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Memo	Brzezinski to Pres. Carter, w/attachments 11 pp. re: Romanian Trade Agreement <i>opened per RAC NLC-126-12-40-1-3, 4/17/13</i>	6/1/78	A

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THE PRESIDENT'S SCHEDULE

Friday - June 2, 1978

7:30
(90 min.) Breakfast with Vice President Walter F. Mondale, Secretaries Cyrus Vance and Harold Brown, Dr. Zbigniew Brzezinski and Mr. Hamilton Jordan - Cabinet Room.

9:00 Dr. Zbigniew Brzezinski - The Oval Office.

9:15
(15 min.) Ambassador Robert Strauss - The Oval Office.

11:00
(10 min.) Greet Group of Democratic State Chairmen. (Mr. Tim Kraft) - The Roosevelt Room.

11:15 Mr. Jody Powell - The Oval Office.

11:30
(20 min.) Mr. Charles Schultze - The Oval Office.

2:00
(2-1/2 hrs.) Issues Meeting/1980 Budget. (Mr. James McIntyre).
The Cabinet Room.

4:30 Depart South Grounds via Helicopter en route
Camp David.

1:30 meeting 6/2/78
(4 congressional leaders)

Not just recent - much-
long time - many sources

- Role in Angola

- 20,000 + 1000's - Xport - fuel

• info immediately before
& after

Top-sensitive sources

intel → For rel

- Cubans/SU benefit from
source info

- Sources

MH^{re}
Cuba/Katanga

- Korean codes

House member info → Koreans
S. Hersh

THE WHITE HOUSE
WASHINGTON

June 2, 1978

Jim McIntyre
Frank Moore

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

Jim -- please advise the affected agencies.

Rick Hutcheson

cc: Stu Eizenstat
Zbig Brzezinski
Charlie Schultze
Richard Pettigrew
Frank Press
Greg Schneiders

REORGANIZATION OF EMERGENCY PREPAREDNESS
AND RESPONSE PROGRAMS

THE WHITE HOUSE
WASHINGTON

Mr. President --

Binders containing supplemental responses to Emergency Preparedness Memorandum, and Greg Schneiders' memo re results of study, are in my office next to television set in the event you want to glance at them.

-- Susan



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

MAY 25 1978

①

MEMORANDUM FOR THE PRESIDENT

FROM: James T. McIntyre, Jr. *Jim*

SUBJECT: Reorganization of Emergency Preparedness and Response Programs

This memorandum summarizes the attached reorganization study of Federal emergency preparedness programs. The objective of the study was to develop an appropriate organization of Federal authorities to deal with events that physically threaten the lives and property of the civilian population. We recommend that certain emergency preparedness and response authorities now segregated in eight Federal agencies be consolidated by reorganization plan into a new independent agency reporting to the President. This action would permit the elimination of four of these agencies and streamline the operations of the other four, without diminishing the effectiveness of their remaining functions.

?

I. CURRENT STRUCTURE

Since 1973, three agencies have had responsibility for broad planning and coordinating missions in anticipation of and in response to civil emergencies, under authorities vested in the President:

- The Federal Preparedness Agency (FPA) in the General Services Administration (GSA) coordinates civil preparedness policies and programs.
- The Defense Civil Preparedness Agency (DCPA) in the Department of Defense (DOD) administers the civil defense program through financial assistance to State and local governments.
- The Federal Disaster Assistance Administration (FDAA) in the Department of Housing and Urban Development (HUD) coordinates Federal natural disaster relief operations and administers a small natural disaster preparedness State grant program.

At least 20 Federal agencies have specific emergency research, prevention or disaster operational assignments, and most other agencies have the responsibility to plan for the performance of their regular missions under emergency conditions. Further complicating the organizational picture is the fact that State and local governments are the front line of civilian preparedness, mitigation, and response for natural, accidental, and wartime civil emergencies.

II. STATEMENT OF PROBLEM

Our technology-dependent civilian society is vulnerable not only to natural phenomena, but also to military and terrorist action and to manmade disasters which range from dam failures and blackouts to chemical and radiological accidents. Recognizing this, the States and local governments have equipped themselves with authorities and organizations which permit an "all-hazard" approach to emergency planning.

However, the Federal Government's organization for carrying out its responsibilities in civil emergency preparedness, mitigation and response has historically been unstable and is currently in disarray.

It has been the target of severe criticism by Congress, GAO, Federal agencies, and especially State and local governments. A long list of problems (on pages 5-6 of the background memorandum and pages 2-10 of its Appendix A) has been documented, including:

- Lack of accountability for performance below the Presidential level.
- Duplication and overlap in relations with the States.
- Conflicts over authority and jurisdiction.
- Indecision on policy questions, such as the "dual use" of resources for both natural and wartime civil emergencies or the relative emphasis on disaster hazard reduction versus disaster relief.
- Frequent Executive Office intervention to devise responses on an ad hoc basis.

III. POLICY ASSUMPTIONS

The recommendations which follow are based explicitly on a set of policy principles which are controversial but essential to an understanding of the recommended changes:

- ° Dual Use. Civil defense should not depend on a segregated and reserved set of resources. The communications, warning, evacuation, and education planning processes involved in preparedness for a nuclear attack should be developed, tested, and used for natural and accidental disasters as well. ✓
- ° Executive Responsibility. Anticipation of and planning for civil emergencies is an important executive responsibility, deserving regular attention and emphasis at the highest levels of the Federal structure including the White House. ✓
- ° State and Local Role. Both attack and natural disaster preparedness programs must be founded on existing civilian organization and resources which are primarily at State and local levels. ✓
- ° Use of In-Place Federal Resources. Emergency responsibilities should be extensions of regular agency missions whenever possible; the primary organizational task is to coordinate, under emergency conditions, resources that have other uses on a day-to-day basis. ✓
- ° Mitigation. Hazard mitigation--reducing vulnerability of people and property through sensible regulation of land use and building standards--should be a central long-term thrust of Federal involvement in natural disasters as an alternative to disaster relief. ✓

IV. RECOMMENDATIONS

A. Consolidate FPA, FDAA, and DCPA

The new agency (see Appendix E of attachment) would develop and coordinate Federal programs for the protection of civilian population, resources, and governmental authority at all stages preceding, during, and following a major natural, accidental, or wartime civil emergency.

The benefits expected from this consolidation (stated more fully on pages 10-11 of the attachment) include:

- Creating a single accountable official and point of contact for State and local governments.
- Providing greater visibility and coherence for preparedness functions.
- Ending the present separation of authorities for dealing with various types and stages of disasters.
- Responding to an urgent need for consolidation voiced by State and local interest groups, all 50 governors, and several dozen members of Congress, including all who have actively investigated the issue.
- Providing significant economies through combining duplicative regional structures and redundant data processing and policy analysis systems.

The costs and potential drawbacks include:

- Possibly deemphasizing either natural disaster or attack preparedness in an agency combining both.
- Disrupting, for a brief period, established capabilities and requiring one-time dollar costs during process of change.
- Possibly increasing budget pressures from the States who might expect a more sympathetic hearing from an agency organized along the same "all hazard" principles that State organizations follow.

We believe that the political and management benefits substantially exceed the costs and that the latter can be minimized by determined and effective leadership by the head of the new agency.

In reaching this conclusion, we considered other alternatives. Option 1 would create a policy planning and coordinating group attached to an existing agency or to the Executive Office to respond to some of these problems. Such a body would not respond to State and local needs and would be unlikely to be more successful than prior coordination attempts have been.

Option 2 would separate natural disaster and nuclear preparedness programs, placing the latter in Defense (including the civil defense policymaking responsibilities now lodged in FPA). The revamped program would center on evacuation and fallout protection. This option avoids the possibility of

having one function deemphasized in favor of the other. It also avoids Defense's concern that moving DCPA out of Defense will be seen as downgrading the function. We feel strongly that this alternative is the wrong choice and will be decisively opposed by State and local governments and Congress. It ignores the fact that State and local governments must carry out a civil defense program, and they have little interest in devoting resources to a program that is unresponsive to their own primary concerns about natural and accidental disasters. We feel that the civil defense program can be (as it was, from 1950 to 1961) carried out more effectively under civilian leadership than by DOD, which has no other significant grant programs.

Agency Views

All agencies except those losing programs favor this recommendation. HUD expresses reservations about the consolidation but does not oppose it. Its reservations include a fear that the proposal may increase pressures for increased disaster spending, that it may submerge either civil defense or natural disaster preparedness in favor of the other, and that it may expose the President to more direct criticism when relief operations do not go well. GSA will support the recommendation, but prefers a more limited policy planning and coordination group attached to an existing agency. DOD opposes the loss of DCPA and favors Option 2 above. DOD has rejected a proposed agreement under which DOD would retain civil defense policy guidance and budget review authority.

DECISION

- Consolidate FPA, DCPA, and FDAA (OMB, DPS, NSC, CEA recommend)
- Create policy planning and coordination group (GSA recommends)
- Separate natural disaster and nuclear preparedness programs (Defense recommends)

B. Create an independent agency to house the consolidated units.

(This and subsequent decisions are relevant only if you have approved the OMB recommendation in Decision No. 1.)

We considered several locations for a consolidated agency (see pages 15-18 of the attachment). Incorporation within the EOP, preferred by most groups and some proponents of the consolidation in Congress, was rejected because it would almost triple the size of the EOP and is not necessary.

Attaching the new agency to an existing parent agency (DOD, GSA, or HUD) or another agency would allow access to the administrative resources of a large organization.

The disadvantages, however, outweigh the advantages. Subordinating coordinative authorities to the sub-departmental level has not worked in the years since the 1973 reorganization. Layering, low visibility, and inevitable conflicts with other departmental priorities make this alternative unacceptable to Congress and State and local governments. Further, subordination to a domestic agency (HUD or GSA) would be seen by Defense as an unacceptable downgrading of attack preparedness in favor of natural disaster activities. Assignment to Defense would be just as strongly resisted by State and local governments and voluntary groups, and is not advocated by DOD either.

We long resisted the third alternative--independent agency status--because it adds one to the already large number of agencies reporting to the President. I am now convinced, however, that this alternative is inescapable. To the advantages of accountability, visibility, policy control, and a direct reporting line to the President in times of crisis, must be added the fact that all 50 governors and 59 members of Congress have explicitly endorsed independent status. In this case, we would expect considerably more Congressional opposition from failure to create a new independent agency than from our recommendation to do so. Independence is also supported by voluntary sector organizations such as the Red Cross and the United Way, and by all key public officials' groups, including limited purpose groups such as the State Disaster Preparedness Directors and the Civil Defense Council.

There has been no agency opposition, apart from the consolidation question, to the creation of an independent agency. Although some members of Congress have expressed reservations about creating new agencies in general, we believe that they will support this recommendation.

DECISION

Approve new independent agency (OMB recommendation)
 Disapprove

Reluctantly

C. Create a White House Emergency Management Committee.

The interagency and intergovernmental coordinative and planning responsibilities of the new agency, as well as the fact that the President must exercise direct control in some civil emergency situations, argue for a formal link to the White House (see pages 18-19 of attachment). We recommend that the Administrator of the new agency chair an Emergency Management Committee created by Executive Order and composed of Assistants to the President for National Security, Domestic Affairs, and Intergovernmental Relations as well as myself. The committee would replace the inactive Crisis Management Committee, set policy for the new agency, and advise the President in civil emergency situations. We further recommend that the Administrator of the new agency be invited to relevant NSC and all Cabinet meetings.

