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APPROVED

JAN 4 - 1975

Statement issued 1/4/75

ACTION

THE WHITE HOUSE

Last Day: January 4

WASHINGTON

January 2, 1975

MEMORANDUM FOR

THE PRESIDENT

FROM:

KEN COLE

SUBJECT:

Enrolled Bill H.R. 14449
Extension and Modifications
of the Economic Opportunity Act

BACKGROUND

Since 1972 the Executive Branch has been proposing the elimination of the Office of Economic Opportunity. You will recall that several bills were proposed in the 93rd Congress to eliminate OEO and phase out Community Action.

This bill is the latest attempt by the Congress to perpetuate a separate federal agency to aid the poor. It extends nearly all of the programs of the Economic Opportunity Act, including the Community Action Program. Al Quie and others feel they have worked hard on this bill and have developed the best possible solution to the problem.

CURRENT SITUATION

This legislation passed the House by 351 to 53 and the Senate by 75 to 15. For most programs authorized under this legislation, the Congress wrote in "such sums" through fiscal year 1977 rather than put in specific dollar amounts to remove a key pocket veto argument if you elect to follow that course of action.

The bill provides for the phasing down of federal funding for the Community Action Program. Under the bill, the Federal matching rate for CAA would decline from 80% to 70% for 1976 and 60% in 1977.



*Revised 1/4/75
To Backlog 1/6/75*

The enrolled bill would establish on the date of enactment a new executive branch independent agency, the Community Services Administration. CSA would in all respects and for all purposes be the successor agency to OEO. It would be headed by a Presidentially appointed and Senate confirmed Director, Deputy Director and Assistant Directors, although persons occupying comparable positions at OEO could continue to serve in CSA.

The Director of CSA would be responsible for carrying out specified titles of the act and responsibility could not be delegated to any other officer not directly responsible to him.

After March 15, 1975 the President could submit a reorganization plan to the Congress subject to disapproval within 90 days by a 2/3 vote of both houses. The reorganization plan would transfer most of the programs to HEW, or in the case of the Community Economic Development program, to Commerce. The plan, if not blocked by the Congress, would establish a new agency called the Community Services Administration at HEW as a successor to OEO.

Roy Ash has provided you with a detailed enrolled bill memorandum on each of the provisions in this bill for your review at Tab A.

OPTIONS

1. Sign the bill

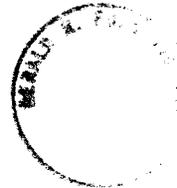
PRO: Good chance to terminate OEO as it has been known by transfer of programs to HEW.

CON: Would be viewed with alarm by conservatives as you would be "saving" the Community Action programs.

2. Pocket veto the bill

PRO: Long-standing efforts to terminate the Community Action Program would formally be abandoned with the establishment of the Community Services Administration.

CON: You would be criticized for being insensitive to the needs of the poor in economically hard times. Also, even with a veto we will still have OEO under continuing resolution.



RECOMMENDATIONS

Areeda - Defer to OMB

Ash - Sign and issue statement you will not seek funding for duplicative programs.

Friedersdorf - Approve
(Vern Loen)

Weinberger - Pocket Veto - strongly opposed to continuation of Community Action Programs-- would like to talk to you if you are considering approval.

OEO - Approve

Cole - Pocket Veto - Prefer to see CAA's under old discredited OEO operating under continuing resolution rather than refurbishing image under a new Community Services Administration either as an independent agency or at HEW.

DECISIONS: H.R. 14449

RC7

1. Sign
(Tab D)

2. Pocket Veto
(Sign Memorandum of
Disapproval at Tab B)

Signing Statement (Tab C)

RC7

Approve

Disapprove



THE WHITE HOUSE

ACTION

WASHINGTON

January 3, 1974

MEMORANDUM FOR: THE PRESIDENT
FROM: KEN COLE
SUBJECT: Secretary Weinberger's views
on three pending enrolled bills

Secretary Weinberger called this morning to strongly urge that his personal views about the following three bills be brought to your attention. The Secretary's views will be transmitted to you in the enrolled bill memorandum.

