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THE WHITE HOUSE

WASHINGTON

February 22, 1975

MEMORANDUM FOR: THE PRESIDENT

FROM: RON NESSEN

Attached is your Briefing Book for the Press Conference in Florida on Wednesday, February 26.

Included are Q&A's on the economy and budget, energy, general domestic issues, Florida-related and miscellaneous issues. The sections on foreign policy and the CIA will be submitted to you on Monday.

An obvious question, which is not included in the book, would be a request for your views on the sentencing of Haldeman and the others.

## JOB OPPORTUNITIES PROGRAM

### Question:

Why is funding eliminated for the Commerce Department's "Job Opportunities Program" (known as the "public works" Title of the Emergency Jobs and Unemployment Assistance Act)?

### Answer:

Title III of the Emergency Jobs and Unemployment Assistance Act of 1974 (P. L. 93-567) created--as a new Title X of the Public Works and Economic Development Act--the Job Opportunities Program in the Department of Commerce. The law requires Federal agencies to review their programs and projects to find which ones could create jobs quickly in areas of high unemployment with additional funds. Agency recommendations go to Commerce for joint review with the Department of Labor. Commerce then allocates funds to the agencies. The urgent supplemental appropriation act of January 3, 1975, provided \$125 million for this purpose, derived by transfer from the \$1 billion appropriated for direct public service job creation through the new Labor Department program authorized by Title I of the Emergency Jobs Act. (Title I created a new Title VI for the Comprehensive Employment and Training Act (CETA), which provides for public sector jobs through December 31, 1975. The program is funded by an appropriation for "Temporary Employment Assistance (TEA)).

The budget proposes restoring the \$125 million to Temporary Employment Assistance. Use of the funds has been deferred to permit action on my request. As I said upon signing P. L. 93-567, I believe that the Labor Department program could create more jobs more efficiently than the Commerce Department program.

The Secretaries of Labor and Commerce are proceeding with the review of agency recommendations as required by law.

If my proposal is accepted by the Congress, the \$125 million would be added to the \$875 million now available for the public job creation. The new funds would be used to create 14,000 public sector jobs in addition to the 97,000 being created by existing TEA funds. The budget also provides for approximately 170,000 more public sector jobs in 1975 and 1976 with over \$1 billion under the appropriation for Comprehensive Manpower Assistance.

O. M. B.

✓ Energy v. GNP

Q. Mr. President: There are some discrepancies between the estimates of your Administration of the effect of your energy program upon prices and the estimates of others outside of the government. Do you still stand by your estimates of a 2 percent increase?

A. Yes we do. Our estimates are realistic and based upon the best information that we have available to us. Our initial estimate was that the energy program would add about 2 percent to the level of prices. Special studies by outside economists for the Council on Wage and Price Stability have estimated very similar effect upon prices as have other quite independent studies. Economists at the Wharton School of Finance have also estimated that the energy program would increase prices by about 2 percent. I would emphasize that all such forecasts, including our own, are subject to uncertainty but we feel quite confident that our initial estimates of a 2 percent price effect are realistic and accurate.

## EXTENDED BENEFITS PROGRAM

### Question:

What about the Extended Benefits Program? Are many claims being filed under this?

### Answer:

This program began Feb. 2 in Florida. Through Feb. 14, 9,317 claims have been filed with \$89,391 in benefits paid state-wide. Extended benefits are expected to reach a volume of 25,000 with a nine-week average duration, for total payments of about \$13 million under this program.

2/21/75  
R. D. Semerad

UNEMPLOYMENT INSURANCE

Question:

How are unemployment insurance payments running in the state?

Answer:

Insured unemployment for the week ending Feb. 8 was 4.65%, the highest in the history of the Unemployment Insurance program in Florida.

2/21/75  
R. D. Semerad

CETA

Question:

How much money has this area received under the Comprehensive Employment and Training Act (CETA)?

Answer:

Dade and Monroe Counties have been allocated more than \$18.6 million, while Broward County allocations total \$8.4 million. CETA funding for the state as a whole totals \$94 million.

2/21/75

## SPECIAL UNEMPLOYMENT ASSISTANCE

### Question:

Are many people taking advantage of the Special Unemployment Assistance Program?

### Answer:

Through February 14, 2,643 claims totaling \$150,727 have been filed in Florida under the Special Unemployment Assistance Program. As the South Florida truck farming industry completes the current season in mid-April to early May, it is anticipated that as many as 25,000 migrant farm workers could qualify under this special program, bringing weekly payments to approximately \$1,600,000.

2/21/75



## MEDICAL MALPRACTICE INSURANCE

### Question:

As medical malpractice suits increase, more and more doctors in a number of States are finding that medical malpractice insurance policies will no longer be written by their insuring companies. The adverse effect has been twofold. First, older doctors are retiring prematurely and, secondly, health care costs are going up because added tests and procedures are being ordered as a defensive measure. Is the Federal Government going to do something about this?

### Answer:

Under the direction of Dr. Roger Egeberg, HEW has been meeting with groups of physicians, hospital administrators, insurance company executives who write malpractice insurance, and State insurance commissioners in an effort to resolve this serious issue. We have been urging insurance companies not to take precipitous action which has an adverse effect on malpractice insurance.

In the meantime, we will continue to work with the States and interested groups so that solutions can be reached at the State rather than the Federal level.

2/21/75  
PGN

QUALITY OF VETERANS MEDICAL CARE

Question:

Does your 1976 budget contain funds to effectuate the recommendations in the VA Chief Medical Director's report on the quality of patient care?

Answer:

Yes it does. Veterans Administration's medical program budget will total \$3.9 billion. That's an increase of \$366 million over 1975 and will support an average employment of 9,425 more than 1975.

2/21/75  
R. D. Semerad

VETERANS HEALTH FACILITIES

Question:

What are your plans for the construction of nursing home care facilities in Florida?

Answer:

The President's FY 1976 Congressional Budget request includes planning funds for new 120-bed nursing home care units at both the Gainesville and Miami Hospitals. Upon completion of the Miami unit the hospital bed space now occupied by 90 temporary nursing home care beds can revert back to hospital bed use.

2/21/75

R. D. Semerad

## MIAMI'S DRINKING WATER

### Question:

Why was Miami chosen for a study of potential cancer-causing contaminants in its drinking water and when will the study results be available?

### Answer:

Miami was chosen for technical reasons as it is typical of many southeastern cities that obtain their drinking water from ground-water sources. It was not chosen because of any anticipated or suspected deficiency. Miami's water supply is highly regarded as an excellent system. Study results are expected to be available by June 30, 1975.

### Background:

Russell Train announced on December 18, 1974, that 80 cities (including Miami) had been selected for an EPA National Reconnaissance Study to determine the concentrations, sources and potential danger of certain organic chemicals in municipal drinking water. The study is an outgrowth of studies and research which found that a number of chemicals which are suspected of being carcinogenic (cancer-causing) are present in small concentrations in drinking water at New Orleans, Louisiana and Cincinnati, Ohio.

EPA scientists hope to determine the types and amounts of various organic compounds that may be present in drinking water and identify the sources of those chemicals. The pollutants may occur naturally in ground water supplies or they may be introduced through natural runoff from land or in agricultural, municipal or industrial discharges. Consequently the cities that were chosen exhibit a variety of characteristics. Some draw their water from surface sources such as rivers and lakes, other (like Miami) depend upon ground water sources. Some sources are highly polluted with industrial, municipal or agricultural wastes. Others, such as Miami, are relatively unpolluted.

