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ECONOMIC/ENERGY MEETING

Tuesday, July 1, 1975

2:00 P. M.

THE WHITE HOUSE
WASHINGTON

MR. PRESIDENT:

You requested the attached
information at the Economic & Energy
Meeting of July 1st.

Jim Connor

THE PRESIDENT HAS SEEN....

THE WHITE HOUSE

WASHINGTON

July 3, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: L. WILLIAM SEIDMAN

SUBJECT: PERMANENT UNEMPLOYMENT INSURANCE CHANGES

This memorandum supplements my memorandum to you of June 30, 1975 and provides the information you requested at the July 1 Economic and Energy meeting relevant to the issue of whether a benefit ceiling should be established which would insure that a larger proportion of claimants receive benefits equal to one half of their prior pretax wages.

Secretary Dunlop has prepared three tables and one chart containing information and data pertinent to this issue. (Tab A) A copy of the portion of the June 30 memorandum discussing this issue is attached at Tab B. Secretary Dunlop has suggested that the following factors be considered in reviewing and comparing the data presented in the attached tables:

1. The cost data in percent terms are for 1973, the latest year available. Because a number of States have increased their maximum weekly benefit amounts somewhat since 1973, the increased costs due to setting the maximum weekly benefit amount at two thirds of the Statewide average weekly wage are overstated. For example, Louisiana and eight other States now meet the benefit adequacy standard. Therefore, the percentage cost increase in 1975 for those States would be zero rather than the percentages shown on Table 1. Information is not available to make a determination nationwide or in most States on how much less the percent increase indicated in Table 1 would be due to the benefit adequacy standard if that option is chosen.
2. In certain states, such as Ohio and Michigan, automobile workers are provided an additional weekly benefit known as Supplemental Unemployment Benefits (SUB), above that provided under the State unemployment insurance (UI) program. These employer-financed additional benefits result from collective bargaining agreements and provide

that the State UI weekly benefit plus the SUB weekly benefit equal about 95 percent of the unemployed workers' weekly take-home pay. Because of SUB, such States have not been under great pressure to raise their maximum weekly benefit amounts which have remained low.

3. Eleven States have enacted allowances for dependents. A major factor in the enactment of these allowances for dependents was the difficulty experienced in enacting higher basic maximum weekly benefit amounts. Two of these States currently meet the proposed benefit adequacy requirements. In a number of the other dependents allowance States basic maximum weekly benefits amounts are low. In the event that a Federal benefit adequacy requirement is proposed and enacted, these States would have the option of excluding allowances for dependents.

For these reasons and the fact that there are 52 State unemployment insurance programs with differences ranging from minor to major variations among them, comparisons of increased costs among the States must be interpreted with caution.

Attachments

TABLE 1

Cost Increase for Calendar Year 1973 for Regular State Unemployment Insurance Program Due to Benefit Standards

| | Cost Increase in CY 1973 (\$000) | Percent Increase in Cost (1973 Study) | | |
|---------------------|--|--|--|--|
| TOTAL (U.S.) | \$479,384 | 12.1 | | |
| Alabama | 4,386 | 13.1 | | |
| * Alaska | 3,708 | 20.0 | | |
| Arizona | 5,873 | 29.1 | | |
| Arkansas | --- | 0.0 | | |
| California | 56,341 | 9.5 | | |
| Colorado | 498 | 3.0 | | |
| * Connecticut | 5,528 | 4.7 | | |
| Delaware | 784 | 7.9 | | |
| * Dist. of Columbia | --- | 0.0 | | |
| Florida | 5,198 | 13.1 | | |
| Georgia | 4,850 | 15.3 | | |
| Guam | --- | 0.0 | | |
| Hawaii | 744 | 6.0 | | |
| Idaho | 26,077 | 14.8 | | |
| * Illinois | 10,265 | 23.3 | | |
| * Indiana | --- | 0.0 | | |
| Iowa | 2,191 | 11.0 | | |
| Kansas | --- | --- | | |
| Kentucky | 6,664 | 15.5 | | |
| Louisiana | 8,776 | 14.1 | | |
| Maine | 1,700 | 7.7 | | |
| * Maryland | 5,124 | 8.9 | | |
| * Massachusetts | 18,785 | 7.8 | | |
| * Michigan | 46,315 | 25.3 | | |
| Minnesota | 3,566 | 5.3 | | |
| Mississippi | 2,122 | 19.2 | | |
| Missouri | 14,428 | 21.2 | | |
| Montana | 2,004 | 17.1 | | |
| Nebraska | 961 | 6.2 | | |
| Nevada | 3,225 | 13.9 | | |
| New Hampshire | 164 | 2.1 | | |
| New Jersey | 55,653 | 17.4 | | |
| New Mexico | 1,388 | 9.9 | | |
| New York | 93,354 | 16.5 | | |
| North Carolina | 948 | 3.3 | | |
| North Dakota | --- | 0.0 | | |
| * Ohio | 19,523 | 18.0 | | |
| Oklahoma | 2,602 | 9.9 | | |
| Oregon | 4,729 | 10.2 | | |
| * Pennsylvania | 12,632 | 3.7 | | |
| Puerto Rico | 6,719 | 11.1 | | |
| * Rhode Island | 1,595 | 4.3 | | |
| South Carolina | --- | 0.0 | | |
| South Dakota | 537 | 14.8 | | |
| Tennessee | 3,457 | 9.0 | | |
| Texas | 13,488 | 20.7 | | |
| Utah | 199 | 1.1 | | |
| Vermont | 783 | 6.1 | | |
| Virginia | 1,056 | 6.2 | | |
| Virgin Islands | --- | --- | | |
| Washington | 16,118 | 13.0 | | |
| West Virginia | 371 | 1.5 | | |
| Wisconsin | 3,389 | 4.3 | | |
| Wyoming | 566 | 20.7 | | |

* Cost increases assume no dependents allowances.

U.S. Department of Labor
Manpower Administration
Unemployment Insurance Service

TABLE 2

A number of States with currently low basic maximum weekly benefit amounts pay less than 50% of the individual's average weekly wage to the great majority of beneficiaries. Some of these States have enacted dependents' allowance provisions to provide more adequate benefits to more beneficiaries.

Maximum Weekly Benefit Amount, Dependents' Allowances, Percent of Newly Insured Claimants Eligible for the Basic Maximum Week Benefit Amount (MWBA) and Increase in Cost Due to Benefit Standard, 1973 *

| | Maximum WBA 12/31/73 | Weekly Allowance for Dependents 12/31/73 | Percent Eligible for MWBA | Increase in Cost Due to Benefit Standard | |
|------------|----------------------------|---|------------------------------------|--|---------|
| | | | | Dollars ('000) | Percent |
| Alaska | \$ 90 - 120 | \$ 10 - 30 | 47 | 3,708 | 20.0 |
| Conn. | 98 - 147 | 5 - 49 | 29 | 5,528 | 4.7 |
| Illinois | 60 - 105 | 1 - 45 | 62 | 26,077 | 14.8 |
| Indiana | 50 - 75 | 1 - 25 | 70 | 10,265 | 23.3 |
| Maryland | 78 | 3 - 12 | 40 | 5,124 | 8.9 |
| Mass. | 90 - 135 | 6 - 45 | 33 | 18,785 | 7.8 |
| Michigan | 56 - 92 | 1 - 36 | 73 | 46,315 | 25.3 |
| Ohio | 60 - 91 | 1 - 31 | 64 | 19,523 | 18.0 |
| Rh. Island | 82 - 102 | 5 - 20 | 29 | 1,595 | 4.3 |

* Does not include the District of Columbia and Pennsylvania which already meet benefit adequacy requirement.

TABLE 3

In most States large numbers of claimants cannot receive 50% of their average weekly wage due to low maximum weekly benefit amounts.