1. H.R. 17045 - Social Services Amendments of 1974

The Secretary strongly recommends that you sign this bill.

2. S. 2994 - National Health Planning and Resources Development Act of 1974

Here again the Secretary strongly recommends your approval of this bill.

3. H.R. 14449 - Extension and Modification of the Economic Opportunity Act

On this bill the Secretary feels strongly that you veto this bill and issue a memorandum of disapproval.

I call these three bills to your attention separately because of the Secretary's strong recommendations. You may want to telephone him prior to acting on these bills.



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

DEC 30 1974



MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 14449 - Extension and
Modifications of the Economic Opportunity Act

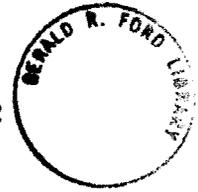
This memorandum is an overview of H.R. 14449. It includes the major arguments for approval and for veto; the views of the major affected agencies; and my recommendation. Attachment A is a more detailed enrolled bill memorandum, including the formal views letters of major agency heads.

The bill extends almost all of the programs of the Economic Opportunity Act, including the Community Action Program (CAP), under a new independent agency, but authorizes the agency's transfer by reorganization plan to HEW or, in the case of Community Economic Development (CED), to Commerce. This transfer would be subject to ultimate disapproval by a two-thirds vote of both Houses of the Congress. A new Community Services Administration (CSA) would be established as a successor to OEO, which would manage the community action program (CAP), as well as certain programs now delegated to HEW. A few new, minor programs would be created, and various organizational impediments would be established in law.

Your decision on this bill should also be a determination on the 1976 Budget amounts for the CAP and CED programs. The other programs which would be authorized under this bill are either proposed for funding in other agencies or not at all in the 1976 Budget.

Arguments for approval

1. H.R. 14449 provides perhaps the best resolution of the problem of the termination of OEO and CAP that the Administration will be able to obtain in the foreseeable future. The incoming Congress is likely to be more insistent on an independent agency and more hostile to the Administration's current proposal to terminate OEO and CAP. The probable result is that OEO would be continued for several months in an indefinite status under the Continuing Resolution, until the Congress passes a bill similar to or more objectionable than



the enrolled bill. The vote on this bill in the House was 351 to 53 and in the Senate was 75 to 15.

2. Should the bill be vetoed, the Administration would be subject to criticism for intransigence and hostility toward the poor, especially in economically hard times. Under H.R. 14449, OEO's status would be resolved for the foreseeable future, and this issue would subside.
3. By placing the community action program in HEW, the program would be subject to greater programmatic and budgetary control and competition for economic and social assistance resources both inside the Executive Branch and in the Congress than if it remains an independent agency.
4. Federal funding for the community action program would be phased down; under the bill, the Federal matching rate for CAA's would decline from 80% to 70% in 1976 and 60% in 1977, except for those CAA's which have grants not larger than \$300 thousand, in which case the rates would be 75% in 1977 and 70% in 1978.
5. Assuming favorable congressional action, the bill would permit the elimination of OEO as an independent agency by allowing the President to submit a reorganization plan to transfer it to HEW, except for the Community Economic Development (CED) program, which could be transferred to Commerce under a new Community Economic Development Administration.
6. The Administration is not required by the enrolled bill to request funding of the new or extended program authorities, except for the CSA and CED programs which the law stipulates shall be established. Even in those cases, the level of funding is discretionary.

