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THE WHITE HOUSE
WASHINGTON

April 27, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM:

JAMES T. LYNN

FROM:

JAMES E. CONNOR *JES*

SUBJECT:

Extension of Temporary Unemployment
Compensation Programs

Confirming phone call to Jim Jura of your office earlier today, the President reviewed your memorandum of April 25 on the above subject and made the following decisions:

Federal Supplemental Benefits

Option 2 - Terminate March 31, 1977 (current law)

Special Unemployment Assistance

Option 1 - Extend beyond December 31, 1976. This would allow the program to continue for one year, until the new reform legislation becomes effective.

Please follow-up with appropriate action.

cc: Dick Cheney

THE WHITE HOUSE
WASHINGTON

April 26, 1976

MR. PRESIDENT:

Extension of Temporary Unemployment
Compensation Programs

The attached memorandum was staffed to Messrs. Buchen, Cannon, Friedersdorf, Marsh, Seidman, Duval and Austin.

All consulted support the OMB recommendation.

Your decision is needed on this matter before you leave because the Department of Labor will be testifying tomorrow on this matter.

Jim Connor



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

April 25, 1976

ACTION

MEMORANDUM FOR:

THE PRESIDENT

FROM:

James P. Lynn

SUBJECT:

Extension of Temporary Unemployment Compensation Programs

I. Background

The Labor Department is scheduled to testify Wednesday, April 28 before Ways and Means on seven bills which would extend or alter two temporary unemployment compensation programs. The first, Federal Supplemental Benefits (FSB), provides up to 26 additional weeks of benefits to claimants who have used up their 39 weeks of regular and extended benefits under the Federal-State Unemployment Insurance (UI) system. With FSB, claimants may receive up to 65 weeks of benefits, depending on the insured unemployment rate in their State. The second, Special Unemployment Assistance (SUA), provides up to 39 weeks of benefits to those workers who are not eligible to receive benefits under the regular UI system.

Both programs were enacted in late 1974 and modified by mid-1975. Each will pay benefits until March 31, 1977, although no new SUA claims will be taken after December 31, 1976. Under legislation you proposed last summer, about six million of the estimated 11.3 million workers now covered by SUA would become covered under the regular UI program effective January 1, 1977. But legislation has been delayed, and coverage could not become effective until January 1, 1978, even if a bill passes this session.

Your 1977 budget did not propose to extend either FSB or SUA, but did not close off the possibility of either action. "Seventy Issues" reads: "Because of these [legislative] proposals [to extend regular UI coverage to many SUA claimants] and anticipated improved economic

conditions, no proposal is made to extend legislative authority for the two emergency temporary unemployment assistance programs which will expire in 1977. These programs were conceived to provide additional support during the worst of the recession."

II. Options

Federal Supplemental Benefits (weeks 40-65 for claimants under regular UI).

1. Extend beyond March 31, 1977.
2. Terminate March 31, 1977 (current law).

A straight extension through the end of FY 1977 would add an estimated \$0.5 - 0.8 billion to FY 1977 outlays. An average of 300,000 people a week would receive benefits.

The Labor Department recommends opposing any change to the FSB program. They believe it will have served its purpose and should be terminated as scheduled. Claimants could still receive up to 39 weeks of regular and extended benefits.

Special Unemployment Assistance (for those not eligible for regular UI).

1. Extend beyond December 31, 1976.
2. Terminate. No new claims after December 31, 1976. Last benefits paid March 31, 1977 (current law).
3. Urge Congress to postpone action until later in year.

An extension through FY 1977, with a provision to close an eligibility loophole, would add an estimated \$0.3 billion to FY 1977 outlays. An average of 150,000 people a week would receive benefits. These people are not eligible for any other UI. Our current working economic assumptions (not yet publicly endorsed) indicate that the unemployment rate for the quarter ending December 31, 1976, may be 7.1% and going down. The rate when you proposed your version of SUA was 6.5% and rising rapidly.

The Labor Department recommends supporting a one-year extension of SUA to December 31, 1977, and correcting the eligibility loophole. They point out that this would bridge the gap left by the delay in legislation you proposed to expand coverage under the regular UI system.

Postponement of final and conclusive action on SUA until the end of this year would enable us to have a better knowledge of the state of the economy and to act on the facts at that time. On the other hand, Congress may not be in session after October, and delay until the meeting of the new Congress would ensure a gap in SUA coverage.

III. Recommendation

Federal Supplemental Benefits. That you approve Option 2, which would allow the program to terminate as scheduled, March 31, 1977. Labor concurs.

Approve *MC7*

Disapprove _____

Special Unemployment Assistance.

That you approve Option 1, which would allow the program to continue for one year, until the new reform legislation becomes effective. Labor concurs.

Approve *MC7*

Disapprove _____