

to CTW

from HG

THE WHITE HOUSE

WASHINGTON

Flagging code:

- ① = important matters requiring attention.
~~As to the pending legislation~~ This category includes budget cuts + other anti-inflationary measures; energy-related bills; some health, education, and welfare bills; "new style" issues such as FOI, campaign reform, White House / presidential power issues. ~~[Some general topics flagged in policy positions under development part of book]~~
- ② = matters on which President may want to take a different position. ~~Also~~ This category includes issues of congressional assertion of power and prerogatives over the Presidency; energy ~~issues~~ issues; consumerism; "signals" to minorities; veterans' issues (to balance amnesty).

1. Agriculture-Environmental and Consumer Protection Appropriation Act, 1975
2. Campaign Reform Legislation
- Action* 3. Cargo Preference Legislation (*veto*)
- Action* 4. Consumer Protection Agency (CPA) Legislation *oppose 5707*
5. ERDA (Energy Research and Development Administration); Status of Legislation to create
6. Freedom of Information Act Amendments (H.R. 12471)
- Action* 7. Juvenile Delinquency Legislation (S. 821) *oppose; veto?*
- Action* 8. Mass Transit *oppose present HR 12859*
- Action* 9. National Health Insurance *support principle, no federalization (RN pro.)*
- Action* 10. OEO Community Action Program *no change of Admin position*
11. Omnibus Housing Bill of 1974 .
- Action* (12.) Private Pension Reform Legislation - "Employee Retirement Income Security Act, H. R. 2" *approve*
- Action* 13. Safe Drinking Water Legislation *Need to see Rhodes; oppose House bill*
14. Surface Mining
- Action* 15. Veterans Education Bill *oppose tuition provision (veto?)*
- Action* 16. White House Authorization Bill *present course, go along*

LEGISLATION

Status of Appropriations Bills
General Fiscal and Economic Policy
Defense - DoD Approp; Underway.
International Affairs
Energy ERDA; cargo port
Natural Resources, Environment and Agriculture
Transportation
Consumer Protection and Commerce \$360M direct small bus loans; veto on decision on Fed loans & inf?
Health ~~HEW~~
Education and Manpower HAV, ~~not yet~~
Retirement and Welfare Benefits exp'd OEO
Housing
General Government
Other

POLICY POSITIONS UNDER DEVELOPMENT

General Economic Policy
Defense
International
Energy "Pro's Develop": back in name only.
Transportation
Social Programs
General Government

OUTSIDE EVENTS

Economic
Other

IMPLEMENTATION ACTIONS

Federal Budget agency ~~and~~ \$380B
Energy and AEC
Social Programs
Major Appointments ✓

STATUS OF APPROPRIATION BILLS

FY 1975 appropriations will be in 14 regular and at least two supplemental bills. Three of the regular bills have been passed by the Congress to date:

Special energy - enacted 6/30/74
Agriculture - vetoed 8/8/74

*Congress has not yet acted on the veto.

*Legislative Branch - last day for President's action
is 8/17/74

The remaining 11 regular bills and the first supplemental are expected before the Congress adjourns this fall:

* Treasury		week of 12-16 August
* Transportation]		mid-August
* Public Works]		
District of Columbia]		
Interior]		late August
HUD]		
Defense]		
Labor-HEW]		mid-September
State, Justice, Commerce]		
Military Construction]		
Foreign Assistance]		late September-early
First Supplemental]		October
(Congressional		
action this fall		
not certain)		

GENERAL FISCAL AND ECONOMIC POLICY

PENDING LEGISLATION

PROPOSED FY 1975 SPENDING CEILING-Senate amendment to FDIC bill (H.R. 11221) would set a rigid \$295 billion ceiling on FY 1975 outlays. Ceiling is unrealistic. Efforts are under way to have amendment removed in conference.

OMNIBUS TAX BILL. The tax reform bill has been amended to include a windfall profits tax on crude oil and a repealer of the tax depletion allowance. Reforms include tax simplification, elimination of miscellaneous deductions, and capital gains reduction. [This bill is not expected to be reported out of the House Ways and Means Committee before September 30 and is not expected to be passed by the Senate during this Congress.]

COST OF LIVING TASK FORCE - A bill authorizing the Task Force was submitted to Congress on August 6. Proposal represents the most recent economic policy initiative by President Nixon. May require Presidential decision on whether and how to proceed.

TEMPORARY COMMISSION CONCERNING THE MATERIAL SHORTAGE -- Legislation to create a one-year commission to review material shortages has passed the Senate and is languishing in the House. The commission was agreed upon by Executive and Legislative branch leaders; however, its usefulness is less obvious now. Bill may be passed by the House by September.

DEPARTMENT OF DEFENSE LEGISLATION

PENDING

**FY 1975 DEFENSE APPROPRIATION BILL - Senate Committee reductions of over \$5 billion or 6% from the \$87 billion request is much higher than expected. This contrasts with a \$4.0 billion (\$3.6 billion TOA) reduction passed by the House. Presidential appeal to the conferees may be required to sustain the House position.

REQUEST FOR AN UNDERSECRETARY OF DEFENSE - Defense has requested authority to establish an Undersecretary of Defense in lieu of a second Deputy Secretary of Defense. State, NSC and OMB staff have reservations as to this proposal.

RIVERS AMENDMENT CHANGE - This addresses an inequity in the current military pay system which results in windfall pay increases to military personnel which will cost over \$1 billion annually by 1979. Remedial legislation passed the House on July 1, 1974. No Senate action to date and could benefit from an expression of Presidential interest. Senators Stennis and Nunn are the principals.

RECOMPUTATION OF MILITARY RETIRED PAY - In accord with a Nixon campaign pledge, an Administration proposal was sent to Congress in FY 1973 and FY 1974 but no budget allowance was included for FY 1975, due to Congressional inaction. This proposal would cost \$400 million annually. The Senate has passed this legislation on two occasions, but the House has rejected it.

