5/8/78 [2]

Folder Citation: Collection: Office of Staff Secretary; Series: Presidential Files; Folder: 5/8/78 [2]; Container 75

To See Complete Finding Aid:
http://www.jimmycarterlibrary.gov/library/findingaids/Staff_Secretary.pdf

2345

THE WHITE HOUSE
WASHINGTON

May 8, 1978

Jim McIntyre

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

Rick Hutcheson

cc: Bob Linder

METRIC BOARD

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

MAY 5 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: JAMES T. MCINTYRE, JR. Jim

SUBJECT: Allocation to the U. S. Metric Board

Attached for your consideration is an allocation in the amount of $220,000 from the appropriation "Unanticipated Needs" to cover the initial operating costs of the U. S. Metric Board.

Thirteen of the 17 members of the U. S. Metric Board have been confirmed by the Senate and sworn into office over the last few weeks. The purpose of the Board, authorized by the Metric Conversion Act of 1975, is to coordinate the voluntary conversion to the use of metric measurements in both the public and private sectors. The Board has no regulatory authority, nor can it provide financial assistance for purposes of implementing metric conversion.

We will also be submitting soon for your consideration a 1978 budget supplemental for the Board. When Congress appropriates the 1978 supplemental funds, the Board will reimburse the "Unanticipated Needs Fund."

RECOMMENDATION

It is recommended that you sign the attached allocation of funds.

Attachment

THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR THE HONORABLE LOUIS F. POLK
Chairman, U. S. Metric Board

SUBJECT: Allocation to the U. S. Metric Board

Pursuant to the authority in the Executive Office Appropriations Act, 1978, I hereby allocate from the appropriation "Unanticipated Needs":

TO	AMOUNT
U. S. Metric Board	$220,000

for necessary expenses for initial operation of the U. S. Metric Board.

I hereby determine that this allocation is to meet unanticipated needs for an emergency affecting the national interest.

Jimmy Carter

THE WHITE HOUSE
WASHINGTON

May 8, 1978

Charlie Schultze

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

Rick Hutcheson

RE: REGULATORY ACTIONS TO DATE

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

ACTION	FYI	
		VICE PRESIDENT
		EIZENSTAT
		JORDAN
		KRAFT
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		WEXLER
		BRZEZINSKI
		MCINTYRE
✓		SCHULTZE

		ADAMS
		ANDRUS
		BELL
		BERGLAND
		BLUMENTHAL
		BROWN
		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
		STRAUSS
		VANCE

		ARAGON
		BOURNE
		BUTLER
		H. CARTER
		CLOUGH
		COSTANZA
		CRUIKSHANK
		FALLOWS
		FIRST LADY
		GAMMILL
		HARDEN
		HUTCHESON
		JAGODA
		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		PRESS
		SCHNEIDERS
		VOORDE
		WARREN
		WISE

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

To Schultze -
Seek reasonable
regulations - I'll
help when
necessary -
J

May 2, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze CLS

SUBJECT: Regulatory Actions to Date

Last December, our regulatory reform effort got started. The Regulatory Analysis Review Group, chaired by CEA, has been meeting occasionally to consider the economic consequences of new regulations. Progress to date has been slow but encouraging -- we are moving into uncharted waters, and agencies have been generally cooperative but not enthusiastic.

This memorandum summarizes the issues investigated up to now, as well as the current status of each. We have not yet asked you to become involved, but the time is near when Presidential intervention will become necessary to establish that the group has your support.

I'm ready

Work Completed

1. The NHTSA truck fuel economy standard. The Regulatory Analysis Review Group did not formally review the analysis of the NHTSA proposal, in part because the major concerns were technical rather than economic. Informal discussion on the economic issues posed by the NHTSA proposals between DOT, CWPS, and CEA was held earlier this year. The final standard promulgated by DOT is much more cost-effective than the one proposed.

2. The new drug regulatory bill. HEW asked CEA to look into the potential economic consequences of the proposed legislation reforming drug regulation. CEA in turn asked the Review Group to assist in the effort. The draft bill as presented to the Review Group represented a strong improvement over existing

law, but raised some potentially adverse economic impacts. Concern centered around the effects of the bill on drug research and innovation, competition in the drug industry, and administrative costs.

FDA and HEW were very responsive to Review Group concerns and changed the draft bill in ways to meet our concerns.

Work in Progress

1. Prevention of Serious Deterioration (PSD). The 1977 Clean Air Amendments set forth quantitative limits on how much deterioration of air quality was allowed in the Nation's "clean" airsheds -- those which have pollution less than national standards. The law allows modest "increments" in pollution concentrations over a historical base.

EPA is currently drafting the detailed PSD regulations to guide states in allocating the increments among competing new sources. CEA feels that these are probably the most important economic regulations that will be issued this year. They will set the framework for determining where and in what industries new investment will go and how much control equipment is required for the next one or two decades. There are several closely related issues:

- o The rights to the increment are very limited and will be extremely valuable (much as is the Outer Continental Shelf). We must ensure that they are used for activities with the greatest economic payoff. EPA originally suggested a "first-come, first served" allocation. CEA urged that EPA consider auctioning off the rights. By selling (and allowing purchase and sale of) emission rights, we can assure that the increment is not frittered away in low-value uses. This issue is currently under study by EPA.

- The extent of individual source review is a second problem. The 1977 Amendments would subject major sources to "BACT" (Best Available Control Technology) and "ambient" reviews. These are potentially extremely expensive and time-consuming, and might involve up to 4,000 sources per year. CEA is suggesting that (to avoid regulatory red tape) the number of sources required to undergo BACT review be limited; and that these smaller sources be required to buy emission rights instead. This sets up a self-policing procedure with far less red tape and delay of investment decisions.

- Later this year, a major regulation will apply to steam electric plants (very important for coal-fired electricity). EPA will probably be proposing that these standards tighten up on emissions by a factor of about 5. One issue is whether EPA will require particular technologies (such as scrubbers). We think it is far preferable to set performance standard (such as total emissions) and to allow firms to determine the best method of meeting the standards. Again, however, the air should be protected by requiring utilities to buy emission rights -- especially where the increment in a particular region is very small.

The stakes in these regulations are enormous -- they vitally affect virtually all business investment -- perhaps $70 billion per year into the indefinite future. We are currently engaged in discussions with EPA on this issue. We expect that some issues will not be resolved and that you may need to be involved in the next month or so.

2. The strip mining regulations. Surface-mined coal is potentially our most economical fossil fuel: it may well be the source of synthetic fuels in the coming decades. Therefore, we are extremely concerned about the regulations implementing the new surface mining bill.

Due to tight time constraints the Department of the Interior promulgated interim strip mining regulations without analyzing their potential economic impacts. They agreed, however, to analyze the permanent regulations in accordance with the applicable Executive Orders.

