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THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

OMB ?

Date: August 6, 1975

Time:

FOR ACTION: Phil Buchen
Jim Cannon
Max Friedersdorf
Jack Marsh
Bill Seidman

cc (for information):

FROM THE STAFF SECRETARY

DUE: Date: Thursday, August 7

Time: 3 P.M.

SUBJECT:

James Lynn's memo of August 5, 1975
re 1976 Highway Program and proposed
letters to Senator Jennings Randolph
and Senator Howard Baker.

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Please give this a quick turn around --- thank you.

August 8, 1975

Ok with Counsel's office.

Ken Lazarus



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.

Jim Connor
For the President



EXECUTIVE OFFICE OF THE PRESIDENT
 OFFICE OF MANAGEMENT AND BUDGET
 WASHINGTON, D.C. 20503

AUG 5 - 1975

SIGNATURE

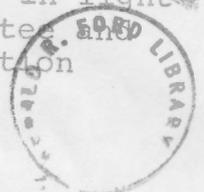
MEMORANDUM FOR: THE PRESIDENT
 FROM: JAMES T. LYNN *Ohlson*
 SUBJECT: 1976 Highway Program

Without any changes in existing legislation, over \$11 billion of Federal-aid Highway funds will be available for obligation by the States in 1976. We anticipate that Congressional action on the Federal-aid Highway Act of 1975 could increase these authorizations to \$14-16 billion. This compares to the FY 1976 Budget request of \$6.5 billion for 15 months including the transition quarter.

In prior years, excess highway authorizations have been "impounded" or more recently "deferred" under the Budget Control Act. Recent court decisions raise substantial doubts about our ability to continue these deferrals and in April, the Senate overturned our FY 1975 deferral. The Administration has therefore sought to obtain a legislative limitation on the highway program level in the Department of Transportation Appropriations Act. Similar limitations control the annual level of other contract authority programs such as mass transit and airport grants, but highway supporters have vigorously resisted such limitations on the Federal-aid Highway program.

After extensive discussions and despite opposition from the Appropriation Subcommittee Chairman (Sen. Bayh), Senators Randolph and Baker agreed to introduce and support strongly such a limitation. Although the \$9.0 billion level in the Senate bill was significantly above the initial budget request of \$6.5 billion and the Administration's later proposal of \$8.5 billion, it is substantially below the alternative unconstrained program and establishes a very important precedent. With the strong support of these Senators (and Senators Muskie and Stafford), the Senate approved the amendment. The bill now goes to conference with the House version which did not have such a limitation.

This was obviously a difficult decision for the Senators in light of their leadership positions on the Public Works Committee support of the highway program. A Presidential commendation on



seems in order not only to take notice of their commendable action but also to encourage their support in securing a limitation from the House.

Recommend that you sign the attached letters to Senators Randolph and Baker.

Attachments



WHITE HOUSE
WASHINGTON

Dear Jennings:

Please accept my commendation for your efforts to establish a ceiling on Federal-aid Highway obligations in 1976.

As you know, I share your strong personal commitment to assuring the continued excellence of our national highway systems. The proposed \$9 billion program for this 15-month period will very adequately provide for the development of our roads with related positive employment and transportation impacts while preventing an unacceptably high obligation rate with many adverse fiscal consequences.

Although the proposed level is higher than that originally recommended by the Administration, it is an acceptable compromise achieved after a substantial dialogue with the Congress. Your proposal was a fine demonstration of the difficult actions that must be taken if we are to control the level of Federal spending.

Sincerely,

The Honorable Jennings Randolph
Chairman
Committee on Public Works
United States Senate
Washington, D.C. 20510



WHITE HOUSE
WASHINGTON

Dear Howard:

I offer my commendations for your assistance in establishing a ceiling on Federal-aid Highway obligations in 1976.

Your support was a critical element in our efforts to achieve a program level consistent with responsible fiscal policy. Although the \$9 billion program exceeds the Administration's initial request, it represents an acceptable product of a constructive dialogue between the Administration and the Congress. At this level, the 1976 highway program will still provide additional employment in the construction sector and an adequate level of Federal assistance for needed capital development.

I certainly understand the difficulty in supporting such a limitation and wish to extend my special appreciation for your assistance.

Sincerely,

The Honorable Howard H. Baker, Jr.
Ranking Minority Member
Committee on Public Works
United States Senate
Washington, D.C. 20510



Date: August 28, 1975

Time:

FOR ACTION: Phil Buchen
Jim Cannon
Jack Marsh
Bill Seidman
Brent Scowcroft

cc (for information):

FROM THE STAFF SECRETARY

DUE: Date: Thursday, August 28, 1975

Time: 2 P.M.

SUBJECT:

Lynn memo 8/27/75 re Union versus Civil
Service Manning of Military Sealift Command
Ships

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

The President has requested that he receive this
letter today - August 28th -- therefore the deadline
must be complied with --- Thank you.

8/28/75

I recommend Option #4.

P.W.B. by B.D.

Philip W. Buchen



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.

Jim Connor
For the President

Date: August 28, 1975

Time:)

FOR ACTION: Phil Buchen
Jim Cannon
Jack Marsh
Bill Seidman
Brent Scowcroft

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FROM THE STAFF SECRETARY

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SUBJECT:

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Service Manning of Military Sealift Command
Ships

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

The President has requested that he receive this
letter today - August 28th -- therefore the deadline
must be complied with --- Thank you.

*No comment
D.C. fm
P.W.B.
8/28*



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.

Jim Connor
For the President



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

AUG 27 1975

ACTION

MEMORANDUM FOR: THE PRESIDENT
FROM: JAMES T. LYNN
SUBJECT: Union versus Civil Service Manning of
Military Sealift Command Ships

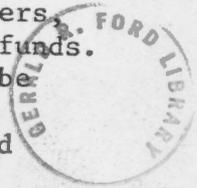
In your July 15 meeting with Secretary Schlesinger, you discussed the question of union versus Civil Service manning of Military Sealift Command (MSC) ships. The issue to be resolved involves the use of private contractors versus continued MSC operation of these ships. This memo identifies the ships involved, compares the operating costs under the two systems, and outlines three possible courses of action.

Discussion

MSC operates 54 ships with civil servants. Of these, 27 are special project mission related ships used for ocean research and survey, Polaris/Poseidon support, range instrumentation, and underseas surveillance. The remaining 27 MSC ships are the subject of this issue. These include:

Seven tankers, 4 of which are of particular interest for private contract operation since their operations are quasi-commercial.

- Four tankers were operated by a private contractor until April 1974 when the contract was terminated due to inadequate performance. Each ship is manned by 25 civil servants, virtually all of whom are members of maritime unions. Union criticism of the use of ships with Civil Service personnel results from the fact that even though the present employees are union members, there is no contribution to the union pension and welfare funds. If the ships were contractor managed, contributions would be made to the pension fund of the appropriate unions. (The National Maritime Union pension fund has a present unfunded liability of approximately \$170 million.)
- The other 3 tankers are engaged entirely in Pacific inter-island operations. They do not return to any U.S. ports and are old with poor crew accommodations. It is extremely doubtful that they would be of interest to contractors.



Eleven dry cargo ships have always been manned by civil servants. Navy has firm plans to remove 3 of these ships from the active force in 1976; and removal of another 3 ships is under consideration. Cost studies confirm the economics of civil servant manning as against contract operation. Private contractor operations will cost 15-20% more than the current system.

Nine fleet support ships, including oilers and tugs, operate directly with the Navy fleets at sea. These ships were once manned with military personnel, but were converted to civilian manning. Because of the type of support required of these ships, the Navy would prefer military manning in lieu of a private contractor. (The Chief of Naval Operations has stated as policy that, "Underway replenishment ships that provide front line support will be manned by either Navy crews or MSC Civil Service marine personnel in order to provide positive Navy control.")

Considerations

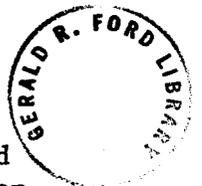
Cost

Agreement has been reached by DOD, MARAD and OMB on comparative labor and labor related cost differentials between civil servant and contractor manning. All parties also agree that non-labor costs would be higher under contractor operation, but there is some disagreement as to the size of the difference. DOD bases its estimates for tanker operations on actual experience and uses the same cost factors to compute contract costs for the dry cargo ships. MARAD has reservations on these estimates but lacks operating data.

For the 4 tankers and 8 dry cargo ships, manning with civil servants under MSC is less expensive than private contractor operation. Higher contractor costs would be experienced for the following areas: overtime and premium pay, pension and welfare payments, and contractor overhead and profits.

The annual costs are as follows:

- The 4 tankers have annual operating costs of \$12.0 million, including unfunded retirement liability and insurance applied at commercial rates. Comparable costs from contract operation are \$14.0 million. Thus, shifting to contractor operations would increase costs by \$2.0 million (17%).
- The 8 dry cargo ships have annual operating costs of \$27.4 million, including unfunded retirement liability and insurance applied at commercial rates. Comparable costs from contract operations approximate \$31.8 million. Thus, a shift to contractor operation would increase costs by \$4.4 million (16%).