The Safe Drinking Water Act of 1974 calls for an EPA interim report to Congress by June 16, 1975, on the findings of this survey. The study is expected to be completed in approximately one year.

M. Duval (N.R.)

2/22/75

Q. Is the National Park Service preparing to open an office and beginning to acquire the Big Cypress land authorized in the new law?

A. Yes. The NPS is studying methods of opening an office and initiating land purchase from willing sellers with the State of Florida's gift of \$40 million.

Q. What is the status of the Big Cypress Airport?

A. Representatives of DOI, DOT and the FAA have been meeting to see if the alternative site is feasible. As you know, the Pact has been extended for two years and I hope we can resolve this issue by then.

Q. What is the status of the Cross State Barge Canal?

A. The Corps of Engineers has initiated a broad-based study, authorized by the Congress, of the project to fulfill its obligations under NEPA. A new cost-ratio study is also being prepared. I would expect that the studies should be complete in late 1975 and the conclusions will be forwarded to Congress with my recommendation.

Q. Has a decision been made to allow strip mining of phosphate in the Osceola National Forest?

A. No decision has been reached. The Secretary of the Interior is waiting for a legal opinion prior to making a final judgment on this complex and very emotional question.

Ron  
these are the  
Q + A's that I  
pulled out  
just

Q. Has the Administration taken a position on the Mackel Brothers' Marco Island dredge and fill permit question?

A. No. The Secretary of Army and the Corps of Engineers have initiated the process of preparing an EIS on the project and will hold public hearings prior to making a final determination on the permit.

THE WHITE HOUSE

WASHINGTON

THE PRESIDENT'S BRIEFING BOOK

(Key Questions Only)

February 26, 1975

- TAB A - ECONOMY AND BUDGET
- TAB B - ENERGY
- TAB C - GENERAL DOMESTIC
- TAB D - FOREIGN POLICY
- TAB E - CIA
- TAB F - FLORIDA-RELATED
- TAB G - MISCELLANEOUS



TAB A

Q. Mr. President, what will the price effects of your energy program be? Will it initiate a new inflationary spiral with the same disastrous effects as following the embargo of 1973?

A. The energy program will increase energy prices, but these price increases will be phased into the economy over the next year or so and thus there will not be a sudden shock. It is especially important to realize that these price increases will not depress the economy as last year's price increases did. They will be offset by corresponding reductions in taxes so that they do not represent a shift of real income from United States consumers to foreign oil producers as was the case in 1973 and early 1974.

Increased energy prices are not popular but they are essential in order to make us self-sufficient and less vulnerable to uncertain foreign supplies. Increased prices will bring on more domestic supplies and equally important it will restrict demand by giving consumers and businessmen incentives to improve the energy efficiency of their automobiles, their houses, their factories, etc.

Even after the full program is in effect, the total price effect will be around 2 percent of the CPI. This is only about 1/20th of the increase in prices since 1967, or about the same as the increase in any two months of 1974.

We should also keep in mind that there will be no further price effects of the energy program after the initial two percent or so increase in prices takes place, but the benefits of the program will be long lasting and fundamental.

It is also important to remember that while the cost of living index is expected to increase approximately 2 percent due to higher energy costs from the energy taxes, this will not mean that consumers are 2 percent worse off. The reason for this is because the energy taxes which are collected will be returned to individuals and businesses in the form of rebates and lower taxes. The fact that taxpayers will have more money due to lower taxes does not show up in the cost of living index.

Q: Do you believe that inflationary pressures are increasing or receding at this time, and what is your reaction to the recent consumer price index figure of 0.6 percent seasonally adjusted?

A: The numbers are encouraging and are roughly in line with our expectations. Projected on an annual basis, this would give us an inflation rate of 7.2 percent.

While we should not become overly optimistic about one month's figures, I might point out that the CPI has been advancing at a slower rate each month since September when the increase was 1.2 percent. In October and November the rate was 0.9 percent and in December it was 0.7 percent. So though we are not overly optimistic, the recent figures and trends are encouraging.

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Q. How long will this improved inflation situation last?

A. While nobody has a reliable crystal ball on this subject, there are some indications that it is more than a temporary improvement. Wholesale prices for consumer goods, excluding food, during the last three months have risen at only one-third the rate of most of 1974. Although we cannot predict the weather, normal crop growing conditions this year should materially help the food price situation, and both of these developments will reduce the pressure on prices later this year.

2/22/75

Q. It was announced over the weekend that the Administration had no objection in principle to an Iranian investment in Pan Am. What were the reasons for such a decision?

A. If the further negotiations between Pan Am and Iran are successfully completed and any necessary CAB approval is obtained, the transaction would provide an excellent example of the type of constructive, long-term investment of surplus oil revenues which we would like to encourage. The investment was proposed by the Iranians in a spirit of cooperation with full awareness of the need to obtain CAB approval and to comply with existing Defense Department regulation. Furthermore, Iran has indicated that it has no desire to control management or operation of Pan Am.

In addition, the fact that Iran and Pan Am sought approval in principle from the U.S. Government prior to finalizing the agreement also provides a prototype of the way we would expect any other major OPEC government to be handled -- i. e., through prior government to government consultation.

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Q. Doesn't Administration endorsement of the Iranian investment in Pan Am at this stage prejudice the ultimate CAB decision towards approval?

A. No. Iran and Pan Am merely asked the Administration whether there were any objections from a foreign policy or investment policy standpoint in proceeding with further negotiations. Quite understandably, they did not want to invest time in detailed negotiations only to find that there were fundamental Administration objections on policy grounds.

The fact that the Administration has no objection on broad policy grounds has no bearing on the review of the final agreement by the CAB which must consider the matter in the context of its special statutory responsibility to regulate the aviation industry.

QUESTION - Do you think OPEC nations or rich individuals, Arabs or non-Arabs, should be allowed to buy large interests in U.S. banks or other enterprises? Why? Isn't there a danger the Arabs will be controlling a tremendous part of our industry and business?

ANSWER - This government welcomes investment by foreigners within the constraints of national security. The Administration is presently reviewing our many safeguards to assure that they are adequate to protect our essential national interests. As to control of U.S. industry by rich oil producing nations or individuals, our estimates of their peak financial accumulations and our experience of their investment behavior to date do not indicate either the capacity or the desire to exercise significant influence or control in an economy the size of the United States or even in an important sector of it. Moreover, our antitrust laws, which include measures to stop mergers and takeovers, apply equally to foreign and U.S. investors and prevent purchases that substantially lessen competition or create monopolies.

FURTHER  
INFO

- The question cites in particular purchases of U.S. banks. The U.S. banking industry is quite competitive. That is, control of quite a number of large banks would be required to affect significantly the allocation of bank credit in this country. Banks are also closely regulated and supervised. In reality, bank managements in the United States have little freedom to depart from what are commonly agreed to be sound banking practices.

2/22/75

Q. Mr. President, housing is one area of the economy that has been especially depressed during the last year. What are you doing to revive the housing industry?

A. In January, housing starts increased 13 percent over the December level but they still remain below the one million annual rate. New housing units authorized on the other hand continued to decline so that the evidence is still quite mixed.

However, both private and government forecasts indicate a recovery in housing beginning sometime in the second quarter of this year. Interest rates have declined sharply. Savings are flowing back into the thrift institutions so that the availability of mortgage financing continues to improve. Mortgage interest rates have begun to decline and we expect the decline to continue for a number of months yet. Such conditions historically have been instrumental in turning housing construction around and we believe that these conditions will produce a substantial recovery in housing during the second half of this year. Moreover, if we are able to record further progress in reducing inflation, as we anticipate, further declines in interest rate can be expected so that the recovery in housing would extend into and throughout 1976.