DOI has been slow to implement the analysis agreement, and the issue was brought to the executive committee in February. As a result of the discussions, DOI agreed to do the analysis. We are concerned that there has been no visible progress, so I will call Secretary Andrus to express our concerns. do so

3. Policy toward carcinogens. A major issue which is faced in governmental regulations is: how much protection against harmful substantces should we "buy" for workers or consumers? These regulations are like buying insurance policies against health risk. The protections ordered to reduce exposure impose regular and known costs. The degree to which they reduce cancer is only partially known at best, and the cost per worker protected may be very high compared to other possible government actions. One study (probably biased) estimates that depending on how OSHA approaches control of carcinogens, costs can run from $6 billion to $36 billion per year. Even after the bias is removed, the potential costs are very large.

The Review Group is currently examining no less than three separate carcinogen regulations:

a. EPA's drinking water regulations. This regulation addresses purification of potential carcinogens. After discussion, the executive committee decided to ask CWPS to prepare a draft paper on the economic issues, which would then be discussed by the major agencies. Unfortunately, this topic is not viewed as high priority by most agencies, and progress to date is nil.

b. Review of the economic analysis of OSHA's proposed standard governing exposure to acrylonitrile. OSHA has proposed lowering the allowable limit of exposure of workers to acrylonitrile, a substance suspected of causing cancer. In addition to the generic issue discussed above, the major concern in the review is the issue of how firms will be required to achieve the standard. OSHA's analysis of the costs of the different alternatives indicates a preference by OSHA for requiring the use of more expensive techniques than may be necessary to achieve a given level of protection. <u>This case is currently being debated and may reach your desk in the next month</u>.

c. <u>OSHA's overall carcinogen policy</u>. OSHA proposed generic regulations for controlling carcinogens last fall before the Regulatory Analysis Group got started. The Group may go back and perform a review of that proposal. The same issues arise here as is the other cases.

4. <u>OSHA cotton-dust standard</u>. OSHA is about to issue final regulations for cotton-dust, mainly in textile factories. The issues here involve raising costs and prices in an industry already highly exposed to international competition; preliminary estimates are for annual costs of about $700 million. There are questions about the level of stringency of the standard and the use of engineering controls rather than alternative methods of enforcement.

The preliminary cotton dust standards were put out for comment before the Executive Order on the regulatory analysis program was issued, technically, the new procedures do not apply. Nevertheless, Bob Strauss and I are asking for an informal review. <u>This issue may require your decision in the next month</u>.

ID 782319

THE WHITE HOUSE

WASHINGTON

DATE: 03 MAY 78

FOR ACTION:

INFO ONLY: THE VICE PRESIDENT
STU EIZENSTAT
JODY POWELL
JACK WATSON
JIM MCINTYRE
BOB STRAUSS

SUBJECT: SCHULTZE MEMO RE REGULATORY ACTIONS TO DATE

++++++++++++++++++++ ++++++++++++++++++++ ++++++++++++++++++++
\+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
\+ BY: +
++++++++++++++++++++ ++++++++++++++++++++ ++++++++++++++++++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE
WASHINGTON

May 8, 1978

Stu Eizenstat
Jim McIntyre
Charlie Schultze

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

Stu - please inform DOE and DOC.

Rick Hutcheson

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

top 2 pages only

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

STU - PLS INFORM DOE + DOC

ACTION	FYI	
		VICE PRESIDENT
✓		EIZENSTAT
		JORDAN
		KRAFT
		LIPSHUTZ
		MOORE
		POWELL
		WATSON
		WEXLER
		BRZEZINSKI
✓		MCINTYRE
✓		SCHULTZE

		ADAMS
		ANDRUS
		BELL
		BERGLAND
		BLUMENTHAL
		BROWN
		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
		STRAUSS
		VANCE

		ARAGON
		BOURNE
		BUTLER
		H. CARTER
		CLOUGH
		COSTANZA
		CRUIKSHANK
		FALLOWS
		FIRST LADY
		GAMMILL
		HARDEN
		HUTCHESON
		JAGODA
		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		PRESS
		SCHNEIDERS
		VOORDE
		WARREN
		WISE

THE WHITE HOUSE

WASHINGTON

May 3, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT Stu

SUBJECT: COASTAL ENERGY IMPACT LOAN RATES

In your decision on inland energy impact assistance (memo attached) you asked two questions about:

- what was CEA's view?
- what would the cost be to other programs of such a rate reduction if it became a pattern?

We understand that CEA is sending you a short memo with their views. OMB has provided the following information: Our credit policy preference is to lend at market rates if possible, but not below Treasury cost in any case. Examples are: Federal Financing Bank, $16.2 B in new 1979 loans at Treasury borrowing cost plus 1/8 of one percent; $3 B in New York City seasonal financing at Treasury cost plus 1%.

If the interest rate on CEIP direct loans were reduced below Treasury cost, it could be expensive if used successfully as a precedent to reduce all Treasury loans that are now at Treasury rate or higher. However it is not likely to set a new pattern, because we have had for many years a variety of direct Government loan programs at subsidized interest rates. Examples are:

FHA housing loans - down to 1% interest

Farmer's home emergency loans - 3%-5%

Irrigation - 0%

REA (direct loans) - 2%-5%

CEIP provides two types of loan assistance: direct loans to states and loan guarantees.

You have three options on the CEIP interest rate issue:

1) retaining the Treasury borrowing rate for both direct loans and loan guarantees

2) continuing the CEIP direct lending at Treasury cost, but reducing the interest rate for CEIP loan guarantees;

3) reducing the interest rate for both the CEIP direct loan and loan guarantees to the average municipal borrowing rate.

OMB notes that there is a valid distinction between direct loans and guarantees because, while we subsidize the interest rate for guaranteed loans, the Treasury breaks even through (1) not having to outlay the principal and (2) collecting taxes on the interest paid to the private lender. At the same time, the interest rate to the municipal borrower is generally no more than he would pay on tax free municipal bonds if he could issue them.

Since there is no direct loan authority proposed in the new inland assistance program, option 2, which only provides an interest subsidy for CEIP loan guarantees would provide the desired degree of comparability between the two programs.

Decision

- No change in CEIP (still the OMB preference) ☑
- Reduce CEIP interest on loan guarantees only to average municipal rate (Stu, CEA recommend; OMB will accept as a fallback.) ☐
- Reduce CEIP interest rate on both direct and guaranteed loans to average municipal rate (DOC, DOE) ☐

J

EIZENSTAT ATTACHMENT

Stu
J

THE WHITE HOUSE

WASHINGTON

April 28, 1978

MEMORANDUM FOR THE PRESIDENT

FROM STU EIZENSTAT Stu
KITTY SCHIRMER

SUBJECT ENERGY IMPACT ASSISTANCE

Jim Schlesinger and Juanita Kreps have submitted a decision memorandum outlining several options for a program of federal assistance to non-coastal states and communities which are experiencing disorderly and rapid growth as a result of new energy development. Their memorandum culminates joint federal/state/local study of impact assistance begun last summer after the first White House Governor's Conference on energy.