Maximum Weekly Benefit Amount (MWBA) Effective as of December 31, 1974, as a Percent of Average Weekly Wage (AWW) in Covered Employment for FY 1974, and Percent of Newly Insured Claimants Eligible for the Maximum Weekly Benefit Amount, 1974*

(Excludes States that meet benefit adequacy requirement.)

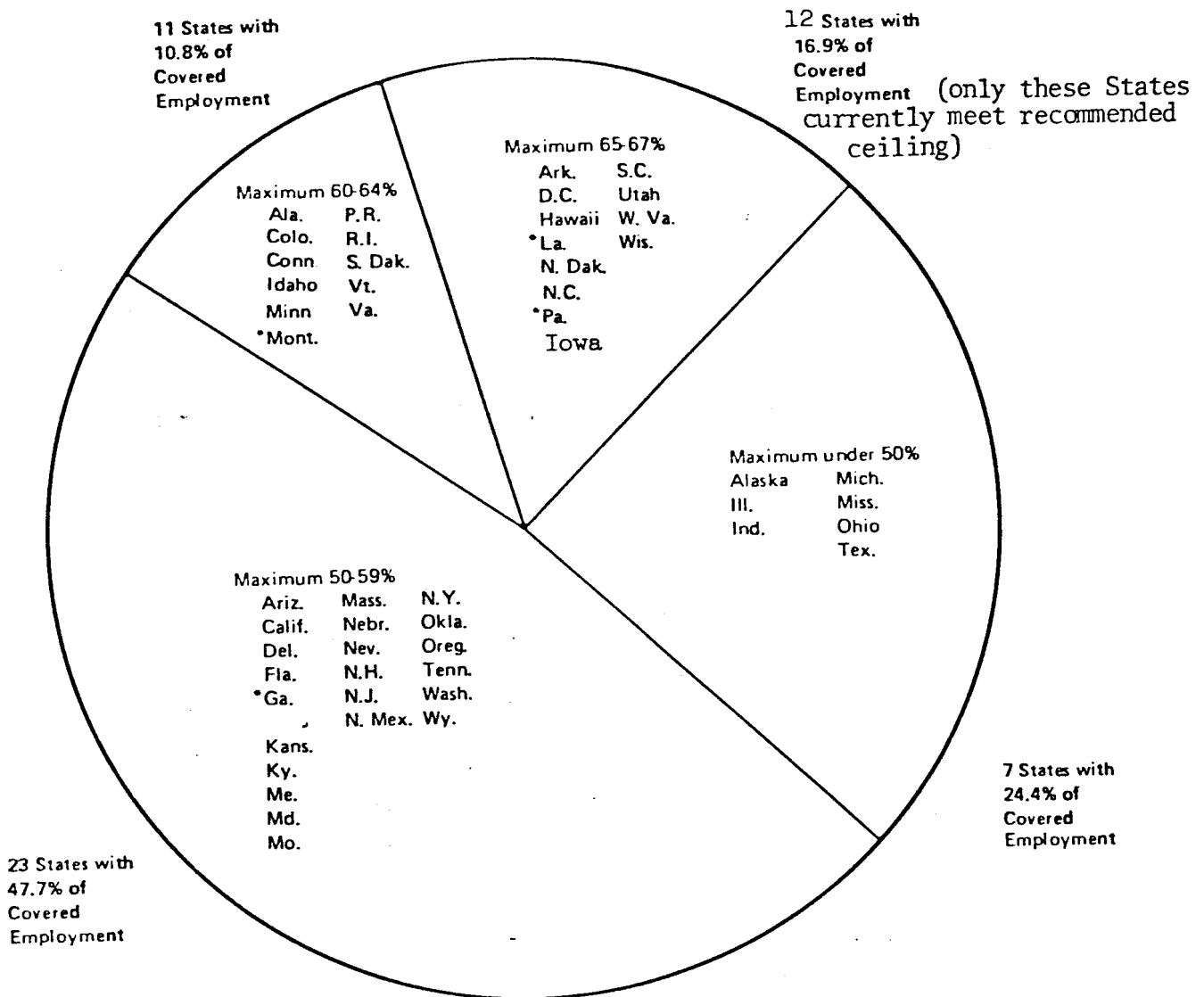
| TOTAL | Maximum WBA | AWW in covered employment | MWBA as % of AWW in covered employment | % of claimants eligible for MWBA |
|-------------------|-------------|---------------------------|--|----------------------------------|
| Alabama | \$75 | \$145.45 | 52 | 31 |
| Alaska | 90 | 234.94 | 38 | 38 |
| Arizona | 78 | 165.08 | 47 | 60 |
| Arkansas | | | | |
| California | 90 | 181.51 | 50 | 28 |
| Colorado | 98 | 162.38 | 60 | 56 |
| Connecticut | 104 | 180.74 | 60 | 34 |
| Delaware | 85 | 179.29 | 47 | 53 |
| Dist. of Columbia | | | | |
| Florida | 74 | 155.62 | 48 | 42 |
| Georgia | 70 | 151.85 | 46 | 44 |
| Guam | | | | |
| Hawaii | | | | |
| Idaho | 83 | 142.49 | 60 | 41 |
| Illinois | 60 | 183.86 | 33 | 65 |
| Indiana | 60 | 170.40 | 35 | 70 |
| Iowa | | | | |
| Kansas | 79 | 147.86 | 55 | 48 |
| Kentucky | 74 | 152.63 | 50 | 55 |
| Louisiana | | | | |
| Maine | 68 | 135.91 | 52 | 45 |
| Maryland | 89 | 164.82 | 54 | 45 |
| Massachusetts | 95 | 166.47 | 58 | 29 |
| Michigan | 67 | 207.44 | 32 | 73 |
| Minnesota | 85 | 163.51 | 52 | 39 |
| Mississippi | 60 | 128.63 | 47 | 48 |
| Missouri | 67 | 162.67 | 41 | 56 |
| Montana | 68 | 141.09 | 50 | 51 |
| Nebraska | 74 | 143.05 | 52 | 52 |
| Nevada | 85 | 172.25 | 50 | 47 |
| New Hampshire | 80 | 142.93 | 56 | 29 |
| New Jersey | 85 | 184.57 | 50 | 54 |
| New Mexico | 67 | 140.28 | 50 | 39 |
| New York | 95 | 194.25 | 49 | 41 |
| North Carolina | | | | |
| North Dakota | | | | |
| Ohio | 77 | 179.97 | 43 | 56 |
| Oklahoma | 78 | 146.46 | 55 | 19 |
| Oregon | 88 | 165.98 | 55 | 46 |
| Pennsylvania | | | | |
| Puerto Rico | 50 | 104.04 | 60 | 27 |
| Rhode Island | 87 | 149.85 | 60 | 33 |
| South Carolina | | | | |
| South Dakota | 67 | 125.36 | 56 | 55 |
| Tennessee | 70 | 142.66 | 49 | 33 |
| Texas | 63 | 153.81 | 41 | 48 |
| Utah | 93 | 148.10 | 65 | 30 |
| Vermont | 86 | 144.73 | 60 | 29 |
| Virginia | 87 | 149.23 | 58 | 26 |
| Virgin Islands | | | | |
| Washington | 86 | 177.48 | 50 | 49 |
| West Virginia | | | | |
| Wisconsin | | | | |
| Wyoming | 73 | 155.77 | 50 | 63 |

* Claimants who established a benefit year.

1/ In States where MWBA changed during the year, percentages include claimants of both prior and current amounts.

CHART 1

Distribution of Covered Employment by Relationship of States' Maximum Weekly Benefit Amounts to States' Average Weekly Wages — Enacted as of JULY 1, 1975



TAB B

ISSUE ON BENEFIT ADEQUACY REQUIREMENT

Issue 5: Should a benefit ceiling be established which would insure that a larger proportion of claimants receive benefits equal to one half of their prior pre-tax wages.

At present claimants receive benefits equal to one half their prior wages up to a maximum weekly benefit which is determined by each State and varies considerably from State to State. Many believe that benefit levels are now inadequate.

