Senators and getting sufficient votes for swift invocation of cloture. The Secretary also coordinated with Senator Byrd on Saturday.

Energy Taxes: Last week the Senate Finance Committee considered the Dole resolution which expresses the sense of Congress that the President should not impose oil import fees. After brief arguments in support of the resolution by Senators Dole and Hansen, and opposing statements by Senator Bentsen and the Administration spokesman, Treasury Assistant Secretary Bergsten, Chairman Long decided that a quorum was not present and suspended the mark-up until April 27. As you know, the energy tax bill, still stalled in conference, contains a provision sponsored by Dole which limits your authority with respect to oil imports to only war or actual hostilities. The Finance Committee adopted the Dole amendment by a 10-6 vote.

--Ways and Means action on the tax reform/cut bill is tentatively scheduled to continue until about May 20 and conference action on the energy tax bill may collide with this schedule.

2. TAX REFORM

--We are working on setting up your Monday meeting with Reps. Conable, Steiger, and Frenzel and you will have details in the briefing paper. Treasury summaries of Ways and Means action last week are attached at the end of this report.

3. REORGANIZATION

Civil Service Reform & Reorganization: The reaction to your phone calls and meeting last week was positive. Members of the Post Office and Civil Service Committee now realize the importance you attach to the issue this year. In the House this coming week we will focus a great deal of attention on implementing your decision on labor relations (AFGE will be testifying before Senate Governmental Affairs later in the week). Mrs. Spellman will begin her series of meetings with employees in the agencies; the first session is set for Friday at HEW.

--A detailed status report on civil service reform has been provided separately to you.

--Your decision to incorporate the executive order on labor into our legislative recommendation was obviously necessary, given the situation in the House Committee. There will probably be a move in the Senate to weaken Title VII. This will focus attention on the labor provision at the expense of the rest of the package. We must work closely with Jody to prevent your excellent initiative from being characterized as a sell-out to big labor.

Education: The Senate Governmental Affairs Committee has scheduled a hearing on April 27 to receive testimony from Head Start groups and possibly from Indian representatives. Senator Ribicoff is pleased with your decision, and he said the Committee will attempt to markup the bill in May and have it scheduled for floor action in June.

--In a letter to Senator Ribicoff, all 18 Members of the Senate Agriculture Committee announced their opposition to the transfer of the school lunch and other nutrition programs to the new Department.

--We will be making checks with House members next week and will let you know the results.

Civil Rights: The House has scheduled a floor vote next Thursday on the EEOC reorganization plan and approval looks very good. The 60-day clock stops May 5.

4. FIRST BUDGET RESOLUTION

--The Senate has scheduled action on the resolution on Monday. We have OMB positions on a number of anticipated floor amendments, and we plan to work closely with OMB staff during floor action.

--OMB recommends that the departments and agencies should not lobby to increase budget functions to protect specific programs, since this would increase the budget totals, particularly in the out-years, and could also strain relations with the Budget Committee. Senator Muskie believes that the Executive Branch should not interfere in the establishment of Congressional spending ceilings, and while OMB disagrees with this position, we should keep in mind these congressional sensitivities.

5. APPROPRIATIONS SUBCOMMITTEE MARKUPS

--Next week, House Appropriations Subcommittee markups begin. Scheduled are the Treasury/Postal Service bill on Tuesday and the State/Justice/Commerce bill on Wednesday. The Transportation bill will be in markup one week from Monday. The Committee staff has been willing to share with OMB staff a preview of what might happen, but OMB cautions that the information should be treated confidentially, or their sources will dry up.

State/Justice: Funding for the Renegotiation Board will be a controversial issue with some Members wishing to limit or eliminate its funding. Another controversial area will be the Administration's budget recommendations for cuts in the FBI domestic security and bank robbery programs. Some of these funds are likely to be restored.

--In terms of EDA, the subcommittee is not likely to fund any items requiring new authorizations, yet there will be some pressure to increase programs under existing authorizations. SBA is another area with potential add-ons with a possibility of a \$100-200 million increase for the Section 7(a) direct loan program. Neal Smith is expected to advocate some increases here.

--For LEAA, the subcommittee is experiencing pressure to restore funding for the Part B planning program. The subcommittee may reallocate LEAA funds to accomplish this purpose.

Transportation: There are some potential increases for the Coast Guard, but only about a fifth of the expected \$120 million add-on in the authorization bill is expected to be funded.

--The FAA section of the bill is expected to be below the budget with some increases for airport safety equipment to offsetting cuts in the flight service station program. The Administration had recommended full funding for the latter program, but the subcommittee is inclined to fund it in stages over the next few years. The airport grant program is expected to be funded at the level of obligations assumed in the budget. In addition, the subcommittee may attempt to reduce the second career program for air traffic controllers.

--On highways, the Committee may increase the limitation for the federal aid program by \$300 million and may make some minor increases to the general funded programs.

--The Committee may add several hundred million dollars for Conrail, so that it can continue operations through at least January. Pressures also are evident to increase funding for the Northeast Corridor program, for AMTRAK, and for the branch line subsidy program, but the subcommittee will try to hold the line if possible.

--The subcommittee may make an increase in mass transit of close to half a billion dollars above the \$2.9 billion level recommended in our authorizing bill for all transit programs. However, because of funding technicalities, the increase will not show explicitly in the BA section of the bill. The Committee will not fund the \$200 million "multimodal" urban initiative at this time.

6. WATERWAY USER CHARGES--LOCKS AND DAM 26

--Senator Long has filed a new amendment to the Waterways Bill scheduled to be on the Senate floor this week. The amendment would provide an 8 cent fuel tax with imposition of the tax delayed until completion of construction on Locks and Dam 26. The amendment is obviously designed to enlist the Administration in the numerous court battles likely to precede construction of the project. Moreover, in the view of DOT and OMB, the level of recovery is insufficient, as well.

--We will be hard-pressed to win another victory in the Senate on this issue. Therefore, we must proceed in the next day or so to make more explicit the conditions under which you will veto Locks and Dam legislation.