There has been no agency opposition to these recommendations, though the National Security Advisor believes the Vice President should chair the committee.

DECISION

Approve White House Emergency Management Committee
(OMB recommendation)

Tentative ok

Disapprove

Approve Invitee Status at Relevant NSC and all
Cabinet Meetings (OMB recommendation)

Will decide later

Disapprove

D. Add several other hazard mitigation programs to the new agency.

Although the new agency could stand alone, we believe that several other responsibilities should be added to it--both to minimize separate contacts at the State and local level, and to strengthen the new agency by giving it some operational resources and an organizational theme as the central locus of disaster hazard mitigation authorities. In the long run, as Frank Press has emphasized, hazard mitigation offers a necessary and cost-effective alternative to rising disaster relief expenditures (see pages 18-20 of attachment).

Specifically, the supplementary functions we recommend for consolidation in the new agency are:

- The community preparedness program now carried out by the National Weather Service in Commerce.
- The functions of the Federal Insurance Administration in HUD.
- The fire prevention and control program located in Commerce.
- The earthquake hazard reduction and dam safety coordinating functions now assigned to the Office of Science and Technology Policy.
- The emergency broadcast system (EBS) planning responsibilities of the former Office of Telecommunications Policy.
- The coordination of emergency warning systems and Federal response to consequences of terrorist incidents both of which responsibilities are not now assigned.

Three of these recommendations have sparked controversy.

(1) Federal Insurance Administration (FIA)

The Federal Insurance Administration in HUD devotes almost all of its resources to discouraging the building of structures in flood plains through stimulation of local ordinances. It also subsidizes flood insurance, though the sales and claims work is contracted out. It has a small (8 staff years) crime/riot insurance program as well, and occasionally does non-statutory investigative and consultative work on insurance matters (see pages 23-25 and Appendix L of attachment).

We believe that the Flood Insurance Program is essential to giving the new agency the lead role in hazard reduction. Most Presidentially declared disasters are floods and this is by far the most significant hazard mitigation program. It has not fared well lately in a series of disputes with Congress.

HUD opposes the transfer of flood plain hazard reduction and insurance, arguing that flood relief should be kept totally separate from hazard reduction and insurance. HUD forecasts

a decline in status for the program if it were to be included with other hazard reduction programs in a sub-Cabinet agency. Since separation of the Flood Insurance Program would leave only about 10% of FIA in HUD, we are recommending transfer of all the FIA functions pending a broader decision on how to handle insurance questions throughout the Government. This transfer will face some opposition in Congress from environmentalists, the insurance industry, and the Banking Committees unless it is convincingly presented as a strong commitment to strengthening the mitigation principle. Without this commitment, they will worry that the land use provisions of the flood insurance program will suffer by association with FDAA's disaster relief authorities, notwithstanding the fact that both programs are now co-located in HUD.

(2) NOAA/NWS Community Disaster Preparedness Program

The National Weather Service in the Department of Commerce administers a community-level disaster preparedness program confined to weather-related disasters like floods, tornados, and hurricanes (see page 23 and Appendix K of attachment). Although small (43 staff years budgeted for FY 1979), it is in fact the largest natural disaster preparedness staff in the Federal establishment.

The NWS program is staffed by meteorologists who encourage and assist communities to develop natural disaster preparedness plans. In carrying out this responsibility, NWS works with the same local emergency officials contacted by other Federal preparedness and mitigation programs, lending weight to the perception of program fragmentation based on the cause of a potential disaster.

Commerce argues that the program is a logical extension of the NWS warning system and NWS technical capabilities and that it neither duplicates nor conflicts with the programs of the new agency. Commerce opposes any transfer of the 21 new positions recommended for this program in your FY 1979 budget, arguing that meteorologists are needed in order to expand the program to areas not now covered.

These arguments notwithstanding, we believe that the new agency should have an "all hazards" focus and we recommend that you approve the transfer of the non-meteorological aspects of the community preparedness function in principle and leave the exact division of resources for my resolution in the next few weeks.

(3) National Fire Prevention and Control Administration
(NFPCA)

The NFPCA was created in the Department of Commerce in 1974. Its principal activities are data collection and analysis, research, fire education and training, planning, and public education aimed at fire loss reduction. It is not involved in fire combat, since this is local responsibility. About 15% of local civil defense units are fire departments (see pages 25-26 and Appendix M of attachment).

We recommend transferring the program to the new agency. By doing so, we would strengthen the hazard reduction/prevention perspective of the new agency, consolidate Federal agencies that deal with local officials on emergency preparedness, and start to establish links between the agency and the communities with which it must deal. The NFPCA is not central to Commerce's principal responsibilities, though there is a strong lateral link to the Fire Research Center (National Bureau of Standards), which gets 60% of its funding from NFPCA.

Commerce strongly opposes the transfer, arguing that: "(1) the functions and objectives of the NFPCA are not the same as those of key elements in the new agency; (2) the character of the new agency will lead NFPCA to focus on fire suppression rather than fire prevention, a focus which will create pressure for funding of a large grant program; and (3) the transfer would disrupt the funding control mechanism which allows NFPCA to see that NBS research activities mesh with the rest of the NFPCA program."

The fire service groups are well organized and vocal. The Joint Fire Council has promised support for the transfer, but has made this support contingent on funding of the National Fire Academy. The funding issue has not yet been resolved. Groups representing local government officials, e.g., the National League of Cities, are on record as opposing the transfer, but we believe they will follow the lead of the fire services groups.

DECISIONS

<u>Approve</u>	<u>Disapprove</u>	
_____	_____ ✓	Earthquake Hazard Reduction Program (OSTP)
_____	_____ ✓	Dam Safety Coordination (OSTP)
_____	_____ ✓	Warning and EBS Policy Oversight (OTP)

- _____ ✓ Response to Consequences of Terrorist Incidents
- _____ ✓ Community Disaster Preparedness (NWS)
- _____ ? Federal Insurance Administration (HUD)
- _____ 7 National Fire Prevention and Control Administration (Commerce)

*Check
2 Key
Congress
members*

V. IMPLEMENTATION

A detailed reorganization plan incorporating your decisions can be prepared for submission to Congress within one month. Should you approve all of the recommendations above, the new agency will have an initial staff of approximately 2,300 and a budget of roughly \$475 million. Our reorganization plan will show a potential reduction of from 200 to 300 staff spaces (achieved through attrition) and a budget savings of \$10 to \$15 million.

WHITE HOUSE STAFF
COMMENTS

SUMMARY OF WHITE HOUSE STAFF COMMENTS

1. Consolidation of FPA, DCPA and FDAA.

DPS, OMB, NSC, CEA, OSTP and Pettigrew concur. Congressional Liaison had no comment.

2. Create independent agency to house the consolidated units.

OMB, DPS, OSTP, Pettigrew and NSC concur. NSC comments: "Consolidation without an independent agency (is) a false option. No department could appropriately manage this collection of disparate functions."

CEA disagrees: "Currently, the needs of disaster programs must be weighed against other priorities within the departments that house them. Under the proposed arrangement, the budget of the new agency would be a focus for pressures to expand disaster programs from the Congress, and from states and cities... I believe requiring disaster programs to be traded off with other priorities of major departments is a necessary discipline." CEA proposes locating the merged FDAA-DCPA-FPA within HUD.

3. Create a White House Emergency Management Committee.

No objections expressed.

NSC believes the Vice President should chair the Committee.

CEA believes the Director of OMB should chair the Committee, "... in order to closely mesh this group's activities with the other budget and management functions of OMB."

4. Add other hazard mitigation programs to the new agency.

OSTP and Pettigrew concur. Other comments and reservations:

1. Federal Insurance Administration.

CEA: (a) If OMB is considering a reorganization study of Federal Insurance programs, FIA should not be transferred until that study is completed; and (b) the transfer of FIA into an independent disaster-aid agency "invites pressures to expand the Federal insurance underwriting role into earthquake, hurricane, and other natural and accidental insurance areas."

2. NWS Community Disaster Preparedness Program.

DPS: "Our concern is over the drawbacks of splitting off a relatively technical staff from a parent organization on which it is dependent for professional support. We suspect they would do a better job as part of the NWS, though improved coordination could be required."

3. National Fire Prevention and Control Administration.

DPS: "It would appear that housing NFPCA in an emergency preparedness and response agency might be overly constraining, given its breadth of responsibility."

Anne Wexler: opposes the transfer for the same reasons that Commerce opposes the transfer (3rd paragraph, p. 10 of OMB memo). She observes that the National League of Cities, US Conference of Mayors and City Managers all oppose the transfer.

Dick Pettigrew: "Although necessary steps have been taken to accommodate the concerns of fire prevention professional groups regarding NFPCA, we still face some noisy opposition from certain volunteer fire-fighter groups. Their concerns are with the fate of the current administrators. Such an objection is not an appropriate basis for excluding NFPCA from the transfer."

PAT HARRIS
COMMENT



THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D. C. 20410

May 31, 1978

MEMORANDUM FOR: The President

SUBJECT: Reorganization of Federal Emergency
Preparedness and Response

I am concerned about the proposal to reorganize Federal emergency preparedness and response programs which I understand has been presented to you by the Office of Management and Budget. I have submitted extensive comments on this reorganization proposal to the OMB, and I believe that these have been forwarded to you along with the decision memorandum. I am taking this opportunity to emphasize to you my strong opposition to the recommendation to remove the Federal Insurance Administration from the Department of Housing and Urban Development.

Although I believe that it would be a mistake to remove the Federal Disaster Assistance Administration from HUD and place it in a new disaster preparedness and response agency, OMB has reflected fairly my view of the political implications of associating the President closely with the controversial area of disaster relief operations, as well as the possible budgetary implications of consolidation which lead me to question the wisdom of this part of the reorganization.

However, the OMB memorandum is less than thorough in describing the reasons for my opposition to the recommendation to remove the Federal Insurance Administration from the Department of Housing and Urban Development.

My principal reason for opposing removal of FIA from this Department is that the flood insurance, crime insurance and riot reinsurance programs administered by it are integrally related to other HUD activities. With respect to flood insurance, safely constructed housing and proper planning are key elements in the success of the program. Crime insurance and riot reinsurance are important in meeting the needs of distressed urban areas, and our present program directions utilize all three for community development activity.

The flood insurance program has been very successful in this Department. Every HUD Secretary has supported the program fully, and today the flood insurance program has the participation of some 16,000 flood prone communities in

which almost 99 percent of the Nation's flood prone structures are located. Although OMB project staff have attempted to discredit the program operation at HUD, the fact is that it is functioning smoothly in this Department. The Federal Insurance Administration and its present operation are a validation of the axiom, "If it ain't broke, don't fix it."

