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THE WHITE HOUSE

WASHINGTON

April 22, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

JAMES T. LYNN

FROM:

JAMES E. CONNOR *JEC*

SUBJECT:

1980 Winter Olympics

Confirming phone call to Jim Jura of your office last evening the President reviewed your memorandum of April 6 on the above subject and approved the following option:

Option C. Limit the Federal role to the currently estimated cost of the sports facilities and no more than 50% of the cost of overruns for those facilities.

The President also approved your recommendation for the implementation of his decision.

Please follow-up with appropriate action.

cc: Dick Cheney

THE PRESIDENT HAS SEEN....

THE WHITE HOUSE

WASHINGTON

April 21, 1976

MR PRESIDENT:

Winter Olympics and Radio Free Europe

Attached is a decision memorandum with recommendations for you on what, if any, Federal support should be provided for the 1980 Winter Olympic Games at Lake Placid. In September of 1974 you sent a letter to Lord Killian, President of the International Olympic Committee, in which you invited the committee to stage the 13th Winter Olympic Games at Lake Placid, New York. The International Committee has now officially selected Lake Placid as the site for the 1980 Winter Olympics, and the Lake Placid Organizing Committee is busy making plans and preparations.

In the attached paper Jim Lynn recommends "Limiting the federal role to funding only the currently estimated costs of the permanent sports facilities, and no more than 50% of any cost overruns for those facilities. Estimated cost: \$28 million. Messrs. Buchen, Cannon, Marsh, Scowcroft and Seidman concur in OMB's recommendation.

Max Friedersdorf believes we should "Attempt to limit financial responsibility to the permanent sports facilities needed, but obtain standby authority to provide loans or loan guarantees for the costs of the supporting facilities if such assistances is needed: Estimated cost: \$28 to \$40 million (Option B). Jack Marsh would select this as a second choice.

Jerry Jones believes that we should provide no financial assistance (Option E) and comments "I don't think the U.S. Government should be in the business of financing these games (and others to follow). This is not a Government function. He would, however, support Limiting the Federal role to funding only unique national sport facilities. (\$10 million) (Option D).

There is a related matter that you should be aware of. Radio Free Europe's press credentials were lifted last winter at the Olympics in Innsbruck. The Soviets seized upon a technicality in the application of Radio Free Europe and forced a vote in the International Olympic Committee denying them credentials.

Radio Free Europe has been granted accreditation for the Olympic Games this summer in Montreal. It is possible that the Soviets will try again to block Radio Free Europe's representation, but Radio Free Europe's application for the summer games contains no flaws which could be the excuse for another denial. We cannot say with any assurance that Radio Free Europe will not run into credential problems in the future. We don't think they will, but we can't guarantee it.

We checked with the Board for International Broadcasting, and they recommend that in any announcement you make about Federal support for Lake Placid that you say that "these facilities shall be available to all national and international broadcast organizations without political discrimination." The U.S. Olympic Committee and NSC argue against any such statement. They recommend that you consider financial support for the Lake Placid Winter Olympic Games on its merits and that we use other channels to ensure that Radio Free Europe is permitted to cover the games.

RECOMMENDATION:

That you approve the OMB recommendation to limit the federal role to funding only the currently estimated costs of the permanent sports facilities, and no more than 50% of any cost overruns for those facilities. Estimated cost: \$28 million (Option C).

Jim Connor



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

APR 6 - 1976

ACTION

MEMORANDUM FOR: THE PRESIDENT
FROM: James T. Lynn
SUBJECT: 1980 Winter Olympics

THE ISSUE

What is the appropriate Federal Government role in financing the 1980 Winter Olympics to be held at Lake Placid, N. Y.?

BACKGROUND

Lake Placid has been selected by the International Olympic Committee to host the 1980 Winter Olympic Games, February 14-23, 1980. Senators Javits and Buckley and Representative McEwen have sponsored legislation (S. 2184 and H.R. 8906) to provide a special authorization of \$50 million in Federal support to Lake Placid, to be administered by the Secretary of Commerce. The \$50 million funding level is based upon a proposal developed by the Lake Placid Organizing Committee.

No specific commitments have been made by the Federal government to provide financing for these Olympics. Your letter to Lord Killanin, President of the International Olympic Committee, endorsed Lake Placid as the site, but provided no expressed commitment of financial support. The Lake Placid Organizing Committee, however, has always assumed that some level of Federal assistance would be provided. At the time its proposal was submitted to the International Olympic Committee, the Lake Placid group indicated it would need about \$16 million in Federal assistance.