Q: What are you doing to deal with the recession?

A: I have proposed a comprehensive set of proposals including a tax rebate which if speedily enacted by the Congress would provide support for the economy during the first half of the year and help initiate the recovery during the second half of the year. My investment tax credit proposal would provide businessmen with a strong incentive to maintain and even accelerate their investment plans during the second half of this year. I have recently approved the release of up to \$2 billion in additional highway construction funds for use in projects which will be underway before June 30 this year. Acting together with the Congress we have provided expanded unemployment insurance benefits and an expanded public service employment program.

We are watching the economy very very closely. We expect that production and employment will be stabilizing during the second quarter of this year and that a recovery will begin to get underway soon thereafter. As we receive additional information about production, about housing, about the situation in the automobile industry, and about business investment plans for the second half of the year we will be evaluating this information carefully and if additional steps appear necessary they will be considered and taken at that time. On the other hand, if the economy is indeed bottoming out in the second quarter of this year, and if it looks as though a strong recovery will be getting underway in the second half of this year, as we expect, I believe it would be a mistake then to propose additional measures to stimulate the economy. We cannot prejudge this issue. We must wait for some additional evidence to see if it is wise to move further.

2/22/75

2/22/75

Q: What is your estimate of how high the unemployment rate will go and when we might expect improvement in this area?

A: I would rather not get involved in attempting to guess how high the unemployment rate will go, but the rate could possibly exceed 8.5 percent in the coming month. There are some positive signs in the unemployment situation. New claims for regular state unemployment insurance leveled off in January and appear likely to decline in February. Moreover, during the second half of the year, we expect a turnaround in the economy to cause total employment to begin to grow again.

Q: Several Democrats have suggested credit allocation as a way of helping us out of the recession. What is your view of credit allocation?

A: Credit allocation means imposing Government judgment on what has traditionally been "marketplace judgment;" in practice it is extremely difficult to separate "vital" uses from those that are less essential.

Credit allocation is inequitable: some borrowers could not obtain funds at any price and serious hardship would be created for them while others may obtain larger loans than needed.

While mandatory allocation of credit is highly undesirable and inequitable, special programs that give preference have been used, for example in housing, and banks have also been encouraged to examine credit uses and needs carefully.

2/22/75

Q: What will you do if the Congress combines a tax cut bill with the repeal of percentage depletion?

A: I hope they don't do that. We need a tax stimulus quickly, and its passage should not be slowed down by a wrangle on percentage depletion. That can be considered later in the year, when Congress takes up tax reform.

As to what I would do if such a bill were sent to my desk I can't say now. I would have to see exactly what the total bill provided.

Department of the Treasury  
February 22, 1975

Q: What is your view of the tax reduction bill reported by the Ways and Means Committee?

A: I am glad that the Committee has acted decisively to provide a tax cut stimulus as I recommended, but I have some reservations about the way they did it.

We proposed a clearly temporary tax rebate which would increase the deficit by \$16 billion. The Ways and Means bill would increase the deficit by \$20 billion. And while it purports to make 1-year changes, it does so in ways which will be pretty difficult to change later on.

I am in favor of permanent income tax reductions too, and we have proposed very major and progressive reductions. But we think they should be made in a way which does not leave us with a permanent increase in the deficit. Voting tax reductions is the easy part. The hard part is voting the spending cuts or other revenues to pay for it.

Department of the Treasury  
February 22, 1975

ENVIRONMENTAL PROTECTION AGENCY  
(Water Pollution Funds)

Question

With the present state of the recession, why did you release only \$4 billion of the \$9 billion of impounded funds in January? Why did the many municipalities who need sewage treatment facilities have to wait for a Supreme Court decision to obtain these additional funds?

Answer

I released the \$4 billion in January trying to balance environmental considerations with overall fiscal policy.

But it should be pointed out that over \$14 billion is now available and a substantial portion has been available for some time.

\$5 billion has been available from unobligated balances from prior years, \$4 billion has been allotted in January and \$5 billion has been released as a result of the Supreme Court ruling.

Of the \$5 billion in unobligated balances, \$1.3 billion has been available for over 2 years and \$3.8 billion has been available for over one year.

To put this amount (\$14 billion) in perspective, it is useful to note that this is over three times the amount of money obligated in the program over the 15-year period from 1957 through 1972 (\$3.6 billion) and is twice the amount of the largest single-year authorization (\$7 billion.)

Overall, these funds will help to provide jobs, but only over a 3-5 year period, during which time economic conditions may substantially change. Also, the expenditure of these funds may add to future budget deficits.

ENVIRONMENTAL PROTECTION AGENCY  
(Water Pollution Funds)

Question

Is this \$5 billion being released without any imposition of spending controls?

Answer

Although the Supreme Court ruling did not prohibit controlling at the obligation stage, the money is being released without any controls on the rate of obligation or expenditure.

We do, however, expect that all grants made under this allotment will meet the statutory requirements of P.L. 92-500.

ENVIRONMENTAL PROTECTION AGENCY  
(Water Pollution Funds)

Question

How many jobs will be created as a result of releasing the \$9 billion for construction grants?

Answer

It is difficult, if not impossible, to give a precise estimate. First of all, it should be recognized that the majority of these funds will not be obligated until FY 1977. Secondly, the majority of the outlays will not occur until the 1978-1980 time period. Consequently, the employment impact of this allotment will take place over a five-year period with a minimal short-term impact. EPA studies indicate that as many as 180,000 people could eventually be employed as a result of releasing these funds.



ENVIRONMENTAL PROTECTION AGENCY  
(Water Pollution Funds)

Question

Will the additional allotment of \$5 billion increase the deficit in the Federal Budget?

Answer

Yes. We expect outlays to increase by over \$100 million prior to FY 1977 and to peak at approximately \$1.4 billion in FY 1979. A portion of these outlays would have occurred as a result of the Administration's intention to allow additional funds in FY 1977 and hence constitutes approximately a twelve-month acceleration in outlays.

BACKGROUND

Release of the additional \$5 billion as a result of the Supreme Court decision will have the following impacts:

(\$ in Millions)

	<u>75</u>	<u>76</u>	<u>TO</u>	<u>77</u>	<u>78</u>	<u>79</u>	<u>80</u>	<u>Total</u>
Obligations	-0-	400	1,500	3,100	--	--	--	5,000
	-0-	50	75	475	1,100	1,400	1,200	4,300

ENVIRONMENTAL PROTECTION AGENCY  
(Water Pollution Funds)

Question

Will release of these funds contribute to inflation in future years?

Answer

Since these funds will be expended over a multi-year period, it is possible that they will add to inflation if the economy is operating near capacity.

## RELEASE OF HIGHWAY FUNDS

### Question:

How will the \$2 billion of additional highway funds be apportioned to the states?

### Answer:

Funds will be apportioned on the basis of each state's ability to get construction immediately underway. Explicit criteria and procedures for project approval are now being developed.

### Question:

What portion of these funds will be used for mass transit substitution?

### Answer:

Decisions on substitution of highway funds for mass transit projects are left to the discretion of the states. Therefore, we are unable to estimate the number of mass transit projects that would use these funds. Funding for mass transit would be available, however, both through interstate substitution and use of urban systems funds.

### Question:

Is the acceleration of the Federal-aid highway program consistent with you recently announced energy program?

### Answer:

Certainly, highway-aid funds are used to increase the efficiency and safety of the highway system as well as provide for an opportunity for mass transit alternatives when appropriate. This is certainly consistent with our program to use our scarce energy resources more efficiently.