This memorandum summarizes the options presented in the Schlesinger/Kreps memo and provides the results of additional consultations with members of Congress held since their memo was signed. By agreement with all parties, this will be the only memorandum submitted to you.

SUMMARY OF THE PROBLEM

New energy development is occuring in isolated, sparsely populated areas of the West and Appalachia creating a "boom and bust town" syndrome. States and communities are often unable to provide facilities and services in a timely way. The resulting lack of housing, schools, and other facilities and services delays energy growth and disrupts the prior social fabric of the community. While good estimates of the facility and social service costs associated with new energy development are not available, preliminary estimates of the costs run from $3.0 billion and up. OMB, in a limited survey, estimates local government facility costs at $3 to $3.5 billion through 1985.

Adverse impacts of energy development are aggrevated by:

- inadequate capacity to plan for new energy development;
- insufficient information, both government and private, concerning future energy development activities;

- inability of states and communities to finance new facilities and social services before new energy development produces taxable revenues;
- political difficulties associated with increasing state severance taxes or other levies on private developers.

Although some existing federal assistance programs are technically available to address inland energy impact problems, most were designed for other purposes. These programs often have eligibility or other programmatic barriers which prevent funds from flowing to impacted communities. (E.g., EPA's sewage treatment construction grant program is directed at meeting backlog needs in existing communities rather than new facility requirements in rapidly expanding communities.)

EXISTING PROGRAMS RELATED TO IMPACT ASSISTANCE

1. Revenue sharing from federal mineral leasing

Since enactment of the Mineral Leasing Act of 1920, states have received a share of the revenues from the development of coal and certain other minerals on public lands within their boundaries. Until 1976, the states received 37½% of these revenues. These funds have been traditionally designated for schools and roads, but the states regard these funds a compensation for resources which, but for federal ownership of the land, would have contributed directly to their own tax base. In 1976, the Act was amended to increase the state share to 50%. Congress directed, but did not require, that states consider using these additional funds for impact assistance.

Comment: Mineral leasing revenue sharing is regarded as a matter of historic right by the Western States. These funds have become a significant element of statewide fiscal planning and are often committed for long range programs (such as State Universities). Although some of the 12½% increase in the state share can and probably will be used for impact assistance, the states argue that they should not be required to earmark these funds. This program is not applicable to Appalachian states which have little or no federal land.

2. Section 317 of the BLM Act

In the same 1976 Mineral Leasing Act Amendments, Congress gave States authority to borrow against up to 10 years of future mineral leasing revenues at a subsidized interest rate of 3%. (Known as Section 317 of the BLM Act). However, no budget requests or appropriations have been made for the 317 program. The Administration has sought legislation to remove the subsidy by raising the 3% loan rate to the Treasury rate. We have stated that no budget request will be made until this amendment has been enacted.

Comment: Until funds are requested and appropriated for the BLM Section 317 borrowing program, this assistance is unavailable. The probability of enactment of the interest rate change is dim. States further argue, with considerable justification, that the program would be useless to them at the Treasury interest rate since even low grade municipal bonds, which are tax-exempt, would receive more favorable rates.

3. The Coastal Energy Impact Program

In enacting the Coastal Zone Management Act of 1974, the Congress provided a combined grant, loan, and loan guarantee program to assist coastal states in planning for and mitigating the adverse impacts of off-shore energy development. This program now provides: $50 million per year in grants to states; $800 million over 8 years in loan and loan guarantee authority.

Amendments to the Outer Continental Shelf Lands Act, now in House-Senate Conference, seek to increase the grant program under CEIP. The Senate bill would provide $75 million per year; the House bill would earmark $200 million per year in OCS leasing receipts for state grants. We have reached agreement with Senator Johnston and Congressman Murphy to try to hold the grant program to the Senate level of $75 million.

Comment: The CEIP is available to coastal states only. The grant program has been extensively used by the states, but the loan/loan guarantee fund has not. The interest rate for borrowing from the CEIP loan/loan guarantee fund has been set at the Treasury borrowing rate which states contend makes it useless to them. Only one loan has been made to date from the CEIP fund, and that loan was made at a lower interest rate, permitted in the discretion of the Secretary of Commerce, to meet exceptional circumstances. Issue number 2, described later in this memo, provides an option of lowering the CEIP interest rate to the average municipal borrowing rate (about 2% less than the Treasury rate).

4. Section 306 of the Proposed Coal Conversion Bill

Although not yet enacted into law, the Coal Conversion part of the National Energy plan was amended in Conference to provide planning funds and grants for housing assistance in areas impacted by coal or uranium development. The program is authorized at $60 million in the first year, $120 million in the second, and would be administered by the Farmers Home Administration. Apart from planning funds, the 306 program deals only with housing problems in non-coastal, energy-impacted areas. The measure has had the strong support of Chairman Staggers and Senators Randolph and Haskell.

Comment: Coming to agreement on section 306 was a major battle in the conference on the Coal Conversion Bill. Congressman Staggers originally wanted a far larger program (over $1 billion) which the Administration opposed. We also opposed the smaller version finally adopted. Randolph, Staggers and Haskell are, however, sure to seek funding of section 306 with the appropriations committees even though the Administration has opposed appropriations for this program. Whatever new program we might propose in the impact assistance area, pressure to fund section 306 will be substantial (although we believe that the option recommended in issue number 1, below, deals with this problem in the best possible manner.)

NON-BUDGET ELEMENTS OF AN IMPACT ASSISTANCE PROGRAM

All agencies, as well as the Congress and the Governors, are in agreement on certain basic non-budget elements of an inland impact assistance program:

- States and communities should have better access to federal and private information concerning development plans earlier in the decision process;

- State, local and tribal governments should have a larger institutional role in federal energy development decisions which affect their areas;

- better coordination is required at the federal level to target funds from existing programs to energy-impacted communities;

- costs of energy development should be internalized to the developer to the maximum extent possible;

- the states should retain principal responsibility for setting priorities for impact assistance, should be encouraged to increase the level of effort they now provide, and should be principally responsible for administering this program.

The basic program design for each of the options presented below is the same and includes:

- Federal administration of the program by a separate office created within the Economic Development Administration which will allocate funds to states, administer loan guarantees, and review and approve state plans.

- Monies allotted to each state by EDA shall be used for the purposes of establishing revolving funds from which the state may make grants, loans or loan guarantees to impacted communities. States would be encouraged to make maximum use of loans and loan guarantees to increase the leverage of this assistance.

- The Secretary of Commerce is permitted to reserve up to 15% of the grant funds for direct assistance to individual communities whose needs are not being met by state programs (although the state allotment would be reduced accordingly.) Use of this discretionary authority would, however, be discouraged.

- States would be required to provide gradually increasing levels of matching funds in order to participate in the program. No match would be required in the first year, but thereafter the requirements would be: 12½% in the second year, 25% in the third year, 37½% in the fourth year and 50% in the fifth year.

