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THE WHITE HOUSE

WASHINGTON

July 22, 1976



MEMORANDUM FOR: JIM CAVANAUGH
FROM: MIKE DUVAL *White*
SUBJECT: MESSAGE TO CONGRESS

THE PROBLEM

There are some bills described in the President's draft Message which present serious problems. For example,

1. Gun Control
2. Watergate Reform
3. Clean Air Act Amendments
4. EIA and FEA Extension
5. Foreign Intelligence Surveillance Act

Listing all the legislation proposed by the President may:

- Receive very little favorable publicity;
- Remind people of unpopular proposals by the President; and
- Entice Congress to enact bills that will force the President to act (sign-veto) in a manner that hurts him with key groups.

ALTERNATIVES

1. Send the Message and take the risks;
2. Delete the controversial bills (e.g., gun control) and get bad press; or
3. Re-do package:
 - President statement (TV) today
 - veto overrides mean no tax cut or inflation
 - there are other key bills such as swine flu
 - Put out Message Friday that lists (2-3 pages) priority legislation. (See attached mark-up of draft Message).

I recommend alternative 3.

cc: Cheney, Connor

JULY 22, 1976

Office of the White House Press Secretary

THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

In the weeks remaining in this session of the 94th Congress there is an opportunity to write a legislative record of which we can all be proud. Over the past 23 months I have sent legislative proposals to the Congress dealing with many vital areas of national concern. Some of these proposals have been enacted, some are nearing enactment, but many others have been stalled in the legislative process.

Today I am calling on the Congress to turn its full and undivided attention to this unfinished agenda of legislative business. If you do, the record you will take to the people will be a good one.

The agenda is long, even though it does not include everything that should be passed by the Congress before it goes home. For example, I have not included here the appropriation bills which must be passed. Most of the agenda items have been debated at length by the Congress and the time for action has arrived.

The priority categories for action are familiar ones:

- tax reductions coupled with spending restraint
- crime control
- restoring the integrity of the Social Security System
- catastrophic health care protection for those covered by Medicare
- restrictions on forced, court ordered busing
- revenue sharing and block grants
- regulatory reform
- energy
- indemnification of swine flu manufacturers
- the remainder of my defense program plus defense cost saving legislation
- and other legislation ranging from agriculture to the environment; from higher education to reform of the Federal retirement system.

In the agenda that follows, I have listed the specific legislation that needs to be passed by the Congress. I am convinced that the passage of these bills is in the real interest of all of the American people.

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TAXESPermanent Tax Reduction

This proposal would provide a \$28 billion permanent income tax reduction effective July 1, 1976. Major provisions affecting individual income taxes include an increase in personal exemptions from \$750 to \$1,000, a reduction in tax rates, and substitution of a flat standard deduction for the low income allowance and percentage standard deduction.

Estate and Gift Tax Adjustment Act

This legislation would raise the estate tax exemption from \$60 thousand to \$150 thousand and make all transfers of assets between spouses exempt from estate and gift taxes. The estate tax rate structure would be altered so that taxes on the largest estates would remain unchanged.

In addition, this legislation would make it easier to continue the family ownership of a small farm or business following an owner's death. This would be accomplished by liberalizing present rules governing installment payments of estate taxes attributable to a small family farm or closely-held business by providing a 5-year "grace" period before such payments must begin, reducing the interest rate on those payments, and by extending the installment period from 10 to 20 years.

Jobs Creation Incentive Act

This legislation would encourage construction of new facilities and expansion of old facilities in areas experiencing unemployment in excess of 7 percent in order to increase employment opportunities in these areas. The increased construction would be encouraged by allowing very rapid amortization for nonresidential buildings and capital equipment.

Broadened Stock Ownership

Tax incentives to encourage broader ownership of common stock by working men and women would be provided by this proposal. Taxes on funds invested in stock-purchase plans established by employers or directly by individuals would be deferred provided such funds are invested for at least 7 years.

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CRIME CONTROLAmendments to the Criminal Code

Amendments would provide for the imposition of a mandatory term of imprisonment in certain cases. A mandatory term of imprisonment would be imposed if the

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offender: (1) commits an extraordinarily serious crime involving kidnapping, aircraft hijacking, or trafficking in hard drugs; (2) commits a violent offense after previously having committed a violent offense. A separate amendment would provide mandatory prison sentences for anyone who uses a gun in the commission of a crime. This amendment would also ban the importation, manufacture, assembly, sale or transfer of cheap, easily concealable handguns (the so-called "Saturday Night Specials").

