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3/10/75

THE WHITE HOUSE
WASHINGTON

March 7, 1975

MR. PRESIDENT:

The attached memorandum from Jim Lynn is a clarification of his memorandum to you of February 28. On the February 28th memorandum, Marsh stated the following:

-- This paper is not clear to me. I favor holding to 5% longer if the situation a year from now indicates such an option desirable.

You noted the following on the Lynn memorandum (original at Tab A):

-- I agree with Jack Marsh.

The comments on the February 28th memorandum, other than Marsh's, were:

- Buchen (Areeda) -- Agree with OMB.
- Cavanaugh -- No objection.
- Friedersdorf -- Concurs.
- Seidman -- Agrees with OMB.

Option #2 but this is predicated on a New Panel review of pay comparability - per Roy's work.



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

MAR 6 1975

MEMORANDUM FOR: THE PRESIDENT
 FROM: JAMES A. LYNN
 SUBJECT: 5% Limitation on Federal Pay (Warmed Over)

I regret that my earlier memorandum (copy attached) was not clear. The issue is this: Shall the draft legislation limiting Federal pay raises this year

- require all future pay raises after June 30, 1976 to stay 4% (or thereabouts) below "comparable" salaries in the private sector (Option 1) or
- permit on all such pay raises after June 30, 1976 a return to full comparability with the private sector (Option 2)?

Perhaps this example will highlight the issue:

	<u>Present salary</u>	<u>Salary 10-1-75</u>	<u>Salary 10-1-76</u>
Present law	\$10,000	\$10,900 (est. 9%)	\$11,845 (full comparability)
Option 1 - Permanent lag in comparability	10,000	10,500 (5%)	11,420 (comparability less the 4% lost in 1975)
Option 2 - Restore com- parability next year	10,000	10,500 (5%)	11,845 (full comparability)

Note: Neither option permits recovery of the salary payment lost in 1975.

Our first cut at developing the 5% limit legislation assumed Option 1. Chairman Hampton protested that this approach would amount to public abandonment of the principle of comparability of Federal rates with the private sector and would create an insurmountable obstacle to enactment of the Administration proposal.

Roy Ash agreed, partly because a new panel is to review the whole pay comparability system before October 1976.

In reviewing our earlier memorandum, Jack Marsh stated that he favored holding to 5% longer if the situation a year from now indicates such an option is desirable. We agree, but this open-ended option for extension is not one that could be easily incorporated in the present draft legislation. Further, it would certainly kill any chances for the legislation. We can exercise this option by proposing a further limitation next year.

Recommendation

Option 2

Decision

Option 1 _____

Option 2 MR 3.

See me _____

THE WHITE HOUSE

WASHINGTON

FEB 24 1975

ACTION

MEMORANDUM FOR: THE PRESIDENT
FROM: JAMES T. LYNN *LS/ R.*
SUBJECT: Proposed 5% limitation on Federal Pay
Increases

Background

Draft legislation has been prepared to limit to 5% through June 30, 1976 any increases in Federal pay and in Federal benefit payments tied to increases in consumer prices.

As now drafted, the legislation for civilian and military comparability pay increases allows a return to full comparability after the 18-month limitation period, although it prohibits retroactive payment of wages lost during the limitation period.

Issue

Should the 5% pay limitation be "temporary" or should the limitation carry forward indefinitely by reducing full comparability, i.e., by always keeping Federal pay approximately 4% below "comparable" wages in the private sector?

Pro

The Chairman of the Civil Service Commission, Robert E. Hampton, has argued that it would not be desirable to rule out a return to comparability for Federal pay in October 1976 because such an action would represent public abandonment of the statutory pay principle of comparability with private enterprise which you have endorsed.

He has also argued that a legislative proposal temporarily limiting pay increases which falls short of returning to the comparability principle without a well developed

rationale to support the abandonment and with nothing to replace it would greatly increase the likelihood of defeat of the proposal in the Congress.

