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THE WHITE HOUSE
WASHINGTON

*disregard
new
one
coming*

January 13, 1977

MEMORANDUM FOR: THE PRESIDENT
FROM: MIKE DUVAL
SUBJECT: Telephone Call to President-elect
Carter Concerning Government Salary
Increases.

Attached at TAB A are detailed talking points. The following is a summary of the points we recommend be made:

- . I understand you have seen the salary levels I expect to recommend. Do you generally agree?
- . I intend to link the increases to a recommendation that each branch adopt a strengthened code of conduct.
- . May I state publicly that you concur with this general approach?



TAB A

THE WHITE HOUSE
WASHINGTON

RECOMMENDED TELEPHONE CALL

FROM: MIKE DUVAL *Mike*

TO : Jimmy Carter

SUBJECT : Executive, Legislative and Judicial pay increases.

PURPOSE : To receive President-elect Carter's personal support for your decision to approve significant salary increases for high officials in all three branches linked to a commitment to a strengthened code of conduct.

TALKING POINTS : 1. I have reached some conclusions concerning the Peterson Commission report on Executive, Legislative and Judicial Salaries.

I intend to submit my recommendations to the Congress along with my budget on Monday the 17th. I concur with the Commission's conclusion that there should be a substantial salary increase linked to a strengthening of the code of conduct for all three branches. If I make such a recommendation, it will require your support to be implemented.

2. I'd like to go over some of the specific elements of the recommendation I intend to make.

First, I believe you have a copy of my proposed salary increases. I understand that you agree with these proposed increases. I have now filled out the list by adding all jobs covered by the Quadrennial Commission statute. I understand that Bert Lance has advised you of these additional figures.

[I agree with the Commissions' suggestion that the Congress deal with the cost of living adjustments problem in separate legislation. My recommendation will take no position on this issue.]

Second, I am strongly of the opinion that the code of conduct should be strengthened for all three branches, particularly the Congress. I intend to endorse the principles stated in the Peterson Commission Report such as full public disclosure, rigorous restrictions on outside income, strict conflict of interest provisions, and reform of expense allowances.

[NOTE: This list omits post-service employment rules. The Peterson Report only calls for limitations on arrangements for post-service employment made while in public employment and for consistent and explicit rules among all branches. Carter went beyond this by proposing what appears to be strict limitations for two years following government service.]

Because of the principle of separation of powers, I will recommend that each branch adopt its own rules and enforcing mechanisms in accordance with the general principles identified in the Peterson Report.

Third, I believe that the salary increases should be accepted by the Congress only if there is a firm commitment to the stronger code of conduct.

[NOTE: We have presented a choice here of how you recommend that Congress show its commitment: in Option A Congress commits by not rejecting the raise and in Option B you ask each House to pass a resolution. Jack Marsh and Mike Duval favor Option A because the resolution procedure will be used by opponents of the pay increase to defeat it and, in any event, Congress could ignore your recommendation. They cannot ignore Option A.]

OPTION A

[Accordingly, I intend to state publicly that one or both Houses of Congress should vote to reject my recommendations for salary increases unless they are committed to adopt the new code of conduct within 3 months. That is, the public should take Congressional acceptance of the increases as evidence of commitment to the code.]

OR

OPTION B

[Accordingly, I will recommend that each House pass a resolution, before the pay increase takes effect, expressly committing to the establishment of a new code of conduct.]

3. I would like to use the following sentence in my public statement on this subject:

"I have personally discussed the matter with President-elect Carter and he supports my recommendations concerning salary levels and the need for stronger codes of conduct for all three branches."

THE WHITE HOUSE
WASHINGTON

January 13, 1977

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Carter Concerning Government
Salary Increases.

Attached at TAB A are detailed talking points. The following is a summary of the points we recommend you make:

- I understand you have seen the salary levels I expect to recommend. Do you agree?
- I intend to link the increases to a recommendation that each branch adopt a strengthened code of conduct.
- May I state publicly that you concur with this approach?

See TAB B for materials from Jim Lynn.

TAB A

THE WHITE HOUSE

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FROM: MIKE DUVAL *Mike*

TO : Jimmy Carter

SUBJECT : Executive, Legislative and Judicial pay increases.

