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THE WHITE HOUSE
WASHINGTON

Jim -

Vice President's office called to see if we had the blue binder for the Vice President's meeting last week with the President --- I tracked it down from Nell --- I returned the binder to the Vice President but thought we should keep the insides --

Most interesting --- I am sure that Dick Cheney would want to see.

Trudy

*Returned from Dick Cheney
9/6/76*



THE PRESIDENT HAS SEEN....

THE VICE PRESIDENT
WASHINGTON

Agenda for the
Meeting with the President
Thursday, June 10, 1976, 2:00 p.m.

1. Political

- Convention TAB A
- Election TAB B

2. Reports

- a. Energy Independence Authority TAB C
- b. New York City TAB D
 - (1) City will qualify for
the July loans
- c. Domestic Council Job-Scholarship Program
- d. Jesse Jackson - School-Work Program
- e. Guy Stever and the Science Office TAB E

3. Speech

- a. Remarks TAB F
 - National Broadcast Editors
Association, Mayflower Hotel,
Washington, D.C., Wednesday,
June 9, 1976

ADMINISTRATIVELY CONFIDENTIAL

June 9, 1976

MEMORANDUM FOR THE VICE PRESIDENT

FROM : Peter J. Wallison *PJW*

SUBJECT: Convention Matters

Problems for the President Ford Committee can arise in three areas prior to the balloting at the convention:

1. Rules - (a) Legally bound delegates.

As we discussed this morning, it is possible that a number of delegates who are legally bound by State law to vote for the President on the first or second ballots may ignore this legal requirement and vote for former Governor Reagan.

At the 1972 Democratic Convention, a dispute arose over whether a delegate slate under the control of Mayor Daley and elected in an Illinois primary would be seated in preference to a McGovern slate which was defeated in that primary.

The Courts of Illinois enjoined the insurgent slate from voting as delegates at the convention, but the convention voted to substitute the insurgent slate for the Daley delegates and the insurgent slate was seated and voted for McGovern.

After the convention, the issue was carried to the Supreme Court, which ruled that on questions relating to the seating of delegates the rules of the convention took precedence over the laws of any State.

At the 1976 Republican Convention, the issue is slightly different. The question is not

whether certain delegates should be seated, which is fundamentally a credentials question, but rather whether they are required under the rules of the convention to vote in accordance with the law of their respective States, or are free to vote as they wish. Although the question is different, it is not clear that the difference is legally significant, and that the Supreme Court would hold that State law governs the voting of delegates even though it does not govern the seating of a delegation.

The question could arise at the 1976 Republican Convention through a vote on a rule requiring delegates to vote in accordance with the requirements of their respective State laws. If such a rule is defeated, then the delegates would be free to vote as they wish, unless the Supreme Court has held that State law is paramount in this area.

Accordingly, the PFC's strategy must have two elements. The first is an effort to enjoin those delegates who wish to vote for Reagan from doing so, and to get the issue before the Supreme Court prior to the convention. The second is a program to win the fight for a rule which requires the delegates to vote in accordance with their State laws; this battle must be fought first in the Rules Committee of the convention, and then on the convention floor.

If the PFC wins either of these contests it can prevent the erosion of the President's support through the defection of legally bound delegates. If it loses both, the defection of legally bound delegates may be large enough to deny the President the nomination. Needless to say, delegates who are legally bound to vote for the President on the first or second ballot are not bound to vote in favor of rules which favor the President's nomination.

At the Maryland convention last week, there were open statements by at least three delegates that they were intending to vote for Reagan despite the requirement of State law that they vote for the President. There may be many more delegates in Maryland who will follow this lead.

In addition, there are indications that substantial numbers of delegates in North Carolina, Florida, Tennessee, and Kentucky may be following the same approach.

It is very important to begin now the development of a two-part program to deal with this threat. A well-known and respected lawyer should be retained immediately to start the legal research required to bring appropriate actions for injunctions in the States where this may be required to prevent defection among Ford delegates who are legally bound on the first ballot.

In addition, the first priority of the PFC's delegate operation should be to identify all delegates who might be likely to support Reagan despite the requirements of State law. These delegates should be approached individually and made to understand what effect their actions would have on the future of the Party.