The 1976 Budget announced that a "top level review will be undertaken to make policy recommendations to the President on ... future levels of total compensation ... under the principle of comparability with the private work force." This review may result in proposals for changes in legislation in time to modify any pay increases in FY 1977.

Con

The 5% ceiling will hold down pay increases by approximately 4% in FY 1976. We project pay increases of 8.75% for FY 1977. If Federal pay levels are allowed to return to their full comparability levels, the percentage increase in FY 1977 could be 12.75% at an additional cost of some \$2 billion over the 8.75% increase.

Discussion

Roy Ash earlier agreed with Chairman Hampton's arguments and the legislation has been drafted to permit a return to comparability in FY 1977. However, before the legislation is sent up, I thought you should have the opportunity to decide this matter.

Recommendation

In view of the plan for a review commission, I recommend that legislation permit a return to normal "comparability" procedures in October of 1976.

Action

_____ Agree

_____ Disagree

_____ See me



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

MAR 6 1975

MEMORANDUM FOR: THE PRESIDENT
 FROM: JAMES T. LYNN *JS/L*
 SUBJECT: 5% Limitation on Federal Pay (Warmed Over)

I regret that my earlier memorandum (copy attached) was not clear. The issue is this: Shall the draft legislation limiting Federal pay raises this year

- require all future pay raises after June 30, 1976 to stay 4% (or thereabouts) below "comparable" salaries in the private sector (Option 1) or
- permit on all such pay raises after June 30, 1976 a return to full comparability with the private sector (Option 2)?

Perhaps this example will highlight the issue:

	<u>Present salary</u>	<u>Salary 10-1-75</u>	<u>Salary 10-1-76</u>
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Note: Neither option permits recovery of the salary payment lost in 1975.

Our first cut at developing the 5% limit legislation assumed Option 1. Chairman Hampton protested that this approach would amount to public abandonment of the principle of comparability of Federal rates with the private sector and would create an insurmountable obstacle to enactment of the Administration proposal.

Roy Ash agreed, partly because a new panel is to review the whole pay comparability system before October 1976.

In reviewing our earlier memorandum, Jack Marsh stated that he favored holding to 5% longer if the situation a year from now indicates such an option is desirable. We agree, but this open-ended option for extension is not one that could be easily incorporated in the present draft legislation. Further, it would certainly kill any chances for the legislation. We can exercise this option by proposing a further limitation next year.

Recommendation

Option 2

Decision

Option 1 _____

Option 2 _____

See me _____

THE WHITE HOUSE

WASHINGTON

FEB 24 1975

ACTION

MEMORANDUM FOR: THE PRESIDENT
FROM: JAMES T. LYNN *LS/ R.*
SUBJECT: Proposed 5% limitation on Federal Pay
Increases

Background

Draft legislation has been prepared to limit to 5% through June 30, 1976 any increases in Federal pay and in Federal benefit payments tied to increases in consumer prices.

As now drafted, the legislation for civilian and military comparability pay increases allows a return to full comparability after the 18-month limitation period, although it prohibits retroactive payment of wages lost during the limitation period.

Issue

Should the 5% pay limitation be "temporary" or should the limitation carry forward indefinitely by reducing full comparability, i.e., by always keeping Federal pay approximately 4% below "comparable" wages in the private sector?

Pro

The Chairman of the Civil Service Commission, Robert E. Hampton, has argued that it would not be desirable to rule out a return to comparability for Federal pay in October 1976 because such an action would represent public abandonment of the statutory pay principle of comparability with private enterprise which you have endorsed.

He has also argued that a legislative proposal temporarily limiting pay increases which falls short of returning to the comparability principle without a well developed

rationale to support the abandonment and with nothing to replace it would greatly increase the likelihood of defeat of the proposal in the Congress.

The 1976 Budget announced that a "top level review will be undertaken to make policy recommendations to the President on ... future levels of total compensation ... under the principle of comparability with the private work force." This review may result in proposals for changes in legislation in time to modify any pay increases in FY 1977.