I am particularly concerned that the decision memorandum recommends placing FIA in the proposed new disaster agency and then goes on to acknowledge that its programs may be reorganized again at a future date when OMB looks at the total picture of Federal involvement in insurance. Such piling of one reorganization on top of another is not good management, and will cause uncertainty and disruption in the new disaster agency as well as invite criticism of the Administration for repeated shifts of programs from one agency to another.

On January 1 of this year the flood insurance program underwent a change in operating entities which is expected to result in considerable savings to the government and improved service to policyholders. Even though this change was accomplished with a minimum of disruption, we are concerned that a major reorganization of the program would arouse anxiety on the part of policyholders, insurance agents and others involved in the program.

Within HUD, FIA has functioned as a consumer-oriented organization. There is evidence that consumer and environmental groups do not support the effort to place FIA in a disaster agency. Even some insurance industry representatives oppose the transfer and believe that such a move would change the sound insurance base around which these programs have been built. It is also quite possible that influential Members of the House and Senate Banking Committees will oppose the move, because it would mean that jurisdiction over FIA programs would shift from their Committees to the Public Works Committees. I believe that OMB has seriously underestimated the potential opposition that may be raised to this proposal.

The proposed new disaster agency does not require inclusion of FIA to be effective. Part D of the decision memorandum acknowledges this. I would note also that the proposal is not at all comprehensive because only a very small number of agencies originally considered for consolidation have actually been proposed for inclusion.

I believe that the programs administered by FIA are very successful in HUD and, more importantly, that the close relationship between FIA and other HUD activity is necessary for the effective operation of our community and housing programs. I hope that you will decide to leave the Federal insurance programs in HUD.

Pat

Patricia Roberts Harris

WASHINGTON

DATE: 25 MAY 78

FOR ACTION: FRANK MOORE (LES FRANCIS)

JODY POWELL

JACK WATSON

ANNE WEXLER *attached*

RICHARD PETTIGREW *concur*

INFO ONLY: THE VICE PRESIDENT

STU EIZENSTAT

ZBIG BRZEZINSKI

CHARLIE SCHULTZE

FRANK PRESS *concur*

SUBJECT: MCINTYRE MEMO RE REOGANIZATION OF EMERGENCY PREPAREDNESS
AND RESPONSE PROGRAMS

+++++

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

+ BY: 1200 PM SATURDAY 27 MAY 78 +

+++++

ACTION REQUESTED: YOUR COMMENTS

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

PLEASE NOTE OTHER COMMENTS BELOW:

THE WHITE HOUSE

WASHINGTON

Date: May 26, 1978

MEMORANDUM

FOR ACTION:

FOR INFORMATION:
Secretary Harris
Secretary Kreps

FROM: Rick Hutcheson, Staff Secretary

SUBJECT:
Reorganization of Emergency Preparedness and Response Programs

YOUR RESPONSE MUST BE DELIVERED TO THE STAFF SECRETARY BY:

TIME:

DAY:

DATE:

ACTION REQUESTED:
 Your comments
Other: _____

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

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

WASHINGTON

DATE: 25 MAY 78

FOR ACTION: FRANK MOORE (LES FRANCIS)

JODY POWELL

JACK WATSON

ANNE WEXLER

RICHARD PETTIGREW *Concur*

INFO ONLY: THE VICE PRESIDENT

STU EIZENSTAT

ZBIG BRZEZINSKI

CHARLIE SCHULTZE

FRANK PRESS

SUBJECT: MCINTYRE MEMO RE REOGANIZATION OF EMERGENCY PREPAREDNESS
AND RESPONSE PROGRAMS

+++++
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +
+ BY: 1200 PM SATURDAY 27 MAY 78 +
+++++

ACTION REQUESTED: YOUR COMMENTS

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

PLEASE NOTE OTHER COMMENTS BELOW:

*Please inform the President that I
concur with all transfers of functions
from my office (OSTP) to the
proposed agency.
Frank Press*

WASHINGTON

DATE: 25 MAY 78

FOR ACTION: FRANK MOORE (LES FRANCIS)

JODY POWELL

JACK WATSON

ANNE WEXLER

RICHARD PETTIGREW

INFO ONLY: THE VICE PRESIDENT

STU EIZENSTAT

ZBIG BRZEZINSKI

CHARLIE SCHULTZE

FRANK PRESS

SUBJECT: MCINTYRE MEMO RE REORGANIZATION OF EMERGENCY PREPAREDNESS
AND RESPONSE PROGRAMS

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

+ BY: 1200 PM SATURDAY 27 MAY 78 +
+++++

ACTION REQUESTED: YOUR COMMENTS

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

PLEASE NOTE OTHER COMMENTS BELOW:

Copy to
F.H.
~~CONFIDENTIAL~~ original
b.B.L.

THE WHITE HOUSE
WASHINGTON

June 1, 1978

MEMORANDUM FOR: THE PRESIDENT
FROM: ZBIGNIEW BRZEZINSKI *ZB*
SUBJECT: Extension of Jackson-Vanik Waiver Authority and of the Romanian Trade Agreement

The Trade Act of 1974, as amended by the Jackson-Vanik provision, requires a Presidential waiver to extend Most Favored Nation treatment and government sponsored credits to communist countries. There are two decisions: (1) a general recommendation to the Congress to continue the Presidential waiver authority, as provided under the law; this permits you to grant MFN to a communist country if you find that doing so will promote the objectives of the law in achieving freer emigration; and (2) a specific waiver of the law for those countries with whom we have negotiated trade agreements under the Trade Act -- i.e., Romania and Hungary. These steps must be taken by June 3.

The US-Romanian trade agreement of 1975 expires August 2 of this year, but it will automatically be extended for another three years unless Romania is notified otherwise by July 2. In order to permit this automatic extension, you must inform Congress that there has been a satisfactory balance of benefits resulting from the agreement and that any "actual or foreseeable reductions of tariff and nontariff barriers to trade are satisfactorily reciprocated" by Romania. The State Department and the Special Trade Representative have determined that these conditions have been met.

During his recent visit, you told President Ceausescu of Romania that you would recommend renewal of the Romanian Trade Agreement. This is consistent with our attitude toward Romania and our desire to encourage its foreign policies. Emigration to the US and West Germany has increased significantly since the Trade Agreement was signed in 1975, but there has been a decline in Jewish emigration to Israel. We have raised this issue with the Romanian government on a number of occasions, but the Israeli government has not been

~~CONFIDENTIAL~~ GDS

~~CONFIDENTIAL~~

DECLASSIFIED
Per: Rac Project
ESDN: NLC-126-12-40-1-3
BY: *MS* NARA DATE: *7/14/13*

willing to take a strong position with the Romanians on the problem. The necessity for an annual review of Romanian emigration practice in order to extend the Jackson-Vanik waiver is probably the single most important factor in achieving the level of emigration that has been attained.

Secretary Vance proposes that you recommend the general extension of the waiver provision, extend waivers for Romania and Hungary, and extend the Romanian Trade Agreement for a new three-year term. (Tab A)

Recommendation:

1. That you sign the message at Tab 1 informing the Congress of your recommendation that general waiver authority be extended, that waivers be granted Romania and Hungary, and that the Romanian Trade Agreement be extended.
2. That you sign the Presidential Determination at Tab 2 regarding the waiver authority and specific waivers for Romania and Hungary.
3. That you sign the Presidential Determination at Tab 3 on the renewal of the Romanian trade agreement.

Concurrences: Office of Management and Budget
Office of the Counsel to the President

FOUR SIGNATURES REQUESTED

THE SECRETARY OF STATE
WASHINGTON

May 20, 1978

~~CONFIDENTIAL~~

MEMORANDUM FOR: The President
FROM : Cyrus Vance *CV*
SUBJECT : Extension of Jackson-Vanik Waiver Authority
and of the Romanian Trade Agreement

The Trade Act requires legally separate but substantially interrelated Presidential actions to extend your Jackson-Vanik waiver authority for another twelve months and to extend the Romanian Trade Agreement for a new three-year term.

Waiver Authority Extension - You must recommend to the Congress by June 3 the extension of your authority to waive Jackson-Vanik (Section 402(c) of the Trade Act of 1974) and to continue the Hungarian and Romanian waivers for another twelve months. This recommendation must include your determinations that continuation of the waiver authority and of the Hungarian and Romanian waivers will substantially promote Jackson-Vanik's objective of freedom of emigration. Congress does not need to approve your recommendation, but it can terminate the general waiver authority or the Hungarian or Romanian waivers. Failure to renew your waiver authority would mean that the United States would no longer be able to extend MFN on a reciprocal basis to any Eastern European country or to the Soviet Union. Failure to continue the Hungarian and Romanian waivers would severely damage our relations with these two countries.

Hungarian emigration practice since the Hungarian waiver in April has conformed to Hungary's assurances and prior practice, and has been fully satisfactory.

Emigration from Romania to the United States has increased during the period in which the waiver has been in effect, although not always at a steady rate. Before 1975, when Romania received MFN, annual emigration totals to the U.S. never exceeded 500 persons. The total for 1976 was just over 1,000. In 1977, 1240 persons were permitted to emigrate from Romania to the U.S., either directly or through Italy, plus several hundred more by other routes. Romanian statistics

~~CONFIDENTIAL~~
GDS

DECLASSIFIED

Per; Rac Project

ESDN; NLG-146-12-2/0-1-3

BY *KS* NARA DATE *4/16/12*

~~CONFIDENTIAL~~

2

are even higher because many Romanians prefer to apply for permission to emigrate to the U.S. in the belief that they are thereby improving their chances for approval. Apparently as many as 500 such persons received Romanian permission to emigrate in 1977, but since they did not then apply to enter the United States, they are not included in our statistics.

Romanian emigration to Israel has continued to decline in recent years, although in the postwar period over 300,000 Romanian Jews were permitted to emigrate there. The total for 1977 was 1,300, compared to about 2,000 in 1976. It is estimated that there are about 45,000 Jews left in Romania. Emigration figures for the first four months of this year show a continuing decline, although we continue to remind Romanian leaders of the high interest in this matter on the part of both the Administration and the Congress. Israeli officials have told us they are concerned about the decline in emigration to Israel and have raised the matter with the Romanian Government. At the same time, because the Romanians and Israelis have agreed that Romanian Jews who wish to emigrate to Israel will not contact the Israeli Embassy until their passports are issued, the Israelis continue to be unable to provide us with the names of those who have been rejected or are having difficulty or with accurate estimates of the number of persons who find themselves in this situation. This makes it difficult for us to counter the Romanian argument that all Romanian Jews who wish to emigrate, with only a handful of exceptions, are permitted to do so.

Romanian emigration to the Federal Republic of Germany, the country to which the largest number of Romanians now emigrate, increased dramatically last year, reaching a total of about 10,000 persons.

In general, while there are still many outstanding emigration cases and other human rights problems, the Romanians continue to be cooperative on emigration in a way that permits continuation of the waiver.

Romanian Trade Agreement Renewal - As you recall, you informed President Ceausescu that it is the Administration's desire to continue MFN for Romania and to enhance trade. The United States-Romanian Trade Agreement expires August 2 but will automatically be extended for another three years unless we notify Romania otherwise by July 2.