August 9, 1974

INTERNATIONAL AFFAIRS

ENROLLED BILLS

* U.S. contribution to the International Development Associations (S. 2665)

Authorizes total appropriations of \$1.5 billion for the U.S. contribution to the Fourth Replenishment to IDA; permits U.S. citizens to hold and deal with gold and directs the U.S. Governor to the Association to vote against proposed assistance to any country which develops a nuclear explosive device unless that country becomes a party to the Nuclear Non-Proliferation Treaty.

* Temporary Export Administration Act Extension (H.J.Res. 1104)

Extends, until, September 30, 1974, the authority of the Export Administration Act (which expired July 30, 1974) under which the Department of Commerce controls exports from the U.S.

* Temporary Export-Import Bank Act Extension (S.J.Res. 229)

Extends, until, September 30, 1974, the life of the Export-Import Bank which expired on July 30, 1974.

INTERNATIONAL AFFAIRS

PENDING

**TRADE REFORM ACT - Bill authorizing trade liberalization negotiations passed House with amendment barring credits and MFN treatment for communist countries obstructing emmigration. Current policy threatens veto unless amendment altered. Presidential support required to resolve issue and hasten Senate action.

*CONGRESSIONAL "VETO" OF FOREIGN MILITARY BASE AGREEMENTS - The 1975 State Department authorization bill approved by the Senate gives Congress a veto over military base agreements. House bill on floor next week does not. President may have to decide whether to continue to oppose.

FOREIGN ASSISTANCE AUTHORIZATION BILL - Now being marked up in House and Senate; bill with numerous restrictions and some serious funding cuts may reach conference by early October. Concerted effort may be required to save key provisions.

EXTENSION OF EXPORT-IMPORT BANK ACT - Bill to continue Eximbank program pending in both Houses. Presidential decision may be needed on provision for congressional veto of loans over \$50 million.

EXTENSION OF EXPORT ADMINISTRATION ACT - Congress currently considering renewal of basic authority for imposing export controls. Position may be required on provision for congressional override of Presidential decision on high technology exports.

ENERGY LEGISLATION

PENDING

****ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION** - Administration bill to establish Energy Research and Development Administration (ERDA) and Nuclear Energy Commission (NEC) has passed House; needs high level support to get acceptable bill through Senate floor action (next two weeks) and conference.

****PETROLEUM ALLOCATION** - Crude petroleum and petroleum products are currently allocated and price controlled under legislation that expires February 28, 1975. Current Administration policy is to get out of allocations and price controls. Strong Congressional interest in extending controls to end of FY 1976, but possible compromise will be an extension to end of FY 1975.

****OIL CARGO PREFERENCE** - Bill passed House and Senate Committee to require 30% of petroleum imports be carried in U.S. flag ships. Bill is veto candidate because of adverse impact on consumer costs, trade relations, and energy supplies. Should consider strong veto signal now. (S. 2089)

SCIENCE ADVISORY FUNCTION - In 1973, the Administration transferred the function to Director of National Science Foundation. S.2495 would implement recommendation of the National Academy of Science to reinstitute function in Executive Office. May pass Senate this Congress; unlikely to pass in House this session. Issue will be raised again next year.

NATURAL GAS DEREGULATION - Administration initiative to increase supply of natural gas through price deregulation bogged down in the Congress. Senate Commerce Committee version contains unacceptable provisions. Negotiations underway with Committee to advance Administration bill.

ADDITIONAL CAPACITY TO ENRICH URANIUM FOR NUCLEAR POWER - Rep. Hosmer's advocacy of a new Government corporation to provide additional capacity is undercutting Administration's objective to have private industry build the costly (\$3 billion for first plant) capacity needed to supplement existing AEC plants. Private industry is moving to meet the need.

NATURAL RESOURCES, ENVIRONMENT AND AGRICULTURE LEGISLATION

ENROLLED BILLS

* Animal Health Research Act (H.P. 11873) (Possible Veto)

Authorizes and directs the Secretary of Agriculture to provide up to \$47 million annually in categorical grants to State educational institutions for animal health research programs and facilities.

* Forest and Rangeland Renewable Resources Planning Act (S. 2296)

Authorizes and directs the Secretary of Agriculture to make renewable resource assessments and develop renewable resource programs for planning and budgeting purposes within the National Forest System.

PENDING LEGISLATION

* Mined Area Protection

Interior is pressing conference committee on major problems in the bill. The bill provides special unemployment assistance, confers special rights to surface owner, dedicates OCS receipts, undercuts State role, and may inhibit coal production.

* Safe Drinking Water

The Administration's bill would limit the Federal role to (1) establishing national standards, and (2) insuring that the public is informed when standards are violated. The House bill would expand the role of the Federal Government by providing direct Federal enforcement, against municipalities, if States fail to do so. The bill would also extend Federal authority to regulate plant siting and operations and establish a Federal enforcement program for underground injection wells.

Commodity Market Legislation

At least four bills (H.R. 13113, S. 2485, S. 2578 and S. 2837) have been introduced to strengthen regulation of commodity futures trading and to bring all agricultural and other commodities traded on exchanges under regulation. Administration favors H.R. 13113 (already passed House) with some minor exceptions since the Commission created by the House bill would facilitate Administration representation in the regulatory program by retaining a tie with USDA.

However, the Administration could reasonably accept an enrolled bill creating a fully independent commission so long as the creating legislation does not impose conditions which preclude the President from effectively coordinating that agency with other related governmental programs.

TRANSPORTATION

PENDING LEGISLATION

* URBAN MASS TRANSIT: The House will vote on major transit legislation on 8/14. The Committee's bill includes inflationary funding levels and an undesirable program structure which encourages cities to build subways. Undesirable highway amendments may be added.