As a result of the State maximums about 40 percent of claimants receive benefit amounts which are less than half their pretax wages.

Option A: Legislate that each State provide each individual with a weekly benefit amount equal to at least 50 percent of his average weekly pretax wage up to a State maximum which is at least 2/3 of the Statewide average weekly wage for that State's covered workers.

Pros:

- The proportion of workers receiving a benefit which replaced at least half their pretax wages would increase from 60 percent to 80 percent.
- Increases in unemployment compensation benefits would reduce Federal expenditures for certain income maintenance programs such as food stamps.
- Has been proposed by every President starting with President Eisenhower and you endorsed in your legislative message of September 12, 1974.

Cons:

- Interferes with a State program under which States decide on the level of benefits together with the taxes to pay for them which are suitable to their own needs.
- The ratio of the average weekly benefit check to the average weekly wage in covered unemployment has remained stable over time and there is no urgent need to increase benefits now. Moreover, since benefits are not subject to any taxes and both payroll and income taxes have increased over time, the ratio of benefits to take home wages (net of deductions) may well have increased over time.

- Higher benefits may give incentives to prolong the duration of unemployment and until this relation is better understood it would be unwise to increase benefits.
- The adequacy of benefits, including their relation to other income maintenance programs will presumably be included in the studies of a commission.

THE WHITE HOUSE

WASHINGTON

July 7, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

L. WILLIAM SEIDMAN

FROM:

JAMES E. CONNOR 

SUBJECT:

Economic & Energy Meeting
July 1, 1975

Your Memorandum of Decisions made at the Economic & Energy Meeting held July 1, 1975 has been reviewed. The decisions reflected in your memorandum agree with those received in the President's outbox.

cc: Don Rumsfeld

THE WHITE HOUSE

WASHINGTON

July 2, 1975

MEMORANDUM OF DECISIONS

JULY 1 ECONOMIC AND ENERGY MEETING

FROM: L. WILLIAM SEIDMAN *fwS*

Decision 1: Changes in Permanent UI Legislation Now

The President approved Administration proposal of certain changes in permanent UI legislation in this session of the Congress.

Implementation: Secretary Dunlop will propose approved changes in permanent UI legislation in his July 15 testimony before the House Ways and Means Committee.

Decision 2: Unemployment Insurance Coverage

The President approved proposing extending the permanent State unemployment insurance program to:

- (1) Workers on large farms--four or more workers or a quarterly payroll of \$5,000 or more.
- (2) Workers in domestic service for employers with quarterly payrolls of \$500 or more.
- (3) Workers in educational institutions and hospitals operated by State and local governments.
- (4) Workers in the Virgin Islands, by bringing its program into the regular Federal-State unemployment insurance system.

Implementation: Secretary Dunlop will propose this change in his July 15 testimony.

Decision 3: Unemployment Insurance Financing Provisions

The President approved proposing the following changes in the unemployment insurance program financing provisions this session, to become effective in 1977:

- (1) Increase the wage base from the present \$4,200 to \$6,000 for CY 1976 wages.
- (2) A temporary increase in the FUTA tax rate from 0.5 to .65 percent. The FUTA rate would be reduced to a .45 percent after all advances to the Federal Extended Unemployment Compensation Account have been repaid.

Implementation: Secretary Dunlop will propose these changes in his July 15 testimony.

Decision 4: Unemployment Insurance Extended Benefit Program Triggering Mechanism

The President approved proposing changing the State trigger from four percent not seasonally adjusted and 120 percent above the same period in the prior two years to a 4.0 percent seasonally adjusted rate, computed on the basis of a 13 week moving average.

The President also approved the establishment of an "area program" to pay benefits in a sub-state area with Federal sharing.

Implementation: Secretary Dunlop will propose these changes in his July 15 testimony

Decision 5: Unemployment Insurance Benefit Ceilings

The President requested Secretary Dunlop to prepare a memorandum outlining the current unemployment insurance benefit ceilings by State. The memorandum will also include a review of the trends in ceilings over the past five years and a dollar amount and percentage breakdown of State benefit ceilings.

Implementation: Secretary Dunlop will submit a memorandum on benefit ceilings by July 3.

Decision 6: National Commission on Unemployment Insurance

The President approved proposing the creation by statute of a national commission to study the unemployment insurance program.

The President also indicated that the commission's mandate should be sufficiently broad to encompass the entire unemployment insurance program as well as its relationship to related assistance programs coupled with the stipulation that the commission also examine certain specific issues.

The President indicated the study commission should report by February 1, 1977, should include members of Congress, and that the appointment power should be shared between the President and the Congress.

The President indicated that the proposed legislation creating the commission should be included as a title in the bill seeking permanent changes in the unemployment insurance program.

Implementation: Secretary Dunlop will draft legislation creating a National Commission on Unemployment Insurance and he will include it in his testimony of July 15.

July 1, 1975

SUMMARY OF ISSUES AND OPTIONS

Permanent Unemployment Insurance Changes

Issue 1: Should the Administration propose certain changes in permanent UI legislation now, or should all issues be referred to a study commission?

Option A NR Make proposals in certain areas now.
Supported by: Commerce, Treasury,
Labor

Option B _____ Make no proposals now. Appoint a study commission to analyze and make recommendations.

Issue 2: Should coverage under the permanent State unemployment insurance program be extended to workers now covered only by temporary legislation (mainly farm workers, domestics, State and local government employees) and include the Virgin Islands' system in the State-Federal program?

Option A _____ Extend permanent coverage to all workers now covered by the temporary legislation and include the Virgin Islands.

Option B NR Extend coverage, but on a limited basis, to:

- (1) Workers on large farms--four or more workers or a quarterly payroll of \$5,000 or more.
- (2) Workers in domestic service for employers with quarterly payrolls of \$500 or more.
- (3) Workers in educational institutions and hospitals operated by State and local governments.
- (4) Workers in the Virgin Islands, by bringing its program into the regular Federal-State unemployment insurance system.

Supported by: Treasury, Commerce, Labor

Issue 3: Should the financing provisions of the unemployment insurance program be amended now or later?

- Option A REJ Make changes in the financing provisions this session to become effective in 1977.
Supported by: Treasury, Commerce, Labor
- Option B _____ Make no changes in the financing provisions and rely upon already authorized advances from general funds.

If it is decided to make changes in the financing provisions in this session (Option A), one or more of the following alternatives are available:

- Alt. 1-A REJ Increase the wage base from the present \$4,200 to \$6,000 for CY 1976 wages.
Supported by: Commerce, Labor
- Alt. 1-B _____ Increase the wage base to \$6,000 for CY 1976 wages and to 2/3 of the average annual wage (rounded to the next higher \$1,000) for each year thereafter.
Supported by: Treasury
- Alt. 2 REJ A temporary increase in the FUTA tax rate from 0.5 to .65 percent. The FUTA rate would be reduced to a .45 percent after all advances to the Federal Extended Unemployment Compensation Account have been repaid.
Supported by: Treasury, Commerce, Labor

Issue 4: Should the present State triggering mechanism for the regular extended benefit program be continued or modified?

- Option A _____ Change the State trigger from four percent not seasonally adjusted and 120 percent above the same period in the prior two years to a 4.0 percent seasonally adjusted rate, computed on the basis of a 13 week moving average.
- Option B REJ Same as Option A plus establishment of an "area program" to pay benefits in a sub-state area with Federal sharing.
Supported by: Treasury, Commerce, Labor
- Option C _____ Leave triggers as presently structured.

Issue 5: Should a benefit ceiling be established which would insure that a larger proportion of claimants receive benefits equal to one half of their prior pretax wages?

Option: Legislate that each State provide each individual with a weekly benefit amount equal to at least 50 percent of his average weekly pretax wage up to a State maximum which is at least 2/3 of the Statewide average weekly wage for that State's covered workers.