Narcotic Sentencing and Seizure Act of 1976

This legislation would improve the ability of law enforcement officials to put traffickers of hard drugs into prison, take the easy profits out of drug trafficking, and improve the capacity of law enforcement officials to detect and apprehend drug smugglers. Major features of the proposal would require (1) minimum mandatory prison sentences for persons convicted of opiate (heroin and similar narcotic drugs) trafficking, (2) denial of bail to persons arrested for opiate trafficking, (3) the forfeiture under certain conditions of negotiable instruments used or intended to be used in illegal opiate trafficking, and (4) masters of boats --- including pleasure vessels --- to report their arrival to Customs authorities within 24 hours.

Crime Control Act

The Administration's proposal would extend the Law Enforcement Assistance Administration (LEAA) for five years, place LEAA under the general policy direction of the Attorney General, authorize LEAA to allocate up to \$50 million annually to high crime impact areas, eliminate provisions in current law which require maintenance of previous LEAA spending for juvenile delinquency programs at the 1972 level, and place special emphasis on improving the operation of State and local court systems. This legislation is designed to continue a vital Federal financial and technical assistance program to State and local governments so that they can improve their ability to enforce the law.

Justice Department Reorganization and Reform Act

The proposed legislation would provide a constitutional means of helping curb corruption in Government. It would establish within the Department of Justice a permanent Office of Special Prosecutor, whose head would be appointed by the President with Senate confirmation, and a Government Crimes Section in the Criminal Division to investigate and prosecute job-related criminal violations of Federal law committed by any elected or appointed Federal Government officer or employee. A proposed Government Crimes Section in Justice would have responsibility for investigating criminal violations of Federal lobbying and campaign laws. This legislation would also require designated officers and employees of the Federal Government to file comprehensive annual financial statements.

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SOCIAL SECURITYSocial Security Improvement Amendments

Two legislative proposals have been submitted to Congress to help insure a secure and viable Social Security system.

The "Social Security Amendments of 1976" would increase Social Security payroll contributions and thereby stop the immediate, short-term drain on the Social Security trust funds --- which are now expected to pay out about \$4 billion more in benefits each year than they take in.

The "Social Security Benefit Indexing Act" would correct a serious flaw in the method of computing benefits which, if left unchanged, would create severe long-range financial pressures on the trust funds. The two measures are necessary first steps to solve both the short and long-range financial problems of the Social Security system.

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CATASTROPHIC HEALTH PROTECTIONMedicare Improvements of 1976

The proposed "Medicare Improvements of 1976" is designed to provide greater protection against catastrophic health costs for the 25 million aged and disabled Americans eligible for Medicare. An estimated 3 million beneficiaries would pay less in 1977 as a result of the proposed annual limits of \$500 for hospital services and \$250 for physician services. The legislation would also provide for moderate cost-sharing for Medicare beneficiaries to encourage economical use of medical services and would slow down health cost inflation by putting a limit on Federal payments to hospitals and physicians.

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BUSINGSchool Desegregation Standards and Assistance Act

The purpose of this legislation is to maintain progress toward the orderly elimination of illegal segregation in public schools while preserving community control of schools. The legislation would set guidelines for Federal courts concerning the use of busing in school desegregation cases. It would require that courts determine the extent to which acts of unlawful discrimination have caused a greater degree of racial concentration in a school or school system than would

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have existed otherwise and to confine the relief provided to correcting the racial imbalance caused by those unlawful acts. The legislation would also limit the duration of court-ordered busing, generally to a period of no longer than five years.

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GENERAL REVENUE SHARING AND BLOCK GRANTS

General Revenue Sharing: Extension and Revision of the State and Local Fiscal Assistance Act

This proposal would extend and revise the highly successful general revenue sharing program which expires on December 31, 1976. The program would be extended for five and three-quarters years, and the current method of funding with annual increases of \$150 million would be retained. The basic revenue sharing formula would be retained but the existing per capita restraint would be eased. Civil rights and public participation provisions would be strengthened while reporting requirements would be made more flexible.

Federal Assistance for Community Services Act

This proposal would improve and strengthen the program of social services established under Title XX of the Social Security Act. The \$2.5 billion provided annually by the Federal Government would be distributed as a block grant to the States, with no requirement for State matching funds. Most Federal requirements and prohibitions on the use of Federal funds would be eliminated. Services to low-income Americans would be emphasized; Federal funds would be focused on those whose incomes fall below the poverty income guidelines.

Financial Assistance for Elementary and Secondary Education

This proposal would consolidate 24 programs of Federal assistance to State and local education agencies for non-postsecondary education purposes into one block grant. Three-quarters of the Federal support would have to be used for disadvantaged and handicapped students, with greater flexibility for States to target funds among programs in accordance with their own priorities. Administrative requirements on the States would be greatly reduced through reduction of Federal regulations and simplification of reporting procedures, and public participation would be required in the State planning process.