~~CONFIDENTIAL~~

Under the Trade Act, the Agreement can be extended only if two conditions are met. First, a satisfactory balance of concessions in trade and services must have been maintained over the life of the Agreement. This means that the benefits resulting from policy concessions by the U.S. or Romania under the Agreement must be reasonably comparable in extent, although they need not be similar in character.

We believe that this requirement has been satisfied. The primary U.S. concession under the Agreement is nondiscriminatory (MFN) tariff treatment. Romania has given reciprocal MFN to U.S. products, and would terminate this treatment if the United States were to resume discrimination against Romanian goods.

Romania has also provided benefits to the U.S. through the provisions of the Agreement dealing with facilitation of U.S. business activities in Romania. The business climate has improved, although some business facilitation matters continue to require periodic bilateral discussions. The Romanian Government has shown a strong interest in increasing business with U.S. firms and has been reasonably responsive to U.S. concerns.

Since the Agreement went into effect, trade has grown in both directions; the United States maintains a small trade surplus. Other bilateral economic agreements have been concluded; and Romania has continued to play an active and independent role in the GATT, the MTN and other multilateral activities affecting trade.

Romania has benefited from the U.S. Generalized System of Preferences (GSP). However, these preferences are unilateral and purely voluntary, and are not given pursuant to the Trade Agreement. As a form of assistance to the economic development of eligible countries, they do not require trade concessions by Romania under the Agreement.

The second condition for renewal is that you determine that "actual or foreseeable reductions in United States tariffs and nontariff barriers to trade are satisfactorily reciprocated" by Romania. The U.S. is now negotiating reductions of tariff and nontariff barriers with its principal trading partners in the MTN. Final U.S. concessions to secondary trading partners such as Romania will not be known until after the July 2 deadline for deciding whether to renew the U.S.-Romanian Trade Agreement.

Under our general tariff-cutting formula offer, Romania's current exports to the United States would benefit very little (an average of 20% tariff cuts on products worth about \$20 million), primarily because many Romanian exports to the U.S. are excepted from our tariff-cutting formula or already receive zero tariffs.

In addition, Romania will be entitled to "special and differential treatment" in the MTN because of its status as a developing country. Thus, we will not require that Romania provide concessions in the MTN equal to our own.

Romania has indicated an interest in participating in the multilateral nontariff-barrier codes. We have also requested Romanian nontariff measures to improve business facilities in Romania. The Romanians may withhold their reply to our nontariff requests until U.S. concessions are clearer, a position being taken by other developing countries in the MTN.

Romania has, however, recently reaffirmed its obligation in the Trade Agreement to reciprocate U.S. concessions in the MTN, taking into account its status as a developing country, thus providing us with a basis for your determination as required by the Trade Act.

Recommendation:

I recommend:

1. That you recommend to the Congress that your authority to waive the Jackson-Vanik amendment and to continue the Hungarian and Romanian waivers be extended for another twelve months, and that you execute the attached Determination required for extension of your authority; and

2. That you decide to extend the Romanian Trade Agreement for a further three-year term, and that you execute the attached Finding and Determination required for extension of that Agreement.

Commerce, Treasury, STR, Labor and Agriculture concur in this recommendation.

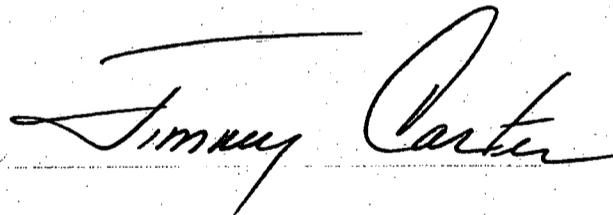
TO THE CONGRESS OF THE UNITED STATES:

In accordance with subsection 402(d)(5) of the Trade Act of 1974, I transmit herewith my recommendation for a further 12-month extension of the authority to waive subsections (a) and (b) of section 402.

In accordance with subsections 402(d)(5) (B) and (C), this recommendation gives my reasons for recommending the extension of waiver authority and for my determination that continuation of the waivers applicable to the Socialist Republic of Romania and to the Hungarian People's Republic will substantially promote the objectives of section 402.

I include as part of my recommendation, my determination that further extension of the waiver authority, and continuation of the waivers applicable to the Socialist Republic of Romania and to the Hungarian People's Republic, will substantially promote the objectives of section 402.

For the information of the Congress, I also include my finding and determination that the requirements for renewal of the United States-Romanian Agreement on Trade Relations under section 405(b) of the Trade Act have been satisfied.

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned above a horizontal line.

THE WHITE HOUSE,

RECOMMENDATION FOR EXTENSION OF WAIVER AUTHORITY

I recommend to the Congress that the waiver authority granted by subsection 402(c) of the Trade Act of 1974 (hereinafter referred to as "the Act") be further extended for twelve months. Pursuant to subsection 402(d)(5) of the Act, I have today determined that further extension of the waiver authority granted by section 402(c) of the Act and continuation of the waivers currently applicable to the Socialist Republic of Romania and to the Hungarian People's Republic will substantially promote the objectives of section 402 of the Act. My determinations are attached to this recommendation, and are incorporated herein.

The general waiver authority conferred by section 402(c) of the Act has proved to be a useful instrument in permitting the expansion of relations between the United States and East European countries. It permitted us to sign bilateral trade agreements with Romania and Hungary in April 1975 and March 1978, respectively, which have laid a foundation for increased trade and closer relations. The extension of general waiver authority is necessary to permit continuation of the U.S.-Romanian Trade Agreement for another three-year period. The recently-negotiated Trade Agreement with Hungary, a significant development in the favorable evolution of our relations with that country, is before the Congress for approval. Moreover, continuation of this authority will provide a basis for future steps to expand and improve our bilateral relations with other countries subject to subsection 402(a) and (b) of the Act, should circumstances permit. I believe that all of these considerations make it in the national interest to extend the general waiver authority.

Extension of the waiver for Romania will permit us to continue to promote the objectives of section 402 of the Trade Act of 1974. Emigration from Romania to the United States has continued to increase during the period in which the waiver has been in effect, and 1977 saw a marked increase in overall emigration from Romania, led by a large increase in emigration to the Federal Republic of Germany. Emigration to Israel, however, has declined somewhat. The Administration has continued to advise Romanian officials periodically of our high interest in emigration both to the United States and to Israel. At my request, the Department of State conducted a detailed review of Romanian emigration trends and practices this winter, and a report was sent to the Congress on February 9. I also expressed our interest in greater emigration to Romanian President Ceausescu during his recent visit. The questions

of emigration to Israel and the United States and of binational marriages were also discussed in detail during a meeting between Secretary of State Vance and Romanian Foreign Minister Stefan Andrei on April 13. This close dialogue with Romanian officials has led to the favorable resolution of many emigration and humanitarian problems. It is my intention to continue to bring to the attention of the Romanian government matters relating to emigration which do not seem to be consistent with the assurances which have been given in the past. Failure to extend the waiver authority would remove the major incentive to encourage Romania to be more forthcoming on emigration. In view of continuing progress in this respect, I therefore, strongly recommend continuation of the waiver for Romania.

On April 7, 1978, when I issued a waiver of the application of subsections (a) and (c) of section 402 with respect to Hungary, I noted that the Hungarian Government has stressed to us that it intends to continue dealing with emigration matters in a responsive and humanitarian way. Since that time Hungary's actions have remained consistent with this policy. I have therefore determined that a continuation of this waiver will substantially promote the objectives of section 402 of the Trade Act.

THE WHITE HOUSE

WASHINGTON

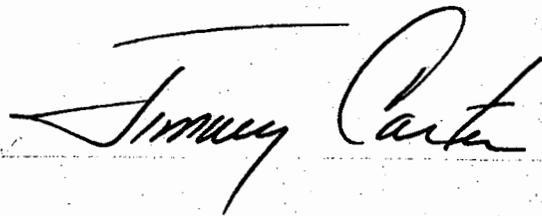
Presidential Determination
No. _____

MEMORANDUM FOR THE SECRETARY OF STATE

SUBJECT: Determination under Subsections 402(d)
(5) and (d)(5)(C) of the Trade Act of
1974 -- Continuation of Waiver Authority

Pursuant to the authority vested in me under the Trade Act of 1974, (Public Law 93-618, January 3, 1975; 88 Stat. 1978) (hereinafter "the Act"), I determine, pursuant to Subsections 402 (d)(5) and (d)(5)(C) of the Act, that the further extension of the waiver authority granted by Subsection 402(c) of the Act will substantially promote the objectives of Section 402 of the Act. I further determine that continuation of the waivers applicable to the Socialist Republic of Romania and to the Hungarian People's Republic will substantially promote the objectives of Section 402 of the Act.

This determination shall be published in the Federal Register.

A handwritten signature in black ink, reading "Jimmy Carter". The signature is written in a cursive style with a large, sweeping initial "J".

THE WHITE HOUSE
WASHINGTON

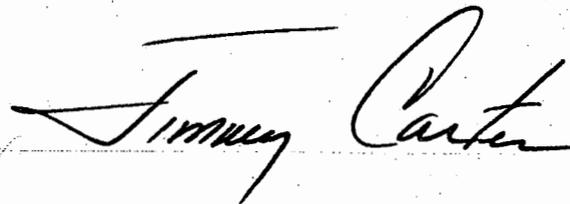
Presidential Determination
No. _____

MEMORANDUM FOR THE SECRETARY OF STATE

SUBJECT: Renewal of the U.S.-Romanian Agreement
on Trade Relations -- Finding and Deter-
mination under Subsection 405(b)(1)
of the Trade Act of 1974

Pursuant to the authority vested in me under the Trade Act of 1974 (Public Law 93-618, January 3, 1975; 88 Stat. 1978) (hereinafter "the Act"), I find, pursuant to subsection 405 (b)(1) of the Act, that a satisfactory balance of concessions in trade and services has been maintained during the life of the Agreement on Trade Relations between the United States of America and the Socialist Republic of Romania. I further determine that actual or foreseeable reductions in United States tariffs and nontariff barriers to trade resulting from multilateral negotiations are satisfactorily reciprocated by the Socialist Republic of Romania.

This finding and determination shall be published in the Federal Register.

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink on a light background.

THE WHITE HOUSE
WASHINGTON

June 2, 1978

Landon Butler

The attached was returned
in the President's outbox
today and is forwarded to
you for your information.
The signed original has
gone to Stripping for
mailing.

Rick Hutcheson

cc: Stripping

THE WHITE HOUSE

WASHINGTON

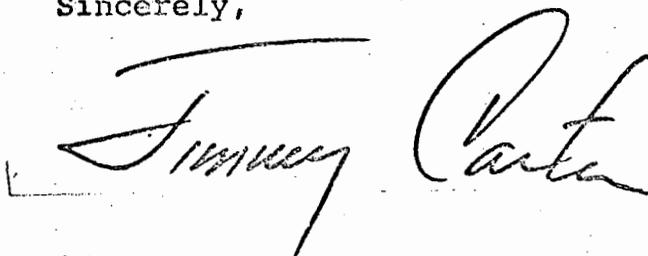
June 2, 1978

To Bill Wynn

Your strong support of my Administration's efforts to hold down the rate of inflation reflects the kind of leadership this nation will require if we are to successfully confront problems as complex and persistent as inflation.

I hope others will follow your lead in this important fight against inflation.