Question:

What factors were considered in deciding to release highway funds instead of other budgetary stimulation?

Answer:

First, we wanted to use the funds in a program that would provide fast employment stimulation. The highway program has a proven Federal-state delivery system that we know has the capability of quickly moving funds to the states for projects that can generate additional economic development. Second, many governors have assured me that funds are needed and construction can be gotten underway quickly. Third, this will provide employment in the construction industry, one of the hardest hit segments of the economy. In addition, funds were immediately available for obligation.

Question:

How will the Federal-aid Highway program be affected by recent Federal District Court decisions concerning deferral of funds?

Answer:

The impact of recent court decisions and the appropriate Executive Branch legal responses are currently under review. We see no need for injunctive relief at this time given the release of an additional \$2 billion, the maximum amount that the states and industry could efficiently absorb. Similar issues are currently before the U.S. Supreme Court, and it would appear appropriate to await Supreme Court rulings on these issues prior to release of funds. The Administration would of course comply with a court ordered release of funds.



## FOOD STAMPS

### Question

When will the Administration send its recommendations to the Congress for improving the administration of the Food Stamp program?

### Answer

On February 19, a bill suspending any increases in food stamps became law without my signature. I stated at that time that while the Administration would implement the clear will of the Congress, we would develop legislative recommendations to improve the program.

Secretary of Agriculture Butz has assured me that plans will be ready for my review by April 30 and I expect to have them ready for the Congress by June 30.

QUESTION - Secretary Simon said in prepared testimony that "it is not unfair to say that business is in a profits depression in this country." Do you agree? Will the new economic program help alleviate this problem?

ANSWER - Yes, corporate profits in the aggregate, realistically stated, are at an all-time low as a percentage of our total national income. The inflation process has led to substantial overstatement of reported earnings because of inventory profits and inadequate depreciation allowances. The crux of the difficulty is that our financial conventions and accounting practices were developed during a long period of relative price stability and in too many cases they have not been changed to reflect the realities of double-digit inflation.

The end result is that many corporations report a rise in profits but end up with very little in the till. This is bad for business and bad for labor since no profits means no jobs.

The new economic program will help by providing a \$4 billion one-year increase in the investment tax credit. However, a longer-run question will remain as to whether the tax burden on our corporations is excessive.

BACKGROUND -

	Nonfinancial Corporations		
	<u>1965</u>	<u>1974</u>	
Reported after-tax profits	\$38.2 bil.	65.5 bil.	+71%
After adjustment*	37.0 bil.	20.6 bil.	-50%

\* With inventories and depreciation valued on the basis of current costs rather than historical costs.

Retained earnings were \$20 billion in 1965 and after adjustment are estimated at a - \$10 billion last year.

**QUESTION** Are you worried about the recent decline of the dollar and the instability in the exchange markets?

**ANSWER** I recognize that concern at times has been expressed about the magnitude of exchange rate fluctuations under the present system of floating exchange rates, but these aberrations tend to reflect market reactions to specific, immediate developments and generally become subsumed as the market adapts to general economic trends. Thus the dollar has recently depreciated in terms of individual currencies and during brief periods of time, but the dollar's average exchange rate, relative to the currencies of all major industrial countries, is still at the level reached after the major exchange rate realignments of 1971 and 1973.

As our public statements indicate and in accordance with international understandings, the U.S. intervenes in the exchange markets to assure orderly conditions and to moderate unduly wide swings during particular days, but not to maintain any particular set of rates.

**FURTHER INFORMATION** Under the system of widespread floating exchange rates, the value of the dollar, on a trade weighted basis, appreciated by about 7% between July 1973 and January 1974; depreciated by 3% to June 1974; appreciated by over 2% during July-August and has depreciated 3% since that time.

On balance, the floating rate system has functioned reasonably well. It has demonstrated the flexibility and resilience needed to cope with major shocks such as the fourfold increase in oil prices and has avoided the major payments crises and market closures of the past.

Q. How much do you think the policies of your predecessor contributed to the problems that we face now -- the recession and the inflation?

A. The economic policies followed during the past decade were major factors in bringing us to where we are today. Although there is a great temptation to see our inflation problem as the result of special or unique forces such as the rise in food or energy prices, this is not a totally accurate view. Over the past decade governmental policies have, on occasion, been overly expansive. This was the root cause of the wave of inflation that built gradually at first and then swept over us in 1973 and crested last year. Inflation and the urgent need to bring it under control caused the onset of the recession of 1974-75. Our problem for 1975 is to avoid remaking past mistakes. We must provide support for the economy but this must be done in a way that will prevent another recovery, inflation, recession cycle during the last half of the 1970's. We simply cannot afford more expansive policies in 1975 until we see how much success we have in reducing inflation and interest rates and in holding government expenditures down.



February 21, 1975

The Budget

1. Question -- A number of actions have been taken that raise the budget deficit over the amount in your budget. What is the current estimate of the deficit?

Answer -- See attached tables.

2. Question -- In your budget, you asked for rescissions and deferrals and other budget reductions totalling \$17 billion. Some of those cuts have been overturned. What is the current total of proposed budget reductions?

Answer -- See attached tables.

2/21/75  
O. M. B.

Table 1

Budget Estimates  
as of February 20, 1975

(In billions)

	1975		1976	
	<u>In Budget</u>	<u>Current Estimate</u>	<u>In Budget</u>	<u>Current Estimate</u>
Outlays .....	\$313.4	\$313.8	\$349.4	\$351.0
Receipts .....	<u>278.8</u>	<u>278.8</u>	<u>297.5</u>	<u>297.5</u>
Deficit .....	-34.7	-35.0	-51.9	-53.5
Immediate further threats to deficit:				
House Appropriations Committee action on rescissions (Table 3) ...		- .1		- .2
Ways and Means Committee action on larger tax cut .....		<u>-2.8</u>		<u>-1.1</u>
Indicated deficit ...		-37.9		-54.8

Table 2

Budget Outlay Revisions  
as of February 20, 1975

	(In billions)	
	<u>1975</u>	<u>1976</u>
February 4 estimate .....	313.4	349.4
Revisions already announced:		
Release of \$2.0 billion in highway funds .....	.05	1.0
Congressional freeze on food stamp increases .....	.2	.6
P.L. 480 funding .....	.2	---
Supreme Court action releasing \$5 billion in water pollution control funds .....	---	<u>.02</u>
Revised totals .....	313.8	351.0

February 20, 1975

Table 3

House Appropriations Committee Action  
on November 26 Rescission Proposals

(In millions)

	Amount of rescission	Outlay effect	
		1975	1976
Amount proposed (40 items) .....	\$949.4	\$205.0	\$225.3
Recommended for rescission by House Committee (17 items in full, 10 in part) .....	<u>119.7</u>	<u>88.0</u>	<u>25.1</u>
Amount to be made available March 1 (Rescission proposals rejected) <u>a/</u> .....	829.8	117.0	200.2

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a/ There are some technical questions concerning whether all these rescissions must be made available on March 1.

Table 4

Status of Budget Reductions  
(Dollars in billions)

	<u>1975</u>	<u>1976</u>
Proposed in budget .....	-3.3	-17.0
Release of \$2 B in highway funds .....	.05	1.0
Congressional freeze of food stamp increase .....	<u>.2</u>	<u>.6</u>
Total now pending .....	-3.0	-15.4
Currently threatened further actions:		
House Appropriations Committee action on rescissions .....	.1	.2
Supreme Court action directing release of \$5 billion in water pollution construction grants .....	<u>---</u>	<u>.02</u>
Indicated total .....	-2.9	-15.2

Q. You base your budget on the assumption of a 7.9 percent rate of unemployment during 1976. Doesn't that mean that your policies are wrong and you should have more stimulus both on the revenue and on the expenditure side of the budget?