* NO-FAULT INSURANCE: The Senate has passed earlier this year S.355, national no-fault insurance. The Administration has opposed this bill, believing that it would be an undue incursion on an area properly left to the states. The House Committee has held hearings on a similar measure but has not reported any bill. Chances on the floor seem good for passage. The House Committee may report out the bill as early as 8/16.

* 1975 AMTRAK AUTHORIZATION BILL: Senate passed on 8/8 an AMTRAK bill which would remove Executive Branch oversight of Federal loan guarantees to AMTRAK (\$223 M in 1974). DOT, OMB have indicated they would recommend veto of this bill if sent to the President. House passed version has simple one year program extension which we favor.

* HIGHWAY SAFETY BILL ON INTERLOCK/WARNING BUZZER: House floor action expected 8/13 on bill which deals with automobile interlock and warning buzzer devices. Considerable pressure is building for an amendment which would place all warning/interlock devices at the consumer's option. DOT has been favoring the committee bill which requires cars to be equipped with a warning or interlock device (as opposed to the existing interlock-only requirement).

Surface Transportation Act of 1974 regulatory modernization and financial assistance to railroads - expected to be reported out of House Commerce committee. Culmination of regulatory modernization efforts begun in 1971 — Administration support necessary for passage and for Senate action.

CONSUMER PROTECTION AND COMMERCE LEGISLATION

PENDING

**ECONOMIC DEVELOPMENT - Expected to have completed Congressional action in two weeks on bill to extend and improve economic development and adjustment programs. Bill will reflect some of Administration's New Federalism proposals. Signing statement may be appropriate. (S. 3641)

*CONSUMER PROTECTION AGENCY

- House has passed legislation (293-94). President Nixon threatened a veto on the Senate bill on which cloture was twice vetoed down. The Senate bill limits Presidential flexibility to appoint and remove the agency head and control its legislative and budgetary proposals to Congress. 2

*SMALL BUSINESS ACT AMENDMENTS - Enrolled bill mandates \$400 million in direct Federal loans to small businesses, an increase of \$360 million over Budget request. Possible veto candidate. Presidential decision necessary by August 19. (S. 3331) 1-5

FIRE PREVENTION - Completed Congressional action on new program legislation expected in next two weeks. Although this was an Administration initiative, the bill is expected to require some undesirable programs. Possible veto candidate. (S. 1769 and H.R. 11989)

HEALTH LEGISLATION

ENROLLED

*HEALTH PROFESSIONS STUDENT ASSISTANCE

- Congress has passed a bill which is awaiting your action extending for one year expired provisions of the Public Health Service Act dealing with health manpower student loans and scholarships. The bill would authorize continued Federal contributions to the schools' student loan funds, so that loans could be made to new students this coming academic year. The Administration has proposed phasing out further Federal contributions to this loan program, and relying instead on an expanded program of National Health Service Scholarships, to obtain service commitments in return for student aid. The bill would authorize \$40 million for 1975 for an expanded Scholarship program. The Administration's budget request was \$22.5 million.

*D.C. MEDICAL AND DENTAL MANPOWER SUBSIDIES

- Congress has now passed--in the face of strong Administration opposition--a three-year extension of subsidies to D.C. medical and dental subsidies. Assistance would be in addition to all other health manpower assistance grants these schools have received under HEW's general health manpower programs, and would be inconsistent with findings by HEW and its expert outside consultants that these schools do not meet the basic "financial distress" criteria which are applied to all other similarly situated schools around the Nation.

HEALTH LEGISLATION

PENDING

**NATIONAL HEALTH INSURANCE

- The Administration's CHIP was submitted to assure financing of comprehensive health insurance for all Americans, including an estimated 22 million persons who lack coverage. The Administration bill would rely on the private insurance sector and would add about \$6 billion to the Federal budget. The major competitors to CHIP are the Long-Ribicoff Bill -- which would rely on private insurance for basic coverage of most Americans, coupled with Federal programs for low income persons and catastrophic coverage for all Americans-- and the Kennedy-Mills proposal--which extends a Federal Medicare-type plan to all Americans. There is little chance of enactment of legislation this year.

HEALTH MANPOWER

- The House and Senate Committees have under consideration bills that would revise and extend the major programs of direct assistance to health manpower education institutions and students. The bills would expand the Federal role and responsibilities by continuing institutional subsidies rather than stressing student assistance in return for service commitments to meet public needs as proposed by the Administration. The bill would get the Federal Government into regulating graduate medical education. The bills contemplate annual Federal health manpower expenditures in the range of \$900 million to \$1.1 billion, compared to the Administration's 1975 budget request of \$369 million.

HEALTH SERVICES AND MENTAL HEALTH

- S. 3280 would revise and extend HEW health services and mental health programs. It would, however, expand the Federal role and responsibilities by adding new categories of health programs and extending authorities proposed for phase-out in the 1975 budget.

EDUCATION AND MANPOWER LEGISLATION

ENROLLED

**ELEMENTARY AND SECONDARY EDUCATION ACT (H.R. 69)

- Recently passed and awaiting your action. Contains the beginning of a move towards reforms that had been proposed by the Administration, however, it moves the government toward greater Federal participation in scope and funding. Probable spending impact: \$+500 million in FY 1975. Also contains busing provisions, but modified from those contained in the original House version, as introduced by Mr. Esch.

PENDING

**VETERANS EDUCATION (GI BILL)

- The Administration in its FY 1975 budget proposed an 8% cost of living increase. The House passed a \$13.6% increase. The Senate passed an 18% increase and included a tuition assistance provision and a direct loan program. The Administration has threatened a veto of the Senate bill. House and Senate conferees are deadlocked over the tuition assistance provisions. The Senate version could add \$1.3 billion to the 1975 budget.

EDUCATION OF THE HANDICAPPED--H.R. 70

- Introduced in the House of Representatives. Greatly expands role of Federal Government in education of the handicapped. Requires the Federal Government to pay \$600 per year per handicapped child ages 3-21. The budget impact is estimated at \$4 billion annually. Administration has submitted legislation to extend and consolidate existing authorities.

