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THE WHITE HOUSE

WASHINGTON

March 30, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

JAMES T. LYNN

FROM:

JAMES E. CONNOR *JEC*

SUBJECT:

Proposed Budget Supplemental
for Summer Youth Employment
Program

The President reviewed your memorandum of March 24 on the above subject and approved the following:

Issue: What dollar and slot level should be requested for the Summer Youth Employment Program for 1976, and how should the amounts left over from last year's program be treated.

Options for the Gross Total

Option 1 - Fund last year's actual slot level - \$528 million - 888,100 slots.

Options for the disposition of \$44 million in Left Over 1975 Funds

Option A - Do not take funds into account for this year's allocation.

The President also approved your recommendation to remind the Congress of the need to act on request for \$1.7 billion for public service job.

Please follow-up with appropriate action.

cc: Dick Cheney

THE WHITE HOUSE

WASHINGTON

March 29, 1976

MR PRESIDENT:

Proposed Budget Supplemental for Summer
Youth Employment Program

Staffing of Jim Lynn's memorandum on the above subject resulted in the following:

Options for Gross Total

Option I (\$528 million - 888,100 slots) favored by Messrs. Buchen, Marsh, Morton, Seidman and Friedersdorf.

Option II (\$500 million - 840,000 slots) favored by Jim Cannon.

Options for the disposition of \$44 million in Left Over 1975 Funds

Option A - (Do not take funds into account for this year's allocation) favored by Messrs. Cannon, Morton, Seidman. Additional comments from Jim Cannon on this subject at TAB A.

Option B - (Deduct the \$44 million from the Gross Total) favored by Messrs. Marsh and Friedersdorf.

On the related issue that we remind the Congress of the need to act on your request for \$1.7 billion for public service jobs.

Messrs. Cannon, Morton, Seidman and Marsh concur.

Max Friedersdorf is opposed to this recommendation.

Jim Connor

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

MAR 24 1976

ACTION

MEMORANDUM FOR: THE PRESIDENT
FROM: James T. Lynn
SUBJECT: Proposed Budget Supplemental for Summer Youth Employment Program

Issue

What dollar and slot level should be requested for the Summer Youth Employment Program for 1976, and how should the amounts left over from last year's program be treated.

Background

In the 1977 Budget you included a preliminary estimate of \$440 million for a supplemental for this program to be formally transmitted when later data on summer youth unemployment became available. Since CETA requires a report on summer plans by March of each year, it was decided to make the formal supplemental request in time to be incorporated in that report.

The Department of Labor's analysis of the summer employment situation indicates some improvements but a continued high rate of unemployment for youth of perhaps 17 to 18 percent compared to 20 percent in 1975. The 1975 summer appropriation was at \$456 million, which was expected to fund 840,000 slots. Due presumably to the late date of the appropriation, the actual slot level realized was 888,100.

The January 1976 20¢ increase in the minimum wage plus related cost increases has raised the average cost for a summer slot from \$543 last year to \$595 this year.

Labor expenditure reports from last summer's program indicate that about \$44 million remains unexpended and available within certain sponsor grants. These funds cannot be recaptured and reallocated, but they can still be spent by the sponsors who have them for their 1976 program.

The Secretary of Labor has requested \$528,420,000 for this year's program to support the same realized slot level as last year, 888,100. The Secretary proposes to allocate the funds so that no area receives funding for fewer slots than it was allocated last year. The Secretary's letter is attached at Tab A.

Options for the Gross Total

	<u>1976 BA</u>	<u>Slots</u>
#1. Fund last year's actual slot level (DOL request).....	\$528 million	888,100
#2. Fund last year's allocation level...	\$500 million	840,000
#3. Fund the Budget estimate.....	\$440 million	740,000
#4. Reflect economy improvement while demonstrating concern.....	\$476 million	800,000

Discussion

Option #1 would prevent any area from getting fewer slots than it was allocated in 1975. There has never been an objective method for establishing a slot level. The level last year was the highest ever, but can be said to have corresponded to the general severity of the recession. The Secretary supports maintaining that level even though the economy is improving because the absolute level of youth unemployment remains high and is expected to persist.

Option #2 retains last year's funded slot level. It is not clear why there were 48,100 additional slots realized last year. Labor suggests that because of the lateness of the appropriation slots of shorter duration were funded. It may also be related to the particular program designs operated by sponsors, lower administrative or benefit level costs actually incurred, or a higher lapse rate programmed locally. In any case, the same arguments for recognizing continued severity of youth unemployment would support this option as well as Option #1.