Sincerely,

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in dark ink and is positioned to the right of the word "Sincerely,".

William Wynn, President
Retail Clerks International
Union
1775 K Street, N.W.
Washington, D.C. 20006

THE WHITE HOUSE

WASHINGTON

June 2, 1978

MEMORANDUM FOR THE PRESIDENT

FROM:

Landon Butler 

SUBJECT:

Retail Clerks Inflation Statement

Attached is a superb statement on inflation issued yesterday by Bill Wynn, President of Retail Clerks.

I suggest that you send Bill a short handwritten note applauding his position -- suggested text is also attached.

cc: Jody Powell

Retail
Clerks
International
Union



CONTACT: Walter L. Davis
(202) 223-3111

May 31, 1978

F O R I M M E D I A T E R E L E A S E

William H. Wynn, President of the 725,000 member Retail Clerks International Union today called for support of President Carter's anti-inflation program. Wynn enumerated to leaders of the RCIU's Eastern Division steps which his union will initiate in the fight against inflation, which he described as a crippling national problem, which most of all, hurts working people and those on fixed incomes.

"As President Carter has correctly stated," Wynn stressed, "it is a critical problem that must be alleviated and to do that we must recognize our obligations. President Carter needs and deserves our support, not for narrow partisan reasons, but for the national welfare."

Wynn went on to make the point that although union wages are not the cause of our current inflation, an inflationary psychology has developed which must be moderated in order to preserve our economic system. Increasing wages, he stated, and their psychological impact are as surely a contributing factor to the inflationary spiral as are wage earners its victims. He further noted that while the Retail Clerks is a democratically-run, decentralized labor union, its elected leadership has a responsi-

bility to lead and a duty to educate the membership to a better understanding of the current inflation and its complex causes.

Wynn also cited opinion polls which indicate that the public, including union members, favor the imposition of mandatory wage and price controls which he sees as an expression of mass willingness to defer individual gains if everyone else is perceived as yielding equally. "Given the choice," Wynn went on, "between rigid, mandatory controls or flexible voluntary restraint to stem inflation, I believe our members would opt for the latter. I believe that our members, and workers generally, are willing to give up that little extra gain that contributes fuel to the inflationary fires if -- and I stress 'if' -- they are reasonably assured that those who determine prices, rents, interest rates, and taxes will similarly act in the public interest. As elected labor leaders, we will exercise every resource to assure that our members' job security, working conditions, seniority rights and other non-economic benefits are safeguarded and enhanced. But in regard to economic demands, as contracts are negotiated we must urge that they be developed with consideration for both their short and longer range impact on our members and on their communities. We will not back off on demands for fair and reasonable wages and benefits. We must and will support demands for increases that will: (1) catch up from any drop in real wages and benefits since the contract; (2) compensate for increases in productivity; (3) provide means to assure that real income will not decline during the multi-year contract term; and (4) make other such equitable adjustments that local conditions justify.

"We will oppose economic demands that go beyond these clearly justifiable goals especially during this inflationary period, both for the welfare of our membership and our country. The RCIU, to further underscore its real determination, will not increase salaries of its top officers and will limit increases in wages to its other officers and executive staff to not more than 5½% yearly and we ask our local unions to make similar pledges. We cannot look to others to make all the sacrifices."

President Wynn went on to say that it is up to all sectors of the economy to act with restraint in order to curb inflation.

11:00 AM

THE WHITE HOUSE

WASHINGTON

June 2, 1978

MEETING WITH STATE CHAIRMEN AND THEIR GUESTS

Roosevelt Room

11:00 a.m. (10 minutes)

by: Tim Kraft

I. PURPOSE:

Introductory meeting

II. BACKGROUND, PARTICIPANTS, PRESS:

A. BACKGROUND:

These state chairmen and their guests have been invited by Tim Kraft to come to the White House for the third in a series of briefings conducted by Senior White House staff members to give them some insight on Administration policies and legislative initiatives. This is the first time, for many of the chairmen, to visit the White House. A copy of the agenda of speakers is attached.

B. PARTICIPANTS:

Obera Bergdall, State Chair, Oklahoma
Anne Campbell, President, Assoc. of State
Chairs
Barbara Daly, DNC staff
Joseph Fitzpatrick, State Chair, Virginia
Donald Fowler, State Chair, South Carolina
John Hechinger, Guest, District of Columbia,
member, DNC
William M. Henderson, Guest, Virginia
Robert Kerr, Vice Chair, Oklahoma
The Honorable Donald Lan, Secretary of State,
New Jersey
Claude Magnuson, Indiana guest, Treasurer,
State Democratic Committee
Olivia Maynard, guest, Michigan, Vice Chair
Don Michael, State Chair, Indiana
Robert Mulcahey, Staff, Governor Byrne's office
Donald Taylor, guest, Pennsylvania, newspaper
publisher and party supporter
Robert B. Washington, Jr., Chairman, Democrat-
is Party, District of Columbia
Morley Winograd, State Chair, Michigan
Dorothy M. Zug, Vice Chair, Pennsylvania
John White, Chairman, DNC
Dan Horgan, Chief Executive Officer, DNC
Evan Dobelle, Acting Treasurer, DNC
Tim Kraft, Assistant to the President

C. PRESS PLAN:

White House Photo

III. TALKING POINTS:

Brief greeting and photo; thank for their interest and involvement in policies of the Administration; urge them to speak out on programs to Congress and at home.

THE WHITE HOUSE
WASHINGTON

June 2, 1978

Barry Bosworth

Landon Butler has requested that
the attached letter be sent to
you for forwarding to Dr. Bowyer.

Rick Hutcheson

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

MEMORANDUM TO THE PRESIDENT

FROM: LONDON BUTLER 

DATE: MAY 31, 1978

SUBJECT: DENTAL FEES

Attached is a letter which Barry Bosworth would like you to send to the American Dental Association. They are expecting the letter, and will use it to initiate a fee restraint program.

THE WHITE HOUSE

WASHINGTON

June 2, 1978

To Dr. Frank Bowyer

We have made great progress in creating jobs and reducing unemployment during the past year -- but the inflation rate has not gone down, and the dangers of an acceleration are very real. If this keeps up, we risk a slowdown in the current economic expansion.

I will continue my efforts of the past several months to make the federal government a positive example in the fight against inflation. But industry, labor and the professions must join with government at all levels in a voluntary effort to solve the problem.

So far, I am happy to say, some of our country's major corporations have pledged their support in this. I hope the American Dental Association will join them.

The medical care sector has been plagued with excessive inflation. During the past two years, medical care prices have increased at an average annual rate of 9.5% -- more than any other major component of the Consumer Price Index. The reduction of medical care price increases is vital to our efforts to slow inflation.

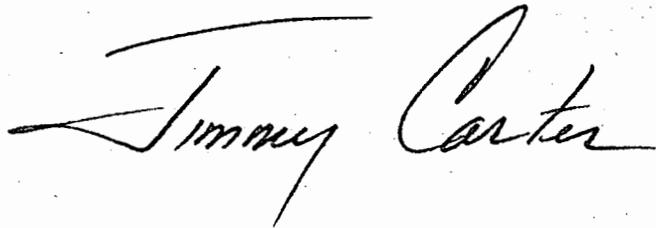
While seeking deceleration in the medical care sector, we note favorably the more moderate behavior of dentist fees which have increased at significantly lower rates than physicians' fees and most other medical care prices, although usually at higher rates than all consumer prices. We recognize that this more moderate trend in dentists' fees is in part related to substantial increases in dentist productivity and the relatively greater responsiveness of dental fees to competition.

As part of our voluntary effort to combat inflation, I am seeking to reduce dental fee increases from the rate over the past two years. This is consistent with our requests to other groups in the business community. Dentist fees rose at an annual rate of 7.1 percent during 1976 and 1977. I am requesting that the American Dental Association ask individual dentists to raise their fees less frequently and by smaller amounts.

I hope your Association will join in our voluntary effort to combat inflation. If we all wait for the other person to moderate his or her behavior before moderating our own, the inflation problem will worsen. Voluntary action can only work if each of us foregoes excessive price and wage increases, even though they may appear to be in our immediate interest.

I know my request involves sacrifice, but only through voluntary cooperation and restraint can we avoid the harsh economic consequences on us all of a continued high rate of inflation.

Sincerely,

A handwritten signature in cursive script that reads "Jimmy Carter". The signature is written in dark ink and is positioned below the word "Sincerely,".

Dr. Frank Bowyer
President
American Dental Association
211 East Chicago Avenue
Chicago, Illinois 60611

foreign affairs breakfast 6/2/78

THE WHITE HOUSE
WASHINGTON

Fitz → Israel?
= Tip/Bob Intel.
Post - SALT
Foreign affairs voices
USNA speech
Rhod / Nam
Zaire
Pakistan

Callaghan - MTN

1:00 PM

THE WHITE HOUSE

WASHINGTON

June 1, 1978

*not done
J*

MEETING WITH STAFF REPRESENTATIVES OF
MEMBERS OF SENATE GOVERNMENT AFFAIRS

COMMITTEE

Friday, June 2, 1978

1:00 P.M. (15 minutes)

Roosevelt Room

From: Frank Moore *F.M./for Francis*

I. PURPOSE

On the eve of mark-up of bill and reorganization plan, to emphasize your personal commitment to civil service reform, to acquaint members' staffs with principal administration participants in civil service reform effort and with the main provisions of the proposal, and to express appreciation for their interest and cooperation so far.

II. BACKGROUND, PARTICIPANTS, AND PRESS PLAN

A. Background. Prior to the current recess, the Government Affairs Committee held one introductory mark-up session, on Monday, May 22. Though a quorum was not present, preliminary discussions about the bill were held. As a result of that meeting, the full Committee staff (not the individual members' staffs, for whom this briefing is being held) have prepared a redraft of the bill, which will be printed as a proposed Ribicoff-Sasser amendment in the nature of a substitute. This amendment, most of which we find acceptable, will probably serve as the basis for mark-up. Mark-up is now scheduled to occur in meetings set for June 6, 7, and 8 of next week. Although all members of the Committee, and their staffs have received individual briefings on the bill as well as various explanatory documents, we wish tomorrow to provide the staffs with a combined pep-talk and a substantive briefing and question-and-answer session. (In the House, as you know, the Post Office and Civil Service Committee Democrats have this week been settling the principles for a bill to be used in mark-up, much as the Senate Committee did last week.)

- B. Participants. From the Hill, there will be at least two representatives of the full Committee staff and representatives of the staffs of each of the individual members. The members of the Committee are:

Majority

Senator Abraham Ribicoff, Chairman (D-Conn.)
Senator John L. McClellan (D-Ark.)
Senator Henry M. Jackson (D-Wash.)
Senator Edmund S. Muskie (D-Maine)
Senator Lee Metcalf (D-Mont.)
Senator Thomas F. Eagleton (D-Mo.)
Senator Lawton Chiles (D-Fla.)
Senator Sam Nunn (D-Ga.)
Senator John Glenn (D-Ohio)
Senator Jim Sasser (D-Tenn.)