- Note: It must be recognized that the contractor costs are our best estimate. They could be higher or lower, subject to negotiation with the Unions.

You expressed concern as to the validity of training cost estimates for ships manned by civil servants. Training costs amount to less than 1% of total operating costs under both civil servant and private contractor manning. Even if doubled, they would have only a slight impact on operating costs.

Union Membership

Civil servants employed aboard the MSC ships are generally members of various maritime unions. It is impossible to predict which unions would be represented if a decision is made to contract for operation of the ships. The majority of civil servants are members of the National Maritime Union and Seafarers International Union. An appeal could be expected from one of the two unions affected by a contract decision.

Operational Flexibility

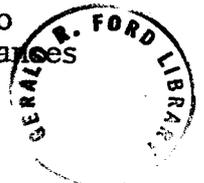
The Navy is concerned that a shift to contractor manning could reduce their operational flexibility in two ways:

- o Crew assignment policy -- Current union policy is to assign new crew members for each voyage. The Navy believes this reduces crew efficiency, could cause delays, and causes additional training expenses. The Civil Service practice is to assign crews to the same ships for repeated voyages.
- o Security clearances for crews - Some classified military missions or special cargoes require that all crew members have a security clearance. All Civil Service crew members are appropriately cleared. This is not now done for union crew members.

Both of these concerns could be eliminated if the unions agreed to change their crew assignment policies and required security clearances for all union crew members.

SUMMARY

Reversion to contract operation of the 4 tankers may be justifiable in that their operation is quasi-commercial (Defense could be convinced to revert these ships to contractor operation), but Civil Service manning cost less. The 3-inter-island tankers are not conducive to contractor operations.



Contractor operation of the 8 remaining dry cargo ships also costs more, and would require changes in union policies with regard to security clearances and crew assignment.

The Navy would object strongly if they were told that the 9 fleet support ships must be operated under contractor management. They would prefer military manning as an alternative to Civil Service crews.

ALTERNATIVES

Direct the Navy to:

- _____ #1 Contract for operation of 21 MSC ships, including 9 fleet support, 8 dry cargo, and 4 tankers. Annual operating cost increase would approximate \$11 million.
- _____ #2 Contract for operation of 12 MSC ships (8 dry cargo, 4 tankers). Annual operating cost increase would approximate \$6.4 million (17%)
- _____ #3 Contract for operation of 4 MSC tankers. Incremental operating cost increase to the Navy would approximate \$2.0 million (17%)
- _____ #4 Solicit bids for contractor operation of 2 tankers and 4 cargo ships for a one-year trial period in order to evaluate costs and effectiveness of such operation.
- _____ #5 Retain civil servant crews on these ships.



COSTS FOR SHIPS OPERATION

(\$ in Millions)

	<u>MSC</u>	<u>Contract</u>	<u>Difference</u>
<u>Four Tankers</u>			
Costs of operations	11.3	14.0	+ 2.7
Additive costs not paid by MSC:	.7	--	- .7
Civil Service retirement fund unfunded liability and protection and indemnity insurance	—	—	—
Full Cost of Operation	12.0	14.0	+ 2.0
<u>Eight Dry Cargo Ships</u>			
Costs of operations	25.8	31.8	+ 6.0
Additive costs not paid by MSC:	1.6	--	- 1.6
Civil Service retirement fund unfunded liability and protection and indemnity insurance	—	—	—
Full Cost of Operation	27.4	31.8	+ 4.4





EXECUTIVE OFFICE OF THE PRESIDENT
 OFFICE OF MANAGEMENT AND BUDGET
 WASHINGTON, D.C. 20503

OMB
No Action,
Dudley

GENERAL COUNSEL

September 2, 1975

DISTRIBUTION

Commerce	Defense	Justice	State	Treasury
NSC	FBI			

Herewith, in accordance with the provisions of Executive Order No. 11030, as amended, is a proposed Executive order entitled "Amendment of Executive Order No. 10422, as Amended, Prescribing Procedures for Making Available to the Secretary General of the United Nations Certain Information Concerning United States Citizens Employed or Being Considered for Employment on the Secretariat of the United Nations."

This proposed Order, along with the enclosed transmittal letter, was submitted by the Civil Service Commission.

On behalf of the Director of the Office of Management and Budget, I would appreciate receiving your comments concerning this Executive order. Comments or inquiries may be submitted by telephone to Mr. Ronald A. Kienlen (395-5600; IDS 103-5600). I will assume that you have no objection to the issuance of this proposed Order if your comments have not been received by Wednesday, October 1, 1975.

Sincerely,

William M. Nichols
 William M. Nichols
 Acting General Counsel

Enclosures

COPY FOR MR. PHILIP W. BUCHEN - THE WHITE HOUSE





UNITED STATES CIVIL SERVICE COMMISSION

WASHINGTON, D.C. 20415

August 28, 1975

Ltjhs
Mr Kienlen

IN REPLY PLEASE REFER TO

YOUR REFERENCE

Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D. C. 20503

RECEIVED
AUG 28 3 54 PM '75
OFFICE OF
MANAGEMENT & BUDGET

Dear Mr. Lynn:

Attached is a copy of a proposed Executive Order which is submitted to your office for approval and proper routing.

This proposed Executive order contains amendments to Executive Order 10422, as amended, which prescribes the procedures for conducting investigations and transmitting the results to the heads of international organizations through the Secretary of State. The proposal was prepared by representatives of the Department of State, Department of Justice, International Organizations Employees Loyalty Board, and the Civil Service Commission.

Purpose

The amendment to the Executive order has been prepared to eliminate the requirement for costly and time-consuming full field investigations, and to bring Executive Order 10422 into conformance with Executive Order 11785 with respect to the language of the standard and reference to the "Attorney General's List."

Justification

Executive Order 10422, as amended, sets the requirements for investigations of citizens of the United States who are applicants for or appointees in certain positions in international organizations. In most cases a full field investigation conducted by the Civil Service Commission is required. This investigation is reviewed by the International Organizations Employees Loyalty Board. If there is determined to be a reasonable doubt of loyalty to the Government of the United States, the Order prescribes the procedures for the conduct of a hearing and final decision. Since the inception of the program in 1953, there have been over 30,000 cases processed and 24 adverse decisions issued, the last one being issued in 1967.



The only standard for a determination in the existing Order is the standard of a reasonable doubt of loyalty to the Government of the United States. By a minute of the Civil Service Commission on August 12, 1953, the International Organizations Employees Loyalty Board was authorized to prepare summaries of derogatory suitability information, other than loyalty, for transmission to the Secretary General of the United Nations, through the Secretary of State. These summaries had been prepared since that time until recently when the Department of State requested that they no longer be furnished. This request was made on the advice of the Office of the Legal Adviser of the Department of State, who suggested that such summaries were being provided gratuitously, without force of law, statute, or Executive Order, and were legally suspect, the Civil Service Commission minute notwithstanding.

Representatives of the State Department also said that there was an increasing reluctance to complete the necessary forms for the investigation, as well as problems raised by the delays caused because of the time required to complete a full field investigation. In some cases the delays have caused capable persons to accept employment elsewhere, and in other cases, the international organizations have recruited persons from other countries, rather than wait for the completion of the full field investigations.

The proposed amendment would require at least a National Agency Check for most persons entering positions with international organizations. The requirement for a full field investigation by the Federal Bureau of Investigation, if a question of loyalty is raised, would still be kept. Experience has shown that over 95 percent of the loyalty issues have been raised because of information developed by the National Agency Check. No attempt is being made to retain or reactivate the program of furnishing summaries of derogatory suitability information other than loyalty.

The balance of the amendment of Paragraph 3, Part I allows for appointments, transfers, or reinstatements, from one international organization to another, or from the Federal workforce, based on a previous favorable National Agency Check without an update. These same rules apply to Federal employees. Also, certain part-time or temporary employees, whose appointments are for a limited term of six months or less, are excluded from the requirements of the Order. This exclusion also parallels a common exclusion in the Federal community.

The last amendment to Part II, Paragraph 2, subparagraph (f), is to bring the language of the standard into conformity with Executive Order 11785 and eliminates reference to the "Attorney General's List."



Section Analysis

Paragraph 2 of Part I provides for those exceptions to the investigative requirements now included in Paragraph 3 of Part I.

Paragraph 3 of Part I reduces the investigative coverage required for certain applicants and appointees of international organizations. Executive Order 10422, as amended, requires a full field background investigation to be conducted by the Civil Service Commission. Subparagraph (a) of this paragraph of the proposed Executive Order will allow for a National Agency Check to be conducted by the Civil Service Commission.

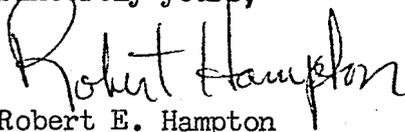
Subparagraph (b) of Paragraph 3 of Part I allows for the appointment of short term employees in certain positions without the requirement for a National Agency Check investigation.

Subparagraph (c) of Paragraph 3 of Part I permits certain appointments to be made without additional investigation providing that it is assured that a favorable National Agency Check was previously conducted.

Subparagraph (f) of Paragraph 2 of Part II revises the language of the standard to bring it in conformity with Executive Order 11785 dated June 4, 1974, which also eliminates reference to the "Attorney General's List."