--You can expect a memorandum on this by Tuesday or Wednesday.

I'm ready to veto

7. AGRICULTURAL ISSUES

Price Support Legislation: A second confrontation with farm belt members of Congress over farm price support legislation may be avoided by a strategy to amend the 1977 Act in a manner suggested by USDA, OMB, CEA, the Domestic Policy Staff, and the Vice President's staff.

--Senator Dole once again has positioned himself to be the saviour of the American farmer by securing agreement on Wednesday by the Senate Agriculture Committee to report his bill, with an amendment which makes it consistent with the Administration's agreement to accept an increase in the target price for 1978 crop wheat to \$3.40 per bushel. At the same time, the Committee ordered reported Senator Clark's bill (which is not acceptable to the Administration) to increase target prices for wheat, feed grains, and cotton and loan rates on wheat and feed grains.

--However, the Congress is unlikely to accept a bill such as Dole's, which treats a single commodity, without adding on something for feed grains and cotton (additions which, we have promised, would bring a veto). To give the Congress an opportunity to vote on the bill which would permit the Congress to adhere to its traditional pattern of treating all three basic commodities equally, and to permit the Administration and congressional Democrats to share the credit instead of Dole, the tentative Administration plan is to support language that Chairman Foley has asked USDA to draft.

--That language, in short, would give the Secretary the ability to increase the target price for a crop when a set-aside is in effect as a way of compensating producers for participation in the set-aside.

--Such legislation would treat all commodities in the same manner, and would be accompanied by the Secretary's commitment to use it in the 1978 crop year to achieve \$3.40 for wheat only. (Paid diversion announced March 29 accomplished essentially the same goal for cotton and feed grains.)

Meat Import Quotas: Last week the Finance Committee reported out Senator Bentsen's meat import bill. Among other provisions, the bill ties meat imports to U.S. per capita commercial cow beef production so that the level of meat imports declines when U.S. cow production increases--and the level of meat imports rises when U.S. cow beef production declines.

I need analysis

--While Treasury's International Affairs Office urged that the Administration oppose the Bentsen bill, Treasury reports that a USDA spokesman at the mark-up stated that the "Department of Agriculture supports the bill in principle. . ." USDA reports that both State and USDA spokesmen testified that the Administration has no position on the measure.

Farm Credit Amendments: The House will take up the bill on Monday. The Administration supports the bill, with several amendments.

--One Administration amendment would increase the interest rate for emergency disaster loans from the present 3 percent (increasing to 5 percent under existing law on October 1) to the cost of money to the government, with a strict requirement that the borrower be unable to obtain credit elsewhere. (Loans for losses of homes and personal property would continue to bear 5 percent interest with no credit test.) USDA hopes to have Butler Derrick offer the amendment. USDA advises that there are political risks associated with this amendment; it may give Republicans (such as Henson Moore, Keith Sebelius, and William Wampler) an opportunity to claim again that the Administration is callous toward the plight of American farmers because we are suggesting an increase in the interest rate changed to farm disaster victims from the present 3 percent to 7 percent or more.

--USDA is also seeking inter-agency agreement on language for an amendment which would eliminate the requirement that the Secretary or the President designate each county for eligibility for disaster loans--substituting consistent criteria for eligibility which would not require the tremendous amount of paperwork and contact between county, State and Federal governments merely to get the program in place.

--There are at least 20 other amendments, many of them technical amendments sought by the Administration, and a few which the Administration will oppose.

8. CETA

--The House Employment Subcommittee (Hawkins) will continue markup on the Administration's CETA bill next week. DOL advises that there is a growing push by some members of the Subcommittee to liberalize the provisions of the Administration's bill (such as granting waivers for the number of months an individual can remain in a PSE job, deleting the average salary provision, and increasing income eligi-

bility standards.

--Generally, the House Committee is more liberal than the Administration in their approach, but if they go too far, they are likely to be beaten back on the House floor. DOL is uncomfortable with relying on Republicans and conservative Democrats to hold the Committee in line, but may be forced to take that position when the bill reaches the floor.

--DOL advises that staffers of the Senate Employment Subcommittee (Nelson) have indicated that the Administration proposals are likely to fare better during the Senate Subcommittee markup, also scheduled for next week.

9. LABOR LAW REFORM

--The AFL-CIO maintains that 63 Senators have made commitments to vote for cloture by at least the third vote. Labor also claims that Senator Cranston has an identical count. White House CL has not confirmed the Cranston count with him as yet and we question labor's assertions. Senator Byrd is somewhat skeptical and is reluctant to schedule floor debate until he is certain that a filibuster can be broken. In any event, we believe that the Administration should remain committed to go all out on this bill which was the most heavily lobbied, most written about item in the Senate even at the height of the Panama debate (labor law reform letters outnumbered Panama letters by 2 to 1 in many Senatorial offices).

10. GOVERNMENT-WIDE ETHICS BILL

--The Ethics bill is tentatively rescheduled for House floor action on Tuesday and Wednesday. Members are mainly concerned about the Legislative Branch Disclosure Act which will be added as the first Title of the government-wide bill. Controversy centers on an amendment to repeal the House Rule limiting outside earned income--the Rules Committee voted to allow this nongermane amendment over the Speaker's objections. A vocal minority of Members are working hard against the outside income limit, and some other Members object to the criminal sanction provisions in the legislative disclosure bill.

--Dozens of other amendments are anticipated under the complicated rule allowing the Post Office Committee and the Armed Services Committee bills to be offered as substitute titles to the Judiciary Committee bill.

FOREIGN POLICY AND DEFENSE ISSUES

1. SALT

--Senator Baker, along with Senators Pearson, Mathias and Garn, are visiting Geneva next Monday where they will be briefed by Paul Warnke on the latest status of the negotiations. State is concerned that Senator Baker, who has already expressed strong reservations about a SALT Treaty, will take this opportunity to begin building a case against these negotiations. Such an attack could be somewhat modified by supportive Senators Mathias and Pearson. One of Pearson's main purposes in going to Geneva is to prepare for a major address he plans to deliver on SALT at the Eisenhower Lecture in his home state on May 1.