EDUCATION AND MANPOWER LEGISLATION

PENDING

JOB SECURITY ASSISTANCE ACT (UNEMPLOYMENT INSURANCE)

- An Administration bill proposing increases in maximum benefit levels extension of coverage to farmworkers, assuring neutrality in labor disputes, and providing longer benefits (up to 52 weeks) in labor market areas with high unemployment has been transmitted to the Congress

*PUBLIC SERVICE EMPLOYMENT S. 2993, SEN. JAVITS)

- In response to high unemployment, a \$4 billion public service jobs program to trigger automatically when unemployment is 6% for three months, or earlier if economic forecasts warrant. Added public employment (\$600 million) is also being pressed in Senate appropriations consideration for Comprehensive Employment and Training. Within the Administration, Mr. Rush, Mr. Greenspan and OMB oppose this approach. Mr. Burns favors it and Mr. Simon has indicated some interest. Might be necessary to take a position in near future.

HOUSING LEGISLATION

PENDING

**OMNIBUS HOUSING BILL OF 1974

- The first major piece of housing legislation since 1968 was recently approved in conference committee and will be up for final Congressional action during week of August 12. The bill incorporates titles for a community development block grant program and for low-income housing assistance through a leasing approach which closely conform with two proposals originally submitted by the Administration--the Better Communities Act and the Housing Act of 1973.

RETIREMENT, WELFARE AND OTHER SOCIAL PROGRAMS

PENDING

**EMPLOYEE RETIREMENT INCOME SECURITY ACT (PRIVATE PENSION REFORM)

- H.R. 2 the pension reform bill is designed to protect the future retirement benefits of 35 million workers covered by private employee pension plans. The bill will (1) mandate vesting of benefits, (2) require funding to pay earned benefits, (3) establish a Pension Benefit Guaranty Corporation to insure benefits if a pension plan is terminated, (4) increase reporting, disclosure and fiduciary requirements, and (5) improve benefits for employees for the self-employed. Difficult implementation because of early effective dates. Broad Congressional support. Treasury and Justice could recommend veto because of technical problems.

**RAILROAD RETIREMENT

- The Railroad Retirement system is approaching bankruptcy. Bills now pending would rescue RRB by injecting a public subsidy in what has heretofore been an industry-financed program. The Administration has opposed such a subsidy, recommending instead that future benefits be trimmed or revenues from the industry be increased. The subsidy, if enacted, could cost \$200 million in 1975 and \$400 million in 1976, gradually declining thereafter.

**EXTENSION OF OEO

- The 1975 budget proposed termination of OEO (essentially Community Action) after FY 1974. OEO continues to operate under the Continuing Resolution, although its regular appropriations authorization has expired. Several bills in Congress would either continue OEO as a separate agency or transfer the Community Action program to HEW as a separate, continuing entity. Administration has strongly opposed.

RETIREMENT, WELFARE AND OTHER SOCIAL PROGRAMS

PENDING

SOCIAL SERVICES LEGISLATION

- The public assistance social services program at present operates under a statutory \$2.5 billion ceiling (with a \$2 billion 1975 budget level) and freeze on regulation changes. Congress has bills under consideration that would ease regulations and probably increase spending. HEW is working with the interest groups to develop a compromise bill which would retain the statutory ceiling of \$2.5 billion, but would leave wide discretion with the States as to how the funds are used.

*JUVENILE DELINQUENCY

- Bills are now in conference which would create a large new grant program for Juvenile Delinquency prevention. The only major disagreement between House and Senate is whether the program should be in HEW or LEAA. The Administration has opposed both bills. Either bill, if enacted, could increase the budget by \$75 million in 1975 and \$150 million in 1976.

GENERAL REVENUE SHARING LEGISLATION

PENDING

GENERAL REVENUE SHARING. Rep. Mills has introduced H.R. 16330 to extend GRS for two years and to eliminate funds for States beginning in 1975. An Administration review of GRS is underway which will result in a legislative recommendation by Dec. 31, but the Mills bill may force earlier decision.

GENERAL GOVERNMENT LEGISLATION

PENDING

OFFICE OF FEDERAL PROCUREMENT POLICY - Conferees have substantially completed work on this bill to create a Procurement Policy Office in OMB. Bill expected to pass both Houses week of August 12. Although legislation was not sought, and office is already running, bill appears to be acceptable. (2)

FREEDOM OF INFORMATION ACT AMENDMENTS - Conferees about to agree on amendments broadening public access to Government information and raising serious problems with Executive Branch administration. Administration has strongly opposed; prime veto candidate because of policy and constitutional objections.

SECURITY CLASSIFICATION STATUTES - Both Houses are moving ahead with legislation to modify present system under Executive order by which Executive Branch handles classification of national security documents and information. Constitutional and policy issues are raised by some proposals under consideration to weaken Executive control of this process.

CAMPAIGN REFORM - House and Senate bills, with some substantial differences, about to go to conference. Action could be expedited requiring Presidential decision on a sensitive political issue in the near future. Each bill has its problems.

D.C. CAMPAIGN REFORM - Enrolled bill has been received, with last day for Presidential action 8/17. Administration has taken hands-off attitude toward this legislation, but could become an issue.

GENERAL GOVERNMENT LEGISLATION

PENDING

SECURITIES ACTS AMENDMENTS OF 1974 (H.R. 5050). Title I of this bill could do serious damage to Administration budget and legislative clearance functions, Civil Service laws, and Administrative Procedures Act. (May go to House floor August 16.)

*PRESIDENTIAL PENSION AND ALLOWANCES - Supplemental appropriations will need to be requested to provide pension, office space and staff allowance for former President Nixon. GSA is preparing.