By direction of the Commission:

Sincerely yours,



Robert E. Hampton
Chairman



EXECUTIVE ORDER

AMENDMENT OF EXECUTIVE ORDER NO. 10422, AS AMENDED,
PRESCRIBING PROCEDURES FOR MAKING AVAILABLE TO THE
SECRETARY GENERAL OF THE UNITED NATIONS CERTAIN
INFORMATION CONCERNING UNITED STATES CITIZENS
EMPLOYED OR BEING CONSIDERED FOR EMPLOYMENT ON THE
SECRETARIAT OF THE UNITED NATIONS

By virtue of the authority vested in me by the Constitution, statutes, and treaties of the United States, including the Charter of the United Nations, and as President of the United States, it is ordered that paragraphs 2 and 3 of Part I and subparagraph (f), paragraph 2 of Part II of Executive Order No. 10422 of January 9, 1953, as amended, be, and they are hereby, amended to read as follows:

Part I

"2. Except as otherwise provided below in paragraph 3 of this Part, the Secretary of State shall forward the information received from the Secretary General of the United Nations to the United States Civil Service Commission, and the Commission shall conduct an investigation.

"3. The following investigative standard shall be applicable:

(a). The investigation conducted by the Civil Service Commission shall be a National Agency Check. Each National Agency Check shall include reference to the following:

- (1). Federal Bureau of Investigation files.
- (2). Civil Service Commission files.



- (3). Military Intelligence files as appropriate.
 - (4). Files of any other appropriate government investigative or intelligence agency.
- (b). For appointment of short term employees, the investigation shall ordinarily be confined to a search of the Department of State files, by that agency. As used herein, short term employees are experts, consultants, and similar categories of employees who will not be appointed to Secretariat professional posts, or posts subject to geographical distribution, and whose appointments will not exceed six months.
- (c). For the following categories of applicants or employees, additional investigation shall not ordinarily be required: Provided that, as a minimum, a favorable National Agency Check investigation was previously completed:
- (1). Applicants being considered for employment by an international organization who were previously employed by the same or another international organization without a break in service exceeding one year.
 - (2). Employees transferring from one international organization to another.
 - (3). Applicants or employees with prior Federal civilian or military service, or previous service



as contract employees of the Federal government:

Provided that the break in service does not exceed one year.

- (4). Employees transferred or detailed to an international organization from a Federal agency under the provisions of Title 5, United States Code, section 3343 or sections 3581 through 3584, inclusive."

and

Part II

2.

"(f). Knowing membership with the specific intent of furthering the aims of, or adherence to and active participation in, any foreign or domestic organization, association, movement, group or combination of persons, which unlawfully advocates or practices the commission of acts of force or violence to prevent others from exercising their rights under the Constitution or laws of the United States, or of any State, or which seeks to overthrow the government of the United States or any State or subdivision thereof by unlawful means."

THE WHITE HOUSE



THE WHITE HOUSE
WASHINGTON

fyab

October 7, 1975

MEMORANDUM FOR: JIM LYNN
THROUGH: PHIL BUCHEN *P.W.B.*
FROM: KEN LAZARUS *K*
SUBJECT: 1977 Budget Process

Thank you for your memo of October 3 outlining the fall budget process and inviting our contribution and participation in your budget review.

Because of our close working relationship with the Department of Justice, we would appreciate being kept advised of the development of their budget and of any controversies which may arise in the process.

Thank you.





EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OCT 3 1975

MEMORANDUM FOR: WILLIAM BAROODY
PHILIP BUCHEN
JAMES CANNON
RICHARD CHENEY
JAMES CONNOR
JOHN DUNN
ALAN GREENSPAN
ROBERT HARTMANN
JOHN MARSH
RONALD NESSEN
DONALD RUMSFELD
BRENT SCOWCROFT
WILLIAM SEIDMAN
JOHN VENEMAN

FROM: JAMES T. LYNN

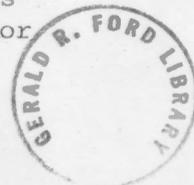
SUBJECT: 1977 Budget Process

Preparation of the FY 1977 budget is well underway. The budget submissions for most agencies have already arrived at OMB.

These submissions are the starting point for the fall budget process culminating in the transmittal of the document to the United States Congress on January 19, 1976.

It should be emphasized that this budget will go to the Congress about two weeks earlier than the two previous budgets. This is in response to Congress' expressed need (and formal request) for more review time during the first year in which the new budget reform procedures become fully effective.

Because your participation in the budget process is important, and in fact essential, I have attached for your information a broad outline of the 1977 budget process which will give you an idea of the timetable that is necessary if we are to meet the January 19 deadline.



You and your staff may desire to provide input or to advance ideas of your own concerning the 1977 budget. We also recognize you may wish to consult with OMB on our views or those of the agencies.

Your contributions and suggestions are welcome and solicited. Please note that they are most timely and useful in October and early November. After Thanksgiving it becomes increasingly difficult to make changes.

Should you desire additional information, please contact us.

Thank you for your cooperation.

Attachments



PLAN FOR THE 1977 BUDGET PROCESS

Examiner review of agency proposals (September and October). Most agency budget submissions are received by October 1. Upon receipt, the submissions are analyzed in detail by OMB examining staff. During this period, hearings are scheduled with agency representatives to obtain a better understanding of the proposals. No commitments are made during these hearings.

Preparing recommendations to the President on agency budget requests (October and November). OMB associate directors (Don Ogilvie, Cal Collier, and Jim Mitchell) and their deputies will put together tentative budget recommendations after an intensive review of the agency budget submissions and the recommendations of the OMB examiners. Major issues for the larger agencies will be discussed at oral review sessions conducted by Jim Lynn and Paul O'Neill between October 14 and November 19 (see attached schedule). As in the past, we hope that representatives of the White House and other Executive Offices can join us in the appropriate sessions. Materials for each of the sessions are available in advance from the Secretary of the Director's Review, Lee Mosedale (ext. 4884), who can also inform those planning to attend specific sessions of any changes in the schedule. Review of recommendations on minor issues in the larger agencies and recommendations for smaller agencies will be handled by the circulation of decision papers within OMB. White House and Executive Office representatives will also be consulted.

Presentation of budget issues and requests to the President (October 30 to November 26). The objective of the first round of reviews with the President is to determine what response should be made to agencies' budget requests. The responses will be made as soon as possible after each meeting with the President. During this first round, we will give the President progress reports on the emerging budget totals. We will also be reporting on those totals at senior staff meetings. The first round will be completed before the President's trip to China.

Presidential Appeals (weeks of December 8 and 15). If a major agency feels compelled to disagree with the response to its request, the agency and OMB will prepare joint appeal papers for the President's review. Agency heads will attend some of these sessions with the President.

Drafting the Budget Message and related policy statements (beginning in mid-November). OMB staff will prepare initial drafts on the President's Budget Message and the more detailed justification of the President's proposals that are contained in the 100 or so pages of Part 5 of the main budget volume, "The Federal Program by Function." These will be prepared in late November and will not only explain the



budget proposals, but will also reflect the Administration's policy viewpoints that support them. Subsequent drafts of the Message will be circulated to you when they have gone through our internal review and begin to develop into something like a final product. Relevant sections of Part 5 will be circulated to your staffs shortly after Christmas.

Preparation and printing of the budget documents (late November to mid-January). Initial printing of the budget documents will begin on November 24. Final adjustments to agency requests, to economic assumptions, and to new Presidential initiatives must be worked into the budget detail and the numbers "locked up" before (1) the large volume of numbers can be summarized and categorized in a variety of ways, and (2) justification and explanation of the budget can be drafted. The lock-up must occur by Christmas. Final production of documents must be released to the Government Printing Office for final production on a phased schedule 10 to 6 days before transmittal.

Press briefings (Saturday, January 17). The budget documents will be released to the press on January 16. Not only the main press briefing, but also many agency briefings will be held on January 17.

Transmittal to the Congress (Monday, January 19).

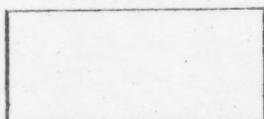


1977 Budget Review Sessions

OCTOBER

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
13 Columbus Day	14 Economic and Fiscal Overview	15	16 EPA	17
20	21	22 Interior and Corps of Engineers	23 Labor	24 VA
27 Veterans Day	28 NR, EPA & SSET small agencies	29 TA & NS small agencies	30 PRESIDENT VA Labor	31 HUD

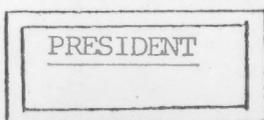
All sessions will be held in Room 248, Old Executive Office Building. Morning sessions begin at 10:00 a.m., afternoon sessions begin at 2:15 p.m.



- sessions on the larger agencies.