Financial Assistance for Health Care Act

This proposal would consolidate Medicaid and 15 categorical Federal health programs into a single \$10 billion block grant to the States. The proposal is

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designed to overcome some of the most serious defects in the present system of Federal financing of health care and to permit States to meet their citizens' health needs in a more effective manner. It would achieve a more equitable distribution of Federal health dollars among States, and eliminate the present State matching requirements. It would also reduce Federal red tape, give States greater flexibility in providing for delivery of health care services to those with low income, and expand public participation in health planning.

Child Nutrition Reform Act of 1976

This proposal would establish a single comprehensive block grant to provide Federal funds for States to feed needy children. It would consolidate into a single authority the fifteen complex and overlapping child nutrition programs currently administered by the Department of Agriculture. This new approach would concentrate Federal spending on the nutritional needs of poor children, while eliminating the substantial Federal subsidies now provided for non-needy children. It would also ease the heavy administrative burden being imposed on State and local governments by the complicated requirements and inflexible mandates of the present programs.

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REGULATORY REFORM

Agenda for Government Reform Act

The Agenda for Government Reform Act would authorize a major review of Federal regulatory activities. It would require the President, over a four-year period, to submit specific proposals to the Congress for the reform of Federal regulatory activities affecting certain sectors of the American economy (e.g., transportation, agriculture, public utilities, etc.). It is designed to produce reforms to guarantee that government policies do not infringe unnecessarily on individual choices and initiative nor intervene needlessly in the marketplace, to find better ways to achieve our social goals at minimal economic cost, to insure that government policies and programs benefit the public interest rather than special interests, and to assure that regulatory policies are equitably enforced.

Aviation Act of 1975

The Aviation Act is designed to provide consumers better air transportation services at a lower cost by increasing real competition in the airline industry, removing artificial and unnecessary regulatory constraints and ensuring continuance of a safe and efficient air transportation system. It would introduce and foster price competition in the airline industry, provide for the entry of new airline service, eliminate anti-competitive air carrier agreements, and ensure that the regulatory system protects consumer interests rather than special industry interests.

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Motor Carrier Reform Act

The Motor Carrier Reform Act would benefit the consuming public and the users of motor carrier services by eliminating excessive and outdated regulations affecting trucking firms and bus companies. It would stimulate competition in these industries, increase their freedom to adjust rates and fares to changing economic conditions, eliminate restrictions requiring empty backhauls, underloading, or circuitous routing, and enhance enforcement of safety regulations.

Financial Institutions Act

The Financial Institutions Act is intended to remove Federal restrictions on the interest rates and services banks and savings and loan associations can offer to the public. It is designed to offer more competitive returns to small savers and a more diversified range of services to all banking customers.

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ENERGYNew Natural Gas Deregulation

This bill is designed to reverse the declining natural gas supply trend as quickly as possible and to insure increased supplies of natural gas at reasonable prices to the consumer. Under the proposal, wellhead price controls over new natural gas sold in interstate commerce would be removed. This action will enable interstate pipelines to compete for new onshore gas and encourage drilling for gas onshore and in offshore areas.

Alaskan Natural Gas Transportation System

This bill was designed to expedite the selection and construction of a system for the transportation of natural gas from the North Slope of Alaska to the lower 48 States through the establishment of new administrative and judicial procedures. The bill is necessary because of expected prolonged litigation of any Federal Power Commission decision and to assure that all necessary considerations are brought to bear in selecting a system. The bill would enable reaching a decision on this vital issue by no later than October 1, 1977 while still providing adequately for the detailed technical, financial and environmental studies that must be completed to assure a decision in the public interest, with participation by both the Congress and the Executive.

Nuclear Fuel Assurance Act

This legislation would authorize the Energy Research and Development Administration to enter into cooperative agreements with private firms wishing to finance, build, own and operate uranium enrichment plants and authorize work on an addition to a government-owned enrichment plant. Existing capacity is fully committed. Additional capacity is needed to meet domestic demands for fuel for commercial nuclear power plants and to enable the U.S. to maintain its position as a leading world supplier of nuclear fuel and equipment for peaceful purposes. This legislation would permit a transition to a private competitive uranium enrichment industry, ending the government monopoly and avoiding the need to spend Federal funds for capacity that can be provided by private industry.

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Commercial Pricing for Uranium
Enrichment Service

This legislation would permit the Energy Research and Development Administration (ERDA) to revise the basis for establishing its prices for uranium enrichment services to domestic and foreign customers. It would enable ERDA to include cost elements in its price which should be associated with a commercial-industrial activity (e.g., provisions for taxes, insurance, and return on equity). The bill would end an unjustifiable subsidy by the taxpayers to domestic and foreign customers.