--DOD reports that Deputy Secretary Duncan met with Senator Jackson last Wednesday

to discuss the details of ongoing SALT discussions. Jackson indicated in a forceful message, that as the treaty now stands, it could not win Senate approval. In his view, he believes the treaty as it is emerging would be disapproved by more than 50 Members.

2. MIDDLE EAST ARMS

--While schedules are not yet definite, the House committee will probably hold hearings the first week of May. The HIRC will call Secretaries Vance and Brown, ACDA Director Warnke and CIA Director Turner. The GAO, which has concluded that it can find "no compelling argument, at this point in time, to question the decision of the Administration to sell Saudi Arabia 60 F-15's" will also testify. The SFRC has scheduled hearings for May 15 and 16, but may be pressured into an earlier consideration of the package. Administration officials will appear before the committee on April 26, ostensibly to discuss the arms restraint policy, and they will undoubtedly be asked about the package.

--State has been informing the Hill that compromises involving changes in the numbers and configuration of the aircraft would be unacceptable, and progress has been made in explaining the extreme sensitivity of compromise proposals to the governments involved.

3. SECURITY ASSISTANCE MARKUP

--The HIRC is scheduled to begin markup of the security assistance bill on Wednesday. Having already transferred all but \$29.4 million of the Administration's \$1.854 Billion request for security supporting assistance to the economic development bill, the remaining contentious issues will be the repeal of the Turkish embargo and the Korean equipment package.

Greece/Turkey Package: The HIRC, in marking up the Security Assistance bill for FY 1979, may vote on our Greece-Turkey-Cyprus package as early as April 27. Before that date, those who are leading the fight for the Administration program in the Committee--Zablocki, Hamilton, Solarz and Findley--intend to circulate a "Dear Colleague" letter and speak personally to each member of the Committee.

--Zablocki and Hamilton feel they do not yet have an absolute majority on the Committee and are eager to pin down another 4-6 votes of doubtful members over the next week. We will be working to support their efforts.

--The Senate Foreign Relations Committee will hold hearings on our Eastern Mediterranean package on May 2, and then mark up this section of the Security Assistance Bill by May 5. We have stepped up our own briefings on the Senate side; one large briefing session for staffers was held in the Roosevelt Room on April 20; a second such session is scheduled for April 27.

Korean Arms Transfer: The Asia Subcommittee of the HIRC declined on Thursday to take up, prior to full committee consideration, the \$800 million arms transfer authorization for Korea. Chairman Lester Wolff recommended that, if the Administration desired to obtain the proposed authorization, a formal and direct approach should be made to Chairman Zablocki of the HIRC.

--This was done on Friday prior to the announcement. Informal soundings among members of the Committee prior to Friday's announcement indicated that the

Administration may have the necessary votes in Committee for passage of the \$800 million package. It is less certain what will happen when the bill is considered by the full House and the Senate. Zablocki told State CL staff that he expected opposition from several quarters, but he believes that "the House will do what is in U.S. security interests."

4. PANAMA

--Panama action will now move to the House, where those who have an interest in the Treaties are anxious to begin consideration of the implementing legislation. State believes that a delay in submitting the legislation could have a negative impact. Hearings are set to begin next month, although State does not expect a vote before early in 1979 when the new Congress comes in.

5. DEFENSE AUTHORIZATION

--House Armed Services Committee markup will continue next week. DOD reports that the Committee will probably add a nuclear carrier, an AEGIS cruiser and delete all but long-lead procurement funds for the Trident (Rep. Bennett's Seapower Subcommittee recommendations). DOD also expects the Committee to add some F-14s, F-18s, A-7s, and C-130s which were not requested.

--The Senate Armed Services Committee probably will begin markup on Wednesday. DOD reports that shipbuilding will probably be the last item to be considered but it is likely that the Committee will add a carrier (either a CVN or CVV), disapprove the AEGIS cruiser, and not include any Trident funding. DOD also expects the Committee to add some aircraft, although not as many as the House.

6. EXIMBANK AND SOUTH AFRICA

--The full House Banking Committee will continue its markup of the Eximbank Authorization Bill on April 26. In a low key letter on March 27 to Chairman Steve Neal, State opposed the inclusion of the prohibition on South Africa at the Subcommittee level on diplomatic and procedural grounds, but told Neal and others that the Administration does not intend to lobby actively against the prohibition in either the full Committee or on the floor. State will strongly oppose other individual country restrictions being added to the bill. The conservatives, assisted by active South African lobbyists, will attempt to remove from the bill the section prohibiting any further Exim dealings with South Africa. If they fail in that effort, they may attempt to apply similar prohibitions to other present Exim recipient countries arguing for consistency in application of human rights criteria. There are also indications that a Harkin-type human rights amendment will be offered by the liberals with the possible blessing of Chairman Reuss.

7. ECONOMIC ASSISTANCE AUTHORIZATION

--The HIRC completed markup of the FY 1979 Economic Assistance Authorization bill last week. AID reports that the most significant action taken was adoption of a Zablocki amendment directing you to institute a "streamlined system" of coordinating all U.S. economic policies which impact on less developed countries and to establish an International Development Cooperation Administration, superseding

AID, which would have primary responsibility, subject to the foreign policy guidance of the Secretary of State, for coordination of foreign development related activities.

--The bill will probably reach the House floor around the middle of May.

8. ACDA AUTHORIZATION

--The bill, supported by the Administration, is tentatively scheduled for House floor action on Friday. Although we have no clear indications, there is some concern that Rep. Broomfield (R-Mich) might offer an amendment based on his supplemental views to the Committee Report in which he states that our government has few other choices than to link Soviet intervention in Africa to the progress in SALT. Other difficult amendments reflecting the highly critical supplemental views might be offered by one or all of the 12 Committee members (10 Republicans and 2 Democrats) who signed the views. In addition to criticizing ADCA leadership for their "tendentious advocacy to the exclusion of diversity and objectivity" on arms control issues, these members also expressed concern that CTB and SALT are not being considered together.