- The duration of the program is five years, after which time states should be able to meet impact assistance needs themselves.

ISSUES FOR DECISION

1. Level and type of funding

The joint federal/state study produced five options for the level and mechanism of funding a new impact assistance program. We, OMB, DOE, and Commerce are recommending a sixth option, which after consultations with the Congress, we believe combines many of the advantages of each. The five original options are, however, outlined below to give you a perspective on the scope and range of views and available choices.

A. The Governors' proposal -- highest option

- $15 million/year for planning grants to states
- $200 million/year for grants for facilities and services
- $60 million (the first year) and $120 million thereafter to fully fund the housing impact assistance program of section 306
- $10 million/year for grants for jurisdictional mismatches (where development occurs in one taxing jurisdiction, but people live in another)
- $15 million/year to guarantee $75 million in loans with a default/foregiveness rate of 15%

Total cost: $300 million in first year
$360 million/year thereafter
$1.74 billion over 5 years

Comment; Even in an unconstrained budget year, the need for this level of funding would be questionable. It places the burden of meeting impact assistance needs almost entirely on the federal government. (If this is leveraged wisely, it would provide $6.3 billion in program impact -- almost double the OMB estimate of need). It is unlikely that the Congress would fund a program at this level, given other priorities.

B. The original DOE Recommendation

- $125 million/year in grants to states (at least 10% of which is for planning).

- $60 million in first year, $120 million thereafter to fully fund Section 306

Total cost: $185 million in first year
$245 million/year thereafter
$1.1 billion over 5 years

Comment: This option, and the Commerce option, below, come closest to meeting the Governors' expectations of Administration action. In addition, the Senate budget includes $200 million for impact assistance, exclusive of Section 306. This option is closest to our best reading of general Congressional preference without exceeding Congressional budget ceilings.

The DOE option is programmatically less desirable than the options below because it commits to full funding of section 306. 306 is basically limited to housing, which may or may not be a top priority in any given impacted area. We believe a more flexible program makes more sense, and at this time see no need to commit to funding 306, at least beyond the first year.

C. The original Commerce Recommendation

- $200 million/year in grants of which 10% must be used for planning

- Merge the 306 program with the new EDA program

Total cost: $200 million/year
$1 billion over 5 years

Comment: Although similar in level of funding to the DOE recommendation, this proposal has the programmatic advantage of avoiding two separate impact assistance accounts, one in EDA and one in Farmer's Home. However, our discussions with members of Congress, their staff, and the National Governors Association all indicated that it would be difficult if not impossible to merge these two programs, at least this year. They strongly advised leaving 306 alone because:

-- it runs a risk of unravelling the Coal Conversion conference agreement.

-- at a minimum, it will anger Staggers and Randolph. Staggers' good will continues to be essential in the natural gas and COET discussions.

It is possible that next year, when the dust on the energy bill is hopefully settled, the 306 program can be abolished or moved.

D. The original OMB recommendation

- $15 million/year in planning grants (from section 306)
- $75 million/year in grants to states
- $5 million/year to guarantee $115 million in loans at 2% below the Treasury borrowing rate.
- no funding (aside from the planning grants) of 306

Total cost: $95 million/year
$475 million over 5 years

Comment: OMB believes that, from a programmatic standpoint, this option is probably the most desirable. DPS, Commerce and DOE question whether a real federal contribution of 16% of the estimated need is adequate substantively. States under this option may refuse to help communities in real need. This option would not receive support, from either the relevant Congressional delegations (principally Randolph, Staggers, Hart, and Haskell) or from the Governors. It is highly likely that the Congress would enact its own version of new impact assistance legislation (likely to fall in the range of $200 million/year) and would fully fund the 306 program. Western members of Congress, many of whom have been helpful on Panama and other issues -- and who will be essential to enactment of the energy program -- would consider themselves undercut. OMB now agrees to the last option set forth below.

E. Lowest Option -- Straight Loan guarantees

- $15 million/year in planning grants
- $20 million/year for federal loan guarantees of $1.5 billion in state securities

Total cost: $35 million/year
$175 million over 5 years

Comment: Although OMB originally suggested this option as a reference point, they did not recommend this program because of its political inacceptability due to the very low level of real assistance. All agencies share the view that it would be preferable to propose no program than to select this option. The same budget risks are associated with this option as are found in item D.

F. Eizenstat Option

Since the time that these five original options were framed, we have had extensive discussions with Congressional staff and, to a lesser extent, with the National Governors Association. We have sought to develop an option which would minimize budget costs while meeting at least some of the concerns expressed by the Governors and the Congress, and minimizing the threat of Congressional add-ons to our recommendations.

We have developed the following proposal which has the concurrence of OMB, Commerce and DOE. We have discussed it with the staffs of Senators Hart and Haskell and these Senators have both agreed to fully support the program and refrain from initiatives of their own to increase the level of funding.

- $15 million/year in planning grants
- $120 million/year in grants to states for a new program with the proviso that any Congressional decision to fund all or part of section 306 will reduce commensurately the amount available for the new program.
- $15 million/year to guarantee $300 million in loans at 2% below the Treasury borrowing rate.

<u>Total cost</u>: $150 million/year
$750 million over five years

<u>Comment</u>: This option has the advantage of leaving to the Congress the ultimate decision on whether to fund the 306 program while putting the Administration on record as preferring to fund the new, more flexible program. It takes the Administration out of the debate on how much should be allocated to 306 and how much to the new program while minimizing the budget risks of having to fully fund two separate programs. We believe that this is the least cost option which can win the support of key members of Congress.

The Western Governors are likely to be critical of this proposal, at least at first, because it is so far below the financial assistance they requested; but this opposition would be blunted by Hart's and Haskell's support. We believe that there is a fair chance of winning some gubernatorial support once they realize that it will be far easier to enact and receive appropriations for a program which has Administration and Congressional support than it would be to push for more funding.

An additional consideration is comparability of the inland program to the Coastal Energy Impact Program which now has $50 million in grants and $100 million in loans and guarantees per year. This will be increased to $75 million per year in grants if the OCS Amendments are acted upon.

The combined grant/loan guarantee approach of the inland assistance program we recommend is very similar in both structure and overall level of funding to the coastal impact program. Creation of a roughly comparable program should help reduce the bootstrapping which has occurred in the past when inland states point to the CEIP program and vice versa.

<u>Decision</u>:

Eizenstat Option ✓ (OMB, DOE, DOC and DPS recommend)

Other Option ______

Note: Charlie Schultze, in commenting on the original Schlesinger/Kreps memorandum, expressed no preference between the five options, but urged that no program be funded in FY 1979. He suggested that impact assistance be considered in the course of the FY 1980 budget cycle. If this were at all a realistic option, we would support it. We do not believe, however, that Congress will delay implementation of some impact assistance program this year. The Senate budget resolution already contains $200 million for a new impact assistance program, and $60 million for section 306. Additionally, delay in implementation of a program will leave us open to the charge that, but for early bureaucratic difficulties in getting the impact assistance study going, the program would have been considered in the FY 1979 budget cycle. Moreover, the approach we recommend will not increase budget impact in the out years by more than the $150 million proposed for FY 1979.