Synthetic Fuels

The Administration supports legislation to amend the Energy Research and Development Administration's existing authorities to provide \$2 billion in loan guarantees during 1977 for the commercial demonstration of synthetic fuel production from coal, oil shale, and other domestic resources. A total of \$6 billion in loan guarantees is expected to be necessary over the 1976 to 1978 period in order to reach the 1985 objective of 350,000 barrels per day of synthetic fuel production capacity. With the enactment of the Energy Independence Authority legislation these ERDA projects will be transferred to the Energy Independence Authority.

Winterization Assistance Act

This proposal would establish within the Federal Energy Administration, a grant program for States to assist low income persons, particularly the elderly, in winterizing their homes in order to reduce the long-term consumption of energy. The combined savings in fuel, estimated to be thousands of barrels a day, would not only lessen America's dependence on imported fuels, but would also lower heating bills of low-income persons and families.

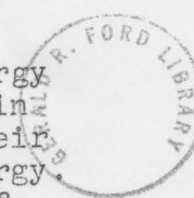
Building Energy Conservation
Standards Act of 1975

This proposal would establish thermal (heating and cooling) efficiency standards for all new homes and commercial buildings to conserve energy. It is anticipated that this program will save the equivalent of 350,000 barrels of oil per day in 1985. Standards would be promulgated by HUD and primary responsibility for enforcement would be with State and local governments through building codes.

Utilities Act of 1975

This bill is designed to help restore the financial health of electric utilities. It would eliminate undue regulatory lags involved in approving proposed rate changes and assure that rates adequately reflect the full cost of generating and transmitting electricity. Though many States have already adopted similar programs, enactment of the bill will establish certain standard regulatory procedures across the Nation, resulting in more equitable treatment of utilities.

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Federal Energy Administration Extension Act

The Administration has proposed a simple extension of the Federal Energy Administration for 18 months. This will provide the continuity needed to insure FEA's ability to implement the complex programs contained in the Energy Policy and Conservation Act of 1975 and to adequately administer oil price controls.

Energy Independence Authority of 1975

This Act would establish a \$100 billion Energy Independence Authority, a self-liquidating corporation designed to encourage the flow of capital and provide financial assistance, through loans and loan guarantees, to private enterprise engaged in the development of energy sources and supplies important to the attainment of energy independence but which would not otherwise be financed.

This bill also seeks to expedite and facilitate the Federal regulatory and licensing process and to hasten the commercial operation of new energy technologies subsequent to the research and development phase.

Nuclear Powerplant Siting and
Licensing Procedures

This legislation is intended to shorten and improve the licensing process for nuclear facilities by allowing licensing procedures for reactor sites and standardized reactor designs to be completed at an earlier point in time. It would require the Nuclear Regulatory Commission to assure expeditious reactor siting and licensing hearings consistent with the public safety, exclude from consideration any issue which has either been decided or which could have been raised and decided in previous proceedings, and coordinate planning and scheduling of siting and licensing procedures with State agencies.

Electric Power Facility Construction
Incentive Act

This legislation is designed to provide tax incentives to stimulate the construction of new electric power generating facilities other than petroleum fueled generating plants. Construction costs of electric utilities would be reduced through changes in the investment tax credit and allowances for amortization and depreciation. These provisions would encourage utilities to reactivate their plans for the construction of nuclear plants and coal-fired plants that were cancelled or deferred in 1974 and 1975.

Energy Facilities Planning and Development Act

This bill is designed to expedite the development of energy facilities. The Federal Energy Administration would be required to develop a National Energy Site and Facility Report with appropriate Federal, State, industry and public input. Information in this report would be utilized by the Federal Government, the States and industry in developing and implementing plans to insure that needed energy facilities are sited, approved and constructed on a timely basis. At the Federal level, FEA would be responsible for coordinating and expediting the processing of applications to construct energy facilities.

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Natural Gas Emergency Standby Act

This legislation would provide a limited exemption from the regulation of natural gas in interstate commerce. It would grant the Federal Power Commission authority to allow companies which transport natural gas in interstate commerce to meet the natural gas requirements of their high priority users by purchasing natural gas (a) from sources not in interstate commerce and (b) from other companies on an emergency basis free from the provisions of the Natural Gas Act, except for reporting requirements.

Clean Air Act Amendments

The Administration favors legislation which would stabilize auto emission standards at the levels specified by EPA for model year 1977 for three years and imposes stricter standards for two years thereafter. With respect to significant deterioration and stationary source standards, changes are needed to achieve a better balance among environmental, energy and economic needs.