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I intend to submit my recommendations to the Congress along with my budget on Monday the 17th. I concur with the Commission's conclusion that there should be a substantial salary increase linked to a strengthening of the code of conduct for all three branches. If I make such a recommendation, it will require your support to be implemented.

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First, I believe you have a copy of my proposed salary increases. I understand that you agree with these proposed increases. I have now filled out the list by adding all jobs covered by the Quadrennial Commission statute. I understand that Bert Lance has advised you of these additional figures.

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Because of the principle of separation of powers, I will recommend that each branch adopt its own rules and enforcing mechanisms in accordance with the general principles identified in the Peterson Report.

Third, I believe that the salary increases should be accepted by the Congress only if there is a firm commitment to the stronger code of conduct.

Accordingly, I will recommend that each House pass a resolution before the pay increase takes effect, expressly committing to the establishment of a new code of conduct.

3. I would like to use the following sentence in my public statement on this subject:

"I have personally discussed the matter with President-elect Carter and he supports my recommendations concerning salary levels and the need for stronger codes of conduct for all three branches."

TAB B

	<u>Present</u>	*	<u>Peterson</u>		**		<u>Lynn</u>		
V.P.	65,600	(6)	80,000 (14,400)	22%	(10)	(7)	75,000 (9,400)	14.3%	(6)
C.J.	65,600	(6)	80,000 (14,400)	22%	(10)	(7)	75,000 (9,400)	14.3%	(6)
Speaker	65,600	(6)	80,000 (14,400)	22%	(10)	(7)	75,000 (9,400)	14.3%	(6)
Assoc. J.	63,000	(5)	77,500 (14,500)	23%	(9)	(8)	72,000 (9,000)	14.3%	(6)
Exec. I	63,000	(11)	67,500 (4,500)	7.1%	(11)	(9)	66,000 (3,000)	4.8%	(7)
Pres. Pro Tem.	52,000	(8)	65,000 (13,000)	25%	(8)	(1)	65,000 (13,000)	25%	(5)
Appeals J.	44,600	(1)	65,000 (20,400)	45.7%	(2)	(2)	57,500 (12,900)	28.9%	(2)
Dist. J.	42,000	(2)	62,000 (20,000)	47.6%	(1)	(3)	54,500 (12,500)	29.8%	(1)
Exec. II	44,600	(3)	60,000 (15,400)	34.5%	(4)	(2)	57,500 (12,900)	28.9%	(2)
Sen. & Reprs.	44,600	(9)	57,500 (12,900)	28.9%	(4)	(2)	57,500 (12,900)	28.9%	(2)
Exec. III	42,000	(4)	57,000 (15,000)	35.7%	(3)	(4)	52,500 (10,500)	25%	(5)
Exec. IV	39,900	(7)	53,000 (13,100)	32.8%	(5)	(5)	50,000 (10,100)	25.3%	(4)
Exec. V	37,800	(10)	49,000 (11,200)	29.6%	(6)	(6)	47,500 (9,700)	25.7%	(3)

* Ranking by amount of increase

** Ranking by percentage increases

RECOMMENDATIONS FOR EXECUTIVE, LEGISLATIVE,
AND JUDICIAL SALARIES

As required by section 225 of the Federal Salary Act of 1967, Public Law 90-206 (2 U.S.C. 351 et seq.), the Commission on Executive, Legislative, and Judicial Salaries has submitted to the President recommendations on salaries for Senators, Representatives, Federal judges, Cabinet officers, and other agency heads, and certain other officials in the executive, legislative, and judicial branches.

The statute requires the President, in the budget next submitted by him after receipt of the report of the Commission, to set forth his recommendations for adjustment of these salaries. Under the statute, the President's recommendations become effective 30 days following transmittal of the budget, unless in the meantime other rates have been enacted by law or at least one House of Congress has enacted legislation which specifically disapproves all or part of the recommendations.