Minority

Senator Charles H. Percy (R-Ill.)
Senator Jacob K. Javits (R-N.Y.)
Senator William V. Roth (R-Del.)
Senator Ted Stevens (R-Alaska)
Senator Charles McC. Mathias (R-Md.)
Senator John D. Danforth (R-Mo.)
Senator H. John Heinz, III (R-Pa.)

Following your opening remarks, Jim McIntyre will chair a discussion of the details of the legislation and the reorganization plan. Administration participants will be, in addition to Jim, Stu Eizenstat, Harrison Wellford, Jule Sugarman, Les Francis, Wayne Granquist, Terry Straub, Bob Thomson, Si Lazarus, and Paul Newton.

- C. Press Plan. White House Photographer only.

III. TALKING POINTS

1. My number one domestic priority, apart from slowing inflation without hampering growth, is Civil Service Reform, and I am pleased to understand that this is your first priority too.
2. I have been kept continually informed of the great interest you and the Senators for whom you work have shown in this effort, and I am deeply appreciative.

3. The bill you have before you was put together by a task force composed of dedicated civil servants, consulting widely with business, labor, academic and public interest groups. This is a balanced and moderate program -- not an extreme proposal designed to be negotiated down in the legislative process. I understand that the Committee sent questionnaires to the nation's most distinguished experts on public management, and they overwhelmingly endorsed the main thrust of the proposals. (Twenty-four out of twenty-five respondents stated that they felt the program strikes the right balance between managerial flexibility and protection of employee rights.)

4. We are taking steps here to reward individual civil servants according to their merit, to reassign personnel in accordance with changing priorities, and to assure the few poor performers that if their performance is inadequate, they can expect to be demoted or removed.

5. At the same time, with this legislation, I as President am giving up substantial powers in order to assure that employee rights are protected and political abuse is prevented. If our Merit Systems Protection Board and Special Counsel had been in place during the Nixon years, any plans to manipulate the merit system would have been stopped before they got started.

IV. ISSUES

It is not expected that you will take questions or otherwise be required to deal with specific issues. Generally speaking, our current impression is that the entire Committee supports the thrust of all our proposals, except for Senators Mathias and Stevens. These two Senators oppose many of our proposals to increase managerial flexibility, including the Senior Executive Service, Merit Pay for GS-13--GS-15 managers, and streamlined disciplinary procedures. They also oppose the reorganization plan, arguing that the Office of Personnel Management should have three heads, instead of one. It does not now appear to us that Senators Mathias and Stevens have substantial support on the Committee for their position on these issues. The only other identified major areas of controversy are veterans preference modifications (political opposition is intense, as you know) and the scope of protection for whistleblowers (many members support overbroad provisions which could make it difficult to prevent leaks of any kind).

THE WHITE HOUSE
WASHINGTON

June 2, 1978

Frank Moore

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

Rick Hutcheson

	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
	RAFSHOON
	SCHNEIDERS
	VOORDE
	WARREN
	WISE

done
J

THE WHITE HOUSE
WASHINGTON

June 1, 1978

MEMORANDUM FOR: THE PRESIDENT
FROM: FRANK MOORE *F.M.*
SUBJECT: Phone Calls to
Speaker O'Neill and
Majority Leader Byrd.

This is to remind you to call Speaker O'Neill and
Majority Leader Byrd regarding the possibility of
a meeting prior to next Tuesday's leadership breakfast.

*AS WAS DISCUSSED IN YOUR MEETING
today.*

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

9

EYES ONLY

June 1, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze **CLS**

Subject: Employment and Unemployment in May

The Bureau of Labor Statistics will release tomorrow (Friday, June 2) at 9:00 a. m. the figures on employment and unemployment in May. The news is basically good.

The unemployment rate rose to 6.1 percent in May, from 6.0 percent in April. The increase stemmed from a very large rise (477 thousand) in the labor force. Employment showed another strong gain -- 311 thousand. Most of the rise in unemployment occurred among adult women. Black unemployment increased also, to 12.3 percent from 11.8 percent in April, but it is still below the level prevailing in the latter half of 1977.

While employment gains were sizable in May, the figures on employment and hours worked at nonfarm establishments indicate that demands for labor are not increasing as fast as they had over the previous several months. Manufacturing employment rose modestly (by 26 thousand) in May, and the length of the work week in manufacturing was cut back from 40.7 to 40.3 hours. Aggregate hours worked in manufacturing actually declined by 0.7 percent in May, so that industrial output may have risen little, if at all.

Our best guess is that these developments stem from the fact that producers were using increased overtime in March and April to make up for production losses in January and February. They have now made up those losses and are cutting back a bit. We will still have a huge increase in real GNP in the second quarter, however, because average levels of production, employment and hours worked in May are well above those in the first quarter.

The fact that unemployment stopped declining in May, and actually picked up a little, is not a sign of weakness. Given the fact that unemployment fell very rapidly from last October through April -- much more rapidly than we can explain on the basis of GNP growth -- a period of little change in the unemployment rate was to be expected. We may see an unemployment rate hovering around 6 percent for a number of months. Such a development, in and of itself, would not be unwelcome. We badly need a better productivity performance than we have had over the past year to fight inflation, and the price we will have to pay for better productivity is less rapid progress in reducing unemployment.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

C
/

EYES ONLY

June 1, 1978

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze *CS*

Subject: Producers' (Wholesale) Prices in May

The Bureau of Labor Statistics will release tomorrow (Friday, June 2) at 9:00 a.m., the figures on producers' (wholesale) prices in May. The news is not good, but is certainly much better than a month ago.

Prices of finished goods went up 0.7 percent in May, compared with 1.3 percent in April. Consumer foods were up 0.5 percent, as against 1.9 percent in April; other finished goods increased 0.8 percent in May, compared with 1.0 percent in April.

In the consumer food area, a substantial part of the improvement in May was due to fresh and dried fruits and vegetables. Prices of these items rose very rapidly in the first four months of the year, largely as a result of the effects of adverse weather on the California crop. New supplies are now becoming available, and prices declined at wholesale in May. Prices of dairy products also went up less in May than in April.

Prices of finished goods other than food rose very rapidly in April, in large part due to a huge increase in the items of jewelry priced in the index. The smaller rise in May was therefore expected, but the 0.8 percent increase we saw is still very large. New car prices were up 2 percent in May.

The producers' price index also includes crude and intermediate goods as well as finished goods. Prices of both categories have been rising very rapidly since late last year. In May, crude goods rose only 0.3 percent, a major improvement from the 2 to 3 percent increase per month characteristic of the past six months. The drop in fresh

and dried fruits and vegetables is part of the story here, too, but there were declines also in grains and live poultry, and a smaller increase in livestock prices.

The performance of both consumer food and agricultural raw materials in May was welcome, and may give some relief in the May CPI. But we are not out of the woods yet. Since mid-May (when the producer price statistics were collected), prices of cattle, hogs, broilers, wheat, corn and soybeans have all been rising again, and this is likely to show up in the June producers' price index.

Average Hourly Earnings

One other favorable bit of news on the inflation front today is the May increase in average hourly earnings -- which was small (0.3 percent). Over the past three months, average hourly earnings have risen at an annual rate of 7-1/2 percent. This is higher than a year ago, but below the 8 to 8-1/4 percent annual rates of increase that we were seeing during the period when the rise in the minimum wage was affecting the statistics.

THE WHITE HOUSE

WASHINGTON
June 2, 1978

C

MEMORANDUM FOR THE PRESIDENT

FROM: HUGH CARTER *HC*

SUBJECT: Weekly Mail Report (Per Your Request)

Below are statistics on Presidential and First Family:

<u>INCOMING</u>	<u>WEEK ENDING 5/26</u>	<u>WEEK ENDING 6/2</u>
Presidential	26,525	18,570
First Lady	2,610*	1,970*
Amy	445	260
<u>Other First Family</u>	<u>70</u>	<u>55</u>
TOTAL	29,650	20,855

BACKLOG

Presidential	3,175	2,960
First Lady	125	140
- Amy	0	0
<u>Other</u>	<u>0</u>	<u>0</u>
TOTAL	3,300	3,100

DISTRIBUTION OF PRESIDENTIAL MAIL ANALYZED

Agency Referrals	9%	9%
WH Correspondence	53%	51%
Unanswerable Mail	19%	20%
White House Staff	4%	4%
<u>Other</u>	<u>15%</u>	<u>16%</u>
TOTAL	100%	100%

NOT INCLUDED ABOVE

Form Letters	0	350
Form Post Cards	4,725	4,100
Mail Addressed to White House Staff	14,260	13,909

cc: Senior Staff

*Not Included Above: IWY Propaganda--300 W/E 6/2
562 W/E 5/26

MAJOR ISSUES IN
CURRENT PRESIDENTIAL ADULT MAIL
Week Ending 6/2/78

ISSUES	PRO	CON	COMMENT ONLY	NUMBER OF LETTERS
Proposed Amendment to S. 2899 Endangered Species Act (1)	0	100%	0	372
Support for Proposed Middle East Aircraft Sale	9%	88%	3%	297
Support for Labor Law Reform Legislation	1%	99%	0	242
Support for Protest Against Cambodian Abuses	100%	0	0	181
Suggestions re: Tax Reform Package	0	0	100%	170
Support for Treasury Proposal to Serialize Firearms	11%	89%	0	150
Support for President's Statements re: Legal and Medical Professions	45%	52%	3%	119
Support for Supply of Paraquat Spray to Mexico	0	100%	0	116
Support for Proposed Reduction of Military Installations	2%	98%	0	112
Suggestions re: Middle East Peace	0	0	100%	<u>105</u>
			TOTAL	1,864

(1) PROPOSED AMENDMENT TO ENDANGER SPECIES ACT

Writers oppose (100%) the amendment, claiming that it will jeopardize the survival of many endangered species, and they urge the President to support additional protective measures, rather than such a "destructive amendment."

THE WHITE HOUSE
WASHINGTON

9

MR. PRESIDENT:

As shown by the attached article,
Secretary Bergland went right out
of our meeting yesterday and went
public. This is quite incredible.

Stu

Stu Eizenstat

2 Jun 78

Bergland Recommends Keeping Limit On Imported Meat for 60 to 90 Days

By Dan Morgan

Washington Post Staff Writer

Agriculture Secretary Bob Bergland, saying there is little the government can do about rising beef prices, recommended yesterday that current restrictions on foreign meat imports be continued for at least 60 to 90 more days.

Bergland said after a meeting with President Carter's anti-inflation team that lifting the curbs would have no significant effect on prices but would have a "catastrophic" psychological impact on the nation's cattle industry. U.S. cattlemen have lost money in 15 of the last 23 quarters and are just now getting back on their feet, thanks to higher cattle prices, he said.

Bergland said he preferred to wait two to three months to see if the recent surge in beef prices abates.

With the administration committed to fighting inflation, however, some officials have counseled that an immediate end to the 1.3 billion pound quota on imported beef would show the president's determination. Charles L. Schultze, chairman of the Council of Economic Advisers, was reported to be leaning toward this outcome.

Administration economists say that lifting all import restrictions could lower the price of beef at the retail level by 2 to 5 cents a pound. The impact would be particularly strong on hamburger meat.