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DEFENSE

Proposed changes to the Defense budget will be transmitted to the Congress in a separate message. These changes will include revised authorization and appropriation requests. These changes will:

1. Request approval of vital Defense programs deleted in Congressional action thus far.
2. Request deletion of unneeded increases the Congress added to the Defense program.
3. Request approval of a series of legislative proposals which would produce major economies without impairing our national defense capabilities.

In addition to changes in the Defense budget, the Congress should enact the following legislation.

Military Construction Appropriation
Authorization, Fiscal Year 1977

This legislation authorizes fiscal year 1977 appropriations for new construction for Defense, the military departments and the Reserve Components. On July 2, 1976, H.R. 12384 was vetoed because it contained a provision which would have seriously restricted the Executive's ability to carry out certain military base closures and reductions. Congress should reenact this otherwise acceptable legislation without the objectionable base closure provision.

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Uniformed Services Retirement Modernization Act

The Administration's legislation proposes substantial revisions to the uniformed services nondisability retirement system designed to increase its effectiveness both as an element of the compensation system and as an element of the personnel management system. These revisions would be phased in gradually with appropriate provisions for saved-pay. Major features of the proposal include:

- increased multipliers for members with long service (over 24 years)
- an early retirement annuity for members who retire short of a full career (less than 30 years) with an increased annuity when they would have reached 30 years of service.
- use of the highest average basic pay for one year instead of terminal basic pay in computing retirement annuities.
- integration of military and social security retirement benefits at age 65.
- payments to both voluntary and involuntary separatees who leave before completing 20 years of service.

Restraint Items Requiring Permanent Legislation

1. Wage Board pay reform.
2. Phase out commissary direct labor subsidy.
3. Eliminate 1% "kicker" from retired pay adjustment computation.
4. Eliminate administrative duty pay for Reserve and National Guard Commanders.
5. Reduce the number of annual paid drills for the National Guard.
6. Eliminate dual compensation of Federal employees for National Guard and Reserve annual training.
7. Revise cadet and midshipman pay policy.

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INTERNATIONAL

Bretton Woods Agreement Act Amendments

This legislation would authorize the United States to accept fundamental amendments to the Articles of Agreement of the International Monetary Fund. The amendments to the Articles generally concern: members' exchange arrangements; reduction in the role of gold in the international monetary system; changes in the characteristics and uses of the

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special drawing right; and simplification and modernization of the Fund's financial operations and transactions. The bill would also authorize the United States to consent to an increase in its quota in the Fund equivalent to 1,705 million Special Drawing Rights.

Protection of Intelligence Sources and Methods

This legislation is designed to protect intelligence sources and methods from unauthorized disclosures. It provides for criminal and civil sanctions against those who are authorized access to such intelligence information and who reveal it to unauthorized persons. The bill contains provisions to prevent damaging disclosures of intelligence sources and methods in the course of prosecution and also includes safeguards to adequately protect the rights of an accused. Injunctive relief would be provided in those instances in which unauthorized disclosure is threatened and serious damage to intelligence collection efforts would result.

Foreign Intelligence Surveillance Act

This legislation is designed to ensure that the Government will be able to collect necessary foreign intelligence while at the same time providing assurances to the public that electronic surveillance for foreign intelligence purposes will not be abused. The proposed bill would provide a procedure for seeking a judicial order approving the use, in a particular case, of electronic surveillance to obtain foreign intelligence information. It also would establish standards that must be satisfied before any such order could be entered. The bill follows the framework of existing law governing such surveillance undertaken for criminal law enforcement purposes, with appropriate adjustments to meet the special needs and purposes of foreign intelligence investigations.

Export Administration Act Extension

This legislation would extend the Export Administration Act from September 30, 1976, to September 30, 1979. The Act authorizes the President to regulate exports of U.S. goods and technology to the extent necessary to protect the domestic economy from an excessive drain of scarce materials, to further the foreign policy of the United States and to control exports when necessary for purposes of national security. The Administration also has requested that the maximum civil penalty under the Act be raised from \$1,000 to \$10,000 and that criminal penalties be raised from \$10,000 to more meaningful levels.

Financial Support Fund

This legislation would authorize the President to accept membership for the United States in a new, \$25 billion Financial Support Fund agreed to by the Organization for Economic Cooperation and Development (OECD). The Fund would be available for a period of two years to provide short to medium-term financing to participating OECD members faced with extraordinary financing needs. The proposal for the Fund was developed as part of a comprehensive response to the economic and financial problems posed by severe increases in oil prices.

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The Administration's proposal would permit U.S. participation in the Fund by authorizing the Secretary of the Treasury to issue guarantees. The bill would authorize appropriations of such sums as are necessary to meet obligations on guarantees issued by the Secretary but not to exceed an amount equivalent to approximately \$7 billion.