~~The Commission report has been carefully reviewed and the President has concluded that its recommendations concerning salary levels are appropriate.~~

Accordingly, pursuant to section 225(h) of Public Law 90-206 (81 Stat. 644), the President recommends the following rates of pay for executive, legislative, and judicial offices and positions within the purview of subparagraphs (A), (B), (C), and (D) of subsection (f) of that section:

For the Vice President of the United States.....	\$175,000	
For offices and positions under the Executive Schedule in subchapter II of chapter 53 of title 5, United States Code, as follows:		
Positions at level I.....	66,000	
Positions at level II.....	57,500	
Positions at level III.....	52,500	
Positions at level IV.....	50,000	
Positions at level V.....	47,500	
For Speaker of the House of Representatives.....	75,000	
For the President Pro Tempore of the Senate, majority leader and minority leader of the Senate, and majority leader and minority leader of the House of Representatives.....	65,000	
For Senators, Members of the House of Representatives, Delegate to the House of Representatives and the Resident Commissioner from Puerto Rico.....	57,500	
For other officers and positions in the legislative branch as follows:		
Comptroller General of the United States.....	57,500	
Deputy Comptroller General of the United States.....	52,500	
The Public Printer, Librarian of Congress, Architect of the Capitol, and General Counsel of the General Accounting Office.....	50,000	
The Deputy Public Printer, Deputy Librarian of Congress, and Assistant Architect of the Capitol.....	47,500	
For Justices, judges and other personnel in the judicial branch as follows:		
Chief Justice of the United States.....	75,000	
Associate Justices of the Supreme Court.....	72,000	
Judges, Circuit Court of Appeals; judges, Court of Claims; judges, Court of Military Appeals; judges, Court of Customs and Patent Appeals.....	57,500	
Judges, District Courts; judges, Customs Court; judges, Tax Court of the United States.....	54,500	
Director of the Administrative Office of the U.S. Courts.....	54,500 54,500	
Deputy Director of the Administrative Office of the U.S. Courts; Commissioners, Court of Claims; referees in bankruptcy, full time (maximum).....	50,000 42,500	
Referees in bankruptcy part time (maximum).....	24,300	

~~This being amended.~~

~~5/5/77~~

These recommendations as well as are

other recommendations of the Commission on Executive, Legislative, and Judicial Salaries concerning ethical standards of conduct will be addressed separately in a separate message to the Congress by the President.



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

January 13, 1977

MEMORANDUM FOR THE PRESIDENT

FROM: James T. Lynn

SUBJECT: Pay Raises

I have discovered that the Peterson Commission Report raises two additional issues that must be decided.

Under the current law, the Director of the Administrative Office of the U.S. Courts is paid the same amount as a District Court Judge and Executive Level III. As you recall and can note from the attached schedule we have already gone over, a District Court Judge goes up under your recommendation \$2,000 more than Executive Level III does. The Commission Report recommends keeping the Director at the Level III level rather than moving it to the proposed District Judge level.

There is a 1967 statute which linked the Director with the District Judge. However, notwithstanding the opinion of the General Counsel of the Administrative Office of the U.S. Courts, the Office of Legal Counsel in Justice and the OMB General Counsel concur that the Quadrennial Commission law passed at the same time but to become operative two years later superseded the narrower statute and therefore the Commission and/or the President can unlink the two.

I think it is a close call. Peterson tells me they really didn't focus on the issue. Under the Commission recommendations, the District Judge went up to \$62,000 and if they had kept the linkage between the Director and the Judges at that figure the Director would be making even more than Executive Level II. On the other hand, at the lower District Judge level in the "Lynn" column, \$54,500, the Director at that level would be making somewhat more (\$2,000) than a Level III but still less (\$3,000) than a Level II, and whether or not the 1967 statute has been superseded it at least expressed the will of the Congress at that time that the Director and the District Judge should be linked. Also, as Phil Buchen points out, the Director has a financial management role over the judges, and it is appropriate that he be paid on a "peer group" basis.

On the other hand, District Judges are asked to serve for life and the Director serves at the pleasure of the Supreme Court. This weighs in the opposite direction -- toward keeping the Director at Level III rather than the higher District Judge level.

Phil Buchen and I concur that it would be better to stick to the approach of the Congress and thus to continue the linkage of the Director with the District Judges (\$54,500) rather than with Executive Level III (\$52,500).