Bergland, Schultze, Carter's chief inflation fighter Robert S. Strauss, domestic adviser Stuart E. Eizenstate and representatives of the State and Treasury departments agreed to give Carter three options for consideration this weekend. These are to do nothing for 60 to 90 days, to remove all curbs immediately, or to negotiate somewhat higher "voluntary" quotas with the 13 countries that export beef to the United States.

These countries, led by Australia, New Zealand and Canada, have agreed to limit their beef shipments to the United States to 1.3 billion pounds in 1978—about 7 percent of the nation's total beef consumption.

Bergland said the voluntary quotas could be

raised by 200 million to 250 million pounds. This would have tactical, diplomatic advantages, since the United States is now trying to negotiate relaxed restrictions on all trade at multilateral trade talks in Geneva.

However, there was agreement yesterday that such a step would not have any lasting impact on domestic beef prices. For one thing, beef supplies are tight all over the world. Low prices for beef in the last four years forced ranchers and feedlot operators to reduce their herds sharply everywhere—except in the Soviet Union, a country that does not export beef. Therefore, less beef is available in world markets at a time when countries such as Japan are increasing their beef eating.

Any gains from increased imports must be weighed against the political and psychological impact on the western cattle industry, Bergland noted.

The Farmers Home Administration still has \$500 million in loans outstanding to cattlemen, who borrowed heavily during the slump of the last four years. The ranchers are using the income from the sudden increase in beef prices to repay these loans.

"They're making money for the first time in four years," Bergland said.

At yesterday's meeting, Schultze agreed that the cattle industry has suffered, Bergland said.

Many ranchers now are deciding whether to keep their heifers and begin rebuilding their depleted herds or sell the heifers to feedlots where the animals will be fattened before slaughter. If the cattlemen begin building up their herds, this eventually could result in a larger supply of beef, and lower beef prices.

Therefore, Bergland argued, relaxation of beef import restrictions would tip the decision of many ranchers against increasing their inventories of animals.

In another development connected with food inflation, the Congressional Budget Office estimated that one bill on sugar price supports before the House could add \$601 million to sugar costs in 1979 if enacted.



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

June 2, 1978

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MEMORANDUM FOR: Frank Moore

FROM:

Hubert L. Harris, *HLH*

In your last week's legislative report, the President indicated that he wanted a detailed explanation of the increases in the Public Works Appropriations bill for both energy technology programs and water projects.

Attached is the staff report he requested. No Congressional action is scheduled on this appropriations bill for next week.

Attachment

June 2, 1978

House Appropriations Committee Action on Energy Programs
in the 1979 Public Works Appropriations Bill

The following table summarizes the major actions of the Public Works Committee for the Department of Energy's FY 1979 Budget:

	Budget Authority (\$ in millions)	1979 Budget	Committee Change	Committee Recommendation
<u>Department of Energy:</u>				
Energy Research and Technology Development		2235	+406	2641
Uranium Supply and Enrichment:				
- Expenditures		1560	-106	1454
- Revenues.....		-1372	+63	-1309
- Net		188	-43	145
General Science and Research		426	+15	441
Atomic Energy Defense		2853	-250	2602
Policy Management and Support		463	-60	403
Federal Energy Regulatory Commission ...		44	+7	51
Power Marketing		144	--	144
Financing Changes:				
- Unobligated balances brought forward		-12	-175	-187
- Crediting of certain receipts			-59	-59
<hr/>				
Total DOE		6341	-159	6181
<u>Nuclear Regulatory Commission</u>		331	-10	321
<u>Tennessee Valley Authority</u>		135	+20	155

The major specific problems associated with these actions include:

- For renewable energy development the Committee increased the FY 1979 budget request by \$189 million for solar energy, biomass, geothermal and hydroelectric energy technology research development and demonstration activities. The President's recent announcement of an additional \$100 million for solar and renewable energy activities would, in general, be included within these Congressional additions. However, the Congress, in all likelihood, (1) will not reduce its additions down to the President's proposed level (\$100 million more for solar and renewable energy programs); and (2) will not reduce other DOE programs by \$100 million as proposed by the President to cover additions.
- For the nuclear programs, the Committee increased the budget request by \$163 million including increases for nuclear fuel reprocessing, (including funds for the Barnwell reprocessing plant) and the LMFBR, (\$144 million for the CRBR). Decreases of \$65 million include the Water Cooled Breeder, -\$14 million; all funds for more proliferation resistant advanced reactor systems, -\$20 million; and for the uranium resource assessment, -\$26 million. These changes represent major attempts to alter the President's nuclear policies by supporting plutonium breeders, especially Clinch River,* and plutonium fuel cycles at the expense of increasing efforts to find less proliferation prone nuclear systems.
- For the uranium enrichment program, the committee's apparent reduction in the gas centrifuge plant from \$250 to \$175 million represents an actual increase of \$40 million over the revised project schedule proposed by DOE which would require only \$135 million.

The DOE request for \$135 million would initiate construction at Portsmouth but would limit present commitments to do the first one-quarter sized module. The addition of the \$40 million is both insufficient to initiate commitment to a second module and unnecessary for the cost effective construction of the first one-quarter module and, therefore, it is not necessary.

The uranium enrichment revenue decrease in revenues results from (1) the appropriation committee's recognition that the Congress is unlikely to approve the DOE request for authority to raise enrichment prices to a fair market value (+\$163 million); and (2) some offsetting (-\$100 million) revenue increases due to recent re-computation of the cost base for enrichment pricing.

- For the defense programs, the Committee action represents a net decrease of \$250 million from the budget request. The decrease consist of removing \$154 million for full funding of construction projects, \$77 million for production of the modified B-43 strategic bomb and for slippage in enhanced radiation weapons production. The reduction in the B-43 bomb runs directly counter to the President's decision to produce this bomb rather than the B-77 bomb previously

*The Committee made a last minute change in the report language which is less site specific for the plutonium breeder program.

planned for the B-1 bomber. The full funding decreases result from the committee's attempt to artificially (the reductions do not effect construction activities in FY 1979) reduce the DOE budget so that they can add significantly to DOE's energy R&D activities while appearing to keep the budget below the President's request.

- For the Federal Energy Regulatory Commission the Committee provides \$7.6 million more for an additional 323 positions a 23% increase above your FY 1979 budget request. Your FY 1979 budget request provides for a 17% increase, mainly the reduced regulatory backlogs which should be in the Federal Energy Regulatory Commission.
- The Committee also proposes the use in FY 1979 of \$140 million of unobligated balances from FY 1978 to offset their proposed energy R&D increases. Even if these balances do materialize which OMB doubts, they still should be used to reduce the President's total FY 1979 funding request should not be used for funding additional energy activities. These activities as indicated above are unnecessary and will hamper attempts to contain the size of the FY 1979 deficit.
- The Committee actions also provide for direct agency use of receipts which otherwise would be credited to the general fund of the Treasury. The intent of the Committee apparently is to increase the appropriation level of the Department by \$59 million while decreasing the receipts to the Treasury by a like amount. This increased spending and reduced receipts to the Treasury is most undesirable, but in addition the earmarking of such funds reduces Presidential and Congressional flexibility to make spending decisions.
- For the Tennessee Valley Authority the Committee provides additional funding of \$19 million for completion by January 1978 of the Columbia Dam. The President has recommended termination of this project.

May 31, 1978

House Appropriations Committee Action on Water Resources in the
1979 Public Works Appropriations Bill

In general the Committee added funds over the 1979 budget. The table below summarizes the Committee actions on water resources:

	<u>1979 Budget</u>	<u>Budget Authority (\$ in millions)</u> <u>Committee Change</u>	<u>Committee Recommendation</u>
<u>Corps of Engineers:</u>			
Ongoing Construction	1478	+68	1546
New Construction Starts	<u>A/</u>	+54	54
Operation, Maintenance and other activities	<u>977</u>	<u>+84</u>	<u>1061</u>
Subtotal	2455	+206	2661
<u>Bureau of Reclamation:</u>			
Ongoing Construction	480	-18	462
New Construction Starts	<u>A/</u>	+10	10
Operation, Maintenance and other activities	<u>135</u>	<u>+8</u>	<u>143</u>
Subtotal	615	--	615
<u>Water Resources Council: B/</u>			
Planning and Coordination	12	-2	10

A/ The Administration currently has a 1979 budget amendment for new starts under consideration, some of these projects are identical to those added by the Congress.

B/ Committee recommends zero-funding appropriation for WRC in favor of transferring most of the funds to the Office of the Secretary of Interior.

Specific problems with Committee action on water resources:

- Construction (and study funds in two additional cases) funds have been added for 5 projects deleted from the 1978 budget in the water project review exercise last year, posing a clear challenge to the Administration. List attached.
- For the first time, the proposed appropriations legislation includes mandated personnel ceilings for both the Corps of Engineers and the Bureau of Reclamation. The mandated increases above current Administration-approved levels amount to 2800 people; an approximate 7.6 percent increase.
- The Committee has recommended funding for 41 new construction projects in advance of Presidential water policy recommendations, and without waiting for Presidential recommendations on new starts. Many of the new starts recommended are economically weak, environmentally harmful, and set undesirable precedents with regard to the assumption by the Federal Government of functions or costs normally borne by State or local governments.

While the Administration has reiterated your policy that new starts are to be fully funded, the Committee has chosen instead to start the 41 new starts (with a total estimated Federal cost in 1977 dollars of \$1,250 M) with a 1979 'down payment' of \$64M.

- Funds have been added for dam safety activities in excess of Administration-requested amounts and for purposes going beyond those planned in the 1979 budget.
- Funds have been added to the ongoing program in most cases specifically to restore funds to projects or studies deleted or slowed down in the President's budget.
- Most of the funds requested by the Administration for the Water Resources Council would be appropriated instead to the Office of the Secretary of the Interior, in effect transferring the WRC functions to Interior.
- The Committee plans to fund approximately \$120 million of the increases for water projects contained in this bill with unobligated balances carried over from FY 1978.

House Appropriation Committee Construction Adds for Projects
Terminated in the 1978 'Hit List' Exercise

Corps

Meramec Park Lake, MO
Lukfata Lake, OK
Lafarge Lake, WI
Yatesville Lake, KY

BuRec

Narrows, CO

Restudy funds only:

Fruitland Mesa, CO
Savory Pot-Hook, CO

June 2, 1978

CONGRESSIONAL ACTION
95TH CONGRESS, 2ND SESSION

(in millions of dollars)

<u>Bills of Particular Interest</u>	<u>Request</u>	<u>Change to request</u>		
		<u>House</u>	<u>Senate</u>	<u>Enrolled</u>
APPROPRIATION BILLS, 1979:				
Agriculture.....	13,506	-1n/		
Changes that do not affect 1979 programs...		(-411)		
Other.....		(+410)		
Defense.....	119,300			
HUD-Independent Agencies..	67,218	-309r/		
Changes that do not affect 1979 programs...		(-300)		
Veterans Administration.		(+125)		
Other.....		(-134)		
Interior.....	12,827	-118r/		
Changes that do not affect 1979 programs...		(-182)		
Not funded due to lack of authorization.....		(-405)		
Other.....		(+469)		
Labor/HEW.....	57,331	+643r/		
Changes that do not affect 1979 programs...		(-244)		
Other.....		(+387)		
Public Works-Energy.....	10,369	-54r/		
Changes that do not affect 1979 programs...		(-608)		
Other.....		(+555)		
State-Justice-Commerce....	8,589	-35r/		
Not funded due to lack of authorization.....		(-80)		
Small Business Adminis- tration.....		(+263)		
Other.....		(-218)		
Transportation.*.....	9,097	-240r/	-223n/	
Changes that do not affect 1979 programs...		(-166)		
Other.....		(-74)		

*This bill, however, does contain significant discretionary increases to program level (agency commitments).