Arguments for disapproval

1. Long-standing Executive Branch efforts to terminate OEO and the Community Action Program (CAP) would formally be abandoned with the establishment of the Community Services Administration (CSA), which would be given authority to operate most of the EOA programs, including many of those now delegated to other agencies. CAP would be extended under the new CSA.
2. Approval of this bill would require that a full year's funding of CAP and CED be provided for FY 1975 (i.e., \$409 million in budget authority and \$457 million in

outlays). To the extent that your approval of this bill is intended to be a resolution of the OEO/Community Action impasse for the foreseeable future, consistent treatment in the budget would require including 1976 budget authority for CAP and CED at the current level of operations.

3. New and unnecessary special programs would be created with massive exposure to pressures for new Federal financing:
 - (a) "Emergency Energy Conservation Services" provides grants and loans for the disadvantaged to conserve energy by winterizing, insulation, and other energy conservation technologies.
 - (b) "Summer Youth Recreation" for low-income children in the summer months. This authority would substantially duplicate the present "Youth Recreation and Sports Program" already authorized in the EOA.
 - (c) "Demonstration Community Partnership Agreements" between CAA's and State agencies would authorize new or supplemental funding at a level of \$50 million for community action.
4. Federal programs for migrants would be both complicated and confused:
 - (a) Responsibility for the EOA migrant program, at present delegated to DOL, would be placed under the authority of the Director of CSA and could not be redelegated by him.
 - (b) The CSA Director would be responsible for coordinating, reviewing, and monitoring all Federal programs for migrants.
 - (c) Present EOA authority for migrants would be indefinitely expanded to include "developmental programs."
 - (d) The Department of Labor has been given an independent mandate to conduct its present migrant program under the CETA law enacted this year.
5. The goals and objectives of the Community Economic Development program would be greatly expanded, diffused, and misdirected by including (a) assistance for "those who are disadvantaged in the labor market because of their limited speaking, reading, and writing abilities in the English language," and (b) "social services" such as day care and energy conservation.



6. The Follow Through program would be extended at least through 1977 at authorization levels which seriously threaten the Administration's proposal to phase out this program.
7. H.R. 14449 restricts the flexible and efficient administration of the Head Start program by expanding participation to more children from non-poor families and prohibiting the collection of fees for these children. This would reduce resources otherwise available for children from low-income families.
8. Present programs and organizations in HEW would be duplicated:
 - (a) Research, demonstration, and pilot project authority, which is currently delegated to the Secretary of HEW from OEO, will be continued and new parallel authority would be authorized in CSA.
 - (b) Indian tribes would be eligible as CAA's, while similar authority already exists in HEW's Native Americans Program.
 - (c) Authorities for OEO comprehensive health services, drug rehabilitation and alcoholic counseling and recovery programs would duplicate those which have already been transferred to similar HEW programs that are currently being carried on under existing authorities.
9. The management capabilities of the Secretaries of Commerce and HEW would be severely impaired under the reorganization plan because:
 - (a) The CED and CSA Directors would be responsible only to their respective Secretaries and not subject to any Assistant Secretary. In the case of Commerce, this would seriously hinder the integration of its economic adjustment activities.
 - (b) Final program decisions could not be made in the regional offices, thus reversing the Administration efforts to decentralize Federal operations.



Agency Views

OEO recommends approval.

The following agencies have no objection or defer to other agencies: Commerce, HUD, Interior, Justice, Labor, Civil Service Commission, Federal Energy Agency, and the Small Business Administration.

HEW recommends withholding approval.

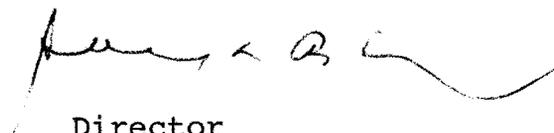
Treasury makes no recommendation.

OMB Recommendation

While this bill would authorize the continuation of the Community Action Program in its present form, it is our judgment that it presents the best opportunity we can expect in the foreseeable future to control the management and scope of this program activity. The major advantages the bill offers are: the authority to place the program in HEW through a reorganization plan and the decreasing Federal funding share mandated for Community Action.

The troublesome organizational features and the new and duplicative program authorizations could be mitigated by possible amendments and by not funding the undesirable programs.