The only precedent for Federal support to an Olympics is Squaw Valley in 1960. In that case, a \$3.5 million ice arena was built on Federal land and is still under Federal ownership. In addition, \$500,000 was spent for military support personnel.

The current proposal of the Lake Placid Organizing Committee estimates total costs of the Games at almost \$80 million.

The following table summarizes the current rough estimates of total costs, and offsetting revenues. It also indicates the proposed Federal, State and local shares, as now planned by the Lake Placid group. The State and local share of costs would be about \$30 million, but over half of this amount would be recovered through either normal Federal grants, or through revenues from T.V. rights, gate receipts, marketing and licensing. The requested Federal share of costs would cover all permanent sports facilities and almost all temporary supporting facilities except for some sports facilities located in the State Park which would be funded by the State.

Lake Placid Organizing Committee Proposal
Estimated Net Costs
(\$ in millions)

	<u>Federal</u>	<u>State</u>	<u>Local</u>
Sports Facilities	\$28.0	\$14.0	\$-0-
Support Facilities	22.0	-0-	-0-
Support Services	-0-	2.0	13.7
Subtotal	<u>50.0</u>	<u>16.0</u>	<u>13.7</u>
Offsetting Revenues	-0-	-0-	13.0
Normal Federal Grants	-	4.0	-0-
	<u> </u>	<u> </u>	<u> </u>
Net Costs	\$50.0	\$12.0	\$ 0.7

The attachment provides a more detailed discussion of the proposed facilities, and the possible Federal, State and local roles.

A major consideration in determining what assistance should be provided for Lake Placid, is the implication it may have for Federal assistance to future sports events. It is likely that similar requests for assistance will be made by Los Angeles, in bidding for the 1984 Summer Olympics. Also, Puerto Rico will host the 1979 Pan American Games and legislation has already been introduced to provide Federal assistance. Thus, the precedent established for Lake Placid is particularly important.

Another important consideration is that if the Federal Government assumes any financial responsibility whatever, it is likely to be under heavy pressure to bail out the Lake Placid Committee if it runs into financial difficulties which threaten the Games. There are many possibilities for major cost overruns.

The current facility cost estimates appear adequate, but they are quite tentative. They include a 30 percent factor for inflation and contingencies. Construction problems can easily occur, however, which would upset these estimates. In addition, the estimated administrative costs could go higher. The proposal of the Lake Placid Organizing Committee assumes that all administrative costs will be recovered in revenues from T.V. rights, gate receipts and marketing. But this is highly speculative, especially given the Committee's lack of experience in managing a competition of this size and complexity.

It appears that the Congress will be receptive to proposals from the Administration regarding the appropriate Federal role. The Chairman of the responsible Senate Committee, Senator Magnuson, has stated that his Committee will be reluctant to consider a bill to assist Lake Placid unless he is assured that it will be acceptable to the Administration.

OPTIONS

- A. Assume responsibility for financing the facilities, as proposed by the Lake Placid Organizing Committee. Estimated cost: \$50 million or more.
- B. Attempt to limit financial responsibility to the permanent sports facilities needed, but obtain standby authority to provide loans or loan guarantees for the costs of the supporting facilities if such assistance is needed. Estimated cost: \$28 to \$40 million. (Department of Commerce recommendation.)
- C. Limit the Federal role to funding only the currently estimated costs of the permanent sports facilities, and no more than 50% of any cost overruns for those facilities. Estimated cost: \$28 million. (OMB recommendation.)
- D. Limit the Federal role to providing funds only for those permanent sports facilities which would be unique national facilities, and provide no additional funds for cost overruns. Estimated cost: \$10 million.
- E. Provide no special financial assistance. Any Federal assistance would be limited to that which Lake Placid could obtain in normal competition for available funds under existing programs.

Discussion of Options

Option A

It is argued that hosting events like the Olympics is of substantial national importance because of the international relations benefits, the economic benefits resulting from the event, and the benefits derived from stimulating public interest in sports and competition. It is also argued that another failure to successfully host the Olympics (after the Denver experience) would be a serious blow to our international image, and would jeopardize the chances of being invited to host any future Olympic event. These are the primary arguments presented by the Lake Placid Organizing Committee in support of its proposal that the Federal Government assume primary responsibility for the cost of the facilities needed for the event.

Although the nation may benefit from hosting an Olympic event, it is expected that the hosting State and local communities also will receive the most important benefits. In particular, the economic benefits will accrue primarily to the State and local areas. For example, a preliminary economic impact study estimates that the Lake Placid region will receive economic benefits of more than \$60 million before, during and for the 10 years after the Olympics. In view of these benefits, it is appropriate for the hosting State and communities to play a substantial role in financing the costs of such an event.