Supported by: Labor. Treasury and Commerce recommend that this issue be referred to a study commission.

Approve _____

Disapprove _____

[clip]

National Commission on Unemployment Insurance

Recommendation: That you approve the creation of a National Commission to study the unemployment insurance program.

Supported by: Treasury, Commerce, Labor

Approve RR7

Disapprove _____

Issue 1: Should the Commission agenda focus on a narrow range of critical issues or should the mandate be sufficiently broad to encompass the entire UI and related assistance programs?

Option A _____ Restricted mandate

Option B _____ Broad mandate

Option C RR7 Broad mandate with specific directives.
Supported by: Treasury, Commerce, Labor

Issue 2: What is an adequate time period for the Commission to undertake its work?

Option A _____ Seven month study completed by December 31, 1976.

Option B NR7 _____ A full year study completed by June 30, 1977. ^{7.6.1}
Supported by: Treasury, Commerce, Labor

Issue 3: Composition of Commission Membership

Option A NR7 _____ Include congressional participation.
Supported by: Treasury, Commerce, Labor

Option B _____ Exclude congressional participation.

Issue 4: Appointment of Commission Members

Option A: _____ Presidential appointment of all Commission members.

Option B: NR7 _____ Shared Presidential-congressional appointment power.
Supported by: Treasury, Commerce, Labor

THE PRESIDENT HAS SEEN....

THE WHITE HOUSE

WASHINGTON

June 30, 1975

ECONOMIC AND ENERGY MEETING

July 1, 1975

2:00 p.m.

Cabinet Room

From: L. William Seidman

lws

I. PURPOSE

- A. To consider permanent unemployment insurance changes.
- B. To consider the creation of a National Commission on Unemployment Insurance.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

- A. Background: The Weekly Economic Fact Sheet is attached at Tab A. The Economic Policy Board Weekly Report is attached at Tab B.

Hearings on changes in the permanent Federal-State unemployment insurance system are scheduled to begin on July 15. The scheduled congressional hearings require two major policy decisions: First, whether or not the Administration should advance specific proposals to the Congress now; and secondly, what proposals, if any, should be advanced. Attached at Tab C is a memorandum addressing these policy decisions and outlining several potential policy initiatives.

The Federal Advisory Council on Unemployment Insurance has unanimously recommended the establishment of a National Commission on Unemployment Insurance in both 1974 and 1975. Such a Commission would be charged with making a comprehensive review of the present condition and future direction of the Federal-State unemployment insurance program in the context of our income maintenance and income transfer programs which are an increasingly significant proportion of Federal, state and local governmental budgets.

A memorandum discussing the merits, composition, duration, mandate, and appointment of such a Commission is attached at Tab D.

This is the first time these issues have been reviewed with you by the Economic Policy Board and final decisions on all issues are not considered necessary at this meeting. A summary of the issues outlined in the memorandums is attached at Tab E.

- B. Participants: William E. Simon, L. William Seidman, James T. Lynn, Alan Greenspan, John T. Dunlop, Rogers C.B. Morton, Frank G. Zarb, Donald Rumsfeld, Richard Dunham.
- C. Press Plan: White House Press Corps Photo Opportunity.

III. AGENDA

A. Permanent Unemployment Insurance Changes

Secretary Dunlop will review the issue of what, if any, permanent changes in the unemployment insurance system the Administration should advance.

B. National Commission on Unemployment Insurance

Secretary Dunlop will review the issues involved in the creation of a National Commission on Unemployment Insurance.

WEEKLY ECONOMIC FACT SHEET

Production

- Industrial production declined by 0.3 percent in May, about the same as in April, and much less than the sharp 2 1/2 to 3 1/2 percent monthly declines from November through February. Output of consumer goods, reflecting the pick up in retail sales rose by 1.7 percent--the second consecutive monthly rise. Production of business equipment and materials, however, continued to decline though at a much slower pace than earlier in the year.

Employment and Unemployment

- Although the rate of unemployment rose by 0.3 percent in April total employment rose for the second consecutive month and the length of the workweek in manufacturing held even. The rise in unemployment was the result of a continued rapid increase in the labor force which has concentrated new joblessness among new entrants and reentrants to the labor force. The April and May figures suggest that the deterioration in employment opportunities has ceased. (Employment/unemployment estimates for June will be reported on July 3.)

Personal Income and Retail Sales

- Personal income rose by \$9.3 billion in May--much more rapidly than the \$3 billion average monthly gains of the preceding six months. Larger wage and salary incomes made up about one half of the May rise. Disposable incomes were boosted by the tax rebates and the reduction in the tax withholding schedules in May.
- Estimates for May indicate a strong 2.2 percent advance in retail sales over the April level, with the increase concentrated in nondurable goods. Sales of automobiles, though still low, have shown some pick up during the first 20 days of June with sales of domestic models rising to a seven million annual rate after seasonal and trading day adjustments.

Prices

- The much improved price performance has been an important factor helping retail sales. The Consumer Price Index rose by 0.4 percent during May even though higher meat

prices contributed to a rise of 0.5 percent in the food component of the CPI. Consumer prices have risen at a six percent rate so far in 1975 and at a five percent rate during the past three months. Food prices have risen at a seasonally adjusted rate of only 2.0 percent so far this year. The lower rate of price increase has contributed to consumer purchasing power.

- The favorable string of developments at the wholesale level also continued in May. (Estimates for wholesale prices for June will be released on July 3.)
- Recent price developments have been highly encouraging. Several factors suggest the need for a continued note of caution in our evaluation. The downward price pressures of the recession and the period of heavy inventory liquidation will be easing as the recovery gets underway, and developments in energy policy may also leave a heavier mark on the price index in the months ahead.

Money and Financial

- The various measures of the money supply are growing rapidly--in excess of ten percent seasonally adjusted annual rates during the past three months, considerably in excess of the targets set out by the Federal Reserve. Short term interest rates rose last week although the increases in the longer term markets were much less pronounced.
- Inflows into the savings institutions have continued at a very high rate and mortgage lending activity is quickening.

Other Key Developments

- New orders for durable goods, an advance indicator, rose 1.4 percent in May according to preliminary figures, following a broadly based ten percent advance in April. It is encouraging that the April increase was maintained.
- Housing starts rose by 14 percent in May, the first significant pick up this year. Housing permits also rose by 9.6 percent bringing the increase in permits during the last two months to more than 30 percent. The housing recovery is concentrated so far in the single family home area.

June 30, 1975

ECONOMIC POLICY BOARD WEEKLY REPORT

Issues Considered by EPB During Week of June 23

1. National Study Commission on Unemployment Insurance
Draft memorandum discussed. Memorandum to be revised for submission to the President.
2. Permanent Unemployment Insurance Changes
Draft memorandum discussed. Memorandum to be revised for submission to the President.
3. Foreign Bank Act of 1975
Approved support for provision requiring U.S. banking affiliates of foreign banks having worldwide banking assets in excess of \$500 million to become member banks in the Federal Reserve System.

Approved support for provision making optional FDIC insurance for U.S. branches and agencies of foreign banks.

Requested that the Capital Markets Working Group continue discussions with the FRB to narrow and more clearly define the "national interest" standard for foreign bank entry into the U.S.
4. International Coffee Agreement Discussions
Reviewed the status of the international coffee agreement discussions and the current interagency process for reaching a negotiating position on particular commodity agreements. Approved present process provided that before the negotiating position is finalized by the interagency mechanism that the position be reviewed by the EPB Executive Committee for the economic effect of any proposed position.

CEA and CWPS to provide the interagency coffee group with an economic analysis of the proposed negotiating position on coffee.
5. Economic Effects of Potential OPEC Oil Price Increase
CEA will chair an EPB Working Group Task Force to prepare a paper on the domestic and international economic impacts of an OPEC oil price increase.
6. Rohatyn Suggestion of Federal Insurance for Municipal Bonds
Capital Markets Working Group requested to prepare a paper evaluating the suggested scheme.