S. 3515. (Sen. Brock) -- Limits procurement of property at private residences of President and Vice President. White House position (Timmons) is being formulated for Sen. Brock. Bill's intention to prevent future controversy over private residences is good but bill has serious deficiencies.

WHITE HOUSE/VICE PRESIDENTIAL AUTHORIZATION BILL - Although acceptable compromise was worked out with conferees after some effort, conference bill was passed by House but tabled in Senate. Issue is Weicker effort to restrict use of IRS information. Legislation seriously needed for ongoing White House operations.

POLICY POSITIONS UNDER
DEVELOPMENT

GENERAL ECONOMIC POLICY

POLICIES UNDER DEVELOPMENT

**ACTION ON REGULATORY REFORM - Decision will be required on whether and how to implement the "sweeping review" of regulation called for in President Nixon's Economic Speech of July 27. Since July an interagency task force of sub-Cabinet-level officials has been reviewing regulations that cause inflation and inefficiency. Feasible targets of opportunity and ways to improve regulations are to be the outcome of this effort by September.

ANTITRUST POLICY - Arthur Burns has stressed need for vigorous antitrust enforcement as part of our inflation strategy. Decisions may be required on Antitrust Division testimony on major legislation (Hart Bill) and in efforts to improve process for choosing targets for prosecution.

CRITICAL IMPORTED RAW MATERIALS - Interagency study of critical imported nonfuel raw materials near completion. Raises key policy decisions, such as the creation of an economic stockpile. Legislation (S3523) to establish a 13-member Temporary National Commission on Supplies and Shortages has passed Senate and is pending in House Banking and Currency. Administration supports. Will require nine Presidential appointees.

CAPITAL SHORTAGES STUDY -- The Council of Economic Advisors' study of capital shortages is under way with completion expected by end of the year. Investment incentives will be considered.

FOREIGN INVESTMENT IN THE U.S. An interagency task force under CIEP is studying direct foreign investment in the U.S. by oil producers. The Treasury is investigating portfolio investment by these countries.

EXPORT CONTROLS - Pressure is increasing to place tight export controls on short supply commodities, particularly some agriculture products. May require Presidential policy decision.

DEPARTMENT OF DEFENSE

Policy Positions Under Development

ASIA BASING - We have been maintaining military forces in Asia for contingency purposes since the end of the Vietnam conflict. A decision is required shortly on the rate of withdrawal and on the specific force levels to be retained through June 1975.

IMPORTED RAW MATERIALS - Policy studies are nearing completion which identify the threat to the U.S. economy from overseas supply cutoffs and from substantial increases in the price of imported raw materials. A decision on whether or not the U.S. should establish economic stockpiles as a hedge against such threats may be required.

SELECTIVE SERVICE SYSTEM STUDY - An intraagency committee is conducting a review of alternative standby draft structures for FY 1976 and beyond. Possible recommendations for major changes in existing law could be controversial. A Presidential decision may be required within the next two months.

SHIPBUILDING REVIEW - The total demand for U.S. shipbuilding is increasing rapidly and exceeds available capacity. Maritime Administration shipbuilding programs drive the total demand. A reexamination of government shipbuilding policies is required to improve overall government coordination, and to preclude large cost increases.

August 9, 1974

INTERNATIONAL

POLICY POSITIONS UNDER DEVELOPMENT

INTERNATIONAL AGREEMENT RE OIL EMERGENCIES - Agreement to provide for standby supplies, common demand restraint and oil sharing. Negotiations will advance among major industrial countries. Final U.S. approval required in September.

EXPORT PROMOTION STUDY - OMB-led interagency study of export promotion programs nearing completion. Study attempts to tailor current programs to meet national objectives. Key decision will be whether to remove DISC tax benefits for exporters.

PL. 480 REFORM - Conflict exists on levels of 1975 U.S. food aid abroad; budget and domestic price factors suggest low levels; foreign policy and humanitarian requirements suggest high. Presidential decision needed early September.

WORLD FOOD CONFERENCE - For November World Food Conference, policy decisions required on long term U.S. food aid levels, international stockpiling arrangements and aid to LDC agriculture.

PROBLEM OF POOR NATIONS - Certain developing nations face extraordinary food and oil import costs. Policy review underway on U.S. response to these needs.

INTERNATIONAL DEVELOPMENT COUNCIL (IDC) - Twenty nation group being set up to consider problems of developing countries. Nature and extent of U.S. participation is under interagency review. Issues may call for Presidential decision.

ISRAELI MILITARY AND ECONOMIC AID - Israelis will seek Presidential support for multiyear commitment of high levels of aid. Decision linked to progress toward long term Middle East settlement.

*U.S.G. POLICY ON TURKISH OPIUM PRODUCTION - Options paper due President from Secretary Kissinger shortly regarding foreign aid sanctions required to ensure that Turks establish effective control system and contain congressional reaction. Decision linked to Cyprus situation.

LAW OF THE SEA CONFERENCE - Caracas conference ends August 29. An early reassessment of U.S. policy may be required by President in preparation for further diplomatic initiatives before the next negotiating session early in 1975.

POLICY POSITIONS UNDER DEVELOPMENT

** PROJECT INDEPENDENCE BLUEPRINT - Administration committed to having FEA submit "Blueprint" to President by November 1, presenting alternative courses of action and their implications for the future of the U.S. energy situation. Public hearings began in Denver August 6, 1974, and will continue in other cities during August and September.

** BREEDER NUCLEAR REACTOR SCHEDULE SLIPPAGE AND COST OVERRUN - Breeder reactor is highest priority Federal energy R&D program, with Administration commitment to a joint Government/utility demonstration power reactor by 1980. Estimates of cost for demonstration plant have tripled to about \$1.8 billion with completion now in 1983. Overrun will increase pressures from environmentalists to cancel project. OMB re-evaluating with AEC the pace and direction of program.