There also is concern that the general availability of Federal funding will encourage future hosting communities to expect Federal assistance and to develop unnecessary or extravagant facilities. The proposal for Federal funding prepared by Lake Placid includes plans for facilities, such as an entirely new complex to house athletes, which almost certainly would not be included if funding were to be provided by the State or local governments. If the Federal government assumes the primary responsibility for the cost of the facilities, it also is likely that it will be expected to cover the cost of overruns.

Although there are serious disadvantages with assuming a major funding responsibility, it is unlikely that any local community group or State will be willing to finance the full cost of a modern Olympics. The cost of hosting an Olympic Games has grown greatly in the past 10 to 15 years. A community like Lake Placid could not afford to

pay for even the minimum essential facilities required. The State could arrange to finance the costs, but it is unlikely to be willing to allocate the large amount needed.

All indications are that without a significant Federal participation in the costs, the 1980 Winter Olympic Games will not be held at Lake Placid. It also can be expected that no future Olympics will be held in this country without significant Federal financial assistance.

There are alternative levels of Federal financial responsibility which should permit the hosting of the Olympics in this country while trying to minimize the undesirable features of assuming primary financial responsibility.

Option B

There are certain sports facilities which are required in order to host the competitions, such as a 90 meter ski jump and a luge run, which will have a lasting value for training and competition for the local area and for athletes throughout the country. They will be available for many years for future competitive events, for training of U.S. athletes, and for public use. If Federal financial assistance were restricted to these required sports facilities, it would provide a basis for limiting Federal funding, while assuring that the most critical facilities are available for the Olympics and available for future use as national sports facilities.

The Department of Commerce believes it would be appropriate to try to limit Federal assistance to these sports facilities, but it is concerned that the Lake Placid group and the State may not be able to obtain adequate funds to cover the costs of the support facilities and services, and that the lack of such funds could jeopardize the Olympics. Commerce suggests that it obtain standby authority to provide loan guarantees or direct loans for support facilities if such assistance is necessary to permit hosting the Olympics.

The problem with obtaining such standby authority is that it could reduce pressures on the Lake Placid Committee and the State to exercise budgetary constraint and to maximize other sources of revenue. Also, it would establish the undesirable precedent of the Federal Government assuming some responsibility for the cost of support facilities.

Option C

This option also would assure the necessary facilities for the competitive events.

It would try to avoid a precedent of Federal funding of support facilities, including housing, spectator and administrative facilities, and for support services. These latter areas offer more opportunities for cost overruns and local extravagance. Also for a summer Olympics the support facilities and services would generally be much more costly than the sports facilities. Avoiding the precedent of Federal responsibility for support costs could have major significance for a summer Olympics.

In the case of Lake Placid, it appears that the State and local communities would be able to cover the costs of the housing, administrative and spectator facilities and support services if the effort is well managed and if they opt for relatively spartan facilities rather than selecting more costly options. It is expected that revenues from T.V. rights, gate receipts and marketing/licensing will cover all organization and administrative costs, and may cover a significant portion of these support facilities' costs. An analysis of the Lake Placid plans indicates that it may be possible to substantially reduce the cost of many of the support facilities by using existing, less desirable, but adequate facilities.

This option also proposes to limit the Federal responsibility for cost overruns on the sports facilities to no more than 50% of the cost of overruns above the current estimates. We believe that the current estimates provide ample factors for inflation and contingencies and should not be exceeded under reasonable management. A 50% cost sharing of overruns would assure, however, that the Lake Placid group exercises close cost controls and avoids major upgrading of the planned facilities.

Option D

This option would provide funding only for the sports facilities that are unique in the country. This would include the ski jump, the luge and the speed skating track, but it would not include the ice skating arena. The arena, however, is by far the most costly sports facility needed (about \$18 million).

This option would limit Federal funding for Lake Placid to only about \$10 million, and it would also greatly limit the precedent effect. There are few, if any, unique sports facilities associated with a summer Olympics.

It is doubtful that Lake Placid and the State would be able or willing to provide the funds for the ice skating arena. It would be very difficult to host the ice skating and hockey competitions without the new arena. Also, the lack of this second arena would severely restrict spectator space for the competitions and the ceremonies.

Option E

This option would provide no special Federal assistance. It is unlikely that the Lake Placid group or the State could obtain enough funding through competition for available program funds, to permit them to host the Olympics. Even if they could obtain the necessary funds, there may be delays in funding which would prevent them from completing construction in time.