June 30, 1975

Task Force Status Reports

1. Council on Wage and Price Stability

- Reports released on sugar prices, marketing spreads for food products, metal can prices, and concentration, administered prices and inflation.
- Escalator clause study and steel and aluminum price studies are nearing completion.
- New studies underway on hospital industry prices and wages and the adequacy of the wholesale price index for wage-price monitoring.
- Several filings with the CAB on lower air fares.
- Filing with EPA on truck noise emission standards stating more justification needed for the more stringent standards.
- Letters to FEA commenting on their inflation impact analyses of old oil deregulation and coal conversion.

Major Upcoming Agenda Items

1. Status Report on Aluminum Price Increases
2. Proposal for EPB Task Force Review of Taxation of International Investment
3. Tax Reform
4. Administration Position on Utility Rate Increases

C

THE WHITE HOUSE

WASHINGTON

June 30, 1975

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Permanent Unemployment Insurance Changes

Hearings on changes in the permanent Federal-State unemployment insurance system are scheduled by the Unemployment Compensation Subcommittee of the Committee on Ways and Means to begin on July 15. Secretary Dunlop has been requested to testify as the first witness.

The scheduled congressional hearings require two major policy decisions. First, whether or not the Administration should advance specific proposals to the Congress now or defer making proposals until a study commission has completed its work; and, secondly, what proposals, if any, should be advanced.

The Senate-House Conference on H.R. 6900 made clear that the Committee on Ways and Means intends to initiate a bill providing substantive permanent changes in the unemployment insurance system during the present session. If the Administration does not offer its own proposals, it must nonetheless establish some position on major aspects of the program in reacting to the congressional initiatives.

Issue 1: Should the Administration propose certain changes in permanent UI legislation now, or should all issues be referred to a study commission?

Option A: Make proposals in certain areas now.

Pros:

- Addresses need to make changes in financing as a result of present critical problems, and to reform other areas such as coverage, triggers, and benefits.
- Independent congressional pressure for early action will likely force the issues now.
- Administration initiatives now might forestall less desirable proposals.

Cons:

- Recommendations by a study commission will carry more authority and support, and could provide a more adequate data base for decision-making.
- The temporary programs in place through December 1976 provide universal coverage and adequate duration of benefits, thus tempering the urgency of making coverage proposals. Financing problems can continue to be met through already authorized advances (loans) from general funds.

Option B: Make no proposals now. Appoint a study commission to analyze and make recommendations.

Pros and Cons are the reverse of those under Option A.

Issue 2: Should coverage under the permanent State unemployment insurance program be extended to workers now covered only by temporary legislation (mainly farm workers, domestics, State and local government employees) and include the Virgin Islands' system in the State-Federal program?

Option A: Extend permanent coverage to all workers now covered by the temporary legislation and include the Virgin Islands.

Pros:

- Given the possibility that Congress will continue to extend the temporary Federally funded program, it is preferable to make the program a part of the permanent State programs, where it would be financed by State determined employer taxes and subjected to the discipline of the State programs.
- Would achieve universal coverage, viewed by organized labor as an important goal.

Cons:

- Many farm and domestic workers are casual and/or seasonal--two categories the unemployment insurance program was not designed to serve because of possibly greater work disincentives and administrative difficulties.

- The Federal Government should avoid intervening in State and local treatment of their own employees.
- Lack of adequate data and analysis of experience under temporary programs to date, which would be available under the H.R. 6900 mandated study.

Option B: Extend coverage, but on a limited basis, to:

- (1) Workers on large farms--four or more workers or a quarterly payroll of \$5,000 or more.
- (2) Workers in domestic service for employers with quarterly payrolls of \$500 or more.
- (3) Workers in educational institutions and hospitals operated by State and local Governments.
- (4) Workers in the Virgin Islands, by bringing its program into the regular Federal-State unemployment insurance system.

Pros:

- Moves toward universal coverage and more equal treatment of workers with similar work experience.
- Administratively more feasible than Option 1.

Cons:

- Would involve differential Federal treatment of State and local employees by occupation.
- Would lead to differential treatment within the same occupation, depending on status of employer (e.g., workers on small farms not covered).

Issue 3: Should the financing provisions of the unemployment insurance program be amended now or later?

Option A: Make changes in the financing provisions this session, to become effective in 1977.

Pros:

- Federal revenue anticipated under the current provisions of the Federal Unemployment Tax Act law is inadequate and will result in a deficit of \$10 billion in the Administrative and Regular Extended Account by 1984. An estimated 28 States will experience depleted trust funds by the end of CY 1976 and all States will have to reassess their fund adequacy and taxing provisions. Many States will undertake emergency measures to increase revenues.
- Because such a change would take two years, tax increases would not occur until calendar year 1977, when a broadly based economic recovery is anticipated to be well underway.

Cons:

- Repayable loans from general revenues are available to finance mandatory benefits, thus permitting the program to continue to operate without a proposal to change financing now. Many States will implement their own changes to repay their debt to the trust fund.
- Increased payroll taxes could restrain growth in employment as the economic recovery continues.

Option B: Make no changes in financing provisions and rely upon already authorized advances from general funds.

Pros and cons are the reverse of those under Option A.

If it is decided to make changes in the financing provisions this session, one or more of the following alternatives are available.

Alt. 1-A: Increase the wage base from the present \$4,200 to \$6,000 for CY 1976 wages.

Alt. 1-B: Increase the wage base to \$6,000 for CY 1976 wages and to 2/3 of the average annual wage (rounded to the next higher \$1,000) for each year thereafter.

Alt. 2: A temporary increase in the FUTA tax rate from 0.5 to .65 percent. The FUTA rate would be reduced to a .45 percent after all advances to the Federal Extended Unemployment Compensation Account have been repaid.

These alternatives are discussed in Tab A.

Issue 4: Should the present State triggering mechanism for the regular extended benefit program be continued or modified?

At issue is the device for triggering on and off extended benefits (weeks 27 to 39) provided for in permanent legislation enacted in 1970. Under H.R. 6900, there is a triggering device only for the temporary FSB program, for weeks 39-52 and for weeks 52-65. This will expire in March 1977.

At present the extended benefit trigger mechanism is a combination of national and State triggers. To trigger on extended benefits (up to 39 weeks) in a State, the national insured unemployment rate (IUR) must be 4.5 percent, or the State IUR must be 4.0 percent and the rate must be 120 percent higher than in the corresponding periods during the preceding two years. In the period since the extended benefits program became effective in 1970, the State triggers have caused States to terminate or not to begin extended benefits during periods of high unemployment because the rates were not 20 percent higher than in the previous periods.

Under legislation providing additional temporary extended benefits, signed December 31, 1974, States were given the option to employ an extended benefit trigger using a four percent national IUR, and to waive the 120 percent State requirement through December 31, 1976.

Option A: Change the State trigger from four percent not seasonally adjusted and 120 percent above the same period in the prior two years to a 4.0 percent seasonally adjusted rate, computed on the basis of a 13 week moving average.

Pros:

- Eliminating the 120 percent rule prevents triggering off extended benefits during a period of long term cyclical unemployment (e.g., Michigan where a two or three year auto downturn may result in the State triggering off).

Cons:

- Eliminating the 120 percent rule will result in perpetual 39 weeks of benefits in those States with high structural unemployment because of seasonality, heavy in-migration, or other factors (e.g., Alaska, Maine, Puerto Rico among other States).

Option B: Same as Option A plus the establishment of an "area program" to pay benefits in a subState area with Federal sharing.

Pros:

- Permits States to concentrate resources in areas of greatest need.

Cons:

- Providing benefits could discourage unemployed workers from moving to nearby areas in the same State that have lower unemployment.
- More difficult to administer than Statewide triggers.

Option C: Leave triggers as presently structured.