Option #3 retains the Budget estimate. This number was Labor's estimate in the fall of what might be an appropriate level given projections at that time of the changes in the economy by the summer. It was recognized that updating based on later data would be required. Since the fall in the overall unemployment

rate has been sharper than predicted (albeit not so sharp for youth) a case can be made for keeping to this figure. Also, in the past whatever number the Administration proposes has been increased by the Congress. Starting at the \$440 million level might constrain the ultimate negotiated amount.

Option #4 is chosen arbitrarily to satisfy two points; reflecting the fact that economic recovery is well underway; and reflecting special concern for the problems of youth despite the overall improvement.

Decision

Option #1 MEY; Option #2 _____; Option #3 _____; Option #4 _____; Other _____.

Options for the \$44 Million in 1975 Funds Left Over

- A. Do not take the funds into account for this year's allocation.
- B. Net the left over out of the total request for 1976.

Discussion

Option A recognizes that a certain amount of carryover is normal for this program although the Department is unable to explain what effect it has on successive years' programs. While the amount, \$44 million, is high, it is spread among many different sponsors. The reports received from sponsors are not of a sufficient quality to allow great confidence that if the full amount were subtracted from the total there would be no net reduction in slots made available. Sponsors were not told last year that they could not carry over funds and re-use them this year. Therefore the Department could be charged with having misled the sponsors if the carryover is netted out of the amount allocated this year.

Option B permits a lower net supplemental request without reducing the slot level. It adds pressure to sponsors to operate more efficiently and use all funds for the purposes and time frames appropriated. If a significant portion of the sponsor reports are not completely accurate, however, it arbitrarily penalizes or rewards those who reported inaccurately.

The Department of Labor recommends making no adjustments in the 1976 request because of 1975 carryover. Labor also suggests that an early enough appropriation this year will minimize the issue in the future.

Decision

Option A MA-7, Option B _____; Other _____.

Related Issue

Secretary Usery also recommends that you use the opportunity of the transmittal of this supplemental to remind the Congress of the need to act on your request for \$1.7 billion for public service jobs. Congressional indecision on what to do overall in regard to public service jobs has prevented any action to date. It is likely that some sponsors will be forced to begin layoffs before the end of the fiscal year if funds are not forthcoming soon.

We support the Secretary's request.

Decision

Do you concur:

Yes MA-7 No _____; Other _____.

THE WHITE HOUSE

WASHINGTON

March 25, 1976

MEMORANDUM FOR:

JIM CONNOR

FROM:

JIM CANNON

SUBJECT:

Proposed Budget Supplemental for
Summer Youth Employment Program

I recommend Option 2 and Option A and that we concur with Bill Usery's recommendation that we remind Congress of the need to act on the request for \$1.7 billion for public service jobs.

On the question of the \$44 million in FY 75 funds left over, we do not know enough about the location of those funds or the effect of netting them out to make Option B a good choice at this point.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: March 25, 1976

Time:

FOR ACTION:

cc (for information):

✓ Phil Buchen

✓ Jim Cannon

✓ Max Friedersdorf

✓ Jack Marsh

✓ Rogers Morton

✓ Bill Seidman

FROM THE STAFF SECRETARY

cc to David Lissay

DUE: Date: Thursday, March 25

Time: 5 P.M.

SUBJECT:

James T. Lynn memo 3/24/76
re Proposed Budget Supplemental for
Summer Youth Employment Program

ACTION REQUESTED:

___ For Necessary Action

X For Your Recommendations

___ Prepare Agenda and Brief

___ Draft Reply

X For Your Comments

___ Draft Remarks

REMARKS:

Regret the request for a quick turn-around on this subject but would like to present this package to the President before he leaves.

*Buchen - with Sabar - option I
Morton - option I - option H - yes
Seidman - option I - option H - yes
Cannon - see comments
Friedersdorf - option I - option B - no
Marsh - option I, option B - yes*

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.

Jim Connor
For the President

March 29, 1976

MR PRESIDENT:

Proposed Budget Supplemental for Summer
Youth Employment Program

Staffing of Jim Lynn's memorandum on the above subject resulted in the following:

Options for Gross Total

Option I (\$328 million - 888,100 slots) favored by Messrs. Buchen, Marsh, Morton, Seidman and Friedersdorf.