Finally, the membership of the Convention Rules Committee should be reviewed and assessed to assure that an appropriate rule comes to the floor of the convention which requires delegates who are legally bound to do so to vote in favor of President Ford on the first or second ballot. Although a vote of the convention will ultimately decide this dispute, a favorable report from the Rules Committee will carry a great deal of weight, especially if it is couched in terms of obedience to the law.

At the moment, it appears that the Reagan forces may be able to secure working control of the convention's committees, including Rules.

I spoke to Jack Wells today about lawyers who might be able to handle this matter for the PFC. Jack did not think that Bill Miller had the stature or resources to do the job. However, he thought that Dick Ogilvie, whom he does not know well, might be the best bet as the leader of this task force. Ogilvie has recently joined a sizeable Chicago law firm and as a former Governor he would be impressive to delegates in meetings.

Wells also recommended, as a technician but not as the leader of the task force, a lawyer in Washington by the name of F. Trowbridge vom Bauer. vom Bauer is the senior partner of his firm, and was the lawyer in charge of the Taft effort at the 1952 convention. Wells thinks vom Bauer is very capable.

(b) Apportionment of delegates to 1980 convention.

Another issue involving convention rules may cause problems for the PFC. In 1972, over the objection of the large urban states, the Republican Convention adopted a formula for the apportionment of delegates to the 1976 convention which favored the small states.

This year, the Reagan people could propose another rule which is even more favorable to the small states and would be applicable to the 1980 convention. If the President's supporters oppose this new rule, they might lose a substantial number of delegates in the small states. On the other hand, if they support the new rule, they might lose delegates in the larger urban states which are already under-represented at the convention.

As you know, disputes over these procedural matters frequently convince undecided delegates to favor one nominee over another, and given the fact that a large number of the delegates at the convention will be emotionally (as distinguished from politically or legally) committed to Reagan, a bitter fight on this issue might benefit Reagan substantially in the balloting for the nomination.

2. Platform.

You asked for a list of those platform issues which might be especially divisive at the convention. I would guess that the Reagan forces will try to have planks adopted on:

- Abortion
- Equal Rights Amendment
- Busing
- Panama Canal
- Detente
- Capital Punishment
- Gun Control

Any one of these issues would be likely to reveal the convention as far more "conservative" than the President, and if the President opposes the right wing wording which will be chosen for these planks he may lose additional delegates.

Although the platform will ultimately be adopted by the convention as a whole, the recommendations of the Platform Committee will be very important, especially in matters of wording.

Although Bob Ray is Chairman of the Platform Committee it may well be that the Reagan forces will have working control. The President Ford Committee should have a plan for dealing with divisive platform proposals.

CC: S. Herter
R. Shafer
J. Veneman
J. Canzeri
D. Allison
H. Morrow

THE ELECTION OF PRESIDENT FORD

BASIC STRATEGY PAPER NO. 7 - MAY, 1976

David W. Belin

Winning Electoral Votes:
The Marginal Percentage Differential Analysis

I was tempted in writing this paper to quote excerpts from previous papers going back to November, 1975, because I believe that a substantial part of the problems which the President Ford campaign faces arises from a failure to adopt the strategy discussed in these earlier papers. For instance, I am attaching to this May paper a copy of the November, 1975, strategy paper No. 1, which I believe to be just as valid today as it was when written six months ago.

However, rather than repeating what I have said over the past six months, no matter how relevant it may be today, I want to turn to a matter which has been largely lost in the heat of the primary campaign: A state-by-state electoral vote analysis to see how victory can best be achieved in November.

In analyzing election results, I categorize states into categories, depending upon the margin percentage differential (MPD)--that is, the difference in percentage points between the candidate who won the state and the candidate who lost the state. For instance, in 1968 in Oregon, Nixon got 53% of the vote and Humphrey received 47% of the vote, a margin percentage differential of six percentage points. The switch differential was 3%--in other words, if 3% of the voters had voted Democratic, instead of Republican, there would have been a virtual tie.

A relatively safe margin percentage differential (MPD) is where the difference in percentage is at least 14 points--57-43, or better. A safe/marginal MPD is where the MPD is between 7 and 14 points; a marginal state is where the MPD is less than 7 points where a state can switch from one party to another by a switch of less than 3.5% of the vote.

The most relevant electoral vote analysis is to take a look at the most recent close presidential election, which, of course, was in 1968 where President Nixon had 302 electoral votes, Hubert Humphrey had 191 electoral votes, and George Wallace garnered 45 electoral votes.

When you categorize the results of the 1968 election and put the same states that voted Republican in 1968 into either relatively safe Republican states, marginal/safe, or marginal Republican states, and adjust for changes in the electoral vote because of reapportionment after the 1970 census, and do the same thing with the states that Hubert Humphrey won in 1968, here is what you find, as shown on the following detailed analysis

David Belin
 President Ford
 Strategy Paper
 No. 7
 May, 1976

	1968 Election Electoral Votes			1968 MPD (Marginal Percent+ Age Dif- ferential)	Rela- tively safe Rep.	1976 Electoral Vote Analysis Based on 1968 MPD					1968 Geo. Walla stat.
	Rep.	Demo.	Wallace			Margi- nally safe Rep.	Margi- nal Rep.	Margi- nal Demo.	Margi- nally safe Demo.	Rela- tively safe Demo.	
ALABAMA			10	47.2							9
ALASKA	3			2.7			3				
ARIZONA	5			19.8	6						
KANSAS			6	8.1							6
CALIFORNIA	40			3.1			45				
COLORADO	6			9.2			7				
CONNECTICUT		8		5.2				9			
DELAWARE	3			3.5			3				
FLORIDA	14			9.6			17				
GEORGIA			12	12.4							12
ILLINOIS		4		21.1						4	
INDIANA	4			26.1	4						
IOUISIANA	26			2.9			26				
MISSISSIPPI	13			12.3			13				
MONTANA	9			12.2			8				
NORTH CAROLINA	7			20.1	7						
KENTUCKY	9			6.2			9				
LOUISIANA			10	20.1							10
MAINE		4		12.2					4		
MARYLAND		10		1.7				10			
MASSACHUSETTS		14		30.1					14		
MICHIGAN		21		6.7				21			
MINNESOTA		10		12.5					10		
MISSOURI			7	40.5							7
NEBRASKA	12			1.2			12				
NEVADA	4			19	4						
NEW HAMPSHIRE	5			28	5						
NEW JERSEY	3			8.2			3				
NEW YORK	4			8.2			4				
PENNSYLVANIA	17			2.1			17				
RHODE ISLAND	4			12.1			4				
SOUTH CAROLINA		43		5.4				41			
NORTH CAROLINA	13			8.2			13				
SOUTH DAKOTA	4			17.7	3						
TENNESSEE	26			2.3			25				
TEXAS	8			15.7	7						
UTAH	6			6.0			6				
VIRGINIA		29		3.6				27			
WEST VIRGINIA		4		32.2						4	
NORTH CAROLINA	8			5.8			8				
SOUTH DAKOTA	4			11.3			4				
MISSISSIPPI	11			3.8			10				
MISSOURI		25		1.3				26			
MISSOURI	4			19.4	4						
ONTARIO	3			19.3	3						
INDIANA	12			10.9			12				
WEST VIRGINIA		9		2.1				9			
VA		7		8.8				6			
WISCONSIN	12			3.6			11				
MISSOURI	3			20.3	3						
OF COL.		3		63.6						3	

TOTAL: 302 191 45 46 85 175 143 20 25 44

Relatively Safe: MPD is at least 14; Marginally Safe: MPD is between 7 and 14

One hundred seventy-five electoral votes are from states that are marginally Republican, and 143 electoral votes are from states that are marginally Democratic. Even more important is the fact that of the marginal Republican states, the overwhelming majority lie out of the South. Of the 175 electoral votes, only 27 come from South or border-South states: Kentucky (9), South Carolina (8) and Tennessee (10). On the other hand, there are states such as California (45), Illinois (26), Missouri (12), New Jersey (17), Ohio (25), Oregon (6), and Wisconsin (11), plus Alaska (3) and Delaware (3) where a switch in less than 2% of the voters would have changed the vote in these states.

Toward which bloc of states should the Republican Party in 1976 concentrate its attack: The Southern bloc of 27 or the rest of the country with 148?

What about the states that were marginally Democratic that give the Republicans the best opportunities for 1976? Once again, the MPD analysis shows which road the Republican Party must take, for only one of these states (Texas, with 26 electoral votes) could be deemed subject to a Southern strategy and the remaining states, with 117 electoral votes lie outside of the South: Colorado (9); Maryland (10); Michigan (21); New York (41); Pennsylvania (27); and Washington (9).

Of course, assuming that President Ford is the Republican nominee, he will probably carry Michigan, with its 21 electoral votes. If you take those 21 votes as a starting point, add the 46 electoral votes from the relatively safe Republican states, you have a total of 67 of the 270 electoral votes needed for election. Where will the additional 203 electoral votes come from? Of the safe/marginal Republican states, 43 electoral votes are from outside the South and 42 lie in the southern part of the country. If those 43 votes outside of the South are garnered, that leaves a net remaining goal of 160 electoral votes.

Turning to the marginal Republican states, of those 175 electoral votes, only 8 lie in the South (South Carolina) and

19 lie in the border-South states of Kentucky and Tennessee, leaving a net of 148 outside of the South.

If President Ford got all of the marginal Republican states except those from the South or near-South, he would receive 148 additional electoral votes, putting him up to 258, which is just twelve votes shy of the needed 270.

Where can those extra twelve votes come from? Either from those Southern or border-Southern states that are marginal Republican or safe/marginal Republican--and all he needs is one or two of those states--or in the alternative only one or two of the states that are marginally Democratic--such as Pennsylvania.

The facts speak for themselves. The greatest opportunities for Republican victory in 1976 lie in a national strategy, and not in a Southern strategy.

This is particularly true if Jimmy Carter is either a Democratic Presidential or Vice Presidential candidate. Regardless of who the Republican Presidential nominee will be, Jimmy Carter will effectively claim a majority of the Southern electoral votes. Republicans have to recognize this fact as they look toward November. It would be folly for the GOP to

try and attack the heart of Carter's strength. Rather, the GOP should concentrate on the heart of its potential, and that heart is shown on the marginal vote percentage electoral vote analysis: Basically the Midwest, the Northeast, the Rocky Mountain States, and the West.

Furthermore, in looking toward November, the GOP must recognize what has not been recognized enough thus far by the President Ford Committee that it is absolutely essential for victory to preempt the middle of the road.

In poll after poll, the major portion of the electorate--over 80%--categorizes itself either in the middle-of-the-road category or under the categorization of fairly liberal or fairly conservative with the remaining balance (less than 20%) categorizing itself as very liberal or very conservative.

Clearly, the emphasis for rebuilding a political party must be directed toward the pre-emption of the middle-of-the-road electorate. This will act as an umbrella to attract those voters in the center of the political spectrum as well as those somewhat to the left who call themselves fairly liberal and those somewhat to the right who call themselves fairly conservative.

One of the main problems confronting George McGovern in the 1972 presidential race was the fact that his campaign moved away from middle-of-the-road and enabled Republicans to step into the vacuum. The net result was a Republican landslide at the national level.

Unfortunately for the GOP, the landslide did not trickle down to the Senate and the House of Representatives. The basic reason is illustrated by what happened in California in 1968 and 1970 and what happened in South Dakota in 1972.

Before the 1968 elections, California was represented by two senators: Thomas Kuchel, a liberal Republican, and George Murphy, a conservative Republican. Thomas Kuchel had risen to the position of minority whip, the No. 2 position behind the minority floor leader, Senator Dirksen of Illinois.

Despite the fact that Senator Kuchel was an incumbent Republican senator who had risen to a position of power in the United States Senate, the Republican Party in 1968 failed to

renominate Senator Kuchel. There was an intraparty fight with the conservative candidate, Max Rafferty, winning the nomination. In the fall general election, even though Richard Nixon carried California by over 200,000 votes, Max Rafferty lost to Alan Cranston by over 300,000 votes--a spread of better than half a million votes.

Why did the Republican Party of California fail to re-nominate a proven winner and a national Republican leader? The basic reason was that Republicans in California failed to recognize the necessity of preempting the middle of the road. Instead, they followed the philosophy of nominating someone with the greatest appeal to voters in a Republican primary instead of someone with the greatest appeal to voters in the general election.

The Republican California blunder of 1968 was compounded in 1970 when George Murphy was up for re-election. The middle-of-the-road was pre-empted by John V. Tunney, and in the space of two years two Republican senate seats were converted into two Democratic senate seats.

The problem has been repeated time and time again. For instance, in 1972 the seat of Republican Karl Mundt of South Dakota was at stake. There was one candidate within the Republican primary who sought to pre-empt the middle-of-the-

road: Tom Reardon. He was ignored by Republican leaders primarily because Reardon had been a "dove" on the issue of Vietnam. Thousands of Independent voters shared Reardon's views, but instead of nominating the Republican with the greatest appeal to the total electorate, the Republicans nominated the candidate with the greatest appeal to Republicans. The result was that Democrat James Abourezk won the Senate race in November.

Rebuilding a viable Republican Party after Watergate will be far more difficult than the attempted rebirth after the Democratic landslide of 1964. The major reason for this is that the Republican Party--the Party associated with American business and free enterprise--has consistently violated the most elementary concepts of business success. This fundamental failure is not a new course of action for the GOP to take. On the contrary, it is consistent with the course of action taken by Republican Party leadership over the past 30 years.

Every knowledgeable marketing student, every astute business executive, knows that when a business organization wants to increase its penetration of the market, it looks to areas of potential growth.

In the 1940's and 1950's, it was obvious to any reasonably intelligent political scientist that the areas of population growth in our country were in the urban areas. The areas of population decline were in the rural areas. Yet, consistently throughout the United States, the Republican leadership fought against fair representation for urban areas in state legislatures.

More and more people living in cities and suburban areas became frustrated with the unfairness of their lack of representation in government. These citizens turned against the party in power that was denying them an equal voice in government and went with the opposition, which in almost every two-party state turned out to be the Democratic Party.

The net result is typified by what took place in the Midwest-- the place of birth of the Republican Party and its traditional heartland. The statistics are overwhelming and are vividly illustrated in the contrast between the Eisenhower landslide of 1952 and the Nixon landslide of 1972.

Here are the facts: In 1953 there were 9 Republican and 3 Democratic governors in the Midwest. In 1973, these statistics were reversed: 4 Republican and 8 Democratic governors.

In 1953, there were 19 Republican and 5 Democratic senators from the Midwest. In 1973, after the 1972 elections, these statistics were again reversed: 9 Republican and 15 Democratic senators.

In the House of Representatives, there was a similar trend: 85 Republican and 44 Democratic representatives from the Midwest in 1953 after the 1952 Eisenhower landslide; 71 Republican and 51 Democratic representatives in 1973 after the 1972 Nixon landslide. (The difference in total arises because of reapportionment changes.)

The lack of foresight on the part of the Republican Party continued throughout the 1950s and 1960s. Perhaps the most vivid illustration of this occurred after the Nixon-Agnew victory in 1968, when there were increasing pressures to bring youth into the political system. It was not a question of whether or not the voting age would be reduced to 18--rather, the question was when this would take place--1970 or 1972.

It is a basic doctrine of business to look to potential expanding markets. Any businessman looking at the electorate would have readily seen that youth, and in particular high school and college youth approaching their first election, was the most obvious area of political party growth. This fact was compounded by the disenchantment of youth with the Vietnam policies of the Johnson administration.

Yet, this fundamental practical business concept was not only totally ignored, but Spiro Agnew took exactly the opposite course. He attacked the very group that offered the greatest opportunity for increasing Republican votes, and succeeded beyond the wildest dreams of any Democratic politician. Agnew succeeded in alienating the next generation of voters, so far as the Republican Party was concerned.

Statistics now show that the Republican Party comprises less than 25% of the total electorate. And when these statistics are broken down into age groups, the penetration of the Republican Party with the younger voter is less than 15%. From a long-range standpoint, nothing could have been worse for the Republican Party.

More important, from a long-range standpoint, nothing could have been worse for the future of our political system in America, for that system is predicated on the concept of a strong two-party system.

1976 is a crossroads year for the Republican Party. A Democratic victory in the Presidential election could spell the end of the GOP as an effective national party. On the other hand, a Republican victory could spell the beginning for a

true Republican revival, with strong and capable leadership from the top as the starting point. Hand in hand with this must be an overall open, pragmatic and sensitive approach to the many problems facing our country today--a modern political philosophy which has as its frame of reference the preemption of the middle-of-the-road in American politics.

How long will Republican Party workers continue to ignore the fact that the crucial issue is who can win in November--not who is philosophically the closest to the relatively small percentage of voters who cast their ballots in a Republican primary battle?

Once again, we can analogize to what a sound businessman would do when his company wanted to expand its penetration of market acceptance. One approach would be for the president of the company to turn to the sales force and ask the sales force what it thinks the market needs or wants. A far better approach, however, would be for the sales force to actually go into the market, test it, and find out what the potential customers need and want.

Unfortunately, the Republican Party traditionally seems to ignore the business approach to political problems--while at the same time relying on business for a major portion of financial and other support.

Perhaps the Republicans could follow this course if they had the luxury of being the majority party. However, the irrefutable trend has been the other way. As a matter of fact, the Republican Party is now not even number two--really, it is number three behind the Democrats and Independents.

The January 7, 1974, of U.S. NEWS AND WORLD REPORT quoted a recent Sindlinger survey giving the following breakdown "of how people of voting age regard themselves politically: Independents - 36.1%; Democrats - 34.5%; Republicans - 18.9%; No interest - 10.5%."

In the face of statistics such as these, the Republicans who want to win must look beyond the confines of Republican voters. In order to do this, they must support and encourage attractive Republicans of high capability to campaign for national office. These candidates must be individuals who will be able to pre-empt the middle-of-the-road--the umbrella which is the key to political success in this country.

No one is more aware of this than President Ford. In 1974, he campaigned for Paul McCloskey--one of the most out-spoken critics of the Nixon administration. McCloskey was in a battle for survival in a Republican primary in his Congressional district in California. Most political experts agree that it was the help of the then Vice President Ford which led to McCloskey's primary victory.

Just as President Ford has recognized the need for Republicans to nominate candidates who can win in November, regular Party leaders and workers must also adopt this same philosophy.

There has to be room in the GOP for both the Barry Goldwaters and the Paul McCloskeys. And above all, if the Republican Party is to survive, there has to be the kind of leadership in the GOP that President Ford has shown in his willingness to support candidates in different areas of the Republican political spectrum.

1976 is the crossroads for the Republican Party. One of the roads leads to a Southern strategy. The other road leads to a national strategy.

An analysis of electoral votes on the basis of marginal percentage differential shows clearly which of the two roads the GOP should take, if it wants to win in November. However, the Republican Party has not been noted in recent years for its ability to understand and exercise sound practical political judgment.

Hopefully, for those Americans interested in the revitalization of the GOP, and for those Americans interested in a strong two-

party system, Republican leadership will demonstrate better judgment in 1976 than it has in recent years.

Finally, there must be one added ingredient which has thus far been absent in the President Ford Campaign: The ingredient of confidence and idealism and hope and vision that an outstanding national leader can give.

The primary campaign has been talking about defense and Panama and detente. What about the hopes and aspirations of human beings for peace?

There is a lot that can be said--and a lot that must be said if President Ford is to win the nomination and win in November. He will have one last major opportunity to come forward as an outstanding national leader with breadth and vision: The Bicentennial speech on July 4, 1976.

I have discussed this in recent strategy papers, and I will go into greater detail in the strategy paper for June.

David W. Belin
2000 Financial Center
Des Moines, Iowa 50309

May 5, 1976





THE VICE PRESIDENT

WASHINGTON

June 10, 1976

MEMORANDUM FOR THE PRESIDENT

FROM : THE VICE PRESIDENT

SUBJECT: ENERGY INDEPENDENCE AUTHORITY

On Tuesday, June 8, Frank Zarb, Peter Wallison, and I met with Congressman William S. Moorhead, Chairman of the Economic Stabilization Subcommittee of the Housing Committee on Banking, Currency and Housing. As you know, the Energy Independence Authority proposal has been referred to the House Banking Committee, and within this Committee to the Subcommittee on Economic Stabilization.

Moorhead noted that he is now finishing hearings on HR 12112, the synthetic fuels bill, and that he expects to have that bill reported out by June 18.

Thereafter, he said, his subcommittee will be ready to turn to the Energy Independence Authority proposal, and he agreed to commence hearings on EIA during the week of June 29, 1976.

SUMMARY

1. Emergency Financial Control Board (EFCB) sends Mayor's 1976-77 Budget "back to drawing board."
2. Hospital workers strike postponed after arbitration board is appointed.
3. City employee union negotiations underway, with little present prospect that sizeable employee benefit cuts will be made.
4. State Senate Republican Majority Leader Anderson supports "Advance" of \$24 million of State aid to help reopen City University.
5. MAC (Municipal Finance Corporation) Task Force proposes new tax relief program for jobs and business.
6. City Comptroller Goldin and District Attorney Robert Morgenthau looking into City's long-term day care center leases.
7. Newest effort to save HFA (State Housing Financing Agency) likely to succeed.

June 9th Report on New York City

1. Emergency Financial Control Board (EFCB) Sends Mayor's 1976-77 Budget "Back to Drawing Board"

- A. On Friday, June 4, the EFCB - of which Governor Carey is Chairman - found Mayor Beame's 1976-77 Financial Plan unacceptable and asked him, by June 11, to come up with a list of additional cuts totaling \$200 million.
- B. The angry Mayor denounced the Steve Berger report on which the Board based its action. But the Mayor and his staff are attempting to comply, even though the Mayor calls that task "impossible."
- C. The Berger report made these complaints:
 - (1) The City had depended too much on State assumption of certain costs such as probation, the Courts, and City University - with no assurance that the Legislature would approve.
 - (2) The City has underestimated the effects of delays in implementing its own expenditure cuts.
 - (3) The City has, in effect, left too many of its necessary savings - to achieve a balanced budget by July 1, 1978 - to the 1977-78 year.
- D. More specifically, the Berger report chided the Mayor for:
 - (1) Lacking the aggressiveness needed by central management in adapting to the current fiscal stringency.
 - (2) Exercising little or no control over the semi-independent agencies such as City University, the Board of Education and the Health and Hospitals Corporation. (This has led to a fundamental debate over the Mayor's power vs that of the EFCB with respect to these agencies; Louis Lefkowitz, State Attorney General, may have to settle it.)

- E. Comment. It is not clear just what the Governor's real motive was in supporting the somewhat vicious Berger indictment.
- It could have been designed to put Proxmire and Simon on notice that the City was getting "tough."
 - It could have been designed to show that since the Governor has the ultimate responsibility under the EFCB law "for running the City," he wanted to demonstrate that he really is doing it.
 - It could have been designed to get the Governor "off the hook" with respect to important City functions such as City University which the Mayor wanted to unload on him.
 - And it could be that the Berger report really convinced the Governor that the Mayor's plan would not do the job.
- Probably a combination of all four really explains the Governor's action. My guess is that the Mayor will come up with a real horror list -- with a more temperate list in reserve. My guess also is that Louie Lefkowitz will find that the Mayor has more responsibility for what happens in the semi-independent agencies, such as City University, than he has exercised.

2. Hospital Workers Strike Postponed after Arbitration Board is Appointed

- A. A "non-binding" Arbitration Board of three members under the chairmanship of former State Senator Basil Patterson was appointed by the Mayor to deal with the threatened strike of 18,000 nonmedical City Health and Hospital Corporation employees represented by District Council 37 of the State, County and Municipal Employees Union, headed by Victor Gotbaum but actually engineered by Mrs. Lillian Roberts.
- B. The threatened strike was triggered by the announced layoff of 3,150 more nonmedical employees -- mostly black.

C. Comment. My confidential information is that Mrs. Roberts has been a bit head-strong in this matter and possibly even Gotbaum now wishes that he had an easy way out. But the chances are very good that the layoffs will occur later this month unless the arbitration board performs an unexpected miracle.

3. City Employee Union Negotiations Underway, with Little Present Prospect that Sizeable Employee Benefit Cuts will be Made

A. All present contracts expire June 30, 1976.

B. The City, through its head of the Office of Labor Relations, John T. Burnell, is in the midst of contract negotiations, with 59 different Union Locals representing 161,000 City employees.

C. Among the City's demands are these:

- (1) A work week of 40 hours instead of 35 and 37 1/2 hours.
- (2) No cost-of-living adjustment for two years.
- (3) A 15 percent decrease in starting and maximum salaries for all clerical employees.
- (4) Shorter vacations (one week less.)
- (5) Reduction of welfare fund payments from \$350 to \$250 per employee per year.
- (6) No welfare fund payments on behalf of retirees.
- (7) Employees to contribute one-fourth of health insurance premiums instead of none at present.

4. State Senate Republican Majority Leader Anderson Supports "Advance" of \$24 Million of State Aid to Help Reopen City University

A. On June 7, Senator Anderson announced support for a \$24 million advance payment of State aid for City University to help it reopen and complete the academic year.

- B. No announcement has been made by the Assembly Democratic leadership or the Governor or the Mayor.
- C. Comment. This support by Senator Anderson may force the Governor and the Mayor to make some agreement with respect to the future financing of City University. Up to now, the Mayor has insisted that the State assume the entire cost after July 1, 1977; the Governor has refused to make any commitment beyond agreeing to maintain the State's contribution in 1976-77 at the level required by present law. If the matter is not resolved soon, the Senator's proposal may be accepted. The Governor's view or some modification of it may prevail if a solution is hammered out this week.

5. MAC (Municipal Finance Corporation) Task Force Proposes New Tax Relief Program for Jobs and Business

- A. A MAC Task Force headed by Adrian W. DeWind, President of the Association of the Bar of the City of New York, proposed a tax reduction to aid business and jobs, which would cost the State \$162 million and the City \$13 million in revenues the first year (five of the 14 members dissented on one or more of the recommendations).
- B. Among the major proposals were to:
 - (1) Eliminate the present 2 1/2 percent State personal income tax surcharge.
 - (2) Reduce the rate in the highest State personal income tax brackets from 15 to 10 percent over five years.
 - (3) Exempt manufacturers from the City's commercial occupancy tax.
 - (4) Exempt manufacturers from the City's four percent sales tax on machinery and equipment.
 - (5) Lower State and City taxes on small business.
 - (6) Provide special relief from the stock transfer tax for certain "market makers."

C. Comment. No one denies the need for action such as this to help restore the City's economic health. To date, however, no one has been able to suggest how either the State or City could accommodate such immediate revenue losses. Unfortunately, the timing of the release of the report could hardly have been worse. It is almost impossible to get people to focus on basic economic problems when the City is concentrating on how many more employees to lay off and when.

6. City Comptroller Goldin and District Attorney Robert Morgenthau Looking into City's Long-Term Day Care Center Leases

A. Both Goldin and Morgenthau are concerned about some of the long-term leases to which the City is committed in its Day Care program -- now that the City Day Care program is being cut back.

B. Reports indicate that some leases run for as long as 20 years and some are at such high rentals that landlords with no net investment are allegedly making sizeable profits.

7. Newest Effort to Save HFA (State Housing Finance Agency) Likely to Succeed

A. HFA faces another financing crisis because negotiations with HUD have not moved as fast or as favorably as had been hoped.

B. Governor Carey proposed on June 8 an extremely involved interim solution which is being discussed by Legislative Leaders in both Houses.

C. Comment. My guess is that agreement will be reached -- possibly this week -- on necessary legislation.

United States Senate

WASHINGTON, D.C. 20510

June 9, 1976

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HAND DELIVERED

RECEIVED AND SECURITY UNIT
THE WHITE HOUSE
WASHINGTON

The Honorable Gerald R. Ford
President of the United States
Washington, D.C. 20500

Dear Mr. President:

We are most concerned about reports that H. Guyford Stever, Director of the National Science Foundation, may be appointed to the newly re-established position of Science Adviser to the President.

The General Accounting Office recently reported to the Congress that NSF officials have seriously manipulated and abused the NSF grant award process in connection with a multi-million dollar curriculum project long supported by the Foundation. Prior to the GAO report, Dr. Stever and other top NSF officials had repeatedly denied before Committees of Congress that these abuses had occurred. Now, with evidence that top NSF officials did know about the wrongdoing when they denied it to Congress, the GAO is again down at the Foundation investigating official cover-up within NSF.

It would be most inadvisable, and in our judgment an affront to the Congress, for Dr. Stever to be appointed to another high position before this bad NSF situation has been completely investigated, and the full extent of official involvement is known. Such an appointment would bring great controversy and inevitable opposition to Dr. Stever's confirmation by the Senate.

Moreover, both Rep. James Symington and Sen. Edward Kennedy, NSF Subcommittee chairmen respectively in the House and Senate, failed to get to the bottom of this NSF matter, despite repeated insistence by Republican members that they do so, or to act firmly against wrongdoing in the awarding of Federal grants by this agency under their direct jurisdiction. Your appointment of Dr. Stever as the President's Science Adviser will make it most difficult for Republicans to call these Democrats politically to account for their error in judgment and lack of initiative in this important matter.

With best wishes,

Sincerely,

James A. McClure
Clifford P. Hansen

Jim McClure
Clifford P. Hansen
CLIFFORD P. HANSEN