Pros:

- Congress has removed the main problem by waiving the 120 percent factor until December 31, 1976.
- Waiting permits decision making based on results of study commission or other further study.

Cons:

- See Pros for Option A and B.

Issue 5: Should a benefit ceiling be established which would insure that a larger proportion of claimants receive benefits equal to one half of their prior pre-tax wages.

At present claimants receive benefits equal to one half their prior wages up to a maximum weekly benefit which is determined by each State and varies considerably from State to State. Many believe that benefit levels are now inadequate.

As a result of the State maximums about 40 percent of claimants receive benefit amounts which are less than half their pretax wages.

Option A: Legislate that each State provide each individual with a weekly benefit amount equal to at least 50 percent of his average weekly pretax wage up to a State maximum which is at least 2/3 of the Statewide average weekly wage for that State's covered workers.

Pros:

- The proportion of workers receiving a benefit which replaced at least half their pretax wages would increase from 60 percent to 80 percent.
- Increases in unemployment compensation benefits would reduce Federal expenditures for certain income maintenance programs such as food stamps.
- Has been proposed by every President starting with President Eisenhower and you endorsed in your legislative message of September 12, 1974.

Cons:

- Interferes with a State program under which States decide on the level of benefits together with the taxes to pay for them which are suitable to their own needs.
- The ratio of the average weekly benefit check to the average weekly wage in covered unemployment has remained stable over time and there is no urgent need to increase benefits now. Moreover, since benefits are not subject to any taxes and both payroll and income taxes have increased over time, the ratio of benefits to take home wages (net of deductions) may well have increased over time.

- Higher benefits may give incentives to prolong the duration of unemployment and until this relation is better understood it would be unwise to increase benefits.
- The adequacy of benefits, including their relation to other income maintenance programs will presumably be included in the studies of a commission.

FINANCING THE UNEMPLOYMENT INSURANCE SYSTEM

QUESTION: Should the financial provision of the FUTA be changed to obtain required revenue?

BACKGROUND: The present FUTA revenue is inadequate and will result in a deficit of \$10 billion during the next ten years. General Revenue is currently being provided, as a repayable advance, to the Extended Unemployment Compensation Account. The cost being generated are mandatory and are nondeferrable.

Based on a survey of all States, the following 28 state trust funds are expected to be depleted by the end of 1976 as a result of the heavy drain to pay state benefits.

| <u>Currently Borrowed</u> | <u>CY 1975</u> | <u>CY 1976</u> |
|---------------------------|----------------|----------------|
| Connecticut | Arkansas | Alabama |
| Massachusetts | Delaware | Arizona |
| Michigan | Hawaii | Florida |
| New Jersey | Maine | Illinois |
| Puerto Rico | | Maryland |
| Rhode Island | | Minnesota |
| Vermont | | Nebraska |
| Washington | | Nevada |
| | | New Hampshire |
| | | North Carolina |
| | | Ohio |
| | | Oregon |
| | | Pennsylvania |
| | | South Carolina |
| | | Tennessee |
| | | Wisconsin |

OPTIONS:

- Recommend a change in the FUTA to collect adequate revenue.
- Continue to advance General Revenue to both the Federal and state trust funds.

The obligations to both the Federal Extended Unemployment Account and the state trust funds are mandatory obligations and without specific congressional action cannot be reduced. The basic question, therefore, is the source of funding.

-1a-

There are, however, repayment provisions for the State loans in the form of increased employer FUTA tax rates. This insures the eventual repayment of General Revenue advances. On the other hand, there are not repayment provisions for the advances to the Federal account.

The projected economic assumptions and estimated revenue indicate that there will be no repayment for the next

ten years and in fact a deficit will amount to \$10 billion. Therefore failure to take corrective steps could result in:

- Continued drain on General Revenue.
- Strong pressure by employers on Congress to waive the repayment of General Revenue advances.
- Increased pressure to standardize the system.
- A serious question of maintaining the State-Federal system in its present form.

Financing Options

- Increase wage base to \$6,000
- Increase the wage base to \$6,000 for CY 1977 wages and to $\frac{2}{3}$ of the average annual wage (rounded to the next higher \$1,000) for each year thereafter.
- A temporary increase in the FUTA tax rate from .5 to .65 percent. The FUTA rate would then be reduced to a .45 percent after all advances to the Federal Extended Unemployment Compensation Account have been repaid.

The anticipated requirement for Federal administrative and benefit costs over the period 1974-1984 is \$30.5 billion. The recommended change to the flexible wage base and the temporarily increased tax rate will yield \$30.1 billion over the same period. This approach has the advantage of:

- Recover the extraordinary Federal cost for extended benefits of the current economic conditions over an extended period (10 years).

- Provide states with a more realistic wage base on which new tax schedules can be developed to equitably return trust funds to adequate levels and at the same time correct the discriminatory nature of the low wage base.
- Delay imposition of increased taxes on employers until CY 1977 when the economic upturn has established a firm foothold.

The alternative is to increase only the wage base and leave the FUTA rate at .5 percent which will require a wage base increase of over \$10,000; or increase only the tax rate and leave the wage base at \$4,200 which would require a tax rate increase of over .9 percent.

The Department of Labor approach, therefore, is to establish the wage base at a level high enough to provide for the permanent UI program cost and provide a temporary tax rate increase to recover the extraordinary cost of the present economic conditions. The Department of Labor proposal will do this.

In principle, the wage base and rate should be set so that revenue will be collected from employers, on the basis of their employees wages in relation to their employees use of the system. We believe the proposed increase in the wage base is consistent with this principle.

With regard to the effect of the Department of Labor recommendation on the state trust funds, all States must reassess their system as a result of diminishing trust funds. It is appropriate at this time to increase the wage base to permit more flexibility in developing tax structure and to index it to the changes in covered wages.

This is particularly significant since the present wage base covers less than half the wages paid to covered workers.

The added coverage under the Department of Labor proposal would be self-supporting for regular benefit purposes. Workers in State and local government, hospital and educational institutions would not be subject to the Federal Unemployment Tax and, therefore, would not support the Administrative or Extended Unemployment Compensation Accounts. This is a key issue in the financing of the program but one that will require additional research and should therefore be left to the study commission.

Revenue Estimates of Federal Unemployment Tax Act for
Unemployment Compensation Amendments of 1975 Under a
Fixed Wage Base and Under the Current 0.5% Tax Rate

(\$Millions)

| Fiscal Year | 4,200 ^{1/} | 5,000 ^{1/} | 6,000 ^{1/} | 7,000 ^{1/} | 8,000 ^{1/} | 10,000 ^{1/} | 15,000 ^{1/} |
|-------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|
| 1975 | 1,371 | 1,371 | 1,371 | 1,371 | 1,371 | 1,371 | 1,371 |
| 1976 | 1,430 | 1,430 | 1,430 | 1,430 | 1,430 | 1,430 | 1,430 |
| Transitional Quarter | 369 | 369 | 369 | 369 | 369 | 369 | 369 |
| 1977 | 1,527 | 1,646 | 1,754 | 1,785 | 1,886 | 2,086 | 2,419 |
| 1978 | 1,611 | 1,821 | 2,010 | 2,066 | 2,250 | 2,622 | 3,210 |
| 1979 | 1,699 | 1,927 | 2,133 | 2,193 | 2,409 | 2,847 | 3,495 |
| 1980 | 1,788 | 2,036 | 2,260 | 2,326 | 2,569 | 3,088 | 3,804 |
| 1981 | 1,880 | 2,147 | 2,393 | 2,465 | 2,729 | 3,348 | 4,138 |
| 1982 | 1,974 | 2,262 | 2,529 | 2,608 | 2,909 | 3,629 | 4,500 |
| 1983 | 2,070 | 2,379 | 2,671 | 2,756 | 3,108 | 3,899 | 4,892 |
| 1984 | 2,166 | 2,499 | 2,816 | 2,910 | 3,317 | 4,236 | 5,317 |
| Total | 17,885 | 19,887 | 21,736 | 22,279 | 24,347 | 28,925 | 34,945 |

^{1/} Revenues shown for \$4,200 base through calendar year 1976 and for taxable wage base shown thereafter.
Economic assumptions based on the Administration's mid-session review of the 1976 budget.