RECOMMENDATION

Option C is recommended. It should provide sufficient Federal assistance to permit Lake Placid to host the Olympics, while minimizing the Federal role and limiting the precedent for future requests.

DECISION

- _____ Option A. Assume responsibility for financing the facilities as requested.
- _____ Option B. Attempt to limit financial responsibility to the sports facilities needed, but have standby authority for support facilities. (Commerce recommendation)
- RR7 _____ Option C. Limit the Federal role to the currently estimated cost of the sports facilities and no more than 50% of the cost of overruns for those facilities. (OMB recommendation)
- _____ Option D. Limit the Federal role to funding only unique national sport facilities. (\$10 million)

_____ Option E. Provide no special financial assistance.

Implementation

It is proposed that under any of the first four options, every effort would be made to use existing program authorities and appropriations to meet the Federal responsibility. This will minimize new Federal outlays. It may not be possible to cover all costs under existing program authorities. Thus, it is recommended that the Administration request special purpose legislation to provide authority to meet specific needs which cannot be met under existing programs. Under the recommended option, the Administration would request authority for appropriations to supplement existing programs in the financing of the sports facilities only. Appropriations would be requested only if needed. This legislation would specify that maximum use is to be made of existing authorities and that the Secretary of Commerce would have overall responsibility to coordinate Federal assistance. It also would specify that the Federal Government would not pay more than 50% of the cost of overruns on the construction of the sports facilities.

ME7 Agree

_____ Disagree

Attachments

PROPOSED FACILITIES FOR THE 1980 WINTER OLYMPICS

Facilities Proposed by Lake Placid Committee for Federal Funding

New Sports Facilities. The proposal requests Federal funding for \$28 million in new permanent facilities. These facilities would be available for use after the conclusion of the Games. Included are a 400 meter outdoor speed skating oval; a field house with two ice sheets, seating for 9,000, and connecting dressing and equipment facilities; a 90 meter ski jump; a luge run; and improvements in existing municipally owned electrical distribution system to handle the new facilities. All of these facilities, with the exception of the field house, would be unique or rare in the United States. Presently, there is no approved 90 meter ski jump nor luge run. The only 400 meter speed skating oval, in Wisconsin, is open for general public use, and thus is difficult to maintain at competition standards and to make available for training and organized competition. The field house, together with the existing ice arena, would provide training facilities for figure skating and hockey, but would not be unique. Collectively, the new and existing facilities would provide the best winter sports facilities for training and organized competition available in this country.

Housing for Athletes and Officials. The proposal presented represents the most costly method for providing these facilities, i.e., the construction of an Olympic Village costing \$15 million. Since the area has no need for additional low income housing and marginal potential for additional commercial housing, an Olympic Village would have little long term value. There is currently underway exploration of an alternative. A State-owned hospital complex, which is near Lake Placid, is scheduled for closing. It may be possible to renovate this facility, use it for housing the athletes and officials (1600 persons) and subsequently convert it to a regional mental health facility or other purpose. The Organizing Committee analyzed the possibility of using existing hotel facilities, but concluded this would be undesirable. The small number of units available at any one location, together with security requirements, were the basis for this conclusion.

Since it is unlikely that a permanent Olympic Village will be built due to a lack of subsequent use, housing costs will probably be considerably less than estimated in the proposal. But how much less cannot be determined at this time.

Other Support Facilities. Supporting facilities, which are needed for use only during the Games are: additional seating capacity in the existing ice skating arena; administrative offices; parking for 2,000 automobiles; a T.V. center; temporary sanitary and water facilities; and miscellaneous construction. Their total estimated cost is \$7 million.

Improvements to the existing ice arena would provide temporary additional seating capacity for 5,000 and cost \$754,000. Ticket sales could be used to finance at least part of this. Administrative offices would be provided by remodeling the present town hall at a cost of \$1 million. It may be possible that the high school can be used for this purpose, however. Temporary parking for 2,000 automobiles is estimated to cost \$709,000. While parking will certainly be a problem, it should be possible to cover most of the cost through user charges. A T.V. center costing \$1.2 million, which is to be a building shell in which the equipment for broadcasting can be placed, should be financed thru user charges. It may be possible for this building to be later used as a bus barn for either the school district or local government, thus reducing the Olympic Games cost.

Necessary temporary water and sanitary facilities (\$419,000) and needed miscellaneous temporary construction (\$3 million) such as score boards and judges stands, probably could be financed from ticket sales, royalties or other means.