- sessions on small agencies



- proposed sessions with the President



1977 Budget Review Sessions
NOVEMBER

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
<div style="border: 1px solid black; padding: 2px;">PRESIDENT EPA, Interior, Corps of Engineers</div> 3	4 Agriculture	*5 Foreign economic and military aid	<div style="border: 1px solid black; padding: 2px;">PRESIDENT NASA and Mitchell small agencies</div> 6	* 7 ERDA and Energy R&D**
	<div style="border: 1px solid black; padding: 2px;">HR & CVA small agencies</div>		<div style="border: 1px solid black; padding: 2px;">EOC small agencies</div>	
*10 HEW	11 Treasury GSA	12 Commerce SBA	13 Defense	14 Energy Policy and FEA**
		<div style="border: 1px solid black; padding: 2px;">PRESIDENT HUD</div>	<div style="border: 1px solid black; padding: 2px;">PRESIDENT Agriculture</div>	
<div style="border: 1px solid black; padding: 2px;">PRESIDENT ERDA and Energy R&D</div> 17	18 Transporta- tion	19 Justice and Civil Service Commission	<div style="border: 1px solid black; padding: 2px;">PRESIDENT Treasury, GSA, Commerce SBA</div> 20	21
	<div style="border: 1px solid black; padding: 2px;">PRESIDENT Foreign Aid Ogilvie small agencies</div>	<div style="border: 1px solid black; padding: 2px;">PRESIDENT HEW & HR/CVA small agencies</div>		<div style="border: 1px solid black; padding: 2px;">PRESIDENT Defense and Ogilvie small agencies</div>
<div style="border: 1px solid black; padding: 2px;">PRESIDENT Energy Policy and FEA</div> 24	<div style="border: 1px solid black; padding: 2px;">PRESIDENT DOT & half of Collier small agencies</div> 25	<div style="border: 1px solid black; padding: 2px;">PRESIDENT Justice, CSC & half of Collier small agencies</div> 26	27 Thanksgiving	28
				

*Indicates entire day allotted for review.
**Morning session begins at 10:30 a.m.

THE WHITE HOUSE

WASHINGTON

October 22, 1975

*OMB
(see
Secchia)*

MEMORANDUM FOR: JIM LYNN

FROM: PHIL BUCHEN *P.*

As the result of a telephone call to Peter Secchia today, I find that the costs of the plane which took you and members of your family to a Republican Party function on Mackinaw Island is being paid for by the Party and not by the owner of the private plane.



THE WHITE HOUSE

WASHINGTON

November 3, 1975

MEMORANDUM FOR: JIM CONNOR
THROUGH: PHIL BUCHEN *P.*
FROM: DUDLEY CHAPMAN *DC*
SUBJECT: James Lynn's memo of 10/28/75
re Assistance to Small Business
attaching Tom Kleppe's letter
of recent date

The proposed letter to Kleppe has too much the tone of a polite response to citizen mail to be sent to an incoming Cabinet Member.

The two reasons for not adopting his recommendations now, regardless of their merit, are:

- (a) the new spending proposals and
- (b) the fact that Kleppe is no longer at SBA.

The latter fact is significant because he proposes an extensive Presidential commitment that would involve action by the SBA Administrator. The new Administrator should have an opportunity to at least examine these proposals and make his own recommendations.

I would, therefore, recast the letter to thank Kleppe for his proposals, explain that the new spending proposals are not feasible now, and that the President feels that the new Administrator should be given a chance to contribute his own thoughts before committing the Administration to a new program, noting that the President is referring them to the new Administrator.



Date: October 30, 1975

Time:

FOR ACTION:

cc (for information):

Phil Buchen

Jack Marsh

Jim Cannon

Paul Theis

Max Friedersdorf

FROM THE STAFF SECRETARY

DUE: Date: Monday, November 3, 1975 Time: 3 P.M.

SUBJECT:

James Lynn's memo of 10/28/75 re
Assistance to Small Business attaching
Tom Kleppe's letter of recent date

ACTION REQUESTED:

 For Necessary Action For Your Recommendations Prepare Agenda and Brief Draft Reply For Your Comments Draft Remarks

REMARKS:

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.

Jim Connor
For the President





EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OCT 28 1975

ACTION

MEMORANDUM FOR: THE PRESIDENT
FROM: JAMES J. LYNN
SUBJECT: Assistance to Small Business

Attached is a letter to you from Tom Kleppe, as one of his last acts as SBA Administrator, suggesting several initiatives to assist small businesses.

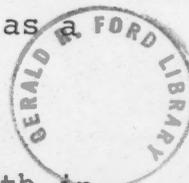
The principal initiatives proposed are:

- A request to Congress for \$1 billion for SBA's direct loans to small businesses over the next three years;
- A request to increase SBA's loan guarantee program from \$1.2 billion to \$2 billion;
- A directive to several agencies (HEW, Labor and others) to increase efforts to provide education and training for potential businessmen; and
- Several studies to determine the effectiveness of current small business assistance efforts and possible ways to improve the assistance, including a study of alternative means to increase equity capital available to small businesses.

Mr. Kleppe proposed that these initiatives be presented as package in a special Presidential Message to Congress.

Comments on the Proposals

In view of your efforts to reduce substantially the growth in Federal spending, I believe that it would not be appropriate to request the large increases in funds for SBA's loan programs. Even if the proposed increases were provided, they would have an almost imperceptible impact; the expanded programs would assist only a few thousand small businesses, or less than 1% of the total small businesses in the country. Reduced taxes, and reduced regulation and paperwork, would be of greater value to a much broader spectrum of small businesses.



Some of the study proposals are appropriate, particularly the proposals to study the effectiveness of current Federal small business programs. Some of these studies are already underway, and we will be pursuing these with SBA. Also, we are working with SBA regarding possible improvements in Executive Order 11518 to more clearly define the responsibilities of the Federal agencies in assisting small businesses.

Without the suggested loan program increases, there is very little of substance in the package. I believe it would not warrant being presented as a Presidential initiative.

RECOMMENDATION

I recommend that you sign the attached letter to Tom Kleppe, expressing appreciation for his suggestions, but explaining the undesirability of proposing the major funding increases now. The letter also states that OMB will be working with SBA regarding studies of ways to improve the small business assistance programs.

We will work with SBA to do everything possible to improve the effectiveness of its programs, within the resources now available.

Attachment



THE WHITE HOUSE

WASHINGTON

Dear Tom:

I certainly appreciated your recent letter proposing several initiatives for assisting small business. I know how hard you have worked to help small businesses, and I am sure you will continue to have a strong interest in this area in your new position.

You know that I am very concerned about the future of small businesses and the need to reduce the Government burden on them. We must reduce the tax burden, the paperwork burden and the regulatory burden. I believe that the Administration's efforts in these three areas are major steps in the right direction. Because of my commitment to reducing taxes and Federal spending, however, I feel that we cannot afford to initiate expansion of Federal programs now. Our efforts to reduce taxes and other Government burdens will do more for small businesses in the long run than any feasible increase in direct assistance programs.

Some of your suggestions for studies appear to be most useful, particularly your proposals for studies to determine the effectiveness of existing Federal programs to assist small business. I have asked Jim Lynn and his staff to discuss these suggestions with SBA to determine what can and should be done within available resources.

I want to thank you for taking time from your frantic schedule during the transition to your new job, to give me your thoughtful suggestions. It is nice to know that we continue to have your wealth of experience on small business issues available to us in the future.

Sincerely,

Honorable Thomas S. Kleppe
Secretary of the Interior
Washington, D.C. 20240





U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

The President
The White House
Washington, D.C. 20500

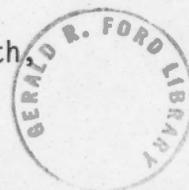
Dear Mr. President:

It has been my privilege to serve you this past year as Administrator of the Small Business Administration. I believe deeply in, and am fully committed to, the economic measures which you have proposed for dealing with the wide range of problems and opportunities facing our great Nation. I believe the timing is propitious for me to suggest an additional program designed specifically to assist the small business sector of the economy.

I propose a special Presidential message to Congress containing an eight point program directed at the 9.5 million small businesses in the United States which account for 95 per cent of the businesses in this country, 43 per cent of the GNP, and 55 per cent of all non-farm, non-government employment. The special message would be delivered in the late Fall and would consist of an Executive Order, immediate administrative actions and specific legislative proposals. I am attaching for your consideration a draft message, a draft Executive Order, and draft administrative proposals and legislation that support the eight point program. In addition, this program will be supported by subsequent announcements designed to report progress and keep the issues before both Congress and the public. A schedule for such continuing support is also included in the attachment.

In summary, the items we are proposing may be grouped in the following manner; those which:

1. Remove unnecessary or harmful Federal Government competition with or interference in, small business;
2. Increase the importance of small business considerations in all levels of decision making government-wide;
3. Increase the flow of government contracts and loans to small business;
4. Stimulate and increase the flow of equity funds to small business.

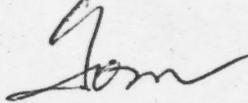


-2-

The benefits to be derived from the above include the creation of more than 200,000 jobs in the most economical manner available to the Federal Government; non-inflationary stimulation of the economy; and a reduction of Government costs of administration.

I await your convenience in discussing the ideas presented herein.

Faithfully,



Thomas S. Kleppe
Administrator

Enclosures



PROJECT OUTLINE

PURPOSE

- To prepare a highly impactful approach to resolving many of the serious problems facing small businesses today and in the future.