Con

The 5% ceiling will hold down pay increases by approximately 4% in FY 1976. We project pay increases of 8.75% for FY 1977. If Federal pay levels are allowed to return to their full comparability levels, the percentage increase in FY 1977 could be 12.75% at an additional cost of some \$2 billion over the 8.75% increase.

Discussion

Roy Ash earlier agreed with Chairman Hampton's arguments and the legislation has been drafted to permit a return to comparability in FY 1977. However, before the legislation is sent up, I thought you should have the opportunity to decide this matter.

Recommendation

In view of the plan for a review commission, I recommend that legislation permit a return to normal "comparability" procedures in October of 1976.

Action

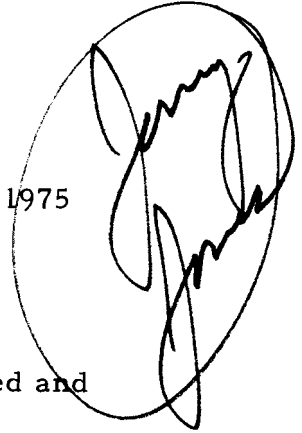
_____ Agree

_____ Disagree

_____ See me

THE WHITE HOUSE
WASHINGTON

February 28, 1975



MR. PRESIDENT:

The attached memorandum has been staffed and generated the following comments:

Buchen (Areeda) -- Agree with OMB.

Cavanaugh -- No objection.

Friedersdorf -- Concurs.

Marsh -- This paper is not clear to me. I favor holding to 5% longer if situation a year from now indicates such an option desirable.

Seidman -- Agrees with memo.

Don

THE WHITE HOUSE

WASHINGTON

ACTION

MEMORANDUM FOR: THE PRESIDENT
FROM: JAMES T. LYNN
SUBJECT: Proposed 5% limitation on Federal Pay
Increases

Background

Draft legislation has been prepared to limit to 5% through June 30, 1976 any increases in Federal pay and in Federal benefit payments tied to increases in consumer prices.

As now drafted, the legislation for civilian and military comparability pay increases allows a return to full comparability after the 18-month limitation period, although it prohibits retroactive payment of wages lost during the limitation period.

Issue

Should the 5% pay limitation be "temporary" or should the limitation carry forward indefinitely by reducing full comparability, i.e., by always keeping Federal pay approximately 4% below "comparable" wages in the private sector?

Pro

The Chairman of the Civil Service Commission, Robert E. Hampton, has argued that it would not be desirable to rule out a return to comparability for Federal pay in October 1976 because such an action would represent public abandonment of the statutory pay principle of comparability with private enterprise which you have endorsed.

He has also argued that a legislative proposal temporarily limiting pay increases which falls short of returning to the comparability principle without a well developed

rationale to support the abandonment and with nothing to replace it would greatly increase the likelihood of defeat of the proposal in the Congress.

The 1976 Budget announced that a "top level review will be undertaken to make policy recommendations to the President on ... future levels of total compensation ... under the principle of comparability with the private work force." This review may result in proposals for changes in legislation in time to modify any pay increases in FY 1977.

Con

The 5% ceiling will hold down pay increases by approximately 4% in FY 1976. We project pay increases of 8.75% for FY 1977. If Federal pay levels are allowed to return to their full comparability levels, the percentage increase in FY 1977 could be 12.75% at an additional cost of some \$2 billion over the 8.75% increase.

Discussion

Roy Ash earlier agreed with Chairman Hampton's arguments and the legislation has been drafted to permit a return to comparability in FY 1977. However, before the legislation is sent up, I thought you should have the opportunity to decide this matter.

Recommendation

In view of the plan for a review commission, I recommend that legislation permit a return to normal "comparability" procedures in October of 1976.