Office of Research, Legislation and
Program Policies
June 24, 1975

UNEMPLOYMENT INSURANCE COST AND REVENUE ESTIMATES UNDER THE 1975 AMENDMENTS FOR FISCAL YEARS 1975 THROUGH 1984 (\$MILLIONS)

| Fiscal Year | Expenditures | | | | | | 1/ | |
|----------------|---------------|----------------------|--------------|---------------|----------------|---------------|----------------|---------------|
| | Admin. | Extended Without FSB | Acct. FSB | Total | Base (\$4,200) | Federal 0.95% | Base (66 2/3%) | 0.65% |
| 1975 | 1,133 | 700 | 850 | 2,683 | 4,200 | 1,371 | 4,200 | 1,371 |
| 1976 | 1,206 | 1,650 | 1,450 | 4,306 | 4,200 | 1,430 | 4,200 | 1,430 |
| Trans. Qtr. | 300 | 400 | 300 | 1,000 | 4,200 | 369 | 4,200 | 369 |
| 1977 | 1,327 | 1,450 | 1,500 | 4,277 | 4,200 | 2,368 | 6,000 | 2,012 |
| 1978 | 1,433 | 1,400 | | 2,833 | 4,200 | 3,061 | 7,000 | 2,572 |
| 1979 | 1,548 | 1,150 | | 2,698 | 4,200 | 3,227 | 8,000 | 2,985 |
| 1980 | 1,672 | 600 | | 2,272 | 4,200 | 3,398 | 8,000 | 3,291 |
| 1981 | 1,806 | 500 | | 2,306 | 4,200 | 3,572 | 9,000 | 3,573 |
| 1982 | 1,950 | 550 | | 2,500 | 4,200 | 3,750 | 9,000 | 3,849 |
| 1983 | 2,106 | 600 | | 2,706 | 4,200 | 3,932 | 10,000 | 4,142 |
| 1984 | 2,274 | 650 | | 2,924 | 4,200 | 4,115 | 11,000 | 4,592 |
| Ten Year Total | <u>16,755</u> | <u>9,650</u> | <u>4,100</u> | <u>30,505</u> | | <u>30,593</u> | | <u>30,186</u> |
| 1985 | 2,456 | 700 | --- | 3,156 | --- | --- | --- | 4,054 |
| 1986 | 2,652 | 800 | --- | 3,452 | --- | --- | --- | 3,837 |

1/ Wage base 4200 and rate .5% through calendar year 1976. The 0.65% rate with flexible base changes to 0.45% for calendar years 1985 and 1986. Economic assumptions based on the Administration's mid-session review of the 1976 budget.

Office of Research, Legislation
and Program Policies
June 24, 1975

ESTIMATED COST OF U.C. AMENDMENTS OF 1975: ^{1/} (\$ MILLIONS)

FISCAL YEARS 1977-1984

| | ---- 1977 ---- | | | ---- 1978 ---- | | | ---- 1979 ---- | | |
|------------------|----------------|------------|--------|----------------|------------|--------|----------------|------------|--------|
| | State Share | Fed. Share | Total | State Share | Fed. Share | Total | State Share | Fed. Share | Total |
| Reg. Prog. Costs | 12,500 | --- | 12,500 | 11,800 | --- | 11,800 | 10,500 | --- | 10,500 |
| Coverage | 100 | --- | 100 | 1,100 | --- | 1,100 | 1,000 | --- | 1,000 |
| Ben. Stds. | 200 | --- | 200 | 1,500 | --- | 1,500 | 1,400 | --- | 1,400 |
| E.B. | 1,400 | 1,500 | 2,900 | 1,400 | 1,400 | 2,800 | 1,100 | 1,200 | 2,300 |
| Total Costs | 14,200 | 1,500 | 15,700 | 15,800 | 1,400 | 17,200 | 14,000 | 1,200 | 15,200 |
| Reg. Prog. Costs | 10,500 | --- | 10,500 | 11,500 | --- | 11,500 | 12,500 | --- | 12,500 |
| Coverage | 1,000 | --- | 1,000 | 1,000 | --- | 1,000 | 1,100 | --- | 1,100 |
| Ben. Stds. | 1,400 | --- | 1,400 | 1,500 | --- | 1,500 | 1,600 | --- | 1,600 |
| E.B. | 600 | 600 | 1,200 | 500 | 500 | 1,000 | 500 | 600 | 1,100 |
| Total Costs | 13,500 | 600 | 14,100 | 14,500 | 500 | 15,000 | 15,700 | 600 | 16,300 |
| Reg. Prog. Costs | 13,700 | --- | 13,700 | 14,900 | --- | 14,900 | | | |
| Coverage | 1,200 | --- | 1,200 | 1,300 | --- | 1,300 | | | |
| Ben. Stds. | 1,800 | --- | 1,800 | 1,900 | --- | 1,900 | | | |
| E.B. | 600 | 600 | 1,200 | 600 | 700 | 1,300 | | | |
| Total Costs | 17,300 | 600 | 17,900 | 18,700 | 700 | 19,400 | | | |

^{1/} Economic assumptions based on the Administration's mid-session review of the 1976 budget.

June 25, 1975

THE WHITE HOUSE

WASHINGTON

June 30, 1975

MEMORANDUM FOR THE PRESIDENT

SUBJECT: National Commission on Unemployment Insurance

The Federal Advisory Council on Unemployment Insurance composed of labor, management and public members who advise the Secretary of Labor on the Nation's unemployment insurance program, unanimously recommended the establishment of a National Commission on Unemployment Insurance in both 1974 and 1975.

The rationale for a thorough review of unemployment insurance is three-fold: First, it has been 40 years since the establishment of this primary payment program for unemployed workers. Changes have been made in the program on an "ad hoc" basis; yet, there has been no recent and comprehensive review of the impact of these changes. Secondly, it is likely that Congress will enact legislative proposals resulting in virtual universal UI coverage. Thus, it is an appropriate time to review such issues as benefit duration, State-Federal relations and program financing. Thirdly, income maintenance and income transfer programs are an increasingly significant portion of Federal, state and local budgets. It seems advisable to clarify the relationship that should exist between UI benefits and assistance type programs based on need.

H.R. 6900 directs the Secretary of Labor to complete a comprehensive study and to submit appropriate recommendations to the Congress on the two temporary unemployment insurance programs included in that measure. The Secretary of Labor feels that this study would serve as a useful complement to a more broadly-based national study commission.

Recommendation: That you approve the creation of a National Commission to study the unemployment insurance program.

Approve

RR7

Disapprove

If you approve the creation of a National Commission to study the unemployment insurance program four issues concerning the composition, duration, mandate, and appointment of such a commission require your decision.

Issue 1: Mandate. Should the Commission agenda focus on a narrow range of critical issues or should the mandate be sufficiently broad to encompass the entire UI and related assistance programs?

Option A: Restricted Mandate

The Commission could narrow its focus and address one or two specific issues, i.e. long-range program financing or the economic conditions which should exist before extended benefits are paid.

Pros:

- The study could be completed before the end of 1976.
- The results of the study could be implemented more quickly.
- The study might produce initiatives for your 1976 State of the Union program.

Cons:

- A narrow focus combined with a limited (6-7 month) duration would virtually necessitate restricting appointments to individuals already familiar with UI.
- Restricting the work of the Commission would leave unresolved important issues not addressed and would increase the potential for disagreements on program direction.

Option B: Broad Mandate

The Commission would be free to address any issue related to unemployment insurance including an examination of the basic principles underlying the system as well as the relationship of UI to income maintenance and to the reemployment process.