OBJECTIVES

- To structure an economically sound approach to meeting the critical financial problems of small business.
- To increase the sensitivity of the Administration and the Congress to the role of small business in our economy and upgrade small business considerations in the decision-making processes of Government.
- To structure a program which is practical and "do-able" within the next 12 months and which would create strong public support for the Administration.

APPROACH

- A special Presidential message to Congress proposing an eight point program including an Executive Order, administrative actions and legislative proposals to be undertaken immediately to assist the small business community in recovering from the recession and maintaining longer term viability.
Timing: Delivery about October 1975.
- Widespread dissemination of the Administration's proposals over a substantial period of time to the general public. Dissemination to include, but not be limited to, the following:
 1. Press release and press conference at time of Special Message for the media.
 2. Reporting of proposals in Business Week, Kiplinger Letter, Time magazine and other periodicals.
 3. Explanation of the proposals in the SBA Bank Newsletter to reach 14,000 banks; the NASBIC Digest; and special letter to 2,000 Advisory Council members and 7,500 SCORE and ACE members.
 4. Special analysis provided the 200 significant small business associations and trade organizations for dissemination to their membership.



5. Emphasis to be given to the proposals in all speeches given by SBA officials.
6. Highlighting of the proposals at future Economic-Domestic Conferences.
7. Follow-up press releases and dissemination of information as the results of studies undertaken are received.
8. Advocacy of the President's program by SBA field personnel.



SUGGESTED INTRODUCTORY REMARKS FOR THE PRESIDENT'S SPECIAL
SMALL BUSINESS STATEMENT

On the eve of the Bicentennial Anniversary of the American Revolution, I recognize the enormous contribution which small business has made toward improving the economic well-being of all Americans for over 200 years.

I also recognize that small business has the potential for making an equally large or larger contribution toward improving economic well-being both at home and abroad in the years ahead.

To insure that small business continues to have the opportunity to realize its full potential, I intend in this message (in addition to measures I have already undertaken, such as establishing a paperwork commission, some tax reform for small business, and mandating regulatory agencies to review the economic impact on the free enterprise system) to propose an eight point program to assist small business in becoming a more viable part of our economic system and thus making a more significant contribution to the economic well-being of all our citizens.



SUGGESTED CLOSING REMARKS

It is my intent and the intent of this Administration to:

- make it easier for Americans to go into business who have never been able to go into business before;
- make it easier for small business to survive;
- make it easier for a small business person to pass his business on to others and still keep it independent.



POINT NO. ONE

I am very concerned about the possible proliferation of programs in the Federal Government which were created to help small business, and I wonder if they are really helping small business and, what is more important, are these programs, practices, etc., within the Federal structure in direct competition with small business.

Therefore, I am directing the Small Business Administration to report to me on the following projects:

1. I want a survey to define those government services and practices that are in direct competition with small business. How can small business better provide said services and practices? What can I do to make this possible?
2. I want a comprehensive study made on all small business programs within the Federal Government. Are they really having an impact on small business? Are they really delivering the aid originally intended and should these programs be all in one agency to better serve the small business community?
3. In addition, I want the Small Business Administration to:
 - A. Examine the role of small business in the American economy and the contribution which small business can make in improving competition, encouraging economic and social mobility for all citizens, restraining inflation, spurring production, expanding employment opportunities, increasing productivity, promoting exports, stimulating innovation and entrepreneurship, and providing an avenue through which new and untested products and services can be brought to the marketplace.
 - B. Give me a long-range national goal to accomplish the above with the minimum amount of government and the maximum amount of private sector utilization.

Finally on this point, I am directing the Office of Management and Budget to make available the necessary resources to accomplish this project, and I want this report no later than June 30, 1976.



POINT NO. 2

There are many Federal programs which involve community participation for small business economic development. It appears to me that the extra layer of Federal Government in these programs is expensive and time consuming for the small business community which these programs are intended to serve.

Therefore, I am directing the Vice President of the United States, in his capacity as Vice Chairman of the Domestic Council, to have the Intergovernmental Affairs staff of the Domestic Council study the feasibility of:

- the elimination of any unnecessary Federal participation in programs involving community participation for small business economic development, and the possibility of strengthening local participation in this area through the Revenue Sharing Program and any other programs that have been delegated to the State and local governments.

This report should be completed by June 30, 1976, and the Administrator of SBA will provide, when needed, support resources to assist in accomplishing this project.



POINT NO. 3

In light of the fact that the small business community represents 95% of all business in this country, 43% of the GNP, and 55% of non-farm, non-government employment, I am appointing the government's official representative of the small business community, the Administrator of SBA, to the Domestic Council. This appointment will assure that the small business interests are represented in the highest policy councils of the United States.



POINT NO. 4

It is the desire of this Administration to assure the vitality and growth of the small business community of our nation.

One method of accomplishing this goal is to assure opportunities for continuous entry of capable individuals into the ownership ranks of small businesses -- individuals who believe fully in themselves and who possess the spirit and skills of entrepreneurship.

Therefore, this office is requesting the following actions to be taken:

- 1) The Office of Education (HEW), Commerce, Labor and SBA initiate efforts to promote the availability of entrepreneurship education throughout collegiate and graduate study educational institutions. Included are extension, non-degree, and special programs most suited to attracting mature adults to explore entrepreneurship activities. The Office of Education and SBA will jointly constitute a National Steering Committee to coordinate these efforts.
- 2) The Department of Labor designate entrepreneurship as a skill eligible for state training expenditures of federal funds. Labor and SBA will work cooperatively with state governments to support appropriate use of such funds.
- 3) SBA to expand its existing national information and training programs in accordance with the intent of this effort. Cooperation with organizations such as the Service Corps of Retired Executives, Active Corps of Executives, the SBA National Advisory Councils and other volunteer groups will be expanded to encourage private sector help for private sector growth.

To assure opportunities for the growth of existing small businesses, adequate assistance will be made available to cope with the problems unique to small firms. Such problems include the broad areas of finance, marketing (including export sales), and general management as well as narrower but critical areas such as crime prevention and expansion planning. These problems are especially formidable for some of this nation's disadvantaged small business owner-managers.

Therefore, SBA is requested to establish a national task force to identify the full scope of those needs and to assure the full resources of the government, academic and private sectors are brought to bear on them. Again, to provide government leadership rather than government dependency, these efforts will include concerned non-profit organizations such as Trade Associations, Chambers of Commerce, Young Presidents Organization, professional societies and others willing to cooperate in this overall effort. A vital



Point No. 4 cont.

mission of the task force will be to assure that our small business community is aware of, and has ample opportunity to grow in strength and employment.

These actions taken together and cooperatively by all groups, can strengthen the small business backbone of this nation and provide jobs for millions of Americans.



POINT NO. 5

The small business community traditionally has had difficulty in securing the funds necessary to sustain their businesses or to develop and expand them. During the difficult times of the past recession, small business was particularly hard hit, and is generally the slowest sector to recover. In order to stimulate economic recovery in the small business sector, and to prevent small businesses from being "frozen out" of the money markets as larger businesses and the Federal Government attempt to satisfy their need for funds, I am sending a request to Congress to provide \$1 billion to the Small Business Administration for direct loans over the next three years. Employment is stimulated by small business loans where jobs are created and maintained over the life of the firm -- by contrast the benefits of many direct government employment projects cease when the funding stops. In FY 1975, SBA created or maintained a job for each \$5,250 loaned in its business loan programs: much cheaper than many other direct employment programs.



POINT NO. 6

To further assist the small business community in satisfying their need for loans, and to more directly involve the private sector financial institutions in meeting those needs, I am today sending a request to Congress to increase the guaranteed annual loan level of the SBA from \$1.2 billion to \$2 billion. Further, I am directing the Administrator of SBA to aggressively implement an innovative program designed to create a wholly new kind of financial institution in the United States, to be called Small Business Lending Companies. These companies will be licensed, regulated and controlled by the SBA and will specialize in making SBA guaranteed loans to deserving small businesses. This new industry should eventually generate billions of dollars of marginal additional funds to small businesses.



POINT NO. 7

The most serious money need of all business is the need for equity capital. You are all aware of the serious problem of capital formation in our country, of declining business profits, of the disappearance of the new issues stock market, and of the projected \$50 - \$60 billion annual equity gap estimated by the recent SEC study. If we are to maintain a strong and growing economy, we must find a solution, or solutions, to this problem. Secretary Simon has spoken eloquently on this subject, and has proposed changes in the corporate and stockholder dividend tax rates, which I strongly endorse and support.

This equity problem is particularly severe in our small business sector. To help ease this problem, I am proposing two immediate actions. First, I am directing the Administrator of the SBA to prepare draft legislation, in conjunction with the SEC and Department of the Treasury, to lift the negative restrictions of the Employee Retirement Income Security Act of 1974 which effectively prevent pension funds and insurance companies from investing in small business. I am proposing that up to 5% of such funds should be excepted from ERISA restrictions, thus making up to \$13 billion of funds potentially available for investment in small business.