2. Coastal Energy Impact Program Interest Rate

As noted earlier, comparability between the coastal and inland programs has been a continuing Congressional and Gubernatorial concern. We have recommended that the loan guarantees under the inland program be subsidized at 2% below the Treasury borrowing rate so as to make this program useable to the States. The CEIP fund for loans and loan guarantees has not been used because the requirement remains that all loans or loan guarantees be at the Treasury rate. Secretaries Schlesinger and Kreps recommend that the CEIP interest rate be reduced from the Treasury rate to the average municipal borrowing rate in order to:

- make this program available to coastal states and thereby reduce the pressure to increase the grant program

- ensure comparability between the coastal and inland impact assistance programs.

The cost of a change in the CEIP interest rate would range from $2 million in the first year to a possible high of $10 million in the fifth year.

OMB believes, however, that the CEIP fund should be available only as a last resort, after private borrowing possibilities have been exhausted, or only in exceptional circumstances. They recommend against a change in the CEIP interest rate.

We believe that lowering the CEIP rate is a sensible, relatively low cost means of increasing the availability of loan guarantee assistance where it is needed and thereby avoiding continued pressure to raise the amount of grants provided to states. This could be particularly useful in the context of the OCS conference where we may encounter some difficulty in holding the line at $75 million for the grant program. Additionally, it would be difficult to justify one interest rate for the inland program and another for the coastal program.

Decision:

Reduce the CEIP interest rate from the Treasury rate to the average municipal borrowing rate.

Approve ____________ (DOC, DOE, DPS)

Disapprove ____✓____ (OMB)

(Treasury: No Comments received)

c) What does CEA say?
b) What would this cost us in other programs if it becomes a pattern?

POSSIBLE ANNOUNCEMENT STRATEGY ✓

If you approve a new program for energy impact assistance, both Senators Hart and Haskell urge that you announce this program while you are in Colorado next week. We are working with Fran Voorde on a tentative time for announcement of the program. We believe that presenting this program while in the West could help reinforce your commitment to understanding and dealing with their problems, as well as emphasizing a strong state role in the energy area generally.

SCHULTZE COMMENT

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

May 3, 1978

MEMORANDUM FOR THE PRESIDENT

From: Charlie Schultze CLS

Subject: Energy Impact Assistance

You have asked for my judgment on the proposal to reduce the interest rate charged on loans under the Coastal Energy Impact Program (CEIP), a proposal made in Stu's memo to you on the Energy Impact Assistance Program.

I. The Issues

1. In your response to Stu's memo, you approved a program for inland areas that would provide credit-market assistance to states and localities by (a) providing Federal guarantees for taxable bonds issued in the private credit market, and (b) providing a direct grant to assure that the interest rate paid by the state or locality was no higher than 2 percentage points below the average cost of Treasury borrowing.

2. Stu also recommends that you make parallel changes in two lending mechanisms provided under the Coastal Energy Impact Program. They are:

   - Reduce the interest rate charged on direct Federal loans under this program to the average municipal borrowing rate, which is roughly the same as the rate provided under the inland program.

   - Provide loan guarantees to back taxable bonds issued in the private markets by states and localities, and provide a grant to reduce the interest cost to those governments to the average municipal borrowing rate. This program is essentially identical to the program you approved for inland states.

Need for a Program

On economic grounds, I question whether any of these programs are necessary. These proposals have been made because the existing funds for energy-impacted areas under the CEIP program have not been utilized. Communities have been able to borrow more cheaply in the regular markets by issuing tax-exempt securities. It is possible, therefore, that the new program of subsidized rates would provide an incentive to these communities to take on Federal guarantees -- for "insurance" purposes -- even though they would have been able to borrow at the normal tax-free interest rate for municipal bonds. Thus, this program could lead to a significant increase in federally-guaranteed loans outstanding with little or no actual increase in the availability of credit to these communities.

There are unusual circumstances when such a program would be desirable. It is conceivable that some local governments could face significant near-term borrowing needs that are far greater than would ordinarily be supported by the city's taxable base. Tax revenues should grow, over the life of the bond, as the communities grow. Therefore, resources to pay off indebtedness accumulated to meet energy impacts ought to grow as time goes on. However, credit markets may regard the risks of such investment as too great, and require borrowing localities to pay higher-than-usual interest rates. Under these circumstances a guarantee or subsidy may be desirable.

On budgetary grounds, I believe that an increase in direct Federal loans, as would result from the first part of Stu's CEIP proposal, is not at all desirable. The same purposes can be accomplished through guarantees and subsidies, with far lower near-term budgetary outlays. Of course, over the long term, as loans are repaid, the budget costs of the two approaches are the same.

On political grounds, Stu argues that there is good reason to offer credit assistance to energy impacted communities. He believes that such a program, as part of your package, would be relatively inexpensive means of obtaining the support of crucial legislators for an energy impact assistance program of relatively modest magnitudes. The alternative could be a much more expensive, less effective program enacted by the Congress.

Recommendations

First, I recommend against any change in the interest rate on direct Federal loans provided by the CEIP program. These should be genuine last-resort loans, and should carry no subsidy.

Second, I concur with Stu's recommendation that a loan guarantee/subsidy program be approved both for inland governments and under the CEIP program. I do so, however, only because of the unique circumstances surrounding the energy impact assistance program. On substantive grounds, such a program probably is not desirable, and it should not serve as a precedent for granting similar treatment in other cases. (Note: The impact of this program on the deficit should be small. If states or localities borrow on the private tax-free market, the Federal government will not collect taxes on the interest. If, on the other hand, this program encourages those governments instead to issue taxable bonds, and collect a Federal subsidy, then the increase in outlays for the subsidy will, to some extent, be offset by the increase in revenues from the taxes paid on bond interest.)

THE WHITE HOUSE
WASHINGTON
May 8, 1978

Frank Moore

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

Rick Hutcheson

cc: Hamilton Jordan

RE: CALLS TO HOUSE INTERNATIONAL RELATIONS COMMITTEE

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

ACTION	FYI	
		VICE PRESIDENT
		EIZENSTAT
	✓	JORDAN
		KRAFT
		LIPSHUTZ
✓		MOORE
		POWELL
		WATSON
		WEXLER
		BRZEZINSKI
		MCINTYRE
		SCHULTZE
		ADAMS
		ANDRUS
		BELL
		BERGLAND
		BLUMENTHAL
		BROWN
		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
		STRAUSS
		VANCE

		ARAGON
		BOURNE
		BUTLER
		H. CARTER
		CLOUGH
		COSTANZA
		CRUIKSHANK
		FALLOWS
		FIRST LADY
		GAMMILL
		HARDEN
		HUTCHESON
		JAGODA
		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
		PRESS
		SCHNEIDERS
		VOORDE
		WARREN
		WISE

THE WHITE HOUSE

WASHINGTON

Frank

May 1, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: FRANK MOORE F.M./BR

The following members of the House International Relations Committee should be called today concerning Mid East arms sales. Our intelligence tells us that there will be an effort today and tomorrow to circulate a Resolution of Disapproval among committee members in an effort to slow down the momentum we have gained in the past few days. The objective would be to get upwards of 17 signatures, leaving opponents only 2 shy of the number needed to block the sale. If this should happen our claims of strong support in the committee would be undermined. Although we feel confident the opponents could not gather 17 signatures, we suggest that you call the members listed below and seek their support for the sales. You should avoid direct reference to the Resolution of Disapproval, but urge members to keep an open mind at least through the hearings scheduled May 9-11.