TIMBER MANAGEMENT FROM NATIONAL FORESTS - Long range planning for the management of national forests is essential to insure that national goals are met in years to come. An interagency Timber Task Force headed by OMB will have a plan developed by year end.

TRANSPORTATION PROGRAMS

POLICIES UNDER DEVELOPMENT

****HIGHWAY IMPOUNDMENT:** Within the next 2-3 weeks, you will send a message of deferral of highway contract authority to the Congress. The 1975 program level we recommend may impact the success of our effort to defer inflationary expenditures.

AIRBAG: Under present plans 1977 model year cars (introduced in Fall 1976) would be required by DOT rulemaking to be equipped with passive restraint protective devices, which would most probably mean the airbag. Considerable controversy about the cost effectiveness and reliability of the airbags exists, however. DOT is nearing a decision point on whether or not to keep the 1976 date, with a decision expected by September 1. (1)

URBAN MASS TRANSIT CRITERIA: DOT will announce in the next month a plan for thorough Federal review of transportation plans in those cities with pending applications for large rail system discretionary grants.

FOREIGN AIR CARRIER PERMIT - Presidential approval required on CAB decision on whether British air carrier, Laker Airways Limited should be granted a foreign air carrier permit for novel North Atlantic "Skytrain" service. Foreign policy consideration.

SOCIAL PROGRAMS

POLICIES UNDER DEVELOPMENT

** DIRECT CASH ASSISTANCE FOR HOUSING

- The Department of Housing and Urban Development is currently developing an operational program to provide housing assistance for low-income people through a direct cash assistance approach. This proposal is being developed pursuant to a 1973 Presidential message on housing which committed the Administration to submit recommendations for new housing policies by early 1975. This initiative needs to be coordinated with the Welfare Reform proposal.

*WELFARE REFORM

- DHEW, in cooperation with Treasury, is in the process of developing a new welfare reform proposal, based on the Negative Income Tax concept. Secretary Weinberger expects to have a decision paper ready for the President by the end of August.

**VETERANS MEDICAL CARE REPORT

- The report submitted on July 31 is the end result of a request by President Nixon that the quality of care in VA hospitals be evaluated. Although indicating that VA medical care is good to outstanding, the report lists several deficiencies and requests an additional \$220 million in 1975 to begin correcting them. OMB has indicated to the Congress that up to an additional \$150 million would be acceptable. When the VA report becomes public the full amount of the VA request might be added whether or not the Administration submits a budget amendment.

SOCIAL PROGRAMS

POLICIES UNDER DEVELOPMENT

** HIGHER EDUCATION LEGISLATION

- Most programs under Higher Education Act of 1965 expire June 30, 1975, but could be routinely extended for one year. An HEW-OMB task force has been developing policy decision papers for use in building an Administration legislative proposal. Decisions on legislation will be made this fall in conjunction with your FY 1976 budget.

WORKERS COMPENSATION

- Following the issuance of an executive branch White Paper an Interdepartmental Task Force is developing (a) technical assistance packages to help States improve their worker's compensation laws and (b) a research program to examine the major issues and alternatives for the operation of worker's compensation programs. Participants: HEW, Labor, HUD and Commerce.

GENERAL GOVERNMENT

POLICY POSITIONS UNDER DEVELOPMENT

**ENCROACHMENT OF PRESIDENTIAL AUTHORITY - An assessment should be made as soon of the Administration's position on current and potential Congressional legislation which might seek unwarranted impairment of the President's authorities and the role of the Executive Office.

PRIVACY - Various initiatives being pursued under Privacy Committee auspices. Substantial movement of legislation in both Houses of Congress may require administrative action to recapture initiative and pre-empt harmful bills. Executive order to assure protection of personal information in Federal data systems under development.

BICENTENNIAL ACTIVITIES - Efforts are underway at the Federal and local level to develop plans for the Bicentennial. Responsibility for Federal programs is divided and Federal effort needs to be better coordinated.

WHITE HOUSE ACCESS TO IRS RECORDS - IRS Commissioner, Alexander, has proposed to Montoya and Kennedy subcommittees need for legislative strictures on WH access to IRS records. Alexander will not release sensitive reports without written request from WH officials. May be a call for legislative proposal.

FUNDS FOR TRANSITION - Assuming relevance of the Transition Act to current situation, a supplemental request will be needed for additional funds to provide for needs and entitlements of the former President and his staff. Papers are under development for Presidential transmission to Congress asap.

PATENT REFORM - Administration's Patent Reform and Modernization Bill (S. 2504) in Judiciary Committee. Administration has suggested amendments. Administration may need to "signal" continued support for this legislation within next three weeks.

GENERAL GOVERNMENT

POLICY POSITIONS UNDER DEVELOPMENT

BORDER ENFORCEMENT ISSUE - Recent OMB recommendations on Border Enforcement Strategy have met considerable Congressional opposition. Disagreements exist between House Appropriations and substantive committees. Congress may press for new President to resolve.

PAY RAISE AMOUNT - Federal pay raise effective by statute Oct. 1. Affects 3.5 million civilian and military personnel. CSC/OMB, in consultation with unions, preparing recommendation. Presidential decision on final amount due late September.

FEDERAL PAY RAISE - Federal pay raise effective by statute October 1. Affects 3.5 million civilian and military personnel. CSC/OMB, in consultation with unions, preparing recommendation. Presidential decision on final amount due late September.

EXECUTIVE PAY - No increase since 1969. This has accelerated retirements because annuities increase with CPI, and caused salary compression in top GS grades. Presidential message May 7 transmitted S. 3551 increasing pay at levels V, IV, III to \$41,000, \$41,500, \$42,000. Senate Committee has held hearings, House has not.

OVERSEAS ALLOWANCES - Executive order moving forward for Presidential approval transferring administration of overseas allowances program for Government employees in foreign countries from State to Civil Service Commission. While most agencies agree with concept, State continues to object and may elevate objections to highest level.