A. At the present I do not believe that additional stimulus is wise or prudent. The budget deficit for fiscal 1976 is already above \$50 billion. We simply do not know how rapidly inflation and interest rates are going to decline. We have proposed a comprehensive program which we believe will help end the decline in the economy and help initiate a recovery during the second half of the year.

Our projections suggest an average annual rate of expansion in real GNP in excess of 5 percent between the second quarter of 1975 and the final quarter of 1976. This will add some 2 million workers to the Nation's payrolls. These projections also suggest a rate of inflation averaging a little over 7 percent during this period, well below most recent rates of increase. We do expect a temporary bulge in prices during the second quarter owing to our energy proposals, but this is a one-shot increase and not a permanent factor in the rate of inflation.

There is a possibility that inflation and interest rates may decline more rapidly than we anticipate. The strains in the financial markets may be less than we anticipate. The Congress may be even more cooperative in holding expenditures down than we anticipate. Such circumstances would mean that we could afford further action in the tax area.

At present, however, I do not believe that it would be wise to provide more stimulus than we have proposed. Admittedly there is a risk of doing too little. There are also risks providing too much stimulus and these risks would be reflected during 1976 and thereafter in financial market strains, rising interest rates, and a re-igniting of inflationary pressures.

My policy is directed at curbing the rise in unemployment in a manner that is consistent with the goal of preventing a resurgence of inflation. This policy is and will continue to be based on what we believe is the proper balance between these objectives.

Q. Mr. President, you said we were through with double digit inflation and yet the budget projects an 11 percent increase in prices. Can you explain that?

A. It is true that we expect prices to average about 11 percent more in 1975 than during 1974. It is important to remember, however, that much of that increase had already occurred by the end of 1974. The CPI for December was already up by 5.2 percent over the average for 1974. Hence even if there were no further price increases during 1975 the average for 1975 would be 5.2 percent above the average for 1974.

We expect that prices will rise much less during 1975 than during last year. Between December 1973 and December 1974 prices rose by about 12 percent. Between December 1974 and December 1975 we expect prices to rise a little more than 9 percent and a little less than 2 percent of that increase will be the result of higher energy costs, which will be rebated to the economy largely in the form of offsetting tax reductions. Consequently, we expect much smaller price increases by late 1975, and still lower rates in 1976. Our estimates are for an increase in prices of about 7 percent from year-end 1975 to 1976. This translates into a 7.8 percent average year-over-year increase in prices.

TAB B



## ENERGY - DROP IN OPEC PRICE

### Question

Secretary Kissinger is negotiating on a multi-lateral basis to achieve a drop in the OPEC price of oil. There has been some speculations that there may be a drop in the price down to about \$8 a barrel. Would such a drop in the price of oil from foreign sources wipe out the conservation effect of your import fees?

### Answer

As I made clear in my State of the Union Address, we are trying to achieve secure energy supplies at the lowest possible cost.

However, our Nation is becoming more dependent every day on foreign sources for our energy needs. I cannot wait for the oil cartel to take action on the price of oil; my energy plan must go into effect immediately. One of the purposes of this plan is to raise the cost of the oil we consume to a level which forces conservation and thus reduces our vulnerability and the outflow of dollars. As we have so graphically learned over the past year, the oil cartel has the power to control the world price of oil, thus we must respond to this in our consumption habits.

The taxes and fees in my energy plan will result in conservation by the American people even if the price of foreign oil falls. In fact, in our mid-term goals for energy conservation, we assume that there will be some drop in the price of foreign oil.

If Congress acts on the total energy plan I have recommended, I will have sufficient authority and flexibility to deal with actions of foreign governments both as to the availability and price of oil.

Recent news accounts have focused attention on some of the pressures on the oil cartel. Nothing could relieve these pressures faster than if the United States backs away from my tough energy conservation plans.

### GUIDANCE

The FEA conservation goals assume that the world price of oil will drop \$7 (in 1974 prices) sometime between now and 1980.

M. Duval  
2/22/75

## COAL LEASING IN THE WEST

### Question:

Will the Administration resume coal leasing in the western States?

### Answer:

I have asked Rog Morton to develop a new coal leasing program which balances our environmental and development concerns with our need to increase domestic coal production, but no firm decision has been made to resume leasing in the West.

Secretary Morton has met with the governors of the western coal States to get their recommendation on new coal leasing procedures.

I expect him to continue working closely with the western governors on this matter.

### Background:

Secretary Morton presented a proposed coal leasing program to the governors of eleven western States on January 24. A follow-up meeting at the Assistant Secretary level is planned for February 27.

There are some 16 billion tons of Federal coal already under lease in the West. New regulations have been published requiring greater diligence in development of existing leases. Proposed regulations have been published to require surface mine reclamation similar to that envisioned in the Administration's strip mining legislation. Secretary Morton has stated that "we will not allow mining where the land cannot be properly reclaimed."

An environmental impact statement on a new coal leasing procedure is now in the final states of review by the Interior Department in Washington. Completion date is spring of 1975.

In order to reach the goal of doubling annual coal production from the present level of 600 million tons to 1.2 billion by 1985, the western States would have to provide an estimated 250 million tons by 1985. They now produce about 52 million tons annually, of which about 20 million tons are derived from Federal leases.

M. Duval (G. R. S.)  
2/10/75

## ENERGY PRODUCING STATES vs. CONSUMING STATES

### Question:

Mr. President, your experts have made it quite clear that the Southwestern, Mountain and Northern Plains States end up paying most under your energy plans. Why should the States that produce the energy pay most and let those in the Northeast who have done the least to help themselves get off easy?

### Answer:

The energy problem that we face is a national problem and it demands a solution that all the Nation can support. We all have a very large stake in assuring that we reduce sharply our growth in imports, dollar outflows and vulnerability to another oil embargo. I believe that my program is equitable to the various regions of the Nation and that any inequities that might emerge can be handled.

Most important is the fact that any program relies primarily on continued use of market mechanisms -- rather than Washington decisions and bureaucracy -- as the way of assuring the most efficient allocation of energy over the years ahead. This key feature is very good insurance that one sector of the country will not benefit greatly at the expense of another.

Our plans to remove price controls from old oil and our request to the Congress to deregulate new natural gas prices will help assure the profit levels that are necessary to assure a fair return to energy producers.

The States that produce more energy than they need for their own purposes will get a fair price for that energy if they continue to support a market-based approach to the solution of our energy problem rather than awaiting a Washington imposed solution.

M. Duval(G. R. S. )

2/10/75

## SHARING OCS REVENUES

### Question:

Which of the options developed by the Interior Department for sharing Outer Continental Shelf revenue with the States do you favor? Why should the East Coast get a share of the revenue when the Gulf Coast has not received a share in the past twenty years?

### Answer:

The matter of sharing OCS revenue with coastal states has come up frequently over the past year. Under current law, revenues from OCS lease sales and royalties go to the Federal Treasury. This is based on the fundamental principal that the OCS is a national resource owned by all the people of the Nation and the revenue should, therefore, accrue to the benefit of all the Nation's citizens -- those in inland states as well as on the coast. This policy has prevailed throughout the more than twenty years successful OCS development off the Gulf Coast.