State and Locally Provided Facilities

By the State of New York. The State is anticipating making significant improvements to the Whiteface Mountain Ski Center where the Alpine ski events will be held (downhill, slalom and giant slalom races). Included are three new chair lifts, increased snow making capacity, buildings, parking, utilities and ski trail improvements.

Mt. Van Hoevenberg will be the site of the bobsled, luge, curling, biatholon and cross country events. This State facility will require improvements, including refrigeration of the present bobsled run, curling building, improvements to the ski trails, a closed circuit television system, and utilities.

It is currently estimated that the State will spend \$14 million in making these improvements. Of that amount, approximately \$4 million is expected to be grant-in-aid funds provided by the Bureau of Outdoor Recreation. Thus, the net State outlay will be about \$10 million.

Improvements by the Village of Lake Placid. The village anticipates spending approximately \$700,000 for improvements to existing municipal facilities such as parking, service vehicles and equipment, water pumping station and distribution system, and sewage disposal plant.

Summary

In total the cost of staging the 1980 Winter Games could require about \$80 million for facilities and administrative costs. Under the Lake Placid Organizing Committee proposal the Federal government would provide \$50 million largely for new facilities. The State of New York would provide \$14 million, \$4 million of which would be Federal grant in aid for improvements in existing State facilities. Plus, they will provide all needed security (estimated cost \$2 million). The village of Lake Placid would provide less than \$1 million. The Organizing Committee will provide \$13 million for administrative expenses, but it is expected that these administrative expenses will be covered by revenues from T.V. rights, ticket sales, etc.

Lake Placid Organizing Committee's
Proposed Federal Funding
Estimated Outlays by Fiscal Year
(\$ in thousands)

	<u>FY 77</u>	<u>FY 78</u>	<u>FY 79</u>	<u>FY 80</u>	<u>Totals</u>
<u>Sports Facilities</u>					
Speed Skating Oval*	1,968	-	-	-	1,968
Field House	9,240	7,212	1,612	-	18,064
Ski Jump*	444	2,193	367	-	3,004
Luge*	-	1,828	2,300	-	4,128
Elec. System required for Sports Facilities	830	-	-	-	830
Subtotal	<u>12,482</u>	<u>11,233</u>	<u>4,279</u>	<u>-</u>	<u>27,994</u>
<u>Support Facilities & Other Costs</u>					
Administrative Offices	968	-	-	-	968
Add Seating to Existing Ice Arena	568	186	-	-	754
T.V. Center	591	616	-	-	1,207
Parking	709	-	-	-	709
Sanitary & Water Facilities	278	141	-	-	419
Miscellaneous Temporary Construction	-	1,080	1,620	300	3,000
Subtotal	<u>3,114</u>	<u>2,023</u>	<u>1,620</u>	<u>300</u>	<u>7,057</u>
<u>Athletes' Housing**</u>					
Athletes & Officials Housing & Related Facilities	<u>2,221</u>	<u>5,476</u>	<u>5,520</u>	<u>1,732</u>	<u>14,949</u>
	<u>2,221</u>	<u>5,476</u>	<u>5,520</u>	<u>1,732</u>	<u>14,949</u>
<u>Summary</u>					
Sports Facilities	12,482	11,233	4,279	-	27,994
Support Facilities					
- Admin. & Spectator Facilities	3,114	2,023	1,620	300	7,057
- Housing	2,221	5,476	5,520	1,732	14,949
Totals	<u>17,817</u>	<u>18,732</u>	<u>11,419</u>	<u>2,032</u>	<u>50,000</u>

* Denotes those sports facilities which would be unique national facilities.

** Olympic housing cost estimates are very speculative. Costs shown here are maximum possible. It may be feasible to avoid any major new construction for housing athletes and officials.

THE WHITE HOUSE
WASHINGTON

April 9, 1976

MEMORANDUM FOR: JIM CONNOR
FROM: ED SCHMULTS 
SUBJECT: Lynn Memo 4/6/76 re 1980
Winter Olympics

While the Counsel's office supports Option C, which is recommended by OMB (presumably on the theory that the permanent sports facilities to be funded will represent a national resource), we suggest that the options presented be cast as statements of principle, rather than dollar amounts, because (1) there will undoubtedly be a negotiation with Congress as to the dollar amounts and (2) the basis of federal participation may well be a precedent for future national sports events.

We also note that in the wake of the violence at the Munich Games, P.L. 92-539 (18 USC 112) was enacted to create a federal crime covering threats, assaults, etc., against visiting Olympic athletes. This would suggest some federal commitment to guarantee security at Lake Placid.