9. FASTENERS OVERRIDE

--The April 20 target for the Ways and Means vote was put off until Bob Strauss returns. As of this week the count is: 9 for override, 1 leaning for, 18 against, and 3 unknown/undecided.

MISCELLANEOUS

--DOL advises that the Humphrey/Hawkins bill has a long way to go in the Senate legislative process and will be very controversial when it reaches the floor. Generally, many Senators believe that in order to avoid criticism that they don't want to reduce unemployment enough, they will be forced to vote on goals which are unrealistically low and which opponents will then charge are not being met. In short, they want you to continue to take the heat, but are reluctant to share in it.

--State advises that Senator Dole said on Wednesday that he hoped the Administration's predictions of a "new era of friendship" with Latin America would come true and said that he looked "to the future in a spirit of cooperation" with Latin America.

--Senator Hart's initial reaction to the pending nomination of John Ahearne to the NRC was mildly favorable, as was the reaction of Senator Jackson. Ahearne must continue to indicate that he is not in either the pro-nuclear or anti-nuclear camp. If that claim holds up through the confirmation process, he will win easily. Jim Free contacted Udall, Bingham, and Dingell. Dingell was particularly pleased.

--State advises that our Rhodesian policy--past, present, and future--is not understood on the Hill. State will continue to brief Members and plans to circulate a background paper, but reports that many Members believe we are supporting the radicals over the moderates in a situation where we have no business being so deeply involved.

-- Commerce representatives have been meeting with Senator Sasser and people from Knoxville to discuss plans for Energy Expo '82.

-- Last Monday, the Senate agreed to Senator Kennedy's disapproval resolution on the strategic petroleum reserve plan by voice vote.

-- Treasury is working to head-off National Rifle Association efforts to prohibit Treasury's proposed gun-tracing regulations. The lobby is working to attach a restrictive rider to the Treasury Appropriations bill.

FLOOR ACTIVITIES, WEEK OF APRIL 24

House

Monday -- Agricultural Credit Act. Rescheduled.

-- NASA Authorization. The bill authorizes \$4.415 BILLION in FY 1979 for NASA. The Administration supports extension of appropriation authority for the Act, but would prefer extending the authority through FY 1980 at the lower levels in your FY 1979 budget (\$4.372 BILLION in FY 1979 and such sums as may be necessary for FY 1980). The Administration specifically opposes the provisions of the bill that authorizes \$4 million for a fifth Space Shuttle Orbiter, and an additional \$26.7 million for the NASA composite Primary Aircraft Structures Program.

Tuesday -- Peace Corps Act Amendments. The bill extends the authorizations for Peace Corps programs through FY 1979 and includes most of the Administration's recommended amendments. It authorizes about \$1 million more than your budget request. The bill also mandates an earmark of \$1.32 million for contributions to the United Nations Volunteer program, which the Administration did not recommend.

-- Ethics Bill. Rule and general debate only.

Wednesday -- Ethics Bill. Complete consideration.

Thursday -- EEOC Reorganization Plan.

-- EPA R&D Authorization. Rescheduled.

Friday -- ACDA Authorization.

-- Supplemental Appropriations for USRA. Subject to a rule being granted.

Senate

-- The Senate has scheduled action on the First Budget Resolution and Locks and Dam 26/Waterway User Fees.

WAYS AND MEANS TAX REFORM ACTION--WEEK OF APRIL 17

ITEMIZED DEDUCTIONS: By a vote of 21 to 16, the Committee approved the Administration's proposal on elimination of deductions for the state gasoline taxes, but defeated the proposals to eliminate deductions for sales and personal property taxes. The Committee later agreed to reconsider its decision on the last two items.

--The Administration's proposal to eliminate the itemized deduction for political contributions but to retain the tax credit was adopted 20 to 17.

--The Committee approved 20 to 17 a Fisher-Conable proposal to allow taxpayers to itemize charitable contributions on the 1040A Standard Deduction Form.

--Rejecting the Administration's proposal to combine medical and casualty deductions with a 10% floor, the Committee adopted a Rostenkowski-Keys compromise by a margin of 17 to 10. The compromise eliminates the special deduction for health insurance premiums and the one percent floor for medicines and provides that the total expense for insurance premiums and the cost of prescription drugs and insulin would be included in calculating deductions, subject to the current three percent floor.

--No change was made in the rules for casualty losses.

TAX SHELTERS: After adopting the Administration's proposals affecting the "at risk" rule, the Committee approved by voice vote the proposal to provide a penalty for partnerships which fail to file a return. The Administration's proposal on identification of partners was also adopted by voice vote.

--The Committee postponed consideration of the proposals dealing with classification of limited partnerships and partnership audits.

--The Administration's request on extension of the statute of limitations for partnership returns was defeated 15 to 21. The Committee then approved an extension of the statute for partnerships of over 100 (real parties and interests).

--The Committee approved a substitute offered by Rep. Waggoner on deferred annuities. The proposal changes the withdrawal rule to treat each partial withdrawal as part income and part recovery of capital and clarifies existing law so that investment and wrap-around annuities would continue to be treated as annuities.

--A proposal by Rep. Tucker to liberalize accrual accounting methods for family farms was adopted by voice vote. Under present law, family farms include only those in which 50% of the farm is controlled by members of the same family. Tucker's provision would broaden this to include those in which two-thirds of the voting stock is held either by family members or a "closely held" firm.

--The Committee Thursday agreed to postpone consideration of the capital gains tax until the end of May.