POSTAL SUBSIDIES - President recently signed legislation to delay reduction in postage rate subsidies to second and fourth class mailers. Postal Service is requesting \$44 million to cover costs. Decision necessary on whether to request supplemental to implement legislation.

OUTSIDE EVENTS

ECONOMIC

**HOUSING MARKET

- Housing starts and building permits have declined significantly in the last year as mortgage interest rates increased, disintermediation occurred and building material shortages developed. The impact of the Administration's spring housing initiative which provided \$10.3 billion in mortgage support should cushion the housing decline in the next two quarters.

**NATIONWIDE COAL STRIKE - Coal strike anticipated November. Interagency task force preparing contingency plans. Federal Mediation and Conciliation Service responsible for the labor aspects; FEA for monitoring coal supplies and developing options to alleviate economic impacts.

**Drought in Farm Areas

A serious drought in the Great Plains and Midwest is expected to have a significant impact on crop production, especially feed grains, but total production is still expected to be near record levels. Official assessment of crop output will be released August 12. Major policy issues surfacing as a result of this poor growing season are: The size of the P.L. 480 program; export controls on crops in short supply; and the role of the Federal government in carrying grain reserves.

REVISED ECONOMIC FORECAST -- Forecasts of the economy are to be available within a week from OMB, CEA, and Treasury agency heads. More sluggish economic growth of about 2% with 8.5% rate of inflation is forecast for FY 75.

WAGE SETTLEMENTS -- Pending wage settlements will be high, fueling inflationary pressures. The recent steel and telephone settlements provide a floor of 10-12% increase in compensation. The November coal mine settlement may be above 15%. Major settlements will occur soon in aerospace, construction, and railroads.

OUTSIDE EVENTS

ECONOMIC

SAUDI ARABIA TAKEOVER OF ARAMCO -- There is a strong possibility that the Saudi's will take over the remaining 40% of Aramco's operations within six months. This could reduce net exports by as much as \$4 billion. Other oil-producing nations may follow suit.

IMPACT OF INFLATION ON BUDGET COSTS

- Benefit levels and costs in programs which make up about 25% of the Budget are tied to the cost of living. Major examples are: Social Security, Food Stamps, Railroad Retirement, Child nutrition, Civil Service retirement, Supplemental Security Income, etc. As inflation continues, the cost of these programs (and in many cases, the number of people eligible for them) rises dramatically, thus adding to the problem of controlling the budget.

POTENTIAL MAJOR BANK FAILURES - Although obviously highly conjectural, it is possible we may confront failures of domestic banks under tight credit conditions over the next several months. Federal Reserve resources may, as in the case of Franklin National Bank, be stretched this to preserve bank capital. Both overall credit policy and specific rescue decisions may be required.

OUTSIDE EVENTS

OTHER

** NORTHEAST RAIL: The Regional Rail Reorganization Act of 1973 which attempted to resolve the Penn Central bankruptcy has been challenged in court by creditors and parts of the Act have been ruled unconstitutional. If upheld by higher courts in the next few months, this could mean either 1) substantially more funds being required to pay the creditors or 2) considerable changes in the substantive legislation.

SOCIAL SERVICES RETROACTIVE CLAIMS

- The States have made claims to HEW totalling \$1.6 billion for reimbursement for public assistance social services from prior years. HEW at present is following a "hard line" of judging claims on merits. There are strong pressures, especially from Congress and the States, for a "political" solution - that is, caving in to most of the claims without a serious review. The amount at risk is uncertain, since a concession on the pending claims would certainly encourage other States to file additional claims.

ENERGY AND AEC

IMPLEMENTATION ACTIONS

- * FEDERAL AGENCY ENERGY CONSERVATION - Presidential directive establishing the FY 1975 Federal Energy Management Program is being finalized for signature within the next two weeks. Directive orders 15 percent Government-wide cutback in energy use from FY 1973 levels. •

PETROLEUM ALLOCATION - Crude petroleum, gasoline, and other products are currently allocated and price controlled under legislation that expires February 28, 1975. Current Administration policy is to utilize the flexibility in this act to get out of allocations and price controls. Federal Energy Administration has begun orderly process to deallocate starting with residual fuel oil.

NUCLEAR WEAPONS TESTING - New Test Ban Treaty with Soviet Union requires accelerated nuclear tests. A supplemental to accomplish this is planned for submission to the Congress momentarily.

SOCIAL PROGRAMS

IMPLEMENTATION ACTIONS

**SUPPLEMENTAL SECURITY INCOME PROGRAM

- There have been significant continuing problems in this program of income assistance to six million aged, blind, and disabled since it initially became operational on January 1, 1974. The problems include slow processing, erroneous payments and unexpectedly high manpower requirements. DHEW is expected to request a substantial increase in personnel for this program in the near future, even in the face of the imminent government-wide personnel reduction.

**IMPROVING SERVICES TO VIETNAM VETERANS

- A flurry of highly publicized incidents where veteran students were not getting checks caused VA, following the President's statements in his March 29 speech on veterans, to develop a man-on-the-campus program. This program is in place on campuses to handle pay problems and generally act as ombudsmen between the veteran, the school, and the VA. Its performance will have to be monitored closely when the fall term begins.

DOCTOR BONUSES

- P.L. 93-274 authorizes annual bonuses of up to \$13,500 to uniformed physicians in DOD and HEW. Your approval of implementing regulations is required by law. There is agreement between Domestic Council and OMB on slightly less liberal payment schedule than HEW and DOD officially proposed. Final approval is being relayed to Secretaries Schlesinger and Weinberger.

SOCIAL PROGRAMS

IMPLEMENTATION ACTIONS

NATIONAL INSTITUTE OF EDUCATION

- Created by the Administration in 1973, the NIE is to provide leadership in educational research. Strong congressional opposition and misunderstanding has resulted in cuts of Presidential budget requests from \$162 to \$87 million in FY 1974 and tentatively from \$130 to \$50 million in FY 1975.