Pros:

- A broad mandate is necessary to ensure comprehensive examination of the elements of the future direction of the unemployment insurance system.
- A broad mandate will enhance the potential for reaching agreement on program direction, particularly between labor and management.

Cons:

- A broad mandate may result in an examination of areas, such as the respective roles of the Federal and State

governments, where fundamental change is not desired by the Administration.

Option C: Broad Mandate with Specific Directives

The Commission could be given a broad mandate coupled with the stipulation that it examine certain specific issues. These might include, but not be limited to: Program financing, programmatic concerns such as disqualifications, coverage, aspects of the benefit formula, the relationship of unemployment insurance to other income programs, and the linkage to other manpower programs.

Pros:

- Same as in Option B.
- Requirement that the Commission examine certain specific issues would give the study an initial focus and sense of direction as well as ensuring that the study addressed the issues outlined above.

Cons:

- Same as in Option B.

Decision

| | | |
|----------|-------|--|
| Option A | _____ | Restricted Mandate |
| Option B | _____ | Broad Mandate |
| Option C | _____ | Broad Mandate with Specific Directives |

Issue 2: Duration. What is an adequate time period for the Commission to undertake its work?

The appropriate duration for a study commission is directly related to the scope of its inquiry. There is general consensus that, whatever the terms of reference, the study commission should not report prior to December 31, 1976. If you approve the proposal of a commission it is anticipated that legislation establishing the Commission would be enacted by December 1975 with members appointed by May 1976.

Option A: Seven month study completed by December 31, 1976.

Pros:

- This time period is appropriate if the study is restricted to the consideration of one or two selected key issues.

Cons:

- It is generally felt that this short a duration would be inadequate to successfully address a wide range of issues as envisaged in a study with a broad mandate.

Option B: A full year study completed by June 30, 1977.

Pros:

- Would permit adequate time for exploration of a full range of issues.
- Would permit additional time for public education on the issues under consideration.

Cons:

- Recommendations of the Commission would not be available until June 1977.

Decision

Option A _____ A Seven Month Study

Option B _____ A Full Year Study

Issue 3: Composition of Commission Membership

The central issue regarding the composition of the Commission is whether or not it should include Members of Congress. Three considerations seem paramount:

- Congressional participation would enhance the likelihood of congressional commitment to the recommendations of the Commission.
- Congressional participation would bring to bear the expertise of key members with significant experience with the UI system.
- Congressional participation might restrict the creativity of the Commission due to partisan considerations.

Option A _____ Include Congressional Participation

Option B _____ Exclude Congressional Participation

Issue 4: Appointment of Commission Members

Presidential appointment of all Commission members would permit careful attention to and control of the balance and diversity of the Commission membership.

Congressional participation in the appointment process would likely enhance Congressional attention to and acceptance of the recommendations of the Commission.

Option A _____ Presidential Appointment of all
Commission Members

Option B _____ Shared Presidential-Congressional
Appointment Power

Based on your decisions regarding the composition and appointment of Commission members the Economic Policy Board will make further recommendations regarding the mix of private sector, Congressional and Executive Branch participation.

June 30, 1975

SUMMARY OF ISSUES AND OPTIONS

Permanent Unemployment Insurance Changes

Issue 1: Should the Administration propose certain changes in permanent UI legislation now, or should all issues be referred to a study commission?

Option A _____ Make proposals in certain areas now.

Option B _____ Make no proposals now. Appoint a study commission to analyze and make recommendations.

Issue 2: Should coverage under the permanent State unemployment insurance program be extended to workers now covered only by temporary legislation (mainly farm workers, domestics, State and local government employees) and include the Virgin Islands' system in the State-Federal program?

Option A _____ Extend permanent coverage to all workers now covered by the temporary legislation and include the Virgin Islands.

Option B _____ Extend coverage, but on a limited basis, to:

- (1) Workers on large farms--four or more workers or a quarterly payroll of \$5,000 or more.
- (2) Workers in domestic service for employers with quarterly payrolls of \$500 or more.
- (3) Workers in educational institutions and hospitals operated by State and local Governments.
- (4) Workers in the Virgin Islands, by bringing its program into the regular Federal-State unemployment insurance system.

Issue 3: Should the financing provisions of the unemployment insurance program be amended now or later?

- Option A _____ Make changes in the financing provisions this session to become effective in 1977.
- Option B _____ Make no changes in the financing provisions and rely upon already authorized advances from general funds.

If it is decided to make changes in the financing provisions in this session (Option A), one or more of the following alternatives are available:

- Alt. 1-A _____ Increase the wage base from the present \$4,200 to \$6,000 for CY 1976 wages.
- Alt. 1-B _____ Increase the wage base to \$6,000 for CY 1976 wages and to 2/3 of the average annual wage (rounded to the next higher \$1,000) for each year thereafter.
- Alt. 2 _____ A temporary increase in the FUTA tax rate from 0.5 to .65 percent. The FUTA rate would be reduced to a .45 percent after all advances to the Federal Extended Unemployment Compensation Account have been repaid.

Issue 4: Should the present State triggering mechanism for the regular extended benefit program be continued or modified?

- Option A _____ Change the State trigger from four percent not seasonally adjusted and 120 percent above the same period in the prior two years to a 4.0 percent seasonally adjusted rate, computed on the basis of a 13 week moving average.
- Option B _____ Same as Option A plus establishment of an "area program" to pay benefits in a sub-State area with Federal sharing.
- Option C _____ Leave triggers as presently structured.

Issue 5: Should a benefit ceiling be established which would insure that a larger proportion of claimants receive benefits equal to one half of their prior pre-tax wages?

Option: Legislate that each State provide each individual with a weekly benefit amount equal to at least 50 percent of his average weekly pretax wage up to a State maximum which is at least 2/3 of the Statewide average weekly wage for that State's covered workers.

Approve _____ Disapprove _____

National Commission on Unemployment Insurance

Recommendation: That you approve the creation of a National Commission to study the unemployment insurance program.

Approve _____ Disapprove _____

Issue 1: Should the Commission agenda focus on a narrow range of critical issues or should the mandate be sufficiently broad to encompass the entire UI and related assistance programs?

Option A _____ Restricted Mandate

Option B _____ Broad Mandate

Option C _____ Broad Mandate with Specific Directives

Issue 2: What is an adequate time period for the Commission to undertake its work?

Option A _____ Seven month study completed by December 31, 1976.

Option B _____ A full year study completed by June 30, 1977.

Issue 3: Composition of Commission Membership

Option A _____ Include Congressional Participation

Option B _____ Exclude Congressional Participation

Issue 4: Appointment of Commission Members

Option A _____ Presidential Appointment of all Commission members.

Option B _____ Shared Presidential-Congressional Appointment Power.

June 30, 1975

SUMMARY OF ISSUES AND OPTIONS

Permanent Unemployment Insurance Changes

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Option A _____ Make proposals in certain areas now.

Option B _____ Make no proposals now. Appoint a study commission to analyze and make recommendations.

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Option: Legislate that each State provide each individual with a weekly benefit amount equal to at least 50 percent of his average weekly pretax wage up to a State maximum which is at least 2/3 of the Statewide average weekly wage for that State's covered workers.

Approve _____ Disapprove _____

National Commission on Unemployment Insurance

Recommendation: That you approve the creation of a National Commission to study the unemployment insurance program.

Approve _____ Disapprove _____

Issue 1: Should the Commission agenda focus on a narrow range of critical issues or should the mandate be sufficiently broad to encompass the entire UI and related assistance programs?

Option A _____ Restricted Mandate

Option B _____ Broad Mandate

Option C _____ Broad Mandate with Specific Directives

Issue 2: What is an adequate time period for the Commission to undertake its work?

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Option A _____ Include Congressional Participation

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Issue 4: Appointment of Commission Members

Option A _____ Presidential Appointment of all Commission members.

Option B _____ Shared Presidential-Congressional Appointment Power.