International Bank for Reconstruction and
Development (IBRD), increased
United States participation

This legislation would authorize the Secretary of the Treasury as the United States Governor to the IBRD (World Bank) to vote for an increase of \$8.4 billion in the authorized capital stock of the Bank. It would also authorize him to subscribe, on behalf of the United States, to an additional 13,005 shares of capital stock and authorize appropriations of approximately \$1.57 billion for the increase in United States participation.

Implement Agreement Between the
United States and Turkey

This proposed joint resolution would approve the new Defense Cooperation Agreement with the Government of Turkey and authorize the President to implement the Agreement.

Economic Coercion Act of 1975

This proposal would prohibit any business enterprise from using economic means to coerce any person or entity to fail to do business with or otherwise to discriminate against any United States person on the ground of race, color, religion, sex or national origin. The prohibition would be enforced by civil actions brought by aggrieved persons or by the Attorney General.

Increased Participation in the Asian Development Fund

This legislation would authorize appropriations of \$50 million which would permit the United States to make the first of three scheduled contributions to a multi-donor replenishment of the Asian Development Fund.



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AGRICULTURE

U.S. Grain Standards Act Amendments

The Administration proposed a bill to amend the United States Grain Standards Act to improve the grain inspection system. Specifically, the bill would:

- retain the Federal, State and private grain inspection system now in effect, but authorizes USDA to perform original

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inspection on an interim basis during suspension or revocation proceedings against an official inspection agency, or where other qualified agency or person is not willing or able to provide service;

- authorize USDA to conduct monitoring activities in foreign ports for grain officially inspected under the Act;
- eliminates the potential for conflict of interest from the present grain inspection system;
- require official inspection agencies to comply with certain training, staffing, supervisory and reporting requirements;
- provide for the suspension or revocation of official inspection agencies for violation of the Act;
- provide for the triennial designation of all official inspection agencies; and,
- require the payment of grain inspection fees which would make the program largely self-supporting.

Federal Crop Insurance Act

The Administration proposed a bill to amend the Federal Crop Insurance Act and to repeal the disaster payment provisions for feed grains, cotton, and wheat under the Agriculture Act of 1949. The proposed amendments would permit the Federal Crop Insurance Corporation to offer insurance on a nationwide basis on feed grains, cotton, and wheat and thus provide the producers of those commodities with protection from the financial losses attributable to crop failures. It would also permit the Corporation to reinsure policies written by private insurance companies thereby expanding the availability of this valuable service. This program would save an estimated \$250 million in government outlays annually and place the cost of and responsibility for maintaining crop insurance on the producers who would benefit from it.



Restructure Agriculture Conservation Program

The Administration proposed a bill to update the conditions under which the Federal Government provides financial assistance to agricultural producers for needed soil, water, woodland, and wildlife conservation and environmental enhancement measures on agricultural lands. Specifically, the bill would:

- provide for financial assistance to those agricultural producers who are financially unable to fully carry out needed conservation practices; and,

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- limit financial assistance under the Act to enduring type practices pertaining to soil, water, woodland, and wildlife conservation on agricultural lands and emphasize long-term agreements as opposed to annual or short-term conservation practices.

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ENVIRONMENT

Federal Water Pollution Control Act Amendments

The 1976 amendments proposed to the Act would affect future funding of the waste water treatment grant program. They would focus Federal funding on the construction of treatment plants and associated interceptor sewers; eliminate the eligibility of that portion of each project designed to serve reserve capacity for future population growth; and authorize the Administrator of EPA to extend the July 1, 1977 deadline for compliance with secondary treatment and water quality standards on a case-by-case basis for periods not to exceed six years. In addition, extensions of appropriation authorizations were proposed for FY 76 and FY 77.

Comprehensive Oil Pollution Liability and Compensation Act

The Comprehensive Oil Pollution Liability and Compensation Act of 1975 would establish a \$200 million domestic fund which would be available to compensate individuals who suffer damages from oil spills in U.S. waters. The bill would create a uniform nationwide system of strict liability for oil spill damages and a standard procedure for settlement of claims. It would also implement two international conventions which deal with oil pollution caused by tankers on the high seas.

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INCOME ASSISTANCE

National Food Stamp Reform Act

This proposal would concentrate food stamp program benefits on those truly in need, significantly improve program administration, and correct abuses and inequities of the current program. A standard deduction would replace the present set of complex itemized deductions; eligibility would be limited to those whose net income is below the

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poverty level; families would be required to spend 30 percent of household income for stamps; a more realistic measure of actual income over the preceding 90 days would be used to determine eligibility; categorical eligibility for public assistance recipients would be eliminated; and able-bodied recipients would be required to seek, accept, and retain gainful employment.