Three other points are important:

- . If part of the OCS revenue which now goes to the Federal Treasury were given to coastal states, the Federal revenue would have to be replaced by taxes.
- . Shoreside development that does occur as the result of OCS development increases the State and local tax base and therefore has a beneficial rather than detrimental economic impact.
- . The Federal government has already increased planning assistance to the coastal states and will be working closely with the states to help assure orderly preparations for any onshore development.

For these reasons the Administration has taken the position that existing law should not be changed.

Secretary Morton has asked his staff to take another look at the question, but the Secretary has not recommended any change in position. If he does submit a recommendation I will, of course, consider it fully.

BACKGROUND: Memorandum on this subject reflecting your advisers' views went to you 2/21/75.

M. Duval (C.F.S.)

## AIRLINES

- Q. Many airlines claim that increased fuel costs will bankrupt them. What do you plan to do to help the airlines?
- A. We have already taken action to help airlines by increasing the proportion of higher costs passed through on gasoline and reducing the pass-throughs on other products such as jet fuel. This should considerably reduce the airline problem.

I have also asked the Acting Secretary of Transportation to provide me with any further recommendations for coping with increased airline fuel costs within the next week.

FARMERS

- Q. At your Topeka, Kansas press conference you announced an intention to help the farmers. What will you actually do?
- A. We have just about completed all the details on the actions we will take to help farmers cope with increased energy costs. The basic approach will be to rebate the increased gasoline and diesel fuel costs for all offroad use up to a maximum rebate, but not to cover all increased costs of large and corporate farms.

## GASOLINE TILT

Q. Last week you announced that the effects of the oil import fee would be tilted towards gasoline. Can you explain how that would work?

A. Under its existing authorities, the Federal Energy Administration will require that a greater proportion of increased costs be passed through on gasoline than on other products.

The effect of this "tilt" will be to increase gasoline prices about 6¢ per gallon and the price of heating oil and other products by less than 3¢ per gallon at the maximum impact of the fee.

Q. Isn't this gasoline "tilt" really the gasoline tax you have previously said you would never approve?

A. No. The gasoline "tilt" would still result in increased prices on other petroleum products and would provide an incentive to conserve these products as well. The "tilt" does not have the severe regional effects of a full gasoline tax.

Q. What areas of the country should benefit from the gasoline "tilt"?

A. Those areas least dependent on gasoline and most heavily dependent on residual and heating oil will benefit from this action. (New England, Mid-Atlantic, and Pacific Coast.)

DEMOCRATIC PLAN/COMPROMISE

Q. The Democrats in the Congress have apparently come up with an energy plan.. Would you care to comment on their plan?

A. Which plan are you referring to -- the Jackson plan, the Pastore plan, the Wright plan, the Ullman plan, the Mansfield plan or others?

I stand ready to negotiate on my energy plan. But every day I read or hear of a new Democratic plan. Until I have something concrete to negotiate about, I cannot reach full agreement with the Congress.

The plans I have seen so far are very sketchy and contain no rigorous analysis of costs and benefits.

Q. What are you willing to compromise?

A. While I am willing to compromise on details, I am not about to compromise on my philosophy and basic goals. I feel strongly that the United States must achieve energy independence and am prepared to take whatever actions are necessary to achieve that goal.



TAB C

## WELFARE CUTS

Q. At a time when the recession is forcing more and more people to turn to welfare, why has the administration decided to cut family welfare grants by \$97.2 million for the first quarters of this year?

A. The Administration has not proposed cuts in welfare payments to families who are eligible for them.

The process of cutting welfare grants to the States was set in motion at the Department of Health, Education and Welfare over 18 months ago. Its goal is to prevent the use of Federal taxpayers funds going to people who are ineligible or overpaid. HEW's Social and Rehabilitation Service will be reviewing the cutbacks with each State.

**GUIDANCE:** The Federal government is aware of the amount of overpayments and ineligible people in each State through a statistical sampling process which has been validated by an independent polling organization.

## ADMINISTRATION PROGRAMS FOR THE ELDERLY

### Question:

To a number of people in Florida, where so many of us are elderly, it appears that you are against the aged. I'm referring to your policies that would cut Medicare benefits, limit food stamps and deprive us of our right to a social security increase based on the cost of living. Why are you cutting back the very programs that help us the most?

### Answer:

Nothing could be further from the truth than to say I'm anti-elderly. These are difficult times for all Americans, including our aged citizens, and, if we are going to be successful in winning the battle against both inflation and recession, every one of us will have to make a contribution.

I know some of my proposals have called for adjustments in programs for the elderly. But I think we must keep in mind -- as I did when I made these decisions -- that we have substantial efforts underway to help the elderly.

### For instance:

- Between 1970 and this summer, inflation will have gone up an estimated 51 percent, while the average social security benefit will have increased 77 percent.
- Last year SSI provided, for the first time, a federally-guaranteed income floor for older persons. This resulted in more than \$2 billion more in benefit payments in 1974 than 1973.
- We have over 665 projects serving about 220,000 meals a day to older Americans.
- This year we proposed spending \$202.6 million in programs under the Older Americans Act -- a sixfold increase over the level in 1971.

2/21/75  
PGN

## SOCIAL SECURITY

### Question:

Given the cost of living these days, how does the Administration justify holding down social security benefit increases for our Nation's senior citizens to just 5 percent?

### Answer:

Everyone is aware that social security benefits have been rising steadily over the past several years. In fact, they have increased at a rate that has more than equaled the increase in the cost of living in the Nation. By this June, the cost of living will have increased 51 percent since 1970 while average social security benefits will have gone up 77 percent. You are all aware, too, that something must be done either to slow down the rate of benefit increases or find some new ways of financing the fund payout procedures. This is a critical national question.

2/7/75  
PGN

SOCIAL SECURITY

Q. What is the Social Security Administration doing to reduce the backlogs in processing applications for social security benefits?

A. As you know, Social Security took on a new program-- Supplemental Security Income--which provides aid to the aged, blind, and disabled. The program is run through the regular Social Security local office. They have done an excellent job of coping with the inevitable problems that developed in starting up a brand new program, but some backlogs have developed. I have already authorized the 11,500 additional temporary employees Social Security needs to work down those backlogs. They are an excellent organization and I am confident they will succeed.

## MEDICAID

### Question:

The States are already strapped financially and operating under an austerity budget. What makes the Administration think that they will be receptive to plans for the States to take on more of the cost of Medicaid and other social programs?

### Answer:

The Administration does not think any State or city, for that matter, is too happy about it, but it must be done in the national interest. States and cities, we have found, are in a better position relatively speaking to finance these social programs because many local governments have budget surpluses. The Federal Government is already contemplating a \$52 billion budget deficit in the next fiscal year.

### Background:

HEW will seek legislation aimed at reducing the Federal matching share of Medicaid from 50 to 40 percent and from 75 to 65 percent for other social programs. It is part of HEW's overall determination to reduce the department's spending level in the next fiscal year by 7.7 percent.

2/7/75  
PGN

## MEDICARE

### Question:

Why has the Administration proposed to require the nation's aged to spend more for their medical care under the Medicare program?

### Answer:

The Medicare proposals are primarily designed to deal with problems of unnecessary medical care costs and "uncontrollable" and inflationary spending programs, and to do so in an equitable way that continues to assure adequate financial protection for the aged.

The major proposal is resubmission of cost-sharing reforms in my November 26, 1974, message to reduce outlays by \$255 million in 1975 and \$1,279 million in 1976.