COMPREHENSIVE EMPLOYMENT AND TRAINING ACT OF 1973 (CETA)

- Under this new law, Labor Department is financing comprehensive manpower delivery system thru flexible grants to States and localities acting as prime sponsors. Department of Labor's process of prime sponsor plan approval began July 1, 1974, and will be completed by September with program development assistance continuing thru the year. CETA was enacted as a form of special revenue sharing. FY 1975 budget request: \$2 billion.

FOOD STAMP PROGRAM ERROR RATES

- Like the AFDC program, the Food Stamp program is subject to extremely high errors in eligibility and payment levels. USDA is aware of the problem, but has not taken adequate steps to bring the problem under control. Unlike HEW, USDA has weaker control over State implementation of the program, because the States run the program while the Federal Government pays the full benefits. (There is no State matching.) OMB has been pressing USDA to develop a method of bringing the problem under control, but so far without success.

MAJOR APPOINTMENTS

IMPLEMENTATION ACTIONS

PENDING BEFORE THE CONGRESS

- ** Administrator, Law Enforcement Assistance Administration - Richard W. Velde, presently Associate Administrator of the Law Enforcement Assistance Administration, was nominated in July to be Administrator of LEAA. Hearings on the nomination are scheduled for August 13.
- ° Chairman, Council of Economic Advisors - Nomination of Alan Greenspan has been sent to the Senate.
- ° Assistant Attorney General, Office of Legal Counsel - Antonin Scalia - Hearings scheduled for August 13 for nomination.
- ° Alcohol, Drug Abuse and Mental Health Administration (HEW) - Robert L. DuPont's nomination as Administrator (he now heads the drug abuse program) is in Senate trouble (Javits). Decision on White House support needed to save the nomination.

MAJOR APPOINTMENTS

IMPLEMENTATION ACTIONS

VACANCIES -- NEW PROGRAMS

** START-UP OF ERDA AND NEC - Assuming passage of pending legislation to establish these agencies, early designation of the ERDA Administrator and other key officials, and the five NEC Commissioners will be necessary.

* *BIOMEDICAL RESEARCH PANEL

-- Under P.L. 93-352 (7/23/74) you are required to appoint a 7-member President's Biomedical Research Panel to study questions of the organization, management, and content of Federal biomedical and behavioral research. HEW is preparing a draft charter for the Panel, and developing candidates for appointment. Suggestions for Presidential appointment are anticipated in the near future.

* *LEGAL SERVICES CORPORATION

-- The recently enacted Legal Services Corporation Act of 1974 transfers the legal services program of OEO to a new, non-Government Corporation. It is necessary to nominate a Board of Directors for Senate confirmation soon in order to get the Corporation started and as part of the effort needed to effect the transfer of this program from OEO.

APPOINTMENT OF ADMINISTRATOR FOR FEDERAL PROCUREMENT POLICY - Legislation expected to be passed week of August 12, calls for Administrator, at Associate Director level in OMB, appointed by the President, with advice and consent of the Senate.

MAJOR APPOINTMENTS
IMPLEMENTATION ACTIONS

+ *Chen Legal Services Corp.*
~~in~~
+ LEAA
+ OTP
+ Sec Ag (?)

VACANCIES -- EXISTING PROGRAMS

- Head of Energy R&D Office in EXOP (to become Administrator of Energy R&D Administration on enactment).
- Two vacancies on the AEC (to become Commissioners of the Nuclear Safety and Licensing Commission on enactment).
- Deputy Director of Federal Energy Administration.
- Deputy Director of National Science Foundation.
- Commissioner Interstate Commerce Commission.
- DOT -- two Assistant Secretaries and three Deputy Administrators.
- Director U.S. Railway Association (to represent shippers).
- Commerce -- two Assistant Secretaries and one Deputy Under Secretary.
- State -- Undersecretary of State (Economic Affairs).
- Justice -- Deputy Administrator, Drug Enforcement Administration.
- Justice -- Associate Administrator for Policy Development of Law Enforcement Assistance Administration - Charles Work - Nomination pending in the White House.
- Member, Board of Governors, Federal Reserve Board -- Governor Brimmer's replacement has not been nominated.
- Federal Judgeships -- Nomination of several Federal Judgeships recommended by the Justice Department are pending in the White House.
- Bicentennial Board -- Appointment of the ARBA Board has been pending since creation of the agency, January 11, 1974. Without the full Board, the agency cannot carry out its grant program -- \$11 million to be awarded to all 50 States.

FEDERAL BUDGET

IMPLEMENTATION ACTIONS

1976 Budget Plan - Agencies already instructed to submit 1976 budget proposals which would result in budget balance at about \$330 B level. Also instructed to draft legislation to accomplish necessary substantial reductions from existing programs.

1975 Budget Status - Congressional action has added \$1 B to \$305 B total and more is threatened. Higher than expected interest rates and mandatory CPI adjustments also threats. Agencies told to scrutinize all costs for savings to move budget toward goal of \$300 B.

*BUDGET IMPOUNDMENT REPORTS - First impoundment reports required under new budget control act go to Congress by end of August. Require President's signature. Will set tone of executive-legislative relations under new act.

PERSONNEL REDUCTIONS - Directions being sent to the agencies to reduce planned employment on June 30, 1975 by 40,000. This action will hold the number of permanent employees to 1,928,000 excluding the relatively independent Postal Service. Numerous agency appeals of ceilings likely-- to both OMB and White House.

MANAGEMENT BY OBJECTIVE - Good progress has been made on this major management initiative launched in the spring of 1973. A summary report on the achievement of FY 74 Presidential level objectives by the agencies, is being forwarded to you separately. FY 75 objectives are being finalized for 22 agencies and they will be available for your review and approval within the next several days.