Second, I am asking Secretary Simon to head up a special task force to study the feasibility of creating a new Equity Funding Administration. This new Administration would be quasi-governmental, with initial funding coming from the private sector as well as the Federal Government. Its purpose would be the creation of a securities market for small business. The Equity Funding Administration would act as a broker, buying equity shares in small business from stockholders and selling them to buyers. The E.F.A. would be authorized to use generally accepted valuation techniques to determine the purchase price or value of a stock, to temporarily warehouse them, and sell them to interested purchasers. The creation of such a national market for the small businesses of our nation is absolutely vital to their survival and growth, and is essential to stimulate major investment sources to participate in those new ventures which have contributed so greatly to the technological and economic growth of our nation.

Third, I am directing the Administrator of SBA and the Secretary of Treasury to conduct a comprehensive study of the following aspects of equity funding:

1. Taxes

- a. Elimination of taxes on gains realized from the sale of small business equities or participation in pool of small business equities if:



Point No. 7 cont.

1. Such equities or participation are purchased upon original issue, and
 2. The equities are held for a reasonable time, say three years;
- b. Significant reduction of taxes on dividends received from small business equities;
 - c. Treatment of losses on small business equities as "ordinary losses".
2. Insurance - Provision of SBA insurance to investment bankers to cover underwriting risks assumed on "firm underwritings" of small business securities.

Should the results of the above studies prove favorable, a dramatic and permanent increase in the flow of equity funds to small businesses should result.



EXECUTIVE ORDER _____

(Proposed Revision to E. O. 11518, March 29, 1970)

PROVIDING FOR THE INCREASED REPRESENTATION OF THE INTERESTS
OF SMALL BUSINESS CONCERNS BEFORE DEPARTMENTS AND AGENCIES
OF THE UNITED STATES GOVERNMENT.

*No change from
E. O. 11518.
States the
National policy
of promoting
free enterprise.*

WHEREAS the policy of the Government of the United States is to insure the continuance of a strong and healthy free enterprise system; and

WHEREAS the existence of a strong and healthy free enterprise system is directly related to the well being and competitive strength of small business concerns and their opportunities for free entry into business, growth, and expansion; and

*No change from
E. O. 11518.
Recognizes the
effects of
Federal agencies
program and
activities upon
the small busi-
ness sector.*

WHEREAS the departments and agencies of the United States Government exercise, through their regulatory and other programs and practices, a significant influence on the well being and competitive strength of small business concerns, and their opportunities for free entry into business, growth and expansion; and

*Minor change from
E. O. 11518 mostly
editorial con-
solidation.
Recognizes the
special needs of
minorities as well
as the socially
or economically
disadvantaged in
obtaining par-
ticipation in the
free enterprise
system.*

WHEREAS, members of certain minority groups have aspired to own their own business and to participate in our free enterprise system and through no fault of their own these minority groups [and other socially or economically disadvantaged persons] have been denied the full opportunity to achieve these aspirations; and



*Note: Italics in the margin are a section by section explanation of each paragraph to the immediate right.
Brackets [] indicate new material not specifically included in the existing E.O. 11518.*

States the policy and objectives of the Executive Branch, by eliminating obstacles to growth and emphasizing the areas of national concern and interest for developing free enterprise and small business. New material recognizes overall objectives to be pursued in improving competition, productivity, innovation, employment, and independence.

No change from E. O. 11518 States the Congressional mandate and policy that the U. S. Government shall preserve, protect, and promote small business interests.

Cites the Statute creating a "formal" advocacy program on behalf of small business.

No change from E. O. 11518. Recognizes SBA as the agency within Government with central responsibility for small business.

WHEREAS the policy of the Executive Branch of the United States Government continues to be, as was described by President Dwight D. Eisenhower, "to strive to eliminate obstacles to the growth of small business," [and, through small business improve competition, encourage economic and social mobility for all citizens, spur productivity, expand employment opportunities, promote exports, stimulate innovation and independent entrepreneurship and provide opportunities for new products and services to be brought to the marketplace;] and

WHEREAS the Small Business Act (72 Stat. 384, 15 U.S.C. 631) declares the Congressional policy that the United States Government should aid, counsel, assist and protect, insofar as is possible, the interests of small business concerns; and

[WHEREAS Section 5(e) of the Small Business Act (88 Stat. 749, 15 U.S.C. 634 (e)) declares the Congressional policy for an established program of advocacy in matters relating to small business;] and

WHEREAS the Small Business Administration is the agency within the Executive Branch of the United States Government responsible for small business; and



No change from E. O. 11518. Cites the statutory authority of SBA to draw Government agencies into consultation on their programs and activities affecting the interests of small business.

No change from E. O. 11518. Cites statutory requirements for Government agencies to cooperate with SBA in formulating department or agency policies affecting small concerns and to take actions to recognize, protect and preserve small business interests.

No change from E. O. 11518. Recognizes SBA as the spokesman and advocate for all small business - independent from Commerce or other Federal agencies.

No change from E. O. 11518. Directs that SBA shall advise and counsel small business in their dealings with other agencies - to assure that small business views are considered and rights protected.

WHEREAS section 8(b)(12) of the Small Business Act (72 Stat. 391, 15 U.S.C. 637(b)(12)) empowers the Small Business Administration to consult and cooperate with all Government agencies for the purpose of insuring that small business concerns receive fair and reasonable treatment from such agencies, and section 10(f) of the Act (72 Stat. 593, 15 U.S.C. 639(f) requires each department and agency of the Federal Government, when requested by the Administrator of the Small Business Administration, to consult and cooperate with the Administration in the formulation by such department or agency of policies affecting small business concerns, in order to insure that small business interests will be recognized, protected, and preserved:

NOW, THEREFORE, by virtue of the authority vested in me as President of the United States and in furtherance of the purpose and policy of the Small Business Act, it is ordered as follows:

Section 1. The Small Business Administration as the spokesman for and advocate of the small business community, shall advise and counsel small business concerns in their dealings with the departments and agencies of the United States Government to the end that the views of small business concerns will be fully heard, their rights fully protected, and their valid interests fully advanced.



o No change from E. O. 11518. Requires agencies to call upon SBA when considering matters materially affecting small business interests. Further, it requires that final actions taken in these matters be calculated to advance valid small business interests.

o Provides that agencies must consider impact of regulation prior to adoption, and offer opportunity for comment by SBA and public interest groups.

o Provides for preferential treatment of small business in all programs of an agency. Expands beyond procurements and property sales to: grants, allocation of materials and fuels, financial assistance and loan programs. A key provision most vital to small business interests in getting a fair share of R&D, fuel allotments, timber sales and property rights.

Section 2. Departments and agencies of the Executive Branch of the United States Government shall call upon the Small Business Administration for advice, guidance, and assistance when considering matters which reasonably can be construed as materially affecting the well being or competitive strength of small business concerns or their opportunities for free entry into business, growth, or expansion. In taking action on such matters, these departments and agencies shall act in a manner calculated to advance the valid interests of small business concerns.

[(a) No Department or Agency of the Executive Branch shall adopt an administrative rule or regulation affecting small business interests, until it has first (i) considered the impact of such administrative rule or regulation upon small business concerns, and (ii) provided reasonable opportunity, where appropriate, for SBA and small business public interest groups to provide comments and views on such rule or regulation.]

[(b) Each Agency and Department shall to the extent permissible by law, take notice of the special needs of, and provide for preferential treatment and consideration to small business firms in their development and administration of rules, regulations, policies, or programs which involve; contracts, grants, patents, financial assistance and loans, awarding of licenses, property sales, allocations of materials, fuels, minerals and substances, permits, or any form of Federal assistance.]



Requires special effort by agencies to reduce paperwork and red tape burden, and prompt action to remove discriminatory practices or policies.

[(c) Further, each Agency and Department shall periodically review all existing rules, regulations, policies, forms, and administrative processes, and take appropriate action to eliminate or reduce paperwork or other administrative burdens and obligations from small business. In addition, Agencies and Departments shall take all reasonable measures to promptly eliminate or reduce discriminatory effects of their rules, regulations, or activities which fall upon the small business sector.]

No change from E. O. 11518. Authorizes and directs SBA to take actions to present small business interests before agencies in hearings, investigations, and proceedings and to present evidence, briefs, and arguments on behalf of small business.

Section 3. The Small Business Administration, whenever it determines that the valid interests of small business concerns so warrant, shall take such action as may be appropriate to insure the timely presentation to Departments and Agencies of the United States Government of matters materially affecting the well being or competitive strength of small business concerns or their opportunities for free entry into business, growth, or expansion. To this end, the Small Business Administration may participate in investigations, hearings, or other proceedings pending before such Departments or Agencies and submit evidence, briefs, and arguments in accordance with, and to the extent permitted by the Department's or Agency's rules of practice and procedure.



Establishes small business "advocates" or "advisors" to the head of each department and agency - at an "appropriate" level and grade within the organization.

Charges these advocates or advisors with responsibility to maintain liaison with SBA and to oversee all the policies and programs of the Agency on behalf of the Department Head.

Note: Many agencies have already designated such an official. The grade level and organizational placement is left to the Agency Head since these duties may be combined with others in smaller agencies. (FTC/FCC/EPA, etc.)

Requires agency assistance wherever practicable, in voluntary compliance with rules, regulations, standards, etc., and requires efforts to avoid unnecessary penalties, or other restrictions on small business.