2131

**THE WHITE HOUSE
WASHINGTON**

April 24, 1978

**The Vice President
Hamilton Jordan
Tim Kraft
Phil Wise**

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

Rick Hutcheson

STATUS REPORT ON DNC OPERATIONS

THE WHITE HOUSE
WASHINGTON

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

cc wise

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

<input type="checkbox"/>	ENROLLED BILL
<input type="checkbox"/>	AGENCY REPORT
<input type="checkbox"/>	CAB DECISION
<input type="checkbox"/>	EXECUTIVE ORDER
	Comments due to Carp/Huron within 48 hours; due to Staff Secretary next day

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

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

MEMORANDUM COPY MADE
FOR PRESIDENTIAL PURPOSES

**DEMOCRATIC
NATIONAL COMMITTEE**

1625 Massachusetts Ave., N.W. Washington, D.C. 20036 (202) 797-5900

John C. White
Chairman

MEMORANDUM
April 21, 1978

C

TO: PRESIDENT CARTER
THROUGH: Rick Hutcheson
FROM: JOHN C. WHITE *John C. White*
RE: STATUS REPORT ON DNC OPERATIONS

LEGISLATIVE SUPPORT SERVICE

With the Panama Treaty now behind us, the Committee staff stands ready to assist in the promotion of your other Legislative Initiatives in any manner that your staff feels appropriate within the limits of our fiscal resources.

It is my understanding the Task Forces for Tax, Civil Service, Urban Policy, Salt, and Government Reorganization reforms are in various forms of development.

FUND RAISING

The National Finance Council will meet on May 9th, at the Capital Hilton Hotel and will be addressed by Secretary Blumenthal, Stu Eizenstat, Jim McIntyre, and Congressman Al Ullman. We are most appreciative of their participation.

Secretary Califano was the guest of honor at our small dinner party on Tuesday of this week. Ambassador Strauss is scheduled to be our featured guest on May 17, and Secretary Bergland on the 1st of June.

Your comments last weekend were most helpful.

POLITICAL REPORT

We are continuing to formulate our plans for the DNC Executive Committee meeting on May 9 & 10, and the full DNC meeting on June 9, with your staff for those two meetings.

The Agenda Committee for the Mid-Term Conference has been appointed and the Arrangements Committee will be named in the coming week. Contracts with the City of Memphis have been signed and we are pursuing all aspects of the physical arrangements for the Conference.

The Federation of Democratic Women's Convention will be held here in Washington on April 27-30. Registration now numbers 825 with more coming in daily.

The office forwarded copies of my speech before the National Press Club to the Cabinet and Democratic Congressmen and Senators.

THE WHITE HOUSE

WASHINGTON

April 22, 1978

C
1

MEETING WITH SENATOR FRANK CHURCH
AND SENATOR PAUL SARBANES

Monday, April 24, 1978

11:30 a.m. (30 minutes)

The Oval Office

From: Frank Moore FM/rm

I. PURPOSE

To thank the two Senators for the indispensable role they played in floor action on the Panama Canal Treaties. A secondary purpose is to recount our negotiations with Panama over the DeConcini Amendment to the first Treaty.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

- A. Background: Both Senators think we were not entirely candid with the Senate about Panama's adverse reaction, and as a result, they were placed in an embarrassing situation. In fact, we were receiving conflicting reports from Panama--all of which were communicated to Senate leaders along with our analysis. Warren Christopher will prepare a memorandum on the series of events for you.

Senator Sarbanes has been particularly critical, telling several people that you should never have accepted the DeConcini Amendment in the first place. He has said that if Panama was any indication of our skill in dealing with foreign governments, he will be very reluctant to take an active role in SALT or even support a SALT agreement without careful inspection of its terms.

- B. Participants: The President
Senator Church
Senator Sarbanes
Frank Moore
- C. Press Plan: White House Photo only.

III. TALKING POINTS

1. You should thank the Senators for the role they played in the Treaty debate. Both were on the floor constantly during the 8-week debate, leading the fight against at least 15 active opponents. Church, of course, was recognized before as a great debater and confirmed that reputation during Panama. However, Senator Sarbanes was somewhat of an unknown quantity. He has now earned the admiration and respect of the entire Senate.
2. You should tell Senator Sarbanes that numerous Senators have told us that he performed brilliantly. He was informed on every aspect of the Treaties and able to argue forcibly against Senators far senior to himself without being offensive or losing his composure.
3. Senator Sarbanes is likely to mention in an oblique way his difficulties with our handling of the DeConcini Amendment. If so, you should explain to him that we would have lost the first Treaty without DeConcini. Senators Paul Hatfield and Cannon would never have supported the Neutrality Treaty without DeConcini. The Amendment was accepted during a period when signals from Panama were unclear and under the assumption that corrective language would be sought if the Panamanian situation worsened. Senate leaders were kept fully informed about Panama's reaction.
4. Warren Christopher has already spoken to Senator Sarbanes in some detail about the DeConcini matter, so you should not dwell on it by any means. Our objective is to eliminate any residual bad feelings Senator Sarbanes may have. We will need him badly on SALT and several other foreign policy issues in the future.
5. We have also submitted a scheduling proposal for you and Mrs. Carter to have dinner with the Senators and their wives as a special way of thanking them for this major, visible victory.

IV. ADDITIONAL INFORMATION

Senator Church serves on the following Committees:
Committee on Energy and Natural Resources
Committee on Foreign Relations
Special Committee on Aging (Chairman)

Wife: Bethine

Senator Sarbanes serves on the following Committees:
Committee on Banking, Housing and Urban Affairs
Committee on Foreign Relations

Wife: Christine

2121

THE WHITE HOUSE
WASHINGTON
April 24, 1978

Tim Kraft

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

Rick Hutcheson

RE: WEEKEND OF APRIL 28 - 30

THE WHITE HOUSE
WASHINGTON

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

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		McINTYRE
		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
		GAMMILL

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

THE WHITE HOUSE
WASHINGTON

April 22, 1978

*Tim
Talk this over
Jody - Then
see me
J*

TO: The President
FROM: Tim Kraft *TK*
RE: Weekend Plans - April 28-30

On an earlier option paper, you indicated a decision for Camp David, declining the White House Correspondents' Dinner Saturday evening.

Jody is strongly recommending your making an appearance at the Correspondents' Dinner even if it means helicoptering back from Camp David for a short time.

This, of course, would be possible but you should know of a couple of additional complications this would create.

You were invited to drop-by a meeting of the NATIONAL ASSOCIATION FOR EQUAL EDUCATION OPPORTUNITY - a lobbying group consisting of 100 historically black colleges. Their meeting runs concurrently with the Correspondents' Dinner in the same hotel - The Washington Hilton. We have declined but Stuart's staff points out that a great deal of ill-will would be created by your going to the Correspondents' without also including a stop at their meeting.