Decision: Director continues linkage with
Executive Level III - \$52,500
(increase of \$10,500 - 25%)

or Director continues linkage
with District Judge at \$54,500
(increase of \$12,500 - 29.8%)
(Recommended)

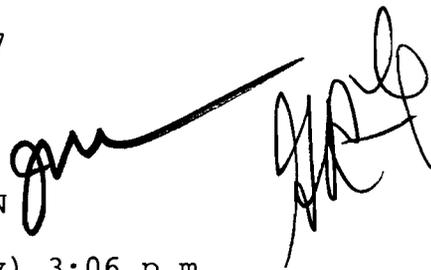
MA7

The second issue involves three positions presently paid the same: the Commissioners of the Court of Claims, the Deputy Director of the Administrative Office of the U.S. Courts, and full-time bankruptcy referees. Under current pay schedules these positions (hereinafter for brevity called "the Three"), as well as Executive Level V, the Deputy Librarian of Congress, the Deputy Public Printer and the Assistant Architect of the Capitol all receive the same amount of money. In the Peterson Report, the Three are all moved up from the Level V rate to the Level IV rate (which also includes the General Counsel of the GAO, the Librarian of Congress, the Public Printer and the Architect of the Capital). The other previously named positions remain at the Level V under the Peterson Report. In this connection, it should be noted that the Deputy Director of the Administrative Office of the U.S. Courts was tied to Level V by the 1967 pre-Commission statute mentioned above. Just as the Commission's recommendation broke the 1967 statute linkage by recommending pay for the Director of the Administrative Office lower than the District Court Judge, it also broke such linkage by recommending pay for the Deputy that is higher than a Level V. Peterson tells me they really didn't focus on this issue either. I am inclined to go along with the Commission report concept of moving the Three up towards Level IV from the Level V inasmuch as, at least for the Deputy Director, I can't see

THE WHITE HOUSE

WASHINGTON

January 13, 1977



**MEMORANDUM OF TELEPHONE CONVERSATION

DATE: January 13, 1977 (Thursday) 3:06 p.m.

PARTICIPANTS: President Ford, Governor Carter

Exchange of pleasantries.

The President pointed out, as he had said last night, that he wanted the Transition to proceed smoothly and quickly and said his people who had worked with the Governor's people were very complimentary of them. ... (Carter Comments)

Told the Governor he wanted to talk about the Petersen Report. There was a need for the country that high level people be adequately compensated. He wanted to submit figures as part of the budget on Monday and he did not want this to be a pro forma act but something he wanted achieved. However, he recognized there was a certain temerity in Congress about voting themselves a pay increase. The President pointed out that he and the Governor could work together on some figures and we can stiffen the spines of some of those on the Hill. The President also pointed out if the Governor agreed, and endorsed what he wanted to do, plus giving him the right to say he consulted with Carter and if he agrees, then together they could get it through the Congress ... (Carter Comments)

The President said he understood Lance and Lynn had been working together on this and that Lynn speaks very highly of Lance and he would like to meet him sometime ... (Carter comments)

"Thank you Governor very much" for something that he said in response and moved into a discussion of the

** Only the President and the President-elect were on the phone. This telcon was drawn from the Ford side of the conversation only.

proposed Code. Emphasized the need for the establishment of a Code of Standards being implemented in all three branches ... (Carter comments)

President made a comment that he was going to refer to what the Petersen Report said about a Code for the three branches ... (Carter comments)

Gave an affirmative response to something Carter said and commented that they do vary some in the dollar figures. (This comment was apparently in reference to the figures in the Petersen Report.) The President said he endorsed the Code and added that if he could say when he makes a statement that he and Carter agree on the Code of Standards question at the time he speaks on the proposed pay figures, it would be most helpful ... (Carter comments)

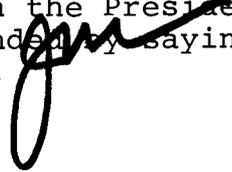
The President in response to something Carter said, said he will incorporate both ... (Carter comments)

In response to a pleasantry, the President indicated he would be in touch with the Governor from time to time as something came up and closed the conversation with a comment that he would see the Governor on Thursday.

After the President hung up the phone, he summarized the conversation to me by indicating the Governor had said he would go along with the President's proposal on the pay increase as well as support his call for a Code of Conduct.

As a further comment, the President made clear in his conversation with Carter that he planned to refer to the conversation and point out that he had consulted with the Governor and the Governor concurred.

On a different subject, apparently the President-elect indicated he would be in touch with the President from time to time. The President responded by saying he would see the Governor on Thursday.