You will almost certainly be asked about your present position on the "package." In his press [redacted] statement on Friday, Secretary Vance [redacted] emphasized that the Congress would deal with us on these sales separately and weigh them on their own merits. However, you will retain the option of final approval depending on the action of the Congress. If we could avoid use of the word "package," it would help Byrd and other supporters who have been out front and helpful in recent days.

Donald Pease (D-Ohio) "None or all" will wait -

Gus Yatron (D-Pa) like to help - will wait

Andy Ireland (D-Fla) Leaning against - will wait

Donald Fraser (D-Minn) Package? none or all - will wait

Anthony Beilenson (D-Calif) - NA

Ed Derwinski (R-Ill) = Will wait - help if possible

MEMORANDUM

THE PRESIDENT HAS SEEN.

11:50 AM

THE WHITE HOUSE

WASHINGTON

Meeting With
Multiple Sclerosis Mother and Father
Of The Year
Monday, May 8, 1978
11:50 a.m. (5 minutes)
The Oval Office

(by: Fran Voorde)

I. PURPOSE: To greet the 1978 Multiple Sclerosis Mother and Father of the Year and highlight the opening of the annual MS Hope Chest Campaign

II. BACKGROUND, PARTICIPANTS & PRESS PLAN:

A. Background: Every President since Eisenhower has participated in the annual MS Drive. (Last year, Mrs. Carter greeted the Mother and Father of the Year.) Marcelyn Makela and Phillip Itkoff, MS Mother and Father of 1978 will be representing an estimated 500,000 Americans suffering from this crippling disease. Mrs. Makela and Mr. Itkoff will be accompanied by their spouses and children.

B. Participants: Marcelyn Joy Makela, MS Mother of the Year; David Makela, husband; Ryan and Megan Makela, children.

Phillip Itkoff, MS Father of the Year; Frances Itkoff, wife; Michael and Ellen Itkoff, children.

Sylvia Lawry, founder and Executive Director, National Multiple Sclerosis Society.

Frederick Weiting, Public Relations Director, MS Society.

Audrey (Mrs. Al) Ullman, Washington Representative, MS Society

Representative Mark Hannaford, (D) - California

C. Press Coverage: White House Photographer

III. <u>TALKING POINTS</u>: To be provided by Jim Fallows

IV. <u>CEREMONY OUTLINE</u>:

A. The President will present Mrs. Makela and Mr. Itkoff with MS Mother and Father of the Year plaque

B. Ryan ~~Brian~~ Makela, age 6, will introduce the President to Mystery Sleuth puppet, symbol of the MS Society's READ-a-thon program

C. Ellen Itkoff, age 12, will present an award to the President in recognition of his support of the MS program.

11:50 AM

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

May 8, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: JIM FALLOWS, ACHSAH NESMITH

SUBJECT: Multiple Sclerosis Parents of the Year

(NOTE: Multiple Sclerosis is a neurological disease which destroys patches of the myelin sheathing of the central nervous system, interrupting or distorting the flow of nerve impulses to and from the brain. It causes paralysis, double vision, loss of balance and coordination, speech and hearing difficulties. Cause and cure are unknown and there is no specific commonly effective treatment. It has been called the "mysterious crippler of young adults" because it is usually diagnosed between the ages of 20 and 40. Generally there are periods of active disease, in which patients may have to be hospitalized, followed by periods of remission during which symptoms improve and sometimes disappear. Attacks are unpredictable and usually result in increasing disability. Multiple Sclerosis is sometimes confused with muscular dystrophy (Jerry Lewis's project) a muscle disease affecting children. An estimated 500,000 Americans suffer from MS and closely related disorders. The Society was founded in 1946, has 158 U.S. chapters and 20 foreign affiliates and was instrumental in establishing what is now the National Institute of Neurological and Communicative Disorders and Stroke.)

1. It's an honor to be able to give these awards to Mrs. Marcelyn Makela (Mayk-uh-lah) and Phillip D. Itkoff because they have shown such courage and fortitude in facing this crippling disease, continuing their active family life and community activities despite their disabilities.

2. Marcelyn Makela, MS Mother of the Year, was a professional dancer and model expecting her second child when numbness in her legs signalled the onset of multiple sclerosis in the fall of 1973. She was 27. By 1976 she was confined to a wheelchair and was a virtual prisoner in her Chicago home. Last year they moved to Abilene, Texas, to find a warmer climate. She now gets around town in what looks like a modified golfcart -- shopping, doing errands, going on school trips with the children and for her own physical therapy. She and her husband David are both active MS volunteers.

3. Phil Itkoff, MS Father of the Year, and his wife Fran have been such active volunteers they were awarded the MS Society's highest award, the Bronze Hope Chest for 1976. An optometrist from Lakewood, Calif., Phil first noticed his eye charts seemed blurred one morning in 1963. He was forced to give up his practice entirely 12 years ago at age 34. He lost most vision in one eye, then both, then began to have trouble with balance and walking and increasing fatigue. But he remained active in the Jaycees and was named Jaycee of the year in 1968, organized a group of MS volunteers to help patients and has organized fund raising events for several years. He spends hours every day getting in touch with

patients to help them understand the disease and encourage them to fight to overcome their handicaps. He has voluntarily participated in an experiment at White Memorial Hospital aimed at trying to stabilize the disease. He and Fran also have two children.

4. Amy is an MS Mystery Sleuth, one of about 85 children in her school who joined the program. She loves to read. But this program not only collects funds for needed research, it encourages children who may not have been so eager to read on their own to "read for the need of others," and helps them establish reading goals and good reading habits. I'm proud that Amy chose to participate and completed all her books, and I think it's a worthwhile activity for all children. The U.S. Office of Education honored the Read-a-thon program last year for its outstanding contribution to literacy.

(The Read-a-thon Mystery Sleuths, children 6-14, volunteer to read books of their own choosing, then seek sponsors who pledge ten cents, a quarter, half-dollar or more for each book read during a defined period, usually four to six weeks. By the end of the school year next month about 5.7 million youngsters will have read 16.7 million books since the program's inception. In 1977 Mystery Sleuths raised $7 million and expect to raise $13 million this year. Educational groups all over the country have praised and endorsed it.)

d give your file - please return

THE WHITE HOUSE
WASHINGTON

May 8, 1978

Stu Eizenstat
Frank Moore
Zbig Brzezinski

The attached was returned in the President's outbox today and is forwarded to you for your information. The signed original has been given to Bob Thomson for delivery.