Additionally, Greta Dewald is lobbying very hard for you to make an appearance at the Federation of Democratic Women's Banquet also being held that evening at the Sheraton. While you are hosting a White House reception for these 800 Democratic Women Friday afternoon, we anticipate additional ill-will among these Democrats if you attend the Correspondents' Dinner without going by their banquet.

Our office is not pushing for any of the three events, but thought you should be advised of the circumstances before making a final decision on the weekend.

THE WHITE HOUSE
WASHINGTON

April 24, 1978

Fran Voorde

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

Rick Hutcheson

cc: Frank Moore
Tim Kraft

RE: DINNER HONORING SEN. BYRD

2/25

THE WHITE HOUSE
WASHINGTON

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

ACTION	FYI	
		MONDALE
		COSTANZA
		EIZENSTAT
		JORDAN
		LIPSHUTZ
	/	MOORE
		POWELL
		WATSON
		McINTYRE
		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
	GAMMILL

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

THE WHITE HOUSE
WASHINGTON

April 22, 1978

Mr. President -

The West Virginia State Society invited you to attend a dinner honoring Senator Byrd at the Bolling AFB Officer's Club Wednesday, May 17.

While you indicated an "OK" I will have to send them a nice regret in that you are already committed to host a State Dinner for Kanda that evening.

fran

fran

*Let Frank
work out
message or v.p.
visit*

9:00 AM

Q

THE WHITE HOUSE
WASHINGTON

MEMORANDUM TO: THE PRESIDENT

FROM: Jack Watson *Jack*

April 22, 1978

RE: Proposed Agenda

1. Welcome Anne Wexler to the White House staff and comment briefly about her responsibilities;
2. Comment on the significance of the Panama Canal treaties' ratification and commend Warren Christopher and members of the Cabinet and White House staff for their leadership in getting the treaties passed;
3. Comment on the Conference Committee agreement on natural gas pricing and outline the next steps to be taken both on the natural gas issue before the full House and Senate and on the COET. Commend Jim Schlesinger and his staff for their hard work;
4. Comment briefly on your latest discussions with Members of Congress concerning the tax reform bill. (Some clarification of your basic view of the matter would be helpful since there have been so many conflicting reports regarding the Administration's position in the press.)
5. Ask for status report from Pat Harris and Juanita Kreps on the progress of the urban policy legislation;
6. Congratulate Brock Adams and Frank Moore on the Senate passage (83 - 9) of the Aviation Regulatory Reform bill; inquire about prospects of getting the bill out of the House Public Works Committee;
7. Comment on your meeting with business leaders on anti-inflation policy. You might mention your intention to follow up with such meetings on a quarterly basis to

discuss the progress of our public and private sector anti-inflation efforts. Strauss, Kreps, Blumenthal and Schlesinger all agree that it would be a good idea to do so. I will work with the Cabinet members and others to coordinate such meetings.

-- After you left the meeting on Thursday, Bob Strauss suggested that people at the meeting send their suggestions to me regarding unnecessary and particularly burdensome and inflationary government regulations. I will see that the recommendations and ideas are referred to the appropriate agencies for review. I have already been contacted by Henry Ford regarding some constructive suggestions that he has.

-- As you know, there is a great deal of concern being expressed by environmental groups, Members of Congress and people in the Administration about Bob Strauss' statements that environmental regulations are one of his primary targets in his efforts to combat inflation. I think it would be wise for you to reaffirm the Administration's commitment to environmental protection and to make clear that you will not in any way retreat from your long-held environmental positions. Our desire is simply to assess all regulations for their inflationary impact and to determine what, if anything, we can do to lessen those impacts;

8. Comment on your forthcoming Western trip (May 3 - 5) and ask the Cabinet for relevant information or advice regarding the stops you will make. We are already working with Andrus, Bergland, Schlesinger and others regarding preparations for your trip;

9. The first meeting of the Economic Adjustment Committee under your Executive Order is scheduled to take place on Wednesday, April 26, at the Department of Defense. (The meeting time may have to be adjusted because of a special NATO meeting which has been scheduled for Wednesday afternoon which Charlie Duncan has to attend.) It would be extremely helpful for you to underscore the importance of effective economic adjustment activities in conjunction with base closings and realignments and to emphasize your desire for all agencies to cooperate in such efforts. Your new Executive Order is designed to strengthen the Economic Adjustment Committee and its activities;

10. Although many members of the Cabinet are participating fully in the Congressional campaign activities that Frank Moore is coordinating, Frank says that a word from you stressing the importance of Cabinet participation would be very helpful. You need to clarify which members of the Cabinet and senior staff, if any, are to be excepted (and to what degree) from appearing on behalf of Members during the campaign year;

11. You might reiterate your intention to hold full Cabinet meetings every other Monday and to use the alternate Monday for private meetings with individual members of the Cabinet;

-- If it reflects your thinking on the subject, you might also mention that you are considering experimenting with the format of Cabinet meetings in accordance with the suggestions that were made at Camp David and that have been made before. (There is a wide consensus among the Cabinet that we could improve the utility of Cabinet meetings by focusing the discussion on one or two major topics, rather than using them as round-robin report sessions.)

