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THE WHITE HOUSE

WASHINGTON

August 27, 1975

MEMORANDUM FOR THE PRESIDENT

THROUGH: DONALD RUMSFELD

FROM: JAMES E. CONNOR

SUBJECT: ALLOCATION OF TRIP COSTS

This memorandum discusses approaches to allocating trip costs among Presidential, Party-Political, and Campaign accounts and proposes a method for allocating such costs through the election.

BACKGROUND

The problem of determining whether a particular trip is for official or political purposes is perennial. On a slow day a reporter can always produce a story by asking how much a trip cost, who paid for it and by hinting that it should have been done another way. During election years, the problem expands as the volume, importance and political sensitivity of travel increases. This year the problem is even more pronounced than usual as we begin to operate under the provisions of the new Federal Election Law. For the first time, it is necessary to distinguish not only between political and official trips, but within the former category between those trips which are for Party purposes and those trips which are for purposes of candidacy. The issue is further complicated by legal restrictions and financial limitations. The contributions and spending ceilings limit the resources available to the President for travel during the campaign.

Precedent unfortunately does not provide much help in establishing procedures for this year because previous approaches did not take into account the new election law. They evolved at a time when there was less open hostility on the part of the press, and they were constrained only by the amount of money that could be raised, rather than by the amount that could be spent.

DISCUSSION

Several different criteria must be considered in evaluating methods for allocating trip costs. The key ones are:

- ...Is it legal, i. e., does it meet fully the requirements of the new campaign law?
- ...Is it publicly defensible, i. e. will it be seen to be in accord with the spirit as well as the letter of the law?
- ...Is it financially tolerable, i. e., will it permit the President to carry on a full schedule of travel over the next year without running up against spending limits?

There is an obvious tradeoff between these last two criteria. Methods which are easy to defend publicly are expensive financially and would necessitate curtailment of Presidential travel in order to stay within spending limits. Conversely, those approaches which are least burdensome financially are also those which are most open to public criticism. They deviate from at least the spirit, if not the letter, of the Campaign Reform Act. An example of the defensible approach with financial limitations would be the all-or-nothing method adopted by President Nixon. Under this method, if any part of a trip was political, then the entire cost of the trip was paid from political funds. This approach is clearly quite defensible from the public viewpoint, but the drain on the campaign treasury is so great that the President would hardly be able to travel at all during the course of the next year. Lyndon Johnson, on the other hand, adopted an approach which is financially quite attractive. This approach, called the "last stop method" permitted official funding of a trip through the last official stop before a political event and then required political funding for the remainder of the trip. Thus, for example, the President could fly to the West Coast for official purposes and then carry out a number of political activities on his return. Only half the cost of the trip, that of the return leg, would be charged to political purposes. The attractiveness of such an approach, of course, is directly related to the degree to which it is manipulated in order to reduce the charges to political accounts by transferring them to official accounts. The potential for manipulation, however, is obvious to everyone, and thus if this approach were to be adopted, and even though it were legal, it would be likely to result in severe public criticism as a deviation from the spirit of the Campaign Reform Act.

SUGGESTED APPROACH

In searching for a formula to meet all three criteria, staff has determined that the method developed by Bill Seidman for you while Vice President provides a good starting point. This approach, called the "round trip method" entails computation of costs for the political sectors of a multi-stop trip. An example might help to clarify it. The President has a trip from Washington to San Francisco for official purposes. He then goes to Los Angeles for political purposes and returns via St. Louis for official purposes. The round trip method would charge political funds for a trip from Washington to Los Angeles and return to Washington, even though there was no direct Washington to Los Angeles leg on the flight. Such an approach would put considerably less of a burden on the political accounts than the "all or nothing" method, yet would be much less vulnerable to criticism than the "last stop" method.

A further refinement to the "round trip" method has been developed by staff. We call this method pro-rating. Again, an example might help. Air Force One has approximately 50 seats and costs about \$2200 per hour to operate. Thus, air fare per passenger on Air Force One would come to about \$44.00 per hour. On every Presidential trip, 12 of the seats on Air Force One are occupied by Secret Service Personnel, Military Aides, the Physician, and WHCA personnel. These people travel with the President to protect him and to support him in his role as Commander-in-Chief. We propose that the costs of transporting them on any trip whether it be political or official be absorbed by DOD, thus reducing the costs to a political committee of the use of Air Force One from \$2200 per hour to less than \$1700 per hour. In addition, it has been customary for some members of the press to travel on Air Force One. They pay their own way on such trips, whether official or political. We propose that the number of press travelling on Air Force One be expanded substantially, thus further defraying the costs of operating the airplane. If the number of White House staff travelling with the President could be held to a minimum, 10 for example, and the remaining seats allocated to the press, the charge to a campaign committee or to the Republican National Committee for the use of Air Force One could be reduced to \$440 per hour, or one-fifth of the present costs of operating the aircraft. This approach appears to be both financially attractive and publicly defensible. It is essentially the approach used by non-incumbent candidates when they charter an aircraft for campaign purposes. In that event the Secret Service pays for the seats that it occupies on the plane and the press defrays a considerable portion of the costs as well.