The cost-sharing reforms would establish moderate cost-sharing for hospital services, adjust the deductible for physicians' services based on increases in Social Security cash benefits, and improve financial protection against catastrophic expenses. They are consistent with principles in nearly all of the national health insurance proposals that recognize that cost-sharing is needed to prevent unnecessary utilization of services and that limits must be established on total cost-sharing for adequate financial protection.

The major element of the proposal is to require beneficiaries to pay ten percent of charges from the 2nd to 60th day of hospitalization, which is now free. This will cost beneficiaries about \$100 more for a hospital stay on the average. The Federal-State Medicaid program is available to pay the cost-sharing for Medicare beneficiaries who are unable to pay. Lengths of stay now are often longer than necessary, reflecting variations in supply of hospital beds. For example, in the West--which has 5.9 hospital beds for 1,000 population--lengths of stay for Medicare beneficiaries average 10.0 days. In the Northeast--which has 8.7 hospital beds per 1,000 population--lengths of stay average nearly 50% longer--15.0 days.

Separate \$750 limits would be placed on cost-sharing for hospital and physicians' services, replacing current potential liability of \$4,472 for inpatient services and unlimited financial liability for physicians' services.

O. M. B.

Other proposals would limit hospital reimbursements to assure that the Federal Government does not pay for or contribute to excessive hospital costs or cost inflation. Utilization review of the appropriateness of medical services will be improved, both in hospitals and through the expanded Professional Standards Review Organizations program. The payment of an  $8\frac{1}{2}\%$  routine nursing cost differential for Medicare payments will be discontinued and unnecessary non-interest-bearing bank balances of the insurance intermediaries will be reduced.



NATIONAL HEALTH INSURANCE

Question:

Does your policy of no new programs mean that you will not be requesting the Congress to enact a national health insurance program?

Answer:

That's right. I will not be asking Congress this year to enact national health insurance legislation. The new Federal cost of the comprehensive health insurance plan that was before the previous Congress was \$5.8 billion. Latest calculations indicate that that estimate is now over \$7 billion.

PGN

## VETERANS HEALTH CARE SYSTEM

### Question:

How will the veterans health care system relate to a National Health Insurance program and how can this vital system best assist the development of a national health strategy?

### Answer:

VA has intensively studied this complex question over several years and developed a number of tentative responses which are expected to relate to the programs now under consideration. The Veterans Administration is in agreement with the recommendation contained in the recent report of the Twentieth Century Funds Task Force on Policies Towards Veterans "Those Who Serve," which stated what it considered to be "compelling reasons" for maintaining the VA system as follows:

"The VA system is a well developed, unified, and functioning system for the provision of medical care services and is an essential resource for the country. The VA system can serve as a kind of health care laboratory and demonstration model in which to experiment with new, and possibly more efficient forms of service delivery. The Federal Government does not have available to it any other comparable mechanism for influencing effective resource use in the delivery of health care services."

2/21/75

R. D. Semerad

## NURSING HOMES

### Question:

Recently nursing homes have been the subject of exposes by the media which have accused these facilities of violating the basic standards of health and safety. What is the Federal Government doing to insure that nursing homes provide quality care?

### Answer:

The basic responsibility for monitoring nursing homes rests with the State. However, homes which participate in the federally funded Medicaid and Medicare programs must meet certain requirements. This includes conforming to the Life Safety Code, maintaining certain staffing patterns for nurses, providing physician and rehabilitative services, to name a few.

Let me say, however, that we are continually working with consumers, the nursing home industry, and State governments to improve the quality of care.

2/7/75  
PGN

## WELFARE REFORM

### Question:

We understand that Secretary Weinberger has been working on a welfare reform program based in part on a negative income tax for the last two years. Is that proposal killed by your statement that you will propose no new Federal spending programs?

### Answer:

Let me say that I want to do everything possible to reform the Nation's welfare programs including food stamps, the supplemental security income program and the aid to families with dependent children. During the months ahead, HEW and other departments will be taking additional steps to reform these programs. I do not, however, plan to ask the Congress for any new basic welfare program, although I have asked the Domestic Council to continue to work on reviewing various alternative plans for possible submission after the corner is turned on the current economic situation.

## TRANSPORTATION - SST

### Question

We understand that the Environmental Protection Agency has advised the Congress that it will issue noise regulations banning the SST, built by the French and the British, from operating in the United States. Won't this violate the agreement reached between former President Nixon and France?

### Answer

The Environmental Protection Agency is only making a recommendation to another Federal agency, the Department of Transportation and FAA. Ultimately, the Transportation Department will make the final decision concerning noise regulations applying to the SST.

Former President Nixon made a commitment in January of 1973 in a letter to George Pompidou that the United States will insure that the Concord receives equitable treatment under Federal noise regulations. Former President Nixon made it clear that there would be exemptions granted for Concorde which were being built by the French and British.

Secretary Kissinger will discuss the international aspects of this problem with the Transportation Department to insure that our international commitments are adhered to.

### Background

EPA has a court order deadline of February 28 to submit a noise rule for the SST aircraft. The rule will go to FAA and final action will be taken by the Department of Transportation. The EPA-recommended rule will be made public and it has major international and domestic implications. The impact of the rule could be to ban Concorde produced in the future from U.S. cities. Former President Nixon made a commitment to France that the Concord would not be barred from U.S. markets by Federal environmental regulations. This commitment in the view of the State Department should result in our noise rules exempting the current Concord by granting it "grandfather" rights. Russ Train's proposed rule does not exempt the Concord in the manner recommended by the State Department. This issue raises subtle and difficult questions concerning the Concord's economic viability and the entire matter is being carefully reviewed by the NSC and the Domestic Council. A Presidential decision will likely be required.

M. Duval  
2/22/75

LEAA CRIME FUNDS

Q. In view of the continuing rise in crime, how do you justify cutting \$110 million out of Federal anti-crime funds that go to state and local governments?

A. This marks the first time that Federal anti-crime funds have been cut since the inception of the Law Enforcement Assistance Administration program six years ago. Further, there is presently nearly \$1 billion in the pipeline to help state and local governments improve their criminal justice systems. This money, which is already committed, will continue to flow during fiscal 1976. Therefore, no existing program will have to be cut off. Finally, Federal funds represent only about six percent of the total expenditures for criminal justice. It should be obvious that Federal money cannot pay all the bills. This was not the intent of Congress when it passed the Safe Streets Act in 1968. LEAA money is merely seed money -- to be used by states and municipalities to get new, innovative crime fighting projects off the drawing board into action. It is not intended to support them ad infinitum. I think it is important to note that we are still committed to spend \$770 million in Federal monies to continue to upgrade local systems of justice.

GCS  
2/7/75

TAB D

TAB E



TAB F

## QUESTION

Mr. President: Since you arrived in Florida at the Ft. Lauderdale-Hollywood Airport, before proceeding to Hollywood, would it not have been appropriate to invite Mayor Virginia Young of Ft. Lauderdale to participate in some of the activities including the arrival at the Airport and in the dinner with the other Southeastern Mayors?

## ANSWER

The question raises a point which we did not treat lightly. The reason that we asked that Mayor Young's participation be on Wednesday, when I understand she wants to present me with a key to the City, was simply that the City of Ft. Lauderdale was involved in an election on Tuesday. My staff felt that we should not be doing something which could be considered as having an affect on the local election for Mayor on the day of the election. We have, however, planned all along for Mayor Young's participation on the day after the election which is, of course, today.