Work Incentive (WIN) Program Amendments of 1976

The purpose of the Work Incentive (WIN) program is to help recipients of Aid to Families with Dependent Children (AFDC) shift from welfare to self-support through employment. The proposed WIN amendments would redesign the program to help more AFDC applicants and recipients move into the mainstream of the economy with greater efficiency and less cost to the taxpayers. It would revise WIN to ensure that employable AFDC applicants and recipients in WIN areas are exposed to job opportunities, and will actively search for and accept suitable jobs. The legislation would extend to AFDC applicants the employment services presently provided only to AFDC recipients--i.e., direct placement and labor market exposure--and would terminate the less effective work and training components of the WIN program.

Aid to Families with Dependent Children (AFDC) Amendments of 1976

This proposal would simplify the administration of the Aid to Families with Dependent Children (AFDC) program and focus the resources devoted to this program on the most needy. For example, it would standardize the disregard for work-related expenses, thereby eliminating one of the troublesome inequities of the AFDC program, and it would eliminate the dual work registration requirement for unemployed fathers which would remove an extra burden on the individual and reduce administrative work. It would also require that an applicant for AFDC under the unemployed fathers program apply for and accept any unemployment compensation benefits to which he is entitled. Currently, as a result of a Supreme Court decision, an individual who is eligible for unemployment compensation benefits has the option of applying for either unemployment compensation benefits or AFDC benefits. An individual's first recourse should be to unemployment benefits for which his employer has contributed and to which he is entitled.

Low Income Housing Contributions

This proposal would amend the definition of "income" used in determining eligibility and maximum rental charges under the low-income public housing program, to conform the criteria used in public housing to those used in the lower-income housing assistance program under section 8 of the United States Housing Act of 1937. Present law provides for a number of exclusions from income, among which are exclusions for minor children, extraordinary medical or other expenses, and a flat deduction of 5 percent of the family's gross income (10 percent in the case of elderly households). The amendment would require exclusions only for the number of minor children in the household and for the extent of medical or other unusual expenses. This would promote equity between tenants and public housing authorities and between tenants and Federal taxpayers.

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Unemployment Compensation Amendments

This proposal would expand coverage under the regular unemployment insurance system to additional groups of workers and would make urgently needed changes to strengthen the financing of the system. The permanent extended unemployment insurance program would be made more responsive to changes in the economy. A National Commission on Unemployment Compensation would be established to comprehensively study the system and proposed changes, and make recommendations for further improvements.

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VETERANSMedical Insurance for VA Hospital Care

Many veterans who receive free medical care at VA hospitals have health insurance. This proposal would require the insurance companies to reimburse the VA for hospital care provided to veterans who do not have disabilities resulting from active military service. The proposal reflects the Administration's belief that the Federal taxpayer should not bear the cost of treating people with no service-connected disabilities when to do so will benefit only third parties, including insurance companies, who are legally liable for the disability or injury necessitating such treatment.

Termination of Veterans Educational Benefits

This proposal would terminate VA education benefits for those men and women who decide in the future to enter the peacetime All-Volunteer Force. The educational assistance programs for veterans, from their inception, were designed as readjustment benefits for those who served during wartime. They were never intended to be a continuing benefit and both the World War II and Korean conflict GI Bill programs were terminated within a reasonable period after the cessation of hostilities. The Vietnam conflict officially ended in May 1975; the draft, in June 1973. With the advent of a peacetime, All-Volunteer Force, GI Bill educational benefits are no longer appropriate for those who enter military service in the future.

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OTHERIndemnification of Swine Flu Manufacturers

This proposal is essential to implementation of the National Influenza Immunization Program. Current law bars the Federal Government from agreeing to indemnify

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vaccine manufacturers for losses from injuries which may result from the Federal Government's activities in the immunization program. The Administration proposal would enable HEW to agree to indemnify the manufacturers against claims attributable to inoculation with the vaccine, except claims arising out of the negligence of the manufacturer.

Student Loan Amendments

This proposal would correct certain abuses in the Federal guaranteed student loan program that have resulted in high default rates under that program. Specifically, the proposal would amend Title IV of the Higher Education Act to eliminate proprietary schools as eligible lenders, and amend the Bankruptcy Act to make student loans non-dischargeable in bankruptcy during the five-year period after the first installment becomes due. The proposal would also prohibit borrowers who default on guaranteed loans from receiving a basic educational opportunity grant or any further guaranteed loans.

Federal Impact Aid Amendments of 1976

This bill would reform the impact aid program by targeting funds only on those school districts that are truly adversely affected by Federal activities. It would provide support to local education agencies only for those children whose parents both live and work on Federal property. These people do not pay property taxes, and the Administration believes that the Federal Government has a responsibility to help pay the cost of educating their children, but not to help pay the costs of educating other children whose parents pay local property taxes.