The major difficulty with this approach would be in holding the number of passengers who travel at the expense of the political committee to a minimum. One way would be to identify some members of the White House Office who travel with the President as travelling for official purposes. David Kennerly, Nell Yates, Terry O'Donnell and Don Rumsfeld, for example, might be defined as travelling with you because you are the President, and they must carry out duties to support you as President no matter what purpose the trip itself may have. The costs of their travel on Air Force One could thus be defrayed by DOD. Although financially attractive, this approach may be open to criticism because some or all of those individuals may also be engaging in activities which could be construed as political. For that reason we propose that all members of the White House staff who travel with you on a political trip be charged to political accounts. In order to keep costs under control, we would propose that this category of traveller be sharply limited over the next year. A maximum of ten from the White House Office, including yourself, could be set for Air Force One. The full group would include yourself, Rumsfeld or Cheney, Nessen, Hartmann, O'Donnell, Cavaney, Kennerly and Nell Yates. If a second secretary were to be provided, this would leave only two other slots which would be used either for White House staff or for guests you may choose to invite. There would obviously be an enormous amount of internal pressure to expand the list. Travel on Air Force One is considered by many to be one of the best "perks" around. Nevertheless, if we are to maintain any kind of control of costs, a maximum number must be set and firmly defended.

The 'round trip' method and prorating has been discussed with a number of your advisers. They concur with the approach in terms of public defensibility as well as financial feasibility. Bob Hartmann expressed concern that an approach which restricted the number of guests the President might take with him on a trip might be undesirable. Bo Callaway indicated that he was strongly in favor of such limitations, primarily for financial reasons and indicated that he would be willing on campaign oriented trips to take the heat for saying "no" to individuals who wished to travel along with the President at the expense of the campaign committee.

OPEN ISSUES

There are three significant issues related to Presidential travel which have not yet been resolved. These are:

The status of guests on board Air Force One. Bill Simon said this issue should be resolved within Treasury shortly

after Labor Day. The issue does not involve the Campaign Reform Act, but rather IRS concerns about the tax treatment of guest travel on the airplane.

RNC support for the President. This support, which runs to about \$750,000 per year is used for several things, but for the purposes of this memorandum one is most important, i. e. the extent to which RNC pays expenses for Advance staff working on official trips. RNC has customarily paid expenses for Advance staff on both political and official trips. The reasoning is that even on official trips, many of the activities of the Advance staff, for example crowd raising, are not suitable for the expenditure of appropriated funds. There are several sticky issues. For example, now that you are a candidate, should these funds be considered a part of the limitation on contributions to your campaign effort? Moreover, even if they are not considered a contribution, is it appropriate for the RNC to support you but not another candidate such as Reagan?

RNC will soon go to the FEC for a ruling on this issue. They will argue strongly that such support is traditional for a political party to give to a President of the same party. They can document this over the past several years, during election as well as non-election years. It is also argued that the Democratic National Committee does the same, and would be interested in continuing this practice. Should the Federal Elections Commission, however, rule against this kind of support, we will have an extremely serious problem and will have to radically revise the approach we take to Presidential advances. Based on recent FEC advisory opinions, an adverse ruling is a definite probability.

Salaries of Officials Travelling with you for Political Purposes.

This issue has two aspects. First, is it appropriate for such officials to engage in political activities when they are on the public payroll? This issue concerns not only FEC, but GAO, which determines the suitability of expenditures of appropriated funds. Based on the failure of GAO to question such expenditures in the past, as well as the dual political and official rule the President has under the Constitution, and Congress' recognition of this fact in exempting the White House staff from the political management prohibitions of the Hatch Act, Counsel's office believes that we need not apportion the salaries of officials between the time spent on political and purely official activities. Although they are continuing to study this issue, Phil Buchen recommends that we not contact GAO at this time. It appears that this issue will not be a significant problem.

A second aspect of the issue concerning the FEC, however, is less clear. Even if the salaries can be expended for activities which are political, there remains a possibility that such expenditures could arguably be attributed to the limitations on campaign expenditures allowed to a candidate, as they would be, for example, if the individual worked for a private company. Based on recent advisory opinions given by the FEC, Counsel's office believes that the FEC will not consider such expenditures within the spending limitations. Counsel's office, along with the PFC, recommends that we notify the FEC at the same time we write them on apportionment of Presidential travel expenditures, that we do not intend to apportion salaries.

DECISIONS

1. Should the round trip cost method be adopted as the basic technique for allocating costs among official, party and campaign trips?