Option II (\$500 million - 840,000 slots) favored by Jim Cannon.

Options for the disposition of \$44 million in Left Over 1975 Funds

Option A - (Do not take funds into account for this year's allocation) favored by Messrs. Cannon, Morton, Seidman. Additional comments from Jim Cannon on this subject at TAB A.

Option B - (Deduct the \$44 million from the Gross Total) favored by Messrs. Marsh and Friedersdorf.

On the related issue that we remind the Congress of the need to act on your request for \$1.7 billion for public service jobs.

Messrs. Cannon, Morton, Seidman and Marsh concur.

Max Friedersdorf is opposed to this recommendation.

Jim Connor

THE WHITE HOUSE

WASHINGTON

March 25, 1976

MEMORANDUM FOR: JIM CONNOR
FROM: JIM CANNON
SUBJECT: Proposed Budget Supplemental for
Summer Youth Employment Program

I recommend Option 2 and Option A and that we concur with Bill Usery's recommendation that we remind Congress of the need to act on the request for \$1.7 billion for public service jobs.

On the question of the \$44 million in FY 75 funds left over, we do not know enough about the location of those funds or the effect of netting them out to make Option B a good choice at this point.

*du 3/25
5-00*

ACTION MEMORANDUM

Date: March 25, 1976

Time:

FOR ACTION:

cc (for information):

Phil Buchen

Jim Cannon

Max Friedersdorf

Jack Marsh

Rogers Morton

Bill Seidman

FROM THE STAFF SECRETARY

DUE: Date: Thursday, March 25

Time: 5 P.M.

SUBJECT:

James T. Lynn memo 3/24/76
re Proposed Budget Supplemental for
Summer Youth Employment Program

ACTION REQUESTED:

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

REMARKS:

Regret the request for a quick turn-around on this subject but would like to present this package to the President before he leaves.

*Op turn #1
#2 B
#3 yes*

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

Jim Connor
For the President

THE WHITE HOUSE
WASHINGTON

3/24/76

TO: BOB LINDER

FROM: TRUDY FRY

The attached is sent to you for review before it is forwarded to the President.

TRF

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

MAR 24 1976

ACTION

MEMORANDUM FOR: THE PRESIDENT
FROM: Paul H. O'Neill *O'Neill*
SUBJECT: Proposed Budget Supplemental for Summer Youth Employment Program

Issue

What dollar and slot level should be requested for the Summer Youth Employment Program for 1976, and how should the amounts left over from last year's program be treated.

Background

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Labor expenditure reports from last summer's program indicate that about \$44 million remains unexpended and available within certain sponsor grants. These funds cannot be recaptured and reallocated, but they can still be spent by the sponsors who have them for their 1976 program.

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Options for the Gross Total

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Discussion

Option #1 would prevent any area from getting fewer slots than it was allocated in 1975. There has never been an objective method for establishing a slot level. The level last year was the highest ever, but can be said to have corresponded to the general severity of the recession. The Secretary supports maintaining that level even though the economy is improving because the absolute level of youth unemployment remains high and is expected to persist.

Option #2 retains last year's funded slot level. It is not clear why there were 48,100 additional slots realized last year. Labor suggests that because of the lateness of the appropriation slots of shorter duration were funded. It may also be related to the particular program designs operated by sponsors, lower administrative or benefit level costs actually incurred, or a higher lapse rate programmed locally. In any case, the same arguments for recognizing continued severity of youth unemployment would support this option as well as Option #1.

Option #3 retains the Budget estimate. This number was Labor's estimate in the fall of what might be an appropriate level given projections at that time of the changes in the economy by the summer. It was recognized that updating based on later data would be required. Since the fall in the overall unemployment

rate has been sharper than predicted (albeit not so sharp for youth) a case can be made for keeping to this figure. Also, in the past whatever number the Administration proposes has been increased by the Congress. Starting at the \$440 million level might constrain the ultimate negotiated amount.

Option #4 is chosen arbitrarily to satisfy two points; reflecting the fact that economic recovery is well underway; and reflecting special concern for the problems of youth despite the overall improvement.

Decision

Option #1 _____; Option #2 _____; Option #3 _____; Option #4 _____;
Other _____.

Options for the \$44 Million in 1975 Funds Left Over

- A. Do not take the funds into account for this year's allocation.
- B. Net the left over out of the total request for 1976.