Considering the advantages and disadvantages, we believe you should sign the bill and indicate that you will not seek funding for duplicative and unnecessary programs, and that possible reorganization plans and legislative amendments are being developed for your review. We have attached a signing statement for your use.


Director

Attachments



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

DEC 30 1974



MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 14449 - Head Start, Economic Opportunity, and Community Partnership Act of 1974
Sponsor - Rep. Hawkins (D) California and 2 others

Last Day for Action

January 4, 1975 - Saturday

Purpose

Extends and modifies programs in the Economic Opportunity Act of 1964 and authorizes appropriations through fiscal year 1977 for those programs, including Head Start, Community Action, and Community Economic Development; creates a new agency, the Community Services Administration, as a successor to OEO.

Agency Recommendations

Office of Management and Budget	Approval (Signing statement attached)
Department of Health, Education, and Welfare	Disapproval (Memorandum of Disapproval attached)
Office of Economic Opportunity	Approval
Department of Commerce	No objection to CED provisions; defers on others
Department of Housing and Urban Development	No objection (informally)
Civil Service Commission	No objection (informally)
Department of the Interior	Supports Native Americans Title; defers to HEW on others

Department of Justice	No objection to sections 601 and 626; defers on others
Federal Energy Agency	No objection to section 5(d)(1) (informally)
Department of Agriculture	Defers to other agencies
Department of Labor	Defers to other agencies
Small Business Administration	No comment and no objection (informally)
Department of the Treasury	No recommendation (informally)

Discussion

Since 1972, the Executive Branch has been proposing the elimination of the Office of Economic Opportunity. Several bills were proposed in the 93rd Congress to eliminate OEO; phase out Community Action, Follow Through, and certain other programs authorized by the Economic Opportunity Act (EOA); transfer the Native American and Head Start programs to HEW; and transfer the Community Economic Development program (CED) to Commerce.

The enrolled bill is the latest attempt by the Congress to perpetuate a separate Federal agency to aid the poor. It would do so by establishing a new agency, the Community Services Administration (CSA), as a successor to OEO and transferring some of the OEO programs to HEW. The President would be authorized to submit a reorganization plan, subject to ultimate disapproval by a two-thirds vote of both Houses of the Congress, to transfer the programs of the CSA to HEW and CED to Commerce.

The bill passed the House by 351 to 53 and the Senate by 75 to 15. It is likely that the next Congress will feel even more strongly that a separate agency with the general mission of advocacy, research and development, and some operational program responsibility for the poor should go on.

Authorizations of appropriations

For most programs, the enrolled bill would authorize "such sums" through fiscal year 1977. The bill would provide for automatic extension of authorizations for one additional year, fiscal year 1978, if Congress fails to act on extension. The following table compares the authorizations in H.R. 14449 with current funding levels:

(\$ in millions)

	1975 current funding rate	Authorizations in H.R. 14449		
		<u>FY 1975</u>	<u>FY 1976</u>	<u>FY 1977</u>
Community Action:				
CAP Grants	329	330	Such sums	Such sums
Other CAP activities	124 (453)	Such sums	Such sums	Such sums
Head Start	430	Such sums	Such sums	Such sums
Community Economic Development	39	39 + Such sums	Such sums	Such sums
Native Americans	31	Such sums	Such sums	Such sums
Follow Through	47	60	60	60
Demonstration Community Partnership Agreements	--	50	Such sums	Such sums

Community Services Administration

The bills proposed by the executive branch would have transferred the duties and authority of the Director of OEO under the EOA of 1964 to the Secretary of HEW in order to permit an early phase-out of OEO. They would have phased out programs including: direct Federal financial assistance for Community Action Agencies, Emergency Food and Medical Services, Senior Opportunities and Services, Environmental Action, Rural Housing Development and Rehabilitation, Follow Through, the migrant farmworker program, design and planning assistance, consumer action and cooperative programs, technical assistance and training, and State agency assistance.