Yes NR 7 No _____

2. In addition, should the prorata share method be used to apportion costs to official, political and press travellers?

Yes NR 7 No _____

3. If so, should an effort be made to maximize the number of press using AF 1?

Yes _____ No _____

4. Should a ceiling be set on the number of political travellers using Air Force 1 on trips funded by the PFC?

Yes NR 7 No _____

5. If so, what should that ceiling be?

<u>Percent</u>	<u>No.</u>	<u>Cost to PFC</u>	
20%	(10)	\$440/hr	_____
30%	(15)	\$660/hr	_____
40%	(20)	\$880/hr	_____
50%	(25)	\$1320/hr	_____

Apply

NEXT STEPS

If you approve the proposals contained in this memorandum, three steps will be taken immediately.

1. Phil Buchen will prepare materials and develop an approach to deal with the FEC in order to ensure that our proposals are acceptable within the constraints of the Campaign Reform Act.
2. Ron Nessen will develop a press plan in order to ensure that our approach is explained fully and effectively.
3. On the basis of the policy decisions you make, minor issues not covered in this memorandum will be resolved.

PRESIDENT OF THE UNITED STATES TRAVEL - SOURCE OF FUNDS

PROPOSAL 3

POTUS: Official trip as President
 RNC: Political trip for Party
 PFC: Political trip as candidate

TRAVEL EXPENSE ITEM

TYPE OF TRAVELER	AIRCRAFT	Travel Expenses (hotel, meals & air fare)	COMMUNICATIONS	AUTOMOBILE RENTALS INCLUDING MOTORCADE	MISCELLANEOUS
<p><u>WHO ADVISERS</u> (RUMSFELD, HARTMANN, CHENEY, MARSH, ETC.) and <u>WHO SUPPORT STAFF</u> (O'DONNELL, KENNERLY, YATES, SECRETARIES AND OTHER WHO-PAID SUPPORT STAFF)</p>	<p>POTUS: DOD pays cost: no bill to adviser</p> <p>RNC: DOD bills RNC for pro rata share of political round trip cost of aircraft</p> <p>PFC: DOD bills PFC for pro rata share of political round trip cost of aircraft</p>	<p>POTUS: WHO pays</p> <p>RNC: RNC pays</p> <p>PFC: PFC pays</p>	<p>POTUS: Provided by WHCA</p> <p>RNC: Lighting, public address system and assoc- iated power paid for by RNC</p> <p>PFC: Lighting, public address system and assoc- iated power paid for by PFC</p>	<p>POTUS: Staff cars paid by WHO. Motorcade* cars paid by WHO</p> <p>RNC: Paid by RNC</p> <p>PFC: Paid by PFC</p> <p>*Motorcade cars to be re- placed by minibus</p>	<p>POTUS: Paid by WHO unless exceeds per diem, then advisers pays personally</p> <p>RNC: Paid by RNC</p> <p>PFC: Paid by PFC</p>
<p><u>SUPPORT STAFF EXCLUDING WHO-PAID STAFF</u> (USSS AGENTS, PHYSICIAN, WHCA PERSONNEL, MILITARY AIDES, ETC.)</p>	<p>POTUS: DOD pays cost; no bill to staff</p> <p>RNC: DOD pays cost; no bill to staff</p> <p>PFC: DOD pays cost; no bill to staff</p>	<p>POTUS: Per diem for support staff paid by respective agency</p> <p>RNC: Per diem for support staff paid by respective agency</p> <p>PFC: Per diem for support staff paid by respective agency</p>		<p>POTUS/RNC/PFC: Paid by respective USG agency</p>	<p>POTUS/RNC/PFC: Paid by respective USG agency unless exceeds per diem, then staff member pays personally</p>
<p><u>ADVANCE STAFF</u> (CAVANEY, AND OTHER WHO-PAID STAFF AND VOLUNTEERS)</p>	<p>POTUS: DOD pays cost; no bill to advancement</p> <p>RNC: DOD bills RNC for pro rata share of political round trip cost of aircraft</p> <p>PFC: DOD bills PFC for pro rata share of political round trip cost of aircraft</p>	<p>POTUS: Actual costs reimbursed by RNC</p> <p>RNC: Actual costs reimbursed by RNC</p> <p>PFC: Actual costs reimbursed by PFC</p>		<p>POTUS: Paid by RNC</p> <p>RNC: Paid by RNC</p> <p>PFC: Paid by PFC</p>	<p>POTUS: Actual costs reim- bursed by RNC</p> <p>RNC: Actual costs reimbursed by RNC</p> <p>PFC: Actual costs reimbursed by PFC</p>
<p><u>PRESS</u> (POOL PERSONNEL ACCOMPANYING PRESIDENT)</p>	<p>POTUS/RNC/PFC: WHO Travel Office bills press pro rata share and forwards payment to DOD</p>	<p>POTUS/RNC/PFC: WHO Travel Office pre-registers press in all hotels with press billed direct for all hotel and meal costs</p>		<p>POTUS/RNC/PFC: WHO Travel Office bills press pro rata share of cost for bus rental for motorcades</p>	<p>POTUS/RNC/PFC: Press pay all miscellaneous costs</p>