Discussion

Option A recognizes that a certain amount of carryover is normal for this program although the Department is unable to explain what effect it has on successive years' programs. While the amount, \$44 million, is high, it is spread among many different sponsors. The reports received from sponsors are not of a sufficient quality to allow great confidence that if the full amount were subtracted from the total there would be no net reduction in slots made available. Sponsors were not told last year that they could not carry over funds and re-use them this year. Therefore the Department could be charged with having misled the sponsors if the carryover is netted out of the amount allocated this year.

Option B permits a lower net supplemental request without reducing the slot level. It adds pressure to sponsors to operate more efficiently and use all funds for the purposes and time frames appropriated. If a significant portion of the sponsor reports are not completely accurate, however, it arbitrarily penalizes or rewards those who reported inaccurately.

The Department of Labor recommends making no adjustments in the 1976 request because of 1975 carryover. Labor also suggests that an early enough appropriation this year will minimize the issue in the future.

Decision

Option A _____; Option B _____; Other _____.

Related Issue

Secretary Usery also recommends that you use the opportunity of the transmittal of this supplemental to remind the Congress of the need to act on your request for \$1.7 billion for public service jobs. Congressional indecision on what to do overall in regard to public service jobs has prevented any action to date. It is likely that some sponsors will be forced to begin layoffs before the end of the fiscal year if funds are not forthcoming soon.

We support the Secretary's request.

Decision

Do you concur:

Yes _____; No _____; Other _____.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: March 25, 1976

Time:

FOR ACTION:

cc (for information):

Phil Buchen

Jim Cannon

Max Friedersdorf

Jack Marsh

Rogers Morton

Bill Seidman

FROM THE STAFF SECRETARY

DUE: Date: Thursday, March 25

Time: 5 P.M.

SUBJECT:

James T. Lynn memo 3/24/76
re Proposed Budget Supplemental for
Summer Youth Employment Program

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Regret the request for a quick turn-around on this
subject but would like to present this package to
the President before he leaves.

Optim!
See others
as marked
JCS

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.

Jim Connor
For the President

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Option #4 is chosen arbitrarily to satisfy two points: reflecting the fact that economic recovery is well underway; and reflecting special concern for the problems of youth despite the overall improvement.

Decision

Option #1 h5; Option #2 _____; Option #3 _____; Option #4 _____; Other _____.

Options for the \$44 Million in 1975 Funds Left Over

- A. Do not take the funds into account for this year's allocation.
- B. Net the left over out of the total request for 1976.

Discussion

Option A recognizes that a certain amount of carryover is normal for this program although the Department is unable to explain what effect it has on successive years' programs. While the amount, \$44 million, is high, it is spread among many different sponsors. The reports received from sponsors are not of a sufficient quality to allow great confidence that if the full amount were subtracted from the total there would be no net reduction in slots made available. Sponsors were not told last year that they could not carry over funds and re-use them this year. Therefore the Department could be charged with having misled the sponsors if the carryover is netted out of the amount allocated this year.

Option B permits a lower net supplemental request without reducing the slot level. It adds pressure to sponsors to operate more efficiently and use all funds for the purposes and time frames appropriated. If a significant portion of the sponsor reports are not completely accurate, however, it arbitrarily penalizes or rewards those who reported inaccurately.

The Department of Labor recommends making no adjustments in the 1976 request because of 1975 carryover. Labor also suggests that an early enough appropriation this year will minimize the issue in the future.

Decision

Option A ; Option B _____; Other _____.

Related Issue

Secretary Usery also recommends that you use the opportunity of the transmittal of this supplemental to remind the Congress of the need to act on your request for \$1.7 billion for public service jobs. Congressional indecision on what to do overall in regard to public service jobs has prevented any action to date. It is likely that some sponsors will be forced to begin layoffs before the end of the fiscal year if funds are not forthcoming soon.

We support the Secretary's request.

Decision

Do you concur:

Yes ; No _____; Other _____.

THE WHITE HOUSE

WASHINGTON

March 29, 1976

MEMORANDUM FOR: JIM CONNOR

FROM: MAX FRIEDERSDORF *M.F.*

SUBJECT: James T. Lynn memo 3/24/76 re Proposed
Budget Supplemental for Summer Youth Employment
Program

The Office of Legislative recommends Option 1.

See paper for other recommendations.