The enrolled bill would establish on the date of enactment a new executive branch independent agency, the Community Services Administration. CSA would in all respects and for all purposes be the successor agency to OEO. It would be headed by a Presidentially-appointed and Senate-confirmed Director, Deputy Director, and Assistant Directors, although persons occupying comparable positions in OEO could continue to serve in CSA.



The Director of CSA would be responsible for carrying out specified titles of this Act, and responsibility could not be delegated to any other officer not directly responsible to him. After June 15, 1975, policymaking, including final grant and contract approval, could not be delegated to any regional office or official.

After March 15, 1975, the President could submit a reorganization plan to the Congress that would provide for:

1. Transferring CSA to HEW, headed by a Director directly responsible to the Secretary. None of his policymaking functions, including final approval of grants or contracts, could be delegated to any regional office or official.

2. Transferring CED to Commerce under a new Community Economic Development Administration (CEDA). The Director of CEDA would be directly responsible to the Secretary. None of his policymaking functions, including final approval of grants or contracts, could be delegated to any regional office or official.

The transfers in the reorganization plan would take effect not earlier than 90 days after the President submits it to Congress if it were not disapproved by enactment of a joint resolution of Congress. HEW, in its views letter, points out that the reorganization plan "could be disapproved by a joint resolution of Congress, which would be subject to a veto by the President; and that veto could be overridden by a two-thirds vote of both Houses of Congress. In the event that the President does not submit such a plan or that a Presidential veto of any disapproval of such a plan is overridden, the Community Services Administration would continue to be an independent agency for the three-year duration of this bill, with an extension for an additional year if Congress fails to act on extension."

If the reorganization plan were to take effect, the President could appoint the Director of CSA and the Director of CEDA with confirmation by the Senate. However, the person serving as Director of the CSA agency could continue to serve as Director of CSA in HEW if the President so notifies Congress.

All Federal personnel employed by the CSA agency transferred to HEW or Commerce would to the extent feasible be assigned to related functions, without loss of salary, rank, or other benefits, including the right of representation and to the existing basic collective-bargaining agreement.

The Civil Service Commission indicates informally that it objects strongly to the bill's provision that the existing collective bargaining agreement be carried over to the successor organizations of OEO. CSC states that adoption of such a provision would incorporate into law a relationship that has developed, and is subject to, a program established by Executive Order. The Commission believes it is unwise to legislate bits and pieces of the labor relations program in a manner such as this, particularly when a statutory labor management relations framework has been under consideration and is certain to be considered again in the 94th Congress. Furthermore, the anomalous situation could be created of having a former OEO employee working side by side with and performing the same duties as an HEW employee, one being covered by an agreement, the other not being covered, or being covered by separate agreements.

Community Action Programs

The legislation proposed by the executive branch would have phased out direct Federal financial assistance for Community Action Agencies (CAA's). The enrolled bill would continue the Community Action Programs (CAP's) and would amend the EOA to modify some of the provisions concerning these programs.

The present Federal funding share is 80 percent. In the enrolled bill, the Federal share would not exceed 80 percent in fiscal year 1975, 70 percent in fiscal year 1976, and 60 percent in fiscal year 1977, except that for agencies receiving \$300,000 or less annually, the Federal share would not exceed 75 percent in fiscal year 1976 and 70 percent in fiscal year 1977. The present authority for a Governor's veto of a grant to a CAA, subject to override by the Director, would be retained.

Under the grant program to CAA's, assistance would be distributed by a formula to the States based upon the relative number of public assistance recipients, unemployed persons, and related children living with families with incomes below the poverty line, in each State as compared to all States.

HEW, in its views letter, states that:

"The Department continues to oppose strongly the continuation of the Community Action program, whether under an independent agency or under an agency within this Department. The purpose of that program--to mobilize local resources to meet the needs of the poor--has largely been achieved and should now be capable of being carried out with State and local resources. Continued Federal funding of those activities, particularly at the \$330,000,000 authorization level provided in the enrolled bill, is therefore unwarranted."