[Section 4. Executive Agencies and Departments shall designate an individual at an appropriately high level to act as the Department's or Agency's advisor and coordinator on all matters affecting small business. It shall be the responsibility of such official to represent the Agency Head in liaison with SBA and the small business sector. Further, this official shall be responsible to the Agency Head for overview of all policies and programs of the Agency to assure that small business interests are fully considered and advanced; and in addition, shall, to the maximum extent practicable, make available to small business concerns such advice, counsel, and other assistance as may be necessary in how to comply with policies, rules, regulations, or standards so as to avoid penalties, sanctions, administrative burdens, or other restrictive actions against small business concerns.]



Requires agencies to comply with SBA designations of firms certified or categorized to be "small" for the purposes of Federal assistance or preferences. Would bring consistency in Government's application as required by statute.

[Section 5. Offices of the Federal Government having procurement or lending powers, or engaged in the sale and disposal of Federal property, allocation of materials or supplies, or responsible for promulgating regulations affecting the distribution of materials or supplies shall pursuant to the Small Business Act accept as conclusive SBA determinations as to which enterprises are to be designated "small business concerns."]



Establishes requirement for Agency heads to give small business a fair share of all expenditures made through contracts, grants, loans, etc., on a continuous basis.

[Section 6. To the extent practicable and permissible by law, all Federal agencies and Department heads shall give special and continued emphasis in assuring that small business concerns receive a fair and reasonable share of all procurements, grants, financial assistance and loans, licenses, permits or other forms of Federal assistance mentioned in this Order which are under the Agency's jurisdiction.

Requires Agencies and SBA to annually establish "reasonable" goals for all procurement expenditures.

(a) Agencies and Departments shall, in consultation with SBA, annually establish reasonable goals for providing a major portion of their procurement expenditures to the small business sector. A reasonable portion of all Agency procurements, property sales, and allocations shall be "set-aside" for exclusive participation by small business concerns. In addition, such other goals and objectives shall be established for other financial and assistance programs where SBA and the Agency head determines such action is appropriate.

Requires use of "set-asides."

Would establish goals for other programs where appropriate.

(b) Each Department and Agency shall give special attention, consideration, and preferential treatment where otherwise consistent with law and regulations, to small minority-owned businesses, and also cooperate with SBA in fostering business development opportunities for the socially or economically disadvantaged, and in awarding procurements.]

Gives special emphasis to small minority-owned firms and the socially or economically disadvantaged in general procurement programs.

Note: Many of these program activities already exist to some degree. This gives formal recognition to them and will aid SBA and Agency officials in establishing definitive measures to assist small business.



Clarified the use of 8(a) contracting authority for providing assistance to minorities and the socially and economically disadvantaged. SBA would establish eligibility criteria (already done). Agencies would exercise best efforts in maximizing usage of 8(a).

Provides for consultations between SBA and the new OFPP (OMB) in overseeing the development and administration of Federal procurement regulations, such as Circulars, ASPR, the FPR and wherever small business interests or opportunities are concerned. OFPP and SBA would work to minimize paper-work and processes impacting small business.

[(c) Further, Agencies shall make maximum use of the SBA 8(a) contracting authority in providing procurement opportunities to minorities and to socially or economically disadvantaged persons. The SBA Administrator and Agency Heads shall promulgate such rules and regulations as may be necessary to carry out the provision of this Section.

(d) The Administrator, SBA and the Administrator, Office of Federal Procurement Policy (OFPP) shall, at regular intervals jointly review and evaluate Federal procurement policies and practices affecting small business interests or opportunities. The OFPP shall provide for early consultation with the SBA in the formulating of Federal procurement policies, programs, or regulations and assure that to the extent authorized by law, such policies, programs, and regulations are constructed and administered in a manner that provides for small business participation, opportunity and development, counseling, and preferential treatment. The Administrator OFPP shall take due care that the provisions of this and other applicable Sections of the Order are fully implemented in establishing Federal procurement policy.]



Establishes requirement for Agencies to include small business in their data collection programs routinely - while minimizing paperwork burden. Also, requires Agencies to cooperate with SBA in studies and data collection efforts (i.e., Census, Labor, Commerce, EEOC, etc.

[Section 7. Executive Branch Departments and Agencies whose activities and programs include the collection of data or material, analyses or the study of the economy, development of business trends, collection of census or labor statistics or similar activity shall allow for the concurrent development of information, data, or studies relating to the small business sector wherever practicable. Further, such Agencies will cooperate with SBA in carrying out additional studies and data collection programs whenever requested by the Administrator of SBA. All such programs will endeavor to minimize the paperwork burden of small business.]

Establishes a requirement for Agency head to report to the President and SBA on accomplishment, at least annually, in carrying out the E. O. Establishes accountability, and requires measurement of results in cutting paperwork and achieving goals.

Section 8. The Head of each Department and Agency shall submit a report, at least annually, to the President and to the Administrator of SBA, which summarizes the activities and accomplishments of his department in carrying out the provisions of this Order. Specifically, providing advocacy overview and other forms of assistance, such as procurements, loans, grants, patents, studies, licenses, property sales, allocations, or permits extended to the small business community. Said report shall specifically cite measures taken and results achieved in reducing discriminatory or excessive administrative and regulatory burdens of small businesses.]



Requires action by the Agencies within 90 days - to submit their plans, proposed regulations, or draft legislation to SBA - which would implement the Executive Order.

No change from E.O. 11518. Provides that SBA will act as an advocate but not attorney. States authority of other Agencies not subordinated except where ordered.

[Section 9. Agencies and Departments shall submit to the President and the Small Business Administration, not later than 90 days from the date of this Order, their plans for implementing the various Sections of the Order.]

Section 10. Nothing in this Order shall be construed to authorize the Small Business Administration to act as an attorney for an individual small business concern in any investigation, hearing, or other proceeding pending before any Agency or Department of the United States Government, except as in the advocacy role cited above; nothing in this Order shall be construed to subject any Agency or Department to the authority of any other Agency or Department, except where cited above; nor is it the intent, except where mandated above, of this Order to affect the present authority of any Agency or Department to affect the authority of the Attorney General under 28 U.S.C. 519.

Section 11. The term "small business concern," as used in this Order, shall have the same meaning as in the Small Business Act.

Section 12. Executive Order No. 11518 is hereby rescinded.

President

The White House

Date



THE WHITE HOUSE

WASHINGTON

November 7, 1975

OMB

MEMORANDUM FOR: JIM CONNOR
THROUGH: PHIL BUCHEN *P.*
FROM: DUDLEY CHAPMAN *DC*
SUBJECT: Memo (undated) from James T. Lynn and James M. Cannon re: EPA Draft Guidelines on Beverage Container Deposits

This office agrees with Domestic Council in favoring Option 1, which is no Presidential action now. This would leave it open for the President to overrule EPA later, if he wants to, after public comments have been received and evaluated. Alternatively, the comments could be favorable to this program and could facilitate a decision on legislation. In any event, if the President is to intervene, it is better that he do so after EPA has made its proposal and received comments rather than to prevent the agency from getting a hearing.



Date: November 6, 1975

Time:

FOR ACTION:

cc (for information):

Phil Buchen
Max Friedersdorf
Jack Marsh
Bill Seidman

FROM THE STAFF SECRETARY

DUE: Date: Monday, November 10

Time: 10 A.M.

SUBJECT:

Memo (undated) from James T. Lynn
and James M. Cannon re: EPA Draft
Guidelines on Beverage Container Deposits

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:



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.

Jim Connor
For the President

OMB

THE WHITE HOUSE
WASHINGTON

November 7, 1975

MEMORANDUM FOR: JIM CONNOR
THROUGH: PHIL BUCHEN P.
FROM: DUDLEY CHAPMAN DC
SUBJECT: Memo of November 6, 1975, from
Carla A. Hills & James T. Lynn
re: Release of \$3 Billion in
"Tandem Mortgage Purchase Funds
for Multi-family Housing"

This office agrees with HUD for the following reasons:

(1) Providing some funds would fulfill the President's implicit commitment in proposing and signing his alternative to a much more expensive housing bill.

(2) While the impact would not be very large, it appears undisputed that there would be some benefits in employment, needed housing construction and relief from high interest rates before the election.

(3) The only substantive objection to HUD's proposal is its budget impact; but realistically, this limited action could help to avert even larger spending programs by Congress which would almost certainly follow total inaction by the Administration. In effect, therefore, this action may help rather than harm the budget.



Date: November 6, 1975

Time:

FOR ACTION:

cc (for information):

Phil Buchen

Jim Cannon

Jack Marsh

Max Friedersdorf

Bill Seidman

FROM THE STAFF SECRETARY

DUE: Date: Friday, November 7

Time: COB

SUBJECT:

Memo of November 6, 1975 from
 Carla A. Hills & James T. Lynn
 re: Release of \$3 Billion in
 "Tandem Mortgage Purchase Funds
 for Multi-family Housing"

ACTION REQUESTED:

 For Necessary Action For Your Recommendations Prepare Agenda and Brief Draft Reply For Your Comments Draft Remarks

REMARKS:

We apologize for the short time given for your review
 but a decision should be made prior to the meeting
 with the housing industry.