## FURTHER BACKGROUND

We understand that Mayor Young was one of the first Mayors in the South to display proudly a WIN Button and although she is a Democrat, has had many good things to say about the President. We do not want in any way to offend the Mayor, but obviously the invitation would have been known to the press prior to the election and could have opened the President to many questions regarding the affect of his visit on a local election.

JHF-2/24/75

## EMPLOYMENT SITUATION

### Question:

What is the general employment situation in Florida?

### Answer:

In January 2,722,500 wage and salary workers were on nonagricultural payrolls in the state. 603,400 were in Miami. 225,000 were in the Fort Lauderdale/Hollywood area. Employment declined by 42,000 in the state between December and January. It rose 800 in Miami and declined by 1,100 in Fort Lauderdale. Over the year, employment was down by 67,000 in the state, by 10,000 in Miami and 16,000 in Fort Lauderdale.

2/21/75

R. D. Semerad

## EMPLOYMENT SITUATION

### Question:

Were the employment losses across the board or concentrated in particular industries?

### Answer:

The pattern was mixed. The largest loss was in contract construction; down by 58,000 in the state. The industry also declined in Miami (-4,500) and Broward County (-12,000). Statewide, trade employment was off by 30,000 over the year, unchanged in Miami and down in Fort Lauderdale (-2,500). Manufacturing employment declined by 24,000 in the state with 5,800 fewer workers in the Miami area. There was also a decline in Broward County (-2,200). Tourists were still coming to Florida. The hotel industry added 2,700 workers across the state while restaurants and bars added another 8,300 jobs over the year. There were similar increases in Broward County while the situation in Dade County was slightly off from a year earlier.

1/21/75  
R. D. Semerad

## MIGRANT WORKERS

### Question:

We have many migrant workers in Florida. What is being done to help them?

### Answer:

A number of laws benefit migrants. Regulations have just been issued implementing the recent amendments to the Farm Labor Contractor Registration Act. Stricter controls are now placed on the crew leader who provides migrant labor. For instance, crew leaders must now, among other things, carry increased accident insurance to protect workers, and they must file a statement identifying contractor-owned vehicles and housing (with proof that federal and state health and safety standards are met). In addition, the amendments provide that certificates to operate as a crew leader cannot be issued to any person who knowingly hires illegal aliens.

Further, most farm workers are also covered by the minimum wage and child labor provisions of the Fair Labor Standards Act. The present minimum wage for farm workers is \$1.80/hour, which is increased by stages to \$2.30/hour, effective January 1, 1978.

2/21/75

R. D. Semerad

## BAY PINES VA HOSPITAL

### Question:

What are the Veterans Administration plans to replace the Bay Pines, Florida, VA Hospital?

### Answer:

With the exception of the new nursing home care beds, this facility is old and obsolete; overcrowded and faced with an extremely heavy demand. Planning funds for a replacement hospital for Bay Pines have been appropriated. The VA is conducting a demographic survey of the primary service area of the hospital to determine health service requirements. When this is completed the VA will hire a private consulting firm to develop the master plan which will provide the basis for cost estimates, construction schedules, etc.

### Background:

The Bay Pines Center has 1,115 beds: 673 in the hospital, 322 in the domiciliary and 120 new nursing home care beds.

2/21/75

R. D. Semerad

## CROSS FLORIDA BARGE CANAL

### Question:

What is the future of the Cross Florida Barge Canal? How are the funds included in your budget for FY 76 to be used on this study?

### Answer:

The Canal is currently being restudied in accordance with direction from the Federal Court. The restudy will determine the engineering, economic, environmental and secondary impacts of several alternatives; that is, completing the canal, abandoning the project, or restoring the project, or restoring the area to its original condition.

The total cost of the study is estimated at \$2.2 million. Funds in the amount of \$600,000 are included in my 76 budget and \$225,000 are included for the transitional quarter. These funds will provide for the complete re-evaluation of all aspects of the project by September 30, 1976.

### Background:

The Corps of Engineers has been authorized to construct a barge canal from the mouth of the St. John's River near Jacksonville (on the Atlantic) to Yankeetown, Florida (on the Gulf of Mexico), a distance of some 180 miles. A portion of the canal has already been excavated, but a suit initiated by the Environmental Defense Fund and others has brought construction to a halt, and the Corps was directed to prepare an Environmental Impact Statement in accordance with NEPA. That study is underway, but no decision is contemplated before mid-1976.

M. Duval (N.R.)  
2/22/75

## TRANSPORTATION - EVERGLADES JETPORT

### Question

What is your position on the controversy surrounding the so-called Big Cypress Airport in the Everglades area of Dade County?

### Answer

This airport is currently only being used as a training airport. and major studies have been done to develop alternate locations to avoid environmental damage to the Everglades area. An alternate location was identified in Northwest Dade County and an Environmental Impact Statement is still being worked on by the Federal Aviation Administration, the Department of Interior and other Federal and local organizations.

The appropriate Federal agencies in close coordination with the State and local officials will continue to study this question and we will insure that the proper environmental objectives are carefully protected.

### Background

A new jetport facility for the Greater Miami area was proposed for construction within the Big Cypress. Environmentalists' concerns about its projected impacts on the Big Cypress led to the Everglades Jetport Pact in January, 1970, to locate an alternate site. Under DOT's lead, the other principals in the agreement are DOI, FAA, the State of Florida and the Dade County Metro Commission.

An alternate site ("Site 14") for the jetport was located in the Northwest corner of Dade County. The EIS is now being developed in the FAA. Residents of Northwest Dade County have voiced major objections to construction in that area; and changes in the aviation industry since the early 1970's are causing many Dade County residents to question the need for a new airport.

Prior to the signing of the Pact, an airstrip was constructed in the Big Cypress and is presently being used for pilot training. Under terms of the Pact, the training airstrip will be removed when the new airport is completed. Conservationists are anxious that this be accomplished as soon as possible.

M. Duval  
2/22/75



TAB G

## GUN CONTROL LEGISLATION

### Question:

A House Judiciary Subcommittee has just completed its first round of hearings on legislation to limit the use and availability of guns and its Chairman said he expects some form of gun control to be passed in Congress this year. Will you support gun control legislation?

### Answer:

I am, of course, aware that the hearings have been held. This matter is currently being studied within the Administration and I will be reviewing the material and recommendations put forward. The Administration will be testifying in Congress on gun control legislation later in the year and that testimony will reflect my views.

MRS. FORD AND ERA

Q: Last week Mrs. Ford personally called State legislators to discuss the upcoming vote on ERA. Don't you think that the First Lady is interfering with the separation of powers by lobbying State legislators?

A: Mrs. Ford and I have been strong supporters of the Equal Rights Amendment. When I established the National Commission on the Observance of International Women's Year on January 9th this year, I said that I hoped that 1975 would be the year that ERA is ratified.

Mrs. Ford believes the ERA is very important and has talked with a few state legislators expressing her personal interest in the ratification of the Amendment.

## FREEDOM OF INFORMATION ACT

- Q. The amendments to the Freedom of Information Act, which the Congress passed over your veto, became effective on February 19th. What impact will they have and what steps is your Administration taking to implement compliance with them?
- A. I am determined that in my Administration both the people and the Congress will get the information required to evaluate the difficult issues which face this country. While broadly supporting the laudable goals of the amended Freedom of Information Act, I had major problems with several of its provisions -- problems which prompted my veto. In particular, the amended Freedom of Information Act will place the courts in the difficult position of reviewing the confidentiality of sensitive and complex foreign policy, military and intelligence information on which they have no particular expertise. Despite the severe administrative difficulties which will also be imposed on the Executive Branch by this legislation, this Administration intends to make every effort to comply with the Act.