(in millions of dollars)

<u>Bills of Particular Interest</u>	<u>Request</u>	<u>Change to request</u>		
		<u>House</u>	<u>Senate</u>	<u>Enrolled</u>
AUTHORIZATION BILLS, 1979:				
SBA loans (H.R. 11445) ..	827	+1,718	+1,463 <u>r/</u>	
Highway authorization...	8,000	+4,300 <u>r/</u>	+700 <u>r/</u>	
Mass Transit authoriza- tion.....	3,300	+1,300 <u>r/</u>	+700 <u>r/</u>	
<u>Other Major Bills</u>				
APPROPRIATION BILLS, 1979:				
District of Columbia.....	457			
Foreign Assistance.....	8,444	-1,092 <u>r/</u>		
International Financial Institutions.....		(-877)		
Other.....		(-215)		
Legislative.....	948	922 <u>r/</u>		
Military Construction.....	4,253	-408 <u>r/</u>		
Treasury-Postal Service...	8,663	-29 <u>r/</u>	-242 <u>n/</u>	
Not funded due to lack of authorization.....		(--)	(-174)	
Other.....		(-29)	(-68)	
AUTHORIZATION BILLS, 1979:				
Work Incentives Program (S. 2779).....	365		+700	
Veterans Pension Reform (h.R. 10172/ S. 2384).....	111	+754 <u>r/</u>	+600 <u>r/</u>	

n/ Not reported.r/ Committee report.

Note: Amounts shown as bill requests represent the most recent estimates for those programs. The House and Senate columns record changes to the Administration's request, as amended, when the action took place. Because of possible changes to the request following House action, accurate House totals cannot necessarily be arrived at by adding across the columns.

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

ACTION
FYI

	ADMIN CONFID
	CONFIDENTIAL
	SECRET
	EYES ONLY

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

	ARAGON
	BOURNE
	BUTLER
	H. CARTER
✓	CLOUGH
	COSTANZA
	CRUIKSHANK
	FALLOWS
	FIRST LADY
✓	GAMMILL - of p. 2
	HARDEN
✓	HUTCHESON
	JAGODA
	LINDER
	MITCHELL
	MOE
	PETERSON
	PETTIGREW
	PRESS
	RAF SHOON
	SCHNEIDERS
	VOORDE
	WARREN
	WISE

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

THE WHITE HOUSE
WASHINGTON
June 2, 1978

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MEMORANDUM FOR THE PRESIDENT

FROM: RICK HUTCHESON *R.H.*
SUBJECT: Status of Presidential Requests

SECRETARY VANCE:

1. (5/16) (and Zbig) Prepare a reply for the President to sign to President Carazo of Costa Rica -- Done. *done*
2. (5/23) The President is opposed to the "voluntary retirement with full annuity" provision in the State Department Authorization; it may incur a veto, please oppose it -- Message Conveyed. *done*

LIPSHUTZ:

1. (5/2) Check with the CAB regarding the Bermuda II Agreement and Logan Airport (Expedite) -- Done. *done*
2. (5/7) Call American Express about their attempted sale of "Official White House Silverware" (Expedite) -- Done. (5/17) Go public with this without delay unless American Express acts immediately -- Done. *done*
3. (5/19) Assess responsibly the duties the President has assigned to Peter Bourne and how he is to carry them out; make a recommendation to the President -- Done. *done*
4. (5/15) Give the President a quick status report on Omi Walden's appointment -- Done. (5/17) Do all that you can to expedite her confirmation as Assistant Secretary, DOE -- In Progress (Counsel's Office and DoJ are still trying to resolve some problems; a meeting on the Hill is scheduled for 6/5.)

MOORE:

1. (4/6) (and the Vice President) Check with Pat Harris on the Tennessee Director concerning the Knoxville UDAG grant -- Done, (UDAG grant application is being resubmitted on approximately 7/1, in cooperation with HUD; the Tennessee Director has been transferred to another position). *done*
2. (5/6) See Jim Gammill regarding Malcolm Reese. Comply with Sen. Nunn's request that Reese serve at either SBA or FHLBB in Atlanta or Washington -- In Progress, (possible slot with the Savings and Loan League; if that does not occur, McKinney has agreed to hire Reese as a consultant beginning on approximately 7/1).

ARMY SECRETARY ALEXANDER:

1. (2/9) Please act without delay to recommend several nominees for Assistant Secretary of the Army for Civil Works. The President will consult with you personally before making the appointment -- In Progress, (a widely acceptable nominee has not yet been found). *Tell Alexander to Comply -*

MCINTYRE:

1. (5/21) (and Eizenstat) Expedite Pension Commission; prepare statement for the President -- In Progress, (expected by 6/9).

SCHULTZE:

1. (5/7) Seek reasonable regulatory actions; the President will help when necessary -- Ongoing. *done*

SECRETARY CALIFANO:

1. (5/11) (and Eizenstat) The President is concerned that the White House Conference on the Family can be a very fine effort or a political catastrophe. The thrust must be moved toward strong and stable families; the staff and committee membership must be exemplary. Please advise the President on the structure and plans -- In Progress, (work on the Conference continues but has been delayed due to Wilbur Cohen's resignation on grounds of health. Secretary Califano apparently discussed this with you). *done*

2. (5/20) After you assess Admiral Rickover's speech, "Why School Boards," make an appointment to discuss it with the President; search for solutions, not obstacles -- In Progress, (HEW expects to complete its assessment the week of 6/5, and will then check with Phil to set up a meeting).

WATSON:

1. (5/12) (and McIntyre) The President wants a small, clear and clean assignment of personnel under Jack to: a) continue what he is doing now; and b) to coordinate urban policy implementation. Work together, expedite, and then see the President with your joint recommendation on the implementation of the inter-agency coordinating council -- In Progress, (Watson and McIntyre are ready to meet with you; they are working with Phil to schedule a time.)

SECRETARY MARSHALL:

1. (5/30) The President wants you to reply to the 5/29 Jack Anderson article on HIRE program -- In Progress, (Secretary Marshall will respond briefly in this week's Cabinet Summary, and is sending over a more detailed response, expected 6/5).

THE WHITE HOUSE
WASHINGTON

June 5, 1978

Jim Gammill

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

Rick Hutcheson

NOMINEES FOR ASST. SECRETARY
OF ARMY

THE WHITE HOUSE
WASHINGTON

6-2-78

To Phil

Leave 30 min.

for PDB review

each morning -

✓

(ok today)

6/3/78

To Rick
Hutchinson

for files
staff advised.
fran

THE WHITE HOUSE

WASHINGTON

Mr. President -

Staff asks that I advise them of your action on
this as soon as possible for they have a sizeable
amount of work to do over the weekend depending upon
your option choice.

fran

THE WHITE HOUSE
WASHINGTON

June 2, 1978

MEMORANDUM FOR: THE PRESIDENT

FROM: JIM McINTYRE *Jim*
STU EIZENSTAT *Stu*
FRANK MOORE *Frank*

SUBJECT: Labor/HEW Appropriations Bill

We must make a decision on strategy for the Labor/HEW Appropriation which will come before the House of Representatives next Wednesday. These are the essential factors:

- o The Labor/HEW Bill is \$887 million in budget authority above our budget, when estimating differences in entitlement programs are removed. This is a 1.1% increase in our total request for these programs, and a 4.5% increase in controllables. The increases are concentrated in health, and in education.
- o The Administration position on the Labor/HEW Appropriation is closely linked to our prospects of limiting the damage done to our position on the Foreign Aid Appropriation which will be considered in the House on Friday. As you know, the Appropriations Committee reduced our foreign aid request by \$1.2 billion. An additional \$700 million reduction will be proposed on the House floor, together with a number of amendments that would restrict Presidential powers. Representative Obey, who is our spokesman on the Foreign Aid bill, will not defend the Administration's foreign aid position on the House floor if we press for reductions in the Labor/HEW bill. He says he cannot and will not defend cuts in human programs balanced with increases in foreign aid.
- o The Speaker and Jim Wright have told us both that they strongly oppose any effort to reduce the Labor/HEW appropriation and that they as well see a linkage between Labor/HEW and the Foreign Assistance bill. The Labor/HEW bill is viewed by many Democrats who have strongly supported us as the most politically important of the year.

Additional Factors

- o Failure to actively oppose the Labor/HEW bill will not be helpful to the credibility of the Administration's anti-inflation effort. While perhaps not the greatest percentage increase, the addition to the Labor/HEW Appropriations bill will be among the larger increases above our budget in dollar terms.

(Others include a potential \$1 billion difference on public works and as much as a \$5 billion difference on highway and transit spending.)

- o Failure to strongly oppose this bill may make strong efforts against other appropriations more difficult, will make it harder to reduce the Labor/HEW bill itself in the Senate, and will make a veto somewhat more difficult politically.
- o While all agree that we could get a credible vote, it is far from certain we could secure adoption of a major reduction in the Labor/HEW bill even with an all-out effort. On the other hand, it is almost certain that the attempt to reduce the Labor/HEW appropriations will in fact result in further damage to the Foreign Assistance bill.

Options

(1) "Hard" Opposition. (a) Strongly oppose the increase in the Labor/HEW Appropriations bill, (b) instruct key Administration officials (Califano, Schultze, McIntyre, Strauss, Blumenthal, Kreps, Marshall) to make this a major public priority over the next several days, and (c) put together an amendment designed to achieve maximum support with a credible Congressional sponsor, which recaptures some but not all of the overage.

(2) "Soft" Opposition. clearly state the Administration concern with the extra spending in the Labor/HEW Appropriations bill but do not actively work for an amendment to reduce the bill. If handled correctly with the Leadership and Representative Obey, this position will probably preserve their support for us on foreign assistance; however, this would make a veto very difficult.

(3) Say Nothing. No additional statement of our position on Labor/HEW. While preferred by the Leadership

and Representative Obey, this approach would almost certainly give rise to public criticism from Republicans and would make efforts to reduce the bill in the Senate harder.

Decision

- Option 1
- Option 2
- Option 3

Make it clear that our position is the same with defence, highways, etc

Frank supports Option 2. Stu prefers Option 1 but defers to Frank's legislative strategy. Jim McIntyre points out that (1) To date, the Labor/HEW bill has one of the largest (if not the largest) discretionary increases of any of the 10 bills reported by House Appropriations subcommittees and (2) Chairman Mahon's staff informed us today that the foreign aid bill is in deep trouble regardless of the Labor/HEW situation. (Frank Moore believes support from Obey and the Leadership can make a substantial difference.) Jim strongly recommends Option 1. NSC/Henry Owen recommends Option 1, although the State Department would disagree.