The enrolled bill would add a new program, "Demonstration Community Partnership Agreements." Under this program the Director could provide financial assistance to a CAA or other agency for new programs or to supplement existing programs. The Federal assistance could not exceed 50 percent of the cost of the new or supplemental program, and no State could receive more than 12-1/2 percent of the funds appropriated for this purpose. Plans for these programs would not have to be submitted to Governors.

The following new special programs would be authorized:

-- "Emergency Energy Conservation Services," which would enable low-income individuals and families to participate in energy conservation programs designed to lessen the impact of the high cost of energy on them and to reduce their energy consumption.

-- "Summer Youth Recreation," which would provide recreational opportunities for low-income children during the summer months. Funds would be allocated to prime sponsors and other agencies designated under Title I of the Comprehensive Employment and Training Act according to a specified formula.

The bill would create in CSA an Intergovernmental Advisory Council on Community Services composed of nine Presidentially appointed members to encourage formation of and review and evaluate community partnership agreements. The Council would submit annual reports to the President and to the Congress on or before March 1 of 1976 and 1977 on its activities and findings, together with such recommendations for legislation as it may deem appropriate.

Head Start

The executive branch's proposed legislation on Head Start would have authorized HEW to continue operation of Head Start through fiscal year 1977 in the same manner as it is presently being operated under delegation pursuant to the EOA. The bill would have provided that each State receive an amount equal to the amount allotted to it in fiscal year 1974, and that the rest be allotted based on relative need for Head Start programs as determined by the Secretary of HEW. It would have provided that non-low income participants could be required to pay to participate in Head Start. Ten percent of the national enrollment opportunities would have been for handicapped children. No preference was included in the proposed bill for existing Head Start agencies to continue running Head Start programs.

The enrolled bill would provide for forward funding of Head Start. Funds would be distributed by a formula based on the relative number of (1) public assistance recipients, and (2) related children living with families with incomes below the poverty line, in each State as compared to all States, but each State would receive at least as much as was obligated for its use by Head Start programs in the State with respect to fiscal year 1975. Priority in designating Head Start agencies would go to any local public or private non-profit agency receiving funds under any Head Start program on the date of enactment.

The Secretary would prescribe regulations governing participation in Head Start, but would be prohibited from charging any fees for participation in Head Start. Under present law, non-low income families are required to pay based on their ability to pay.

In fiscal year 1975, at least 10 percent of the total national enrollment opportunities in Head Start would be for handicapped children and in fiscal year 1976, at least 10 percent of Head Start enrollment opportunities in each State would have to be for handicapped children. The Secretary would have to report to Congress at least annually on handicapped children in Head Start.

Follow Through

The executive branch proposed legislation to provide for the phase-out of the Follow Through program by the end of fiscal year 1977. Since the program is forward funded, the final year in which appropriations would have been necessary under the executive branch bill would have been fiscal year 1976. That bill would have given authority to the Secretary of HEW to run the program which he presently operates under a delegation from OEO.

With respect to the Head Start and Follow Through provisions, HEW's views letter states:

"While the enrolled bill incorporates some aspects of our proposal to establish the Head Start and Follow Through programs directly in this Department, we have a number of objections to the "Head Start-Follow Through Act" which would be created by Title V of the enrolled bill. First, we are opposed to the unconditional continuation of the Follow Through program. There is no longer any need for this demonstration program, and we desired an extension of the program only for

the purpose of an orderly phase-out over the next few years. The \$60,000,000 authorized for Follow Through is far in excess of the amount budgeted for this activity. Second, while we favor the extension of the Head Start program, we object to the prohibition on the use of any fee schedule for nonpoverty families. The participation of children from such families is desirable from a programmatic standpoint; but if the Head Start program is forced to bear the full cost of that participation, it can only result in a lower level of assistance for children from low-income families."