Rick Hutcheson

STUDY ON RADIATION EXPOSURE

cc: Frank Press

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION -

Letter to Bob Thomson for delivery

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

ACTION	FYI	
		VICE PRESIDENT
/		EIZENSTAT
		JORDAN
		KRAFT
		LIPSHUTZ
/		MOORE
		POWELL
		WATSON
		WEXLER
/		BRZEZINSKI
		MCINTYRE
		SCHULTZE

		ADAMS
		ANDRUS
		BELL
		BERGLAND
		BLUMENTHAL
		BROWN
		CALIFANO
		HARRIS
		KREPS
		MARSHALL
		SCHLESINGER
		STRAUSS
		VANCE

		ARAGON
		BOURNE
		BUTLER
		H. CARTER
		CLOUGH
		COSTANZA
		CRUIKSHANK
		FALLOWS
		FIRST LADY
		GAMMILL
		HARDEN
		HUTCHESON
		JAGODA
		LINDER
		MITCHELL
		MOE
		PETERSON
		PETTIGREW
	/	PRESS
		SCHNEIDERS
		VOORDE
		WARREN
		WISE

THE WHITE HOUSE

WASHINGTON

April 28, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: STU EIZENSTAT Stu
FRANK RAINES

SUBJECT: Study on Radiation Exposure

My staff has been following a number of situations involving radiation exposures resulting in an unusually high incidence of cancer. We have become concerned enough to believe that there is a need for a coordinated Administration approach to dealing with the problem.

Congressman Rogers has been holding hearings on a series of atomic tests conducted in the 1950's which involved the presence of several hundred thousand military troops. After several reports of participants claiming to have developed cancer as a result of the tests, the Center for Disease Control has conducted a preliminary survey which indicates that there is in fact a higher than normal cancer rate among participants. Rogers has insisted that there be a full scale study of all participants in atmospheric atomic tests.

In recent weeks there have been reports of abnormal cancer incidence among workers in shipyards building nuclear-powered naval vessels. Preliminary evidence seems to indicate that the reports are correct.

It is not clear what is the cause of these increased incidences of cancer. It may indicate that the current standards for safe levels of exposure are too high. In the case of the troop tests, the men may have inhaled contaminated dust which would have given them exposure above that recorded on film badges.

We believe that we should develop a coordinated approach to answering the scientific questions and providing proper care for those who may have been affected. I suggest that you authorize Zbig and me to request that the affected agencies get together and sponsor a study and plan for the necessary response to the needs of those involved. We propose to send the attached draft memorandum. We believe that Secretary Califano should lead this effort since it is primarily a health issue.

Decision

__________ Approve Memorandum

__________ Disapprove Memorandum

__________ Other

Draft revised by NSC

May 9, 1978

MEMORANDUM FOR

THE SECRETARY OF DEFENSE
THE SECRETARY OF HEALTH, EDUCATION AND WELFARE
THE SECRETARY OF ENERGY
THE ADMINISTRATOR OF VETERANS AFFAIRS

JC

FROM: STUART EIZENSTAT By D.R.
ZBIGNIEW BRZEZINSKI ZB.

SUBJECT: Radiation Exposure Inquiry

The President has approved the development of a coordinated response to the growing agency and Congressional concern about the effects of radiation exposure on participants in nuclear tests and workers in nuclear-related projects.

The Secretary of Health, Education and Welfare should coordinate the formulation of a program including the following:

1. A study or series of studies which would determine the effects of radiation exposure on participants in nuclear tests, including members of the armed forces and civilian personnel, workers at nuclear facilities and projects, and other persons as indicated.

2. A public information program to inform persons who might have been affected and the general public about the steps being taken and the conduct of the studies.

3. A plan for ensuring that persons adversely affected by radiation exposure receive the care and benefits to which they may be or should be entitled.

4. Recommendations on steps which can be taken to reduce the incidence of adverse radiation exposure of this type in the future.

We are aware that the Department of Defense has initiated a study and that the Center for Disease Control has undertaken at least two investigations. Our intent is that these efforts become a coordinated Administration approach to the problem. A proposed plan of action should be prepared for review by June 1, 1978.

The staff of the National Security Council, the Domestic Policy Staff and the Office of Science and Technology Policy within the Executive Office are available to assist the interagency group.

THE WHITE HOUSE

WASHINGTON

May 8, 1978

To Senator Fritz Hollings

Thank you for bringing to my attention the issue of safety of nuclear submarine workers at the Charleston Naval Shipyard. After receiving your letter of February 28, I asked appropriate officials to make a preliminary study of the problem and suggest steps for further investigation.

First, an investigative team from the Center for Disease Control at HEW will visit Charleston Naval Shipyard very soon to review records available and determine the number of persons potentially exposed to harmful radiation.

Second, the Department of Energy has initiated an independent study of potential nuclear hazards that will involve the Charleston facility.

Third, I have asked my Domestic Policy staff and the National Security Council to plan an additional study of radiation exposure levels that is likely to involve Charleston.

The information from these and other studies will be analyzed to determine what steps, if any, must be taken to protect defense workers at our naval shipyards. Thank you for your leadership on this issue. I have asked my staff to keep you informed on our progress.

Sincerely,

Jimmy Carter

The Honorable Ernest F. Hollings
United States Senate
Washington, D.C. 20510

.OLLINGS
AROLINA

OFFICES:
NATE OFFICE BUILDING
SHINGTON, D.C. 20510
202-224-6121

306 FEDERAL BUILDING
COLUMBIA, SOUTH CAROLINA 29201
803-765-5731

103 FEDERAL BUILDING
SPARTANBURG, SOUTH CAROLINA 29301
803-585-3702

242 FEDERAL BUILDING
GREENVILLE, SOUTH CAROLINA 29603
803-233-5366

112 CUSTOM HOUSE
200 EAST BAY STREET
CHARLESTON, SOUTH CAROLINA 29401
803-723-6211

United States Senate

WASHINGTON, D.C. 20510

COMMITTEES:
APPROPRIATIONS
STATE, JUSTICE, COMMERCE, AND THE JUDICIARY: CHAIRMAN
DEFENSE
LABOR, HEALTH, EDUCATION AND WELFARE
PUBLIC WORKS
INTERIOR
BUDGET
DEFENSE: CHAIRMAN
COMMERCE, SCIENCE, AND TRANSPORTATION
COMMUNICATIONS: CHAIRMAN
SURFACE TRANSPORTATION
SCIENCE, TECHNOLOGY, AND SPACE
DEMOCRATIC POLICY COMMITTEE
OFFICE OF TECHNOLOGY ASSESSMENT
NATIONAL OCEAN POLICY STUDY

February 28, 1978

DPS
3/23
000007

ack-FM/~~DOD~~ SE

CONGRESSIONAL LIAISON
MAR 2 1978

SU 2
HE 00

The President
The White House
Washington, DC 20500

Dear Mr. President:

As you are aware, the Boston Sunday Globe recently published a major report on cancer risks involving civilian workers in the nuclear submarine repair facility at the Portsmouth Naval Shipyard.