Action

_____ Agree

_____ Disagree

_____ See me

*I agree with Jack
Graham.*

THE WHITE HOUSE
WASHINGTON

March 3, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: JAMES T. LYNN
FROM: JERRY H. JONES
SUBJECT: Proposed 5% limitation on
Federal Pay Increases

Your memorandum to the President of February 24 on the above subject has been reviewed. Before being submitted to the President, the memorandum had been staffed and the following comments were received from Jack Marsh:

-- This paper is not clear to me. I favor holding to 5% longer if situation a year from now indicates such an option desirable.

The President made the following notation:

-- I agree with Jack Marsh.

Please follow-up with the appropriate action.

Thank you.

cc: Don Rumsfeld

STAFFING

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: February 26, 1975

Time:

FOR ACTION: Phil Buchen *gr*
Jim Cavanaugh *gr*
Max Friedersdorf *gr*
Jack Marsh *gr*
Bill Seidman *gr*

cc (for information):

FROM THE STAFF SECRETARY

DUE: Date: Thursday, February 27, 1975 Time: 10:00 a.m.

SUBJECT: Lynn memo (no date) re: Proposed 5%
Limitation on Federal Pay Increases

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

2/27 5³⁰ - Seidman will be back at 6³⁰
2/27 - Seidman agrees
2/28 10³⁰ Called Cavanaugh
u m f
2p Cavanaugh no objection
w/p

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jerry H. Jones
Staff Secretary

THE WHITE HOUSE

WASHINGTON

Staff to:

Cavanaugh

Bucher

Marsh

Friedersdorf

Seidman

OK

But hurry

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: February 26, 1975

Time:

FOR ACTION: ✓ Phil Buchen
Jim Cavanaugh
Max Friedersdorf
Jack Marsh
Bill Seidman

cc (for information):

FROM THE STAFF SECRETARY

DUE: Date: Thursday, February 27, 1975 Time: 10:00 a.m.

SUBJECT: Lynn memo (no date) re: Proposed 5%
Limitation on Federal Pay Increases

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

*Agree with OMB
P. Auld*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jerry H. Jones
Staff Secretary

THE WHITE HOUSE
WASHINGTON

ACTION

MEMORANDUM FOR: THE PRESIDENT
FROM: JAMES T. LYNN
SUBJECT: Proposed 5% limitation on Federal Pay
Increases

Background

Draft legislation has been prepared to limit to 5% through June 30, 1976 any increases in Federal pay and in Federal benefit payments tied to increases in consumer prices.

As now drafted, the legislation for civilian and military comparability pay increases allows a return to full comparability after the 18-month limitation period, although it prohibits retroactive payment of wages lost during the limitation period.

Issue

Should the 5% pay limitation be "temporary" or should the limitation carry forward indefinitely by reducing full comparability, i.e., by always keeping Federal pay approximately 4% below "comparable" wages in the private sector?

Pro

The Chairman of the Civil Service Commission, Robert E. Hampton, has argued that it would not be desirable to rule out a return to comparability for Federal pay in October 1976 because such an action would represent public abandonment of the statutory pay principle of comparability with private-enterprise which you have endorsed.

He has also argued that a legislative proposal temporarily limiting pay increases which falls short of returning to the comparability principle without a well developed

rationale to support the abandonment and with nothing to replace it would greatly increase the likelihood of defeat of the proposal in the Congress.

The 1976 Budget announced that a "top level review will be undertaken to make policy recommendations to the President on ... future levels of total compensation ... under the principle of comparability with the private work force." This review may result in proposals for changes in legislation in time to modify any pay increases in FY 1977.

Con

The 5% ceiling will hold down pay increases by approximately 4% in FY 1976. We project pay increases of 8.75% for FY 1977. If Federal pay levels are allowed to return to their full comparability levels, the percentage increase in FY 1977 could be 12.75% at an additional cost of some \$2 billion over the 8.75% increase.

Discussion

Roy Ash earlier agreed with Chairman Hampton's arguments and the legislation has been drafted to permit a return to comparability in FY 1977. However, before the legislation is sent up, I thought you should have the opportunity to decide this matter.

Recommendation

In view of the plan for a review commission, I recommend that legislation permit a return to normal "comparability" procedures in October of 1976.