12. Scotty Campbell just called to ask me to suggest that you mention the hearings that will be held over the next several weeks in several of the departments by the House Post Office and Civil Service Committee regarding the Civil Service Reform bill. As you know, Congresswoman Gladys Spellman is the primary proponent of the hearings. Scotty thinks it is important to insure that representative groups of employees attend those hearings (rather than simply those who are opposed to reform), and he also thinks it would be helpful for the Cabinet Secretaries to appear and make brief statements at the hearings. The first hearing will be held next Friday, April 28, at HEW. Subsequent hearings will be held at Interior, Agriculture, Labor, HUD and Commerce;

13. Comments from Cabinet members.

CC: The Vice President

THE WHITE HOUSE

WASHINGTON

April 24, 1978

Stu Eizenstat

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

Rick Hutcheson

**cc: The Vice President
Hamilton Jordan
Frank Moore
Jody Powell**

**RE: TAX BILL STRATEGY BEFORE THE WAYS
AND MEANS COMMITTEE**

ADMINISTRATIVELY CONFIDENTIAL

2/30

THE WHITE HOUSE
WASHINGTON

*Admin
copy*

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

STM - PLS NOTIFY EPG

ACTION	FYI	
	/	MONDALE
		COSTANZA
/		EIZENSTAT
	/	JORDAN
		LIPSHUTZ
	/	MOORE
	/	POWELL
		WATSON
		McINTYRE
		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
	GAMMILL

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

Memorandum Copy Made
for Presentation Purpose

THE WHITE HOUSE
WASHINGTON

April 24, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: STU EIZENSTAT *Stu*

SUBJECT: Blumenthal/EPG Memo on Tax Bill Strategy
Before the Ways and Means Committee

*We simply did
not do our
homework -
(3 months on our
pkgs. practically
none in the
committee)*
J

Attached is a copy of a memorandum from Secretary Blumenthal on behalf of the Economic Policy Group.

The Secretary was anxious that it be sent in to you tonight (Sunday).

Strategy 3 is the strategy all of the members of the Economic Policy Group have agreed upon. I also believe that it reflects the recommendation of the Vice President.

However, before you make a decision on this memorandum, I would suggest you talk with Ham, Jody and Frank.

I believe strategy 3 is the only viable option at this point.

Attachment



THE SECRETARY OF THE TREASURY
WASHINGTON

April 22, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: W. Michael Blumenthal *WMB*
Economic Policy Group

SUBJECT: Tax Bill Strategy Before the Ways and Means Committee

The EPG met with the Vice President today. We need your guidance as to our posture regarding efforts within the Ways and Means Committee to restructure our tax package.

The Problem

The tax bill is obviously in trouble after the first week of mark-up. The numbers and the mood are against us.

The Committee has 25 Democrats and 12 Republicans, meaning 19 votes are needed to prevail. So far, the 12 Republicans have tended to vote as a block against us, usually joined by enough disaffected or conservative Democrats to reject our proposals. Among the Democrats, opposition comes from a conservative, oil-state block of Waggoner, Pickle, and Burleson, who are philosophically opposed to most reforms. They have been joined by Cotter, who is disaffected from the Administration; Pike, who believes tax relief should be focused on upper-income groups; Burke, whose price for support is a rollback of Social Security taxes; and Jenkins, who believes tax reform will be politically harmful to him.

This means we have 19 members -- a majority -- against us on virtually every issue. All our efforts to budge Cotter, Pike, Burke, and Jenkins have failed. Only White House resources can succeed here -- and the chances of success are slim.

Three basic strategies are open to us:

Strategy One: Cut and Run

We could invite the Congress to call off the reform effort until next year and urge passage of a simple tax cut of \$25 billion. This course would save us a great deal of controversy,

but it carries many obvious disadvantages and is recommended by none of us.

Strategy Two: Speak Out and Stand Aside

We could stand aside while the Committee works its will, using our resources merely to reiterate publically the merits of our proposed package.

This course will probably lead to a disorderly series of defeats. (An issue-by-issue analysis is attached.)

Worse, this course would also risk a substantial "de-reform" of the Tax Code. For example:

-- The Committee has already adopted an amendment to permit a charitable contribution deduction to be taken in addition to the standard deduction. This would complicate tax filing for 40 million taxpayers, would cause enormous audit problems for IRS, and would cost close to \$2.0 billion a year.

--The Committee has created a new loophole with respect to the tax treatment of annuities.

-- The Committee may well roll back the taxation of capital gains to pre-1969 treatment, capping the capital gains tax rate at 25%. This would lose at least \$0.5 billion, almost entirely to taxpayers with income over \$100,000.

-- The Committee may well repeal the "carryover basis" reform of capital gains enacted in 1976 -- one of the most fundamental tax reforms of recent years.

-- The Committee may well strip certain preferences out of the minimum tax, to the sole benefit of high income taxpayers.

-- The Committee may well legislate a loophole for deferred compensation arrangements used by employees of many state and local governments and private corporations.

Finally, this momentum of defeat might lose us the tax cut itself: There is a growing faction on the Committee (led by Vanik and Pickle) ready to scrap the entire tax bill -- both reforms and cuts.

The EPG Steering Committee is unanimously of the view that this course -- limiting our efforts to speaking out -- raises unacceptably high risks to the economy, to the Tax Code's integrity, and to the political standing of the Administration.

Strategy Three: Speak Out, But Also Use Our Staff Resources Behind The Scenes To Influence The Committee's Restructuring Of The Package

Chairman Ullman, other senior members, and the Joint Committee staff have already begun to search for a compromise package capable of winning majority support on the Committee. It is in our interest to influence this process so that the ultimate Committee bill will

- preserve the approximate size of our net tax cut,
- include as many reforms as possible,
- avoid measures that "de-reform" the Code,
- avoid rolling back Social Security taxes.

This means authorizing Treasury staff to work unofficially, behind the scenes, with Chairman Ullman and his staff as the Committee fashions its own bill. We would reserve the right to press for votes on each of our own proposals before the Committee, on the House Floor, and before the Senate. Our public position would remain one of unqualified support for our entire program, as proposed.

The Steering Committee unanimously recommends this strategy, believing that it maximizes our prospects of getting reforms, avoiding "de-reform", and preserving the contours of our tax cut. Unavoidably, the press will learn that Treasury staff is working with Chairman Ullman and his staff to influence the Committee's work. This is not, however, inconsistent with our continued public support of our entire package.

Decision

One: Cut
and Run

Two: Speak
Out and Step
Aside

Three: Speak Out
and Seek to Influence
(EPG RECOMMENDS)

Attachment A

PROJECTED VOTING ANALYSIS OF TAX ISSUES FOLLOWING OPTION 1

I. Itemized Deductions

Gas Tax. Having prevailed 21-16 on this issue on the merits, we should not have a problem holding the vote. The vote is consistent with the Committee's action on the energy bill and is perceived as a gesture towards an energy policy.