A handwritten signature in black ink, appearing to be 'JRM', is written over the end of the final paragraph.

THE WHITE HOUSE
WASHINGTON

8/1/77
being delayed
early 1/18

Dear Mr. Chairman:

I am writing to you about a matter of unfinished business which I believe deserves the early consideration of the Congress.

As you know, the Quadrennial Commission on Executive, Legislative and Judicial Salaries recently issued a comprehensive report which covered a wide range of problems in the present system of Federal compensation. In a discussion of existing, serious anomalies in the Federal pay structure, the Quadrennial Commission stated:

"By any standard, the Chairman of the Federal Reserve Board has responsibilities that one could argue are roughly equivalent to the Secretary of the Treasury. His position has many aspects of a career job - given the fourteen year tenure. Thus, it does not offer the prospect of a short government career. The internal relationships within the "government" banking institutions are more than anomalous. They are incomprehensible. The President of the New York Federal Reserve Bank is paid \$97,500 versus the \$44,600 Level II salary of the Chairman of the Federal Reserve Board.

An equally irrational classification result is the enormously important job of Director of the Office of Management and Budget who constantly negotiates with Cabinet members on critical budget matters on behalf of the President, yet is still classified as Level II; i.e., at the level of an Undersecretary."

I would urge that immediate steps be taken to correct these two serious defects in the classification structure.

With regard to the Federal Reserve Board:

-- Those who control our monetary policy have a more pervasive impact on the economy and society as a whole on a day-to-day basis than any other comparable group in any department or agency.

*Showed to Casarough
& March*

- The Federal Reserve Board has an extraordinary set of conflict of interest rules. Unlike other members of the government, its members are even barred from investing in government bonds. There are also existing, severe constraints on the jobs that can be accepted upon departure from the Board.
- Historically, the Chairman of the Board and the members of the Board were paid at the Cabinet level. In 1949, however, the Congress reduced the Board's pay levels.

Action should be taken to restore the position of Chairman of the Federal Reserve Board to a Level I and the members of the Board should be raised to Level II.

With regard to the Director of OMB, the issue is simply whether all Cabinet officers subject to Senate confirmation should receive the same pay. I believe the answer to this question is unequivocally and categorically in the affirmative. The Congressional hearings on PL 93-250 of 1974 indicate that the Congress, when it required Senate confirmation for the Director and Deputy Director of OMB, considered the position of Director to be comparable in importance to other members of the Cabinet whose appointments are subject to Senate confirmation.

I would urge that immediate action be taken on making the Director of OMB Level I and the Deputy Director Level II.

I trust you will accept these recommendations in the spirit in which they are made.

With warm regards.

Sincerely,

Honorable Jack Brooks
Chairman
Committee on Government Operations
House of Representatives
Washington, D. C. 20515

THE WHITE HOUSE

WASHINGTON

Dear Mr. Chairman:

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With regard to the Federal Reserve Board:

-- Those who control our monetary policy have a more pervasive impact on the economy and society as a whole on a day-to-day basis than any other comparable group in any department or agency.

- The Federal Reserve Board has an extraordinary set of conflict of interest rules. Unlike other members of the government, its members are even barred from investing in government bonds. There are also existing, severe constraints on the jobs that can be accepted upon departure from the Board.
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I would urge that immediate action be taken on making the Director of OMB Level I and the Deputy Director Level II.

I trust you will accept these recommendations in the spirit in which they are made.

With warm regards.

Sincerely,

Honorable Abraham Ribicoff
Chairman
Committee on Government Operations
United States Senate
Washington, D. C. 20510

THE WHITE HOUSE

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I trust you will accept these recommendations in the spirit in which they are made.

With warm regards.

Sincerely,

Honorable Henry S. Reuss
Chairman
Committee on Banking, Finance and Urban Affairs
House of Representatives
Washington, D. C. 20515

IDENTICAL LETTER SENT TO:

Honorable William Proxmire
Chairman
Committee on Banking, Housing and Urban Affairs
United States Senate
Washington, D. C. 20510

Honorable Jack Brooks
Chairman
Committee on Government Operations
House of Representatives
Washington, D. C. 20515

Honorable Abraham Ribicoff
Chairman
Committee on Government Operations
United States Senate
Washington, D. C. 20510