Action

_____ Agree

_____ Disagree

_____ See me

Date: February 26, 1975

Time:

FOR ACTION: Phil Buchen
Jim Cavanaugh
Max Friedersdorf
Jack Marsh
Bill Seidman

cc (for information):

FROM THE STAFF SECRETARY

DUE: Date: Thursday, February 27, 1975 Time: 10:00 a.m.

SUBJECT: Lynn memo (no date) re: Proposed 5%
Limitation on Federal Pay Increases

ACTION REQUESTED:

___ For Necessary Action

X For Your Recommendations

___ Prepare Agenda and Brief

___ Draft Reply

X For Your Comments

___ Draft Remarks

REMARKS:

This paper is not clear to me. I favor holding to 5% longer if subvention a year from now. Such an individual desirable. JH

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jerry H. Jones
Staff Secretary

THE WHITE HOUSE

WASHINGTON

ACTION

MEMORANDUM FOR: THE PRESIDENT
FROM: JAMES T. LYNN
SUBJECT: Proposed 5% limitation on Federal Pay
Increases

Background

Draft legislation has been prepared to limit to 5% through June 30, 1976 any increases in Federal pay and in Federal benefit payments tied to increases in consumer prices.

As now drafted, the legislation for civilian and military comparability pay increases allows a return to full comparability after the 18-month limitation period, although it prohibits retroactive payment of wages lost during the limitation period.

Issue

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He has also argued that a legislative proposal temporarily limiting pay increases which falls short of returning to the comparability principle without a well developed

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Con

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Discussion

Roy Ash earlier agreed with Chairman Hampton's arguments and the legislation has been drafted to permit a return to comparability in FY 1977. However, before the legislation is sent up, I thought you should have the opportunity to decide this matter.

Recommendation

In view of the plan for a review commission, I recommend that legislation permit a return to normal "comparability" procedures in October of 1976.

Action

_____ Agree

_____ Disagree

_____ See me

THE WHITE HOUSE

WASHINGTON

February 28, 1975

MEMORANDUM FOR:

JERRY JONES

FROM:

MAX L. FRIEDERSDORF

M.L.F.

SUBJECT:

Lynn memo (no date) re: Proposed 5%
Limitation on Federal Pay Increase

The Office of Legislative Affairs concurs with subject memo.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: February 26, 1975

Time:

FOR ACTION: Phil Buchen
Jim Cavanaugh
~~Max Friedersdorf~~
Jack Marsh
Bill Seidman
FROM THE STAFF SECRETARY

cc (for information):

DUE: Date: Thursday, February 27, 1975 Time: 10:00 a. m.

SUBJECT:

Lynn memo (no date) re: Proposed 5%
Limitation on Federal Pay Increases

ACTION REQUESTED:

 For Necessary Action For Your Recommendations Prepare Agenda and Brief Draft Reply For Your Comments Draft Remarks

REMARKS:

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jerry H. Jones
Staff Secretary

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: February 26, 1975

Time:

FOR ACTION: Phil Buchen
Jim Cavanaugh
Max Friedersdorf
Jack Marsh
Bill Seidman

cc (for information):

FROM THE STAFF SECRETARY

DUE: Date: Thursday, February 27, 1975

Time: 10:00 a.m.

SUBJECT:

Lynn memo (no date) re: Proposed 5%
Limitation on Federal Pay Increases

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Agree

Called in
8pm 2/27/75

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jerry H. Jones
Staff Secretary

THE WHITE HOUSE

WASHINGTON

March 10, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: JAMES T. LYNN
FROM: JERRY H. ~~LOUIS~~
SUBJECT: 5% Limitation on Federal
Pay (Warmed Over)

Your memorandum to the President of March 6 on the above subject has been reviewed and the following notation was made:

-- Option #2, but this is predicated on a New Panel review of pay comparability -- per Roy Ash.

Please follow-up with the appropriate action.

Thank you.

cc: Don Rumsfeld