Sales Tax. While our defeat of 18-19 was narrow, efforts to reverse Burke, Pickle, Pike, Cotter, or Jenkins have failed, despite persistent requests from Administration officials such as Strauss, Moore, and Blumenthal. Any change now seems to be tied to concessions on the distribution of the tax reductions. Also, several of the votes we received on the initial consideration are very soft.

Personal Property Tax. The 17-20 rejection of our proposal (Jones of Oklahoma joined the sales tax opponents) followed closely on the heels of the sales tax debate and will inevitably parallel the ultimate sales tax fate.

Medical and Casualty Deduction. Because of the overwhelming vote for the Rostenkowski-Keys substitute (non-recorded vote), we have no prospects for reversal of that decision. We will try for an increased floor on the casualty deductions, but there is little Committee sentiment for that. The Committee made clear a substantial disinclination to raise revenue by means of adjustments in these deductions.

Political Contributions. Our 20-17 victory should hold, although any substantial lobbying by the PACs may begin to erode this 2 vote margin. We are at our high water mark on this issue.

Charitable Deductions. Our 17-20 defeat is inflated, since Waggoner favors our position but switched his vote to the prevailing side in order to preserve his right to ask for a reconsideration. This vote may be reversible by changing the votes of Waggoner and either Vanik or Lederer. Lesser possibilities are Ford and Tucker, although any switchers may look for reciprocal gestures.

II. Tax Shelters

There is very little Committee sentiment for delving into this area since it was covered in the 1976 Act. Prior to the hearings, our extensive sessions with the members revealed few willing to focus on the technical details. While we have won on "at risk", partially on partnership audit, and classification, votes are not even close enough on family farms or real estate depreciation for us to want a roll call. We actually lost ground on tax shelter annuities.

III. Capital Gains

Rather than achieving the reform in this area that we proposed, we find that our entire effort now is to keep from losing significant ground. The Steiger proposal to roll back capital gains treatment to 1969 levels is rumored to have sufficient votes to pass. We are not convinced he is over the top quite yet, but we are sufficiently worried to have backed a move to delay consideration to later on in the mark-up. Our own reform proposal has a verifiable 14 against with 22 undecided.

IV. Travel and Entertainment.

Whatever we salvage out of this area, will be viewed as a defeat for the Administration. The "three martini lunch" has been so overplayed that the loss of that item will be viewed as a rejection of our reform package.

Entertainment Expenses. This promises to be the most publicized issue of the mark-up and also most likely to create a raucous mood in the Committee. Our best possibility on meals will be to prevail on a Corman proposal to eliminate the deductibility of the meal for the individual who is the host, but even there we can count only 14 probable votes. Unless there is a change to a "reform" attitude, the members may well decide simply to defer the issue. Our proposal is clearly dead.

Facilities. Our best chance is for eliminating lodges and clubs although we still can project only 14 probable votes, with the others depending on how much "log-rolling" there is between this issue, tickets and business meals. The proposal on tickets appears to be dead.

First Class Air Fare and Foreign Conventions. We have not found very much interest in the Committee. It is uncertain how the issues will develop, but the present atmosphere indicates that our proposals will fail.

VI. Tax Exempt Bonds

Taxable Bond Option. We have a possible 18 votes, with 3 undecideds, based on 1976 Act votes on the issue. However, we see substantial opposition lobbying, and some of the 1976 supporters have been consistently voting against our proposals so far. We must assume some defections. Opponents claim to have 20 votes against us.

Industrial Development Bonds. There is little interest in tightening up the tax exemptions in this area. Our canvass of the members reveals that members have not been focusing on the issue.

VII. Employee Benefits

We may be able to find a majority for taxing unemployment compensation benefits for high incomes. We are doubtful about crafting a majority coalition for non-discrimination for medical and life insurance. However the defeat of these proposals is not assured and depends on the Committee being "reform minded" at the time. The other reforms are not likely.

VIII. Financial Institutions

Apparently, the most that will possibly survive in this area is a compromise proposal regarding the taxation of large credit unions. Again, "mood" will be an important determining factor and may give us some gains in commercial banks and savings and loans.

IX. Foreign

Deferral. We can project 17 votes against, with 16 undecided, pointing to a certain loss of this proposal.

DISC. We can count 10 favorable votes, which may form a base for phasing out all but the small DISCs, although this is by no means assured. Labor professes to be pushing on the issue so there exists at least the small possibility of some sort of breakthrough.

X. Telephone and Unemployment Insurance Tax Cuts

Support is minimal for the elimination of these taxes, based on a general belief that this money is needed to reduce the deficit, to finance the roll back of social security taxes, or for some other pet program.

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

April 24, 1978

MEMORANDUM FOR: The President

FROM: Stu Eizenstat
Jody Powell
Anne Wexler

SUBJECT: Appointment of Bella Abzug as Co-Chairperson
of the Women's Advisory Committee

We met with Mrs. Carter today to discuss the decision on appointing Bella Abzug to chair the Women's Advisory Committee.

Notwithstanding the negatives involved, we feel that it is politically more important to appoint her for the following reasons:

- (1) If we appoint her, we will have a strong card to play in 1980 when we need the support of the group she represents. Although she is a controversial person, she understands politics and the nature of such commitments. Her leadership on your behalf in 1980 will be significant since she represents an activist constituency who can be counted on for strong grass roots support.
- (2) If Bella did not have a role to play, there would be considerable vocal outrage. If she does play a role, there will not be much fanfare. Furthermore, whether Bella is involved or not, she will still be an active ERA supporter.
- (3) Mrs. Carter raised the issue of a co-chairperson representing a different constituency than the one Bella represents. We all agree that that is a good idea. Bella would accept this.

Taking note of the political imperatives--having the chip in our pocket--Mrs. Carter agreed to withdraw her veto and permit us to raise the issue with you one more time.

The options are:

- Appoint Bella as co-chairperson (Recommended)
- Do not appoint Bella