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.

James E. Connor
 For the President



THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: November 13, 1975

Time:

Labor Dept (?)

FOR ACTION: Phil Buchen
 Jim Cannon
 Jack Marsh
 Max Friedersdorf
 Bill Seidman

cc (for information):

FROM THE STAFF SECRETARY

DUE: Date: Friday, November 14

Time: 9 A.M.

SUBJECT:

Joint Memorandum from John Dunlop,
 James Lynn and Robert E. Hampton
 re: Labor-Management Relations in the
 Federal Service

ACTION REQUESTED:

 For Necessary Action For Your Recommendations Prepare Agenda and Brief Draft Reply For Your Comments Draft Remarks

REMARKS:

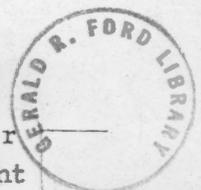
The President's decision on this matter is needed by Monday --- Since he will be traveling over the week-end we would like to get the matter before him tomorrow morning. We regret the short time to review this matter.

Support Option B -- Ken Lazarus for Phil Buchen

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.

James E. Connor
 For the President



THE WHITE HOUSE

ACTION

WASHINGTON

November 28, 1975

813

MEMORANDUM FOR: JACK MARSH
PHIL BUCHEN
MAX FRIEDERSDORF
ROBERT T. HARTMANN
ALAN GREENSPAN

FROM: JIM CANNON

SUBJECT: Health Initiatives Memo to the President

We would like to have your recommendations on the attached by 6:00 p.m. so that we can finalize this memorandum and send it to the President tonight.

Thank you very much.

Attachment

No objection.

Dudley Chapman





EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

DECISION

MEMORANDUM FOR:

THE PRESIDENT

FROM:

JIM CANNON

JIM LYNN

SUBJECT:

Health Initiatives

I. PURPOSE

The purpose of this memorandum is to present for your decision two alternatives for your health initiatives in the 1977 Budget. As we discussed yesterday, your decision will move you closer to or further from your previous position on national health insurance.

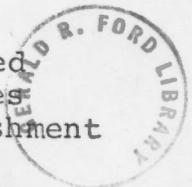
II. BACKGROUND

The House is currently holding hearings on national health insurance. In the Senate, Senators Long and Ribicoff have again recently introduced their proposal for universal catastrophic coverage and a federally funded basic benefit package for the poor population to replace Medicaid. In short, the national health insurance issue is politically inescapable during the next year.

III. OPTIONS

Description of Option I (Domestic Council)

Option I would be a clearly specified time-phased approach to national health insurance which makes progress at each stage contingent upon accomplishment of the previous stage. Stage I would save \$700 million in FY 1977 from an unconstrained estimate by imposing an 8% limit on all hospital rates.



Over a 5-year period, States would be required to regulate both physician's fees and hospital rate increases. Under separate legislation, the health services programs (\$1.4 billion in 1975), would be consolidated, with the exception of Medicaid.

Stage 2 would be implemented only after the Stage I mechanism has been legislated. In Stage 2, Medicare cost-sharing reforms would be instituted. A low cost catastrophic program for the entire population and expanded maternity and child care would be provided. The increased costs of these proposals would be met by adjustments in cost control levels and cost sharing for the new benefits and by using the \$1.7 billion "saving" produced by Medicare reform. These benefits would be funded primarily through private insurance plans, however, for those not covered by a private plan, Federal coverage would be available. Stage 3 would consist of a comprehensive health insurance program based on a private plan coverage, tailored to reflect the experiences of Stages 1 and 2, to become effective when fiscal policy permits. (Estimated increased Federal costs of \$8 billion in 1975 dollars)

Description of Option II (OMB)

Option II would:

- limit Medicare reimbursement increases to 7% for hospitals and 4% for physicians (savings of \$988 million in 1977);
- as in Option I, consolidate the health services programs (\$1.4 billion) but add Medicaid for a total \$10 billion State Health Revenue Sharing proposal. States would be required to provide basic health services to the poor before spending those funds on non-priority programs; and
- mandate that employers who offer health insurance also offer catastrophic health insurance protection (with specific limits to be defined).



At a later stage, other liberalizations, e.g., special coverage for early retirees and the working poor not now offered health insurance, could be required as the economic situation improves.

IV. BASIC ISSUES

The options differ substantially in terms of the Federal role in cost control and coverage.

Cost Control

Option 1 would require Federal regulation of all hospital and physician charges. States would be encouraged to assume these functions, but Federal controls would be imposed for those who do not.

Option 2 would place limits only on Medicare hospital and physician reimbursements in FY 1977.

Coverage

Option 1 would provide continuation of Medicaid. Stage 2 would mandate private plan coverage of catastrophic and maternal and well-child care. Benefits for those not covered for catastrophic and maternal and well-child care under private plans would be federally financed.

Option 2 would provide an average of \$400 per low income person for States to provide basic health services for the poor. Employers who offer health insurance plans would be required to offer catastrophic protection. Individuals would not be required to purchase insurance to pay for budgetable expenses, e.g., well-child care.

V. ARGUMENTS IN FAVOR OF AND AGAINST THE OPTIONS

Arguments in Favor of Option I

1. This approach clearly maintains a presidential commitment to national health insurance when economic and fiscal conditions permit.
2. By coupling cost control measures with expanded benefits it offers a better chance of achieving enactment of cost control.
3. For all the substantive reasons that CHIP was endorsed by the Administration, this approach is oriented in that direction--with emphasis on private-sector financing of the employee plan, with emphasis on significant cost-sharing, with emphasis on State administration, etc.



4. Its time-phasing character--and particularly its emphasis on cost-control first--renders it fiscally responsible. Further, it provides an opportunity for public policy makers to "look before they leap"--in that Stage II experience may be used to consider modifications in the approach to Stage III.

5. It allows the President to have a positive, fiscally responsible, program of his own--in an area of wide public concern. It would also be likely to improve the President's capacity to sustain vetoes, as necessary.

6. This option would preserve your flexibility to propose a "cash out" of health services financing as part of welfare reform.

Arguments Against Option I

1. Option I would require permanent Federal regulation and additional Federal employment to set hospital and physicians' fees for those States that fail to do so. The equity and quality considerations in these areas would be highly judgmental and controversial.

2. The inequities of the Medicaid program would be continued unless eventually eliminated by added Federal spending. Federal Medicaid spending for the poverty population ranges from \$84 to \$740 per capita among States.

3. It shifts the major cost burden away from State and local governments to the Federal budget and is directly contrary to the general Federal policy of increasing reliance on States. Increased Federal financing would reduce State incentives for health cost control.

4. It requires more extensive Federal reform and regulation of health insurance and financing than some of the proposals now before the Congress. The Administration has opposed 100% Federal financing of new health benefits since it would lead to federalization of the health industry.

5. This option would withdraw support for the \$1.7 billion Medicare cost-sharing proposal which has some merit in affecting overutilization. Reductions elsewhere would be required.



6. The mandating of new benefits to be financed by employers would mean, in effect, an increase in sales taxes.
7. This option places the "stick" of hospital reimbursement and physician fee regulation "before" the "carrot" of increased benefits.
8. A presidential endorsement of national health insurance in concept may, in an election year, induce Congress to enact some form of comprehensive national health insurance with a delayed effective date.

Arguments in Favor of Option II

1. A \$10 billion grant consolidation proposal for health benefits for the poor would constitute a dramatic proposal on your part. Moreover, the proposed average \$400 per poor person offers an equitable and easily comprehensible Federal policy for contributing to health care for the poor.
2. A fixed grant permits the Federal Government to review budget needs and priorities annually and determine the appropriate Federal contribution for financing health services for the poor. Moreover, it would more equitably be related to the number of poor people in the various States, rather than the current system which favors wealthier States.
3. A clearly limited Federal payment will encourage States to control health care costs, e.g., through health planning, licensure, prospective hospital budgeting and rate regulation, improved delivery systems.
4. The proposal would permit States broad flexibility to design programs to meet health needs of their population and to balance their health spending against other spending priorities.
5. This option provides more time before committing to any specifics of health insurance, but does not preclude any alternative form of health insurance being proposed at a later date.



6. This option does not add more Federal regulation of the private sector and limits Federal involvement only to those cases in which the Federal Government pays the bill.

7. The savings of \$1.7 billion in Medicare can contribute to meeting the 1977 budget totals.

Arguments Against Option II

1. Limiting Medicare reimbursement in 1977 does not get at the long term inflationary spiral of health costs. Increased costs might be shifted to the non-Medicare patients, resulting in increased costs to the middle class through direct payment to providers or through increased health insurance premiums.

2. States may attempt to spend the funds they receive on the non-poor or to provide a lower or different level of care for the low income. There is the possibility that the poor would only be treated in county hospitals.

3. Politically, Option II represents a marked departure from the Administration's earlier Comprehensive Health Insurance Plan (CHIP) proposal. It would make it more difficult to eventually integrate low income health care into a national health insurance plan, thereby making your political position on this issue more difficult in the year ahead.

VI. DECISION

Option I

Option II