Although the Globe admitted that its report was based on incomplete records, nonetheless its conclusions that exposure to low-level radiation in the Portsmouth shipyard has led to a high incidence of cancer and leukemia is sufficiently alarming that an immediate investigation is necessary.

The Globe found, for instance, that while only 18 per cent of the general population dies of cancer, 38.4 per cent of the Portsmouth workers who work on nuclear submarines die of the disease. It further found that the leukemia death rate for shipyard employees who worked in exposed areas is 450 per cent higher than the rate for the general population. It also reported that in the 60-69 age group, nearly 60 per cent of those workers whose jobs involved exposure to radiation died of cancer, while for non-nuclear workers in the same age range, the cancer death rate was 26.1 per cent.

These findings are of particular concern to me because the Charleston, S. C. Naval Shipyard includes a major facility for the repair and overhaul of nuclear attack submarines, and both naval and civilian workers would be subject to the same risks and safeguards that exist at Portsmouth. The problem is national in scope, as there are seven other shipyards in addition to Portsmouth and Charleston which are engaged in the construction, repair and overhaul of nuclear submarines.

I join with Senator Durkin who has written to you concerning this subject, in asking that you appoint a blue ribbon panel of independent scientific and medical experts to review the health records of those who have worked at nuclear shipyards with a view toward determining whether radiation levels at these facilities are within acceptable limits, and if they are not what action is necessary to protect the workers against hazardous exposure.

With kindest regards, I am

Sincerely,

Ernest F. Hollings

EFH/kk

ID 782323

THE WHITE HOUSE

WASHINGTON

DATE: 03 MAY 78

FOR ACTION:

INFO ONLY: FRANK PRESS

SUBJECT: EIZENSTAT MEMO RE STUDY ON RADIATION EXPOSURE

++

+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +

+ BY: +

++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

Cabinet meeting May 8, 1978

THE WHITE HOUSE
WASHINGTON

· VP trip

> Western trip - Cecil, Bob, Jim

> Urban policy implementation

> Anti-inflation Schultze/Bob
Bus + Labor O

> Civil Service

> Energy - excessive tax credits

> Tax reform

> Mid East arms

> Turkey arms embargo

> Hospital Costs

> Airline Dereg

> Hold budget

> Zbig → PRC

> Texas primary

> J Watson - Leg - Gov - Mayors

Schmidt / Fukuda / Lopez Portillo

969

THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

May 6, 1978

C

MEMORANDUM FOR THE PRESIDENT

FROM BOB LIPSHUTZ

Attached is an excerpt from court papers recently filed in Atlanta.

In my judgement, if these allegations are accurate, they could be the basis of a serious criminal accusation.

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

SECURITIES AND EXCHANGE COMMISSION
500 North Capitol Street N.W.
Washington, D.C. 20549

COMPTROLLER OF THE CURRENCY
Administrator of National Banks
490 L'Enfant Plaza
Washington, D.C. 20219

Plaintiffs,

v.

THE NATIONAL BANK OF GEORGIA
THE CALHOUN FIRST NATIONAL BANK
T. BERTRAM LANCE

Defendants.

CIVIL ACTION
NO. 78-

COMPLAINT FOR PERMANENT INJUNCTION AND OTHER EQUITABLE RELIEF

PURCHASE OF KING CLEVELAND HOUSE

227. On or about April 6, 1976, NBG entered into an agreement with King D. Cleveland ("Cleveland"), then Chairman of the Board of Directors of NBG, which among other things, provided for an early retirement of Cleveland, effective September 30, 1976. Pursuant to this agreement, NBG agreed that on or before April 30, 1976 it would purchase from Cleveland his principal residence located at 2916 Nancy Creek Road in Atlanta, Georgia at a price to be established by an independent appraisal. The April 6 agreement further provided that the purchase price would not be more than 5%

in excess of or less than, the Cleveland cost basis in such residence which was stipulated to be $125,604.78.

228. On or about April 29, 1976, NBG purchased the Nancy Creek Road residence from Cleveland for $125,605 pursuant to the April 6, 1976 agreement.

229. In or about June 1976, in connection with the preparation of an offering circular with respect to a proposed offer by NBG to the public of 451,000 shares of NBG common stock, Green, Senior Vice President and Assistant to the President of NBG, expressed a concern to Lance that it may be illegal under the banking laws for NBG to own the Cleveland residence. Lance indicated to Green that he thought it was legal for the bank to own the residence but agreed with Green's suggestion to consult with counsel for NBG on the question. Counsel informed Green that he believed that NBG could not own the house. Thereafter, there were several meetings at the bank attended by those participating in the preparation of the offering wherein two alternative solutions were discussed. One alternative was to advise the Comptroller of the situation and ask him to allow the bank to continue to own the house until it could be sold and to disclose such facts in the offering circular. A second alternative was to recognize it was illegal to hold the property and arrange for an independent third party friendly to NBG to purchase the Cleveland residence from the bank while the bank continued to try to sell it.

230. Green discussed the two alternatives described in paragraph 229 above with Lance and recommended that the bank follow the alternative which involved advising the Comptroller of the situation and asking permission to continue to own the house. Lance instructed Green to follow the other alternative. Lance and Green determined that Mitchell, a friend and business

associate of Lance, would be the party to whom NBG would sell the house.

231. On or about August 5, 1976, Mitchell bought the Cleveland residence from NBG for $125,600. On or about September 29, 1976, NBG obtained a current appraisal of the Cleveland residence which valued the property at approximately $98,000. In October 1976, NBG received an offer of $85,000 from a third party for the residence which it refused.

232. On November 22, 1976 in anticipation of a loss which Mitchell would suffer on the subsequent sale of the residence, NBG paid Mitchell $15,000. The $15,000 was inaccurately described on NBG's books and records as professional fees correspondent banking. On or about December 15, 1976, Mitchell was appointed a Director of NBG.

233. On or about March 17, 1977, Mitchell received approximately $92,552, after commissions, taxes and recording fees from the sale of Cleveland's residence. In June 1977, after a regular meeting of the Executive Committee of the Board of Directors of NBG, Green for the first time informed the Executive Committee of the Cleveland residence transaction and the Executive Committee authorized the payment by NBG to Mitchell of $21,500. The $21,500, when coupled with the $15,000 paid to Mitchell in November 1976, approximated the loss suffered by Mitchell as a result of the Cleveland residence transaction. The June 1977 payment by NBG to Mitchell of $21,500 was inaccurately described on the books and records of NBG as professional fees-correspondent banking.