Comprehensive Health Professions Education Act

The Administration's proposal would provide Federal support to those medical and dental schools that agree to meet certain conditions. Unlike prior programs of Federal assistance which were directed towards increasing the aggregate numbers of doctors and dentists in the Nation, the Administration proposal would shift the emphasis of Federal support for health professions schools from merely increasing enrollments to addressing national problems of medical specialty and geographic maldistribution. The proposal is designed to produce more primary care physicians and to provide greater access to health professionals.

Higher Education Act Amendment and Extension

This bill would extend for four years those higher education programs which have demonstrated their effectiveness in meeting the post-secondary education needs of the Nation. The bill would extend the most effective student assistance programs, namely, the basic educational opportunity grant program, the work-study program, the State student incentive grant program, and the guaranteed student loan program. Programs to strengthen developing institutions and the Teacher Corps program would also be extended. The bill would also simplify and clarify the requirements relating to accreditation and institutional eligibility.

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Closure or Transfer of Public Health Service Hospitals

This proposal is one of several Administration initiatives designed to reform Federal financing and direct delivery of health care. It would authorize HEW to transfer to community use or close the eight Public Health Service hospitals which are underutilized and which essentially serve only one occupational group. The proposal reflects the conclusion that maintenance of a Federal hospital system for some 200,000 merchant seamen is an inappropriate and inefficient use of resources, particularly in light of low hospital occupancy rates, the excess supply of hospital beds, the availability of alternative health care facilities, and the substantial capital investment which would be required to continue operation of the hospitals.

Repeal the 1% Add-on in the Cost-of-Living Adjustment of the Civil Service Retirement System

Federal civilian and military retirement systems automatically increase benefits to compensate for changes in the Consumer Price Index (CPI). Since 1969, these automatic adjustments have included a 1% add-on which has been compounded with each subsequent CPI adjustment. This bill would eliminate the 1% add-on provision in the civil service retirement law which has been progressively over-compensating Federal retirees for changes in the cost of living. The Congress has passed legislation to eliminate the 1% add-on in the military, foreign service, and CIA retirement systems, but only if it is also eliminated for the civil service retirement system.

Wage Board Pay Reform

The basic principle governing Federal blue-collar employees' pay rates is that they should be comparable with prevailing rates and pay practices in the non-Federal sector in the same locality. This bill would eliminate aspects of present law governing wage board pay rates that are inconsistent with that principle and therefore result in Federal blue-collar workers earning more than their counterparts in the private sector. Among other things, the bill would eliminate use of wage rate data from outside the local area involved. It would also eliminate the present requirement for each grade to have five steps, and would substitute a step-rate structure that would accord with the predominant industry practice.

Increased Authorization for Certain Small Business Loan Programs

This legislation would increase the total amount of loans, guarantees, and other obligations which the Small Business Administration (SBA) may have outstanding at any one time. These revised ceilings will permit SBA to increase the number of loans made to those small businesses who otherwise would be unable to obtain credit in the private sector.

Federal Procurement Act

A number of recommendations made by the Commission on Government Procurement -- including proposals to consolidate the basic Federal procurement acts and modernize the provisions for awarding contracts -- would be implemented by this bill.

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Reorganization Act Extension

This proposal would extend the President's authority to submit plans for the reorganization of executive agencies to the Congress. This authority expired on April 1, 1973. The legislation is designed to restore the authority necessary for the President to propose reorganization in order to foster both efficiency and flexibility in the structure of the Executive branch.

Stockpile Disposal

This legislation would authorize disposal from the national stockpile and supplemental stockpile of industrial diamond stones, antimony, tin, and silver. The amounts of these four materials recommended for disposal are in excess of adequate stockpile requirements, and their sale would result in estimated receipts of \$746 million in fiscal year 1977.

Patent Modernization and Reform Act

This legislation would substantially strengthen the American patent system by improving the strength and reliability of issued patents through procedural reforms in the patent examination and issuance process. It would also simplify procedures for obtaining patents, make more complete and precise the disclosure of information about technology contained in patents, and add new provisions concerning enforcement of patents.

Winter Olympic Games Assistance

This legislation would authorize Federal financial assistance for the construction of certain permanent, unique sports facilities needed for the 1980 Winter Olympic Games at Lake Placid, New York. The total amount of special Federal assistance under both existing authorities and this legislation would not exceed \$28 million plus the financing of certain increases in construction costs.

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These are important legislative proposals dealing with matters of the National interest, and I urge the Congress to move with dispatch to enact them.

GERALD R. FORD

THE WHITE HOUSE,

July 22, 1976.

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