Community Economic Development

The executive branch had proposed legislation to transfer the CED program to the Department of Commerce. Under the enrolled bill, the CED program would be administered by CSA, if it remained a separate agency. Whether the program remains in CSA or is transferred to Commerce, the Senate Committee on Labor and Public Welfare and the House Committee on Education and Labor would be required to conduct a joint study to determine "an appropriate administrative agency" to conduct the Community Economic Development program after July 1, 1975, and to review the CED program. The Committees would submit a report within one year of enactment with recommendations for further legislation.

The CED program was authorized under Title VII of the EOA, and most provisions in H.R. 14449 carry forward provisions from that act. The new features of Title VII in the enrolled bill include:

-- A requirement that the Director of CSA prepare a plan of action for establishment of a Model Community Economic Development Finance Corporation to provide user-controlled independent long-term financing for community economic development corporations. The Director would have to submit the plan to the appropriate committees of Congress by June 1, 1975.

-- Authorizations for financing social service programs (child care, educational services, health services) under Title VII. There is no provision for these services in the old title.

-- Provision for financial assistance for the planning of community economic development programs.

-- A requirement that the Director utilize the services of the Farmers Home Administration in administering the existing Development Loan Fund. No such requirement previously existed.

The Development Loan Fund would include two revolving funds, one of which would be a Rural Development Loan Fund. The services of the Farmers Home Administration would be used in administering this fund. The bill would also provide an additional authority for financing cooperative farming operations.

Commerce, in its views letter, states that transfer of the CED program to Commerce under the requirements of the enrolled bill's reorganization plan would severely restrict the Department's organizational flexibility.

Agriculture, in its views letter, notes that the rural development loan fund authority duplicates programs now administered by the Farmers Home Administration, and that the rural loans program under the EOA was discontinued at the end of fiscal year 1971. The Department also notes that it has long opposed financing for cooperative farming operations.

Native American Program

The executive branch proposed legislation that would have transferred to HEW and extended for one year, through fiscal year 1975, the Native American Program established under the EOA.

The enrolled bill would expand this program to include Hawaiian natives, as well as American Indians and Alaskan natives, and would authorize it through fiscal year 1977. The Secretary could delegate to the heads of other departments and agencies of the Federal Government any of his functions, power, and duties under this title.

Interior supports the Native American provisions of the enrolled bill and, in particular, strongly endorses those which require approval of projects by the tribal bodies governing reservations.

Comprehensive Health Services

The EOA authorized OEO to carry out programs for comprehensive health services for the poor, alcoholic counseling and recovery, and drug rehabilitation. These programs had been transferred

to HEW and are currently being carried out by HEW under its statutory authorities.

The enrolled bill would create new separate authorities for HEW to operate these former OEO programs.

Migrant farmworkers

The enrolled bill would provide that the migrant program authorized under the EOA be placed under CSA. The Labor Department has been operating this program under delegation from OEO, as well as the broader program established under CETA for migrants. The enrolled bill would prohibit delegation of the CSA Director's responsibilities for migrants.

In addition, H.R. 14449 would require the Director of CSA to coordinate its migrant program with other Federal programs for migrants and seasonal farmworkers, and to review and monitor such programs.

Labor's views letter indicates that there is considerable overlap between the CETA and EOA programs, and having two separate agencies responsible "would unnecessarily impede the effectiveness and efficiency of the Government's effort to assist migrant workers."

Research, Demonstrations, and Evaluation

The Director of CSA would be authorized to plan in consultation with other Federal agencies and provide financial assistance for research, demonstration, and pilot projects designed to test or assist in the development of new approaches or methods to aid low-income individuals in overcoming problems and securing opportunities for them to become fully self-sufficient.

The Director would also be authorized to evaluate all programs authorized by this Act and poverty-related