The original documents are located in Box C40, folder "Presidential Handwriting, 5/10/1976 (2)" of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.

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THE WHITE HOUSE

May 10, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

JAMES T. LYNN

FROM:

JAMES E. CONNOR &

SUBJECT:

Postal Service Legislation

The President reviewed your memorandum of May 7, 1976 on the above subject and approved the following:

Option 3 - Support a Study Commission with a provision that expresses Congressional intent to cancel \$1.0 billion after consideration of the Report of the Study Commission.

A fall-back position to Option 2 was also approved.

Please follow-up with appropriate action.

cc: Dick Cheney

THE WHITE HOUSE



May 8, 1976

MR PRESIDENT:

Postal Service Legislation

Staffing of the attached memorandum from Jim Lynn resulted in the following recommendations:

Jim Cannon - Support OMB Recommendation Option #3
fallback to #2.

Bill Seidman - Support OMB Recommendation Option #3

Max Friedersdorf - Support Option #2.

Jack Marsh -- Support OMB Recommendation Option #3

Jim Connor



OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

May 7, 1976

ACTION

MEMORANDUM FOR:

THE PRESEDENT

FROM:

JAMES T. LYNN

SUBJECT:

Postal Service Legislation

A meeting was held on Wednesday, May 5 with the key members of the House and Senate Committees with jurisdiction over the United States Postal Service. In attendance were: Senators McGee and Fong; Congressmen Derwinski, Henderson, Albert Johnson and Hanley; Postmaster General Bailar, Dan Kearney and myself.

I outlined the following "OMB" position previously reflected to you:

- A 7 month Study Commission, broadened in membership and in scope from that proposed in Senator McGee's pending bill.
- Support for increased United States Postal Service borrowing authority for operating expenses thus providing assurance to Postmaster General Bailar of adequate funds during the pendency of the Study.

There appeared to be general agreement with our suggestion for a broadened Commission; in addition, it appears that certain changes in the Postal Rate Commission are desired by the members. We interposed no objection.

Two issues of substance remain:

- -- whether an appropriation is necessary to assist the Postal Service during this interim period.
- -- what form of "moratorium" in service reduction and rate increases will be acceptable to Postmaster General Bailar.

Two other points of background are worthy of note:

- 1. The Senate must take action on authorizing legislation by May 15 under the terms of the new budget procedures.
- 2. The Senate Budget Resolution contained \$1.0 billion for Postal Service operating subsidies; the House Budget Resolution contained no authorization. In conference on Wednesday, May 5, the Senate receded to the House position. The House argued that the President's budget contained no subsidy for United States Postal Service, and that the Senate should "trade off" this authorization in return for House agreement. However, we understand that the Conference Report will have language to the effect that some authorization may turn out to be needed.

With respect to the question of appropriation, Congressman Hanley strongly advocated \$1.5 billion for the United States Postal Service over the next two fiscal years. Senator McGee suggested \$500 million for FY 1977. He argued that the Congress made a "mistake" in the 1971 Postal reorganization legislation. The bill fixed the annual "public service" subsidy at 10 percent of the then budget of the Post Office, i.e. \$920 million. The Congress, he argued did not anticipate the inflation experienced during the ensuing 5 years. Senator McGee did agree that it was undesirable to appropriate funds that might signal to interested parties the availability of taxpayer funds as an alternative to needed economies in Postal Service operations.

Your funding options are as follows:

Option | - Reaffirm your opposition to any appropriation until the Study Commission is finished.

Pro:

- . Given the time constraint and the diverse positions of the various parties, there is an even chance that no legislation will emerge from the Congress during this session.
- . Interested parties receive no "signal" which might encourage them to resist necessary economies in the United States Postal Service when the Study Commission reports.

Consistent with exclusion of \$1.0 billion by Congressional conference on the budget resolution.

Con:

- . It is possible that legislation including an appropriation of up to \$500 million per year for two or three years will pass the Congress. If you then veto the legislation, you are sure to receive the blame for the continuing woes of the United States Postal Service (including blame for a very possible 2¢ rate increase effective October 1 if there is no financial relief by legislation).
- Option #2 Support an appropriation of up to \$500 million for each of two years (or possibly three).

Pro:

- . The Congress is almost certain to support you and thus the possibility of an election year battle is averted and a Commission Study of the totality of the postal situation is launched.
- . Although not necessarily so, it is probable the Service would defer rate increases and severe service cut backs until the Commission makes its recommendations in 1977 on the proper use of these types of economies.

Con:

- Depending on the wording of the legislation and, more importantly, depending how the appropriation is perceived by the interested parties, may set an undesirable "precedent" for future service/rate economies. (Bowever, it is likely that the appropriation would be characterized in the legislation as steps toward cleaning up the accumulated deficit, not as an operating subsidy for the current periods.)
- . May not satisfy Postmaster General Bailar, who continues to maintain that cost reductions and rate increases will be necessary unless United States Postal Service receives at least \$1.0 billion a year for two or three years.
- Inconsistent with Conference Budget Resolution.

O

Option #3 - Support a legislative provision expressing the intent of the Congress that a stated portion (probably \$1.0 billion) of the accumulated deficit be cancelled and requiring the Commission to report how much more, if any, should be cancelled, and how cancellations are to be effected, e.g., on-budget, off-budget, etc.

Sub Option A - Cancel \$1 billion.

Sub Option B - Cancel the full amount of accumulated debt attributable to operating expenses as of July 1, 1976 = \$1.5 billion.

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Pro:

- . No appropriation is necessary thus an increase in the FY 1977 budget deficit is averted. The potential budget impact is deferred until FY 1978 at least.
- . No potentially undesirable precedent of appropriation for operating subsidies is created at this time (although the Commission may recommend it later).
- . Consistent with Budget Resolution.

Con:

- Postmaster General Bailar may not be satisfied. He may still insist on service reductions and an increase of 2¢ in the postage stamp in October.
- No assurance Committee leadership will support it and even if it does, that the Congress as a whole will.

OMB recommendation: Support Option 3 (A) -- Support a legislative provision expressing the intent of Congress that a minimum specified amount of the accumulated operating deficit be cancelled upon recommendation of the Study Commission.

Should the Committee leaders be unwilling to defer the question to the Study Commission, support Option 2 as an alternative, taking care to characterize the appropriation as a debt reduction measure, not an operating subsidy.

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Decision					
	Option	# 1.	Support a Study Commission only.		
	Option		Support a Study Commission and in addition an appropriation of up to \$500 million for up to three years.		
hea	Option	#3.	Support a Study Commission with a provision that expresses Congressional intent to cancel \$1.0 billion after consideration of the Report of the Study Commission.		
If you choose Option #3, we may be unsuccessful in obtaining Congressional acceptance. If so, the OMB recommended fall back position is Option #2.					
ME	Agree (Option #2)				
	Disagree				
	See Me		•		

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STAFFING

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THE WHITE HOUSE

WASHINGTON

May 8, 1976

MEMORANDUM FOR:

DICK CHENEY

FROM:

JIM CONNOR

SUBJECT:

Postal Service Legislation

Jim Lynn informs us that the President requested the attached memorandum as soon as possible. He needs to know if the President wants to discuss it on Sunday. If so, Dan Kearney has to be called at home - 548-6350.

The President should be reminded that he promised to get back to Senator McGee no later than Monday morning.

The memorandum has been staffed and recommendations are attached.

THE WHITE HOUSE WASHINGTON

of gu

May 8, 1976

MR PRESIDENT:

Postal Service Legislation

Staffing of the attached memorandum from Jim Lynn resulted in the following recommendations:

Jim Cannon - Support OMB Recommendation Option #3 fallback to #2.

Bill Seidman - Support OMB Recommendation Option #3

Max Friedersdorf - Support Option #2.

Jack Marsh -- Support OMB Recommendation Option #3

Jim Connor



EXECUTIVE OFFICE OF THE PRESIDENT OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

May 7, 1976

ACTION

MEMORANDUM FOR:

THE PRESIDENT

FROM:

JAMES T. LYNN

SUBJECT:

Postal Service Legislation

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Two issues of substance remain:

- -- whether an appropriation is necessary to assist the Postal Service during this interim period.
- -- what form of "moratorium" in service reduction and rate increases will be acceptable to Postmaster General Bailar.

Two other points of background are worthy of note:

- 1. The Senate must take action on authorizing legislation by May 15 under the terms of the new budget procedures.
- 2. The Senate Budget Resolution contained \$1.0 billion for Postal Service operating subsidies; the House Budget Resolution contained no authorization. In conference on Wednesday, May 5, the Senate receded to the House position. The House argued that the President's budget contained no subsidy for United States Postal Service, and that the Senate should "trade off" this authorization in return for House agreement. However, we understand that the Conference Report will have language to the effect that some authorization may turn out to be needed.

With respect to the question of appropriation, Congressman Hanley strongly advocated \$1.5 billion for the United States Postal Service over the next two fiscal years. Senator McGee suggested \$500 million for FY 1977. He argued that the Congress made a "mistake" in the 1971 Postal reorganization legislation. The bill fixed the annual "public service" subsidy at 10 percent of the then budget of the Post Office, i.e. \$920 million. The Congress, he argued did not anticipate the inflation experienced during the ensuing 5 years. Senator McGee did agree that it was undesirable to appropriate funds that might signal to interested parties the availability of taxpayer funds as an alternative to needed economies in Postal Service operations.

Your funding options are as follows:

Option #1 - Reaffirm your opposition to any appropriation until the Study Commission is finished.

Pro:

- . Given the time constraint and the diverse positions of the various parties, there is an even chance that no legislation will emerge from the Congress during this session.
- . Interested parties receive no "signal" which might encourage them to resist necessary economies in the United States Postal Service when the Study Commission reports.

. Consistent with exclusion of \$1.0 billion by Congressional conference on the budget resolution.

Con:

- . It is possible that legislation including an appropriation of up to \$500 million per year for two or three years will pass the Congress. If you then veto the legislation, you are sure to receive the blame for the continuing woes of the United States Postal Service (including blame for a very possible 2¢ rate increase effective October 1 if there is no financial relief by legislation).
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Pro:

- . The Congress is almost certain to support you and thus the possibility of an election year battle is averted and a Commission Study of the totality of the postal situation is launched.
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- . Depending on the wording of the legislation and, more importantly, depending how the appropriation is perceived by the interested parties, may set an undesirable "precedent" for future service/rate economies. (However, it is likely that the appropriation would be characterized in the legislation as steps toward cleaning up the accumulated deficit, not as an operating subsidy for the current periods.)
- . May not satisfy Postmaster General Bailar, who continues to maintain that cost reductions and rate increases will be necessary unless United States Postal Service receives at least \$1.0 billion a year for two or three years.
- . Inconsistent with Conference Budget Resolution.

Option #3 - Support a legislative provision expressing the intent of the Congress that a stated portion (probably \$1.0 billion) of the accumulated deficit be cancelled and requiring the Commission to report how much more, if any, should be cancelled, and how cancellations are to be effected, e.g., on-budget, off-budget, etc.

Sub Option A - Cancel \$1 billion.

Sub Option B - Cancel the full amount of accumulated debt attributable to operating expenses as of July 1, 1976 = \$1.5 billion.

Pro:

- . No appropriation is necessary thus an increase in the FY 1977 budget deficit is averted. The potential budget impact is deferred until FY 1978 at least.
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- . Consistent with Budget Resolution.

Con:

- . Postmaster General Bailar may not be satisfied. He may still insist on service reductions and an increase of 2¢ in the postage stamp in October.
- . No assurance Committee leadership will support it and even if it does, that the Congress as a whole will.

OMB recommendation: Support Option 3 (A) -- Support a legislative provision expressing the intent of Congress that a minimum specified amount of the accumulated operating deficit be cancelled upon recommendation of the Study Commission.

Should the Committee leaders be unwilling to defer the question to the Study Commission, support Option 2 as an alternative, taking care to characterize the appropriation as a debt reduction measure, not an operating subsidy.

Decision					
	Option	#1.	Support a Study Commission only.		
	Option	#2.	Support a Study Commission and in addition an appropriation of up to \$500 million for up to three years.		
	Option	#3.	Support a Study Commission with a provision that expresses Congressional intent to cancel \$1.0 billion after consideration of the Report of the Study Commission.		
If you choose Option #3, we may be unsuccessful in obtaining Congressional acceptance. If so, the OMB recommended fall back position is Option #2.					
	Agree (Option #2)				
	Disagree				
	See Me				

MEMORANDUM FOR:

DICK CHENEY

FROM:

JIM CONNOR

SUBJECT:

Postal Service Legislation

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The memorandum has been staffed and recommendations are attached.



OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

May 7, 1976

MEMORANDUM FOR DR. CONNOR

FROM:

IAMES LYNN

SUBJECT:

Postal Service

The President requested that the attached memo be sent to him as soon as possible. Would you please ensure that he receives it quickly. I need to know if he wants us to come in to discuss it on Sunday. If the President wants us in, please call Dan Kearney at home, 548-6350.

The President should be reminded that we promised to get back to Senator McGee no later than Monday morning.

If you have additional questions, please call Dan or call me at home on Saturday.

MR PRESIDENT:

Postal Service Legislation

Staffing of the attached memorandum from Jim Lynn resulted in the following recommendations:

Jim Cannon - Support OMB Recommendation Option #3 fallback to #2.

Bill Seidman - Support OMB Recommendation Option #3

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

May 7, 1976

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Con:

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OMB recommendation: Support Option 3 (A) -- Support a legislative provision expressing the intent of Congress that a minimum specified amount of the accumulated operating deficit be cancelled upon recommendation of the Study Commission.

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Decision					
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	Option	#2.	Support a Study Commission and in addition an appropriation of up to \$500 million for up to three years.		
•	Option	#3.	Support a Study Commission with a provision that expresses Congressional intent to cancel \$1.0 billion after consideration of the Report of the Study Commission.		
If you choose Option #3, we may be unsuccessful in obtaining Congressional acceptance. If so, the OMB recommended fall back position is Option #2.					
Agree (Option #2)					
	Disagree				
	See Me				

THE WHITE HOUSE
WASHINGTON LOG NO.:

ACTION MEMORANDUM

May 8, 1976

Time:

FOR ACTION:

Date:

cc (for information):

Jim Cannon

Max Friedersdorf

Bill Seidman

Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date:

QUICK TURNAROUND

Time:

SUBJECT:

Jim Lynn memo 5/7/76 re: Postal Service Legislation

ACTION REQUESTED:

For Necessary Action

__X For Your Recommendations

Prepare Agenda and Brief

___ Draft Reply

X For Your Comments

Draft Remarks

REMARKS:

You will note from Jim Lynn's cover memo to Jim Connor the urgency of this matter.

Sudman - agree with omB position Freedersdorf - support eption# 2

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.

THE WHITE HOUSE · ACTION MEMORANDUM LOG NO .: WASHINGTON May 8, 1976 Time: Date: FOR ACTION: cc (for information): Jim Cannon Max Friedersdorf Jack Marsh FROM THE STAFF SECRETARY DUE: Date: QUICK TURNAROUND Time: SUBJECT: Jim Lynn memo 5/7/76 re: Postal Service Legislation ACTION REQUESTED: _X For Your Recommendations For Necessary Action _ Prepare Agenda and Brief ____ Draft Reply X For Your Comments Draft Remarks REMARKS:

You will note from Jim Lynn's cover memo to Jim Connor the urgency of this matter.

Support Option #2

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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

THE WHITE HOUSE ACTION MEMORANDUM LOG NO.: WASHINGTON May 8, 1976 Time: Date: FOR ACTION: cc (for information): Jim Cannon Max Friedersdorf Bill Seidman Jack Marsh FROM THE STAFF SECRETARY DUE: Date: Time: QUICK TURNAROUND SUBJECT: Jim Lynn memo 5/7/76 re: Postal Service Legislation ACTION REQUESTED:

For Necessary Action X For Your Recommendations

Prepare Agenda and Brief _____ Draft Reply

X For Your Comments — Draft Remarks

REMARKS:

You will note from Jim Lynn's cover memo to Jim Connor the urgency of this matter.

Opre with OMB Position fws

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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.

THE WHITE HOUSE

WASHINGTON LOG NO.:

Date: May 8

May 8, 1976

Time:

FOR ACTION:

cc (for information):

Jim Cannon

Max Friedersdorf

ACTION MEMORANDUM

Bill Seidman

Jack Marsh

FROM THE STAFF SECRETARY

DUE: Date:

QUICK TURNAROUND

Time:

SUBJECT:

Jim Lynn memo 5/7/76 re: Postal Service Legislation

ACTION REQUESTED:

For Necessary Action

X For Your Recommendations

Prepare Agenda and Brief

____ Draft Reply

X For Your Comments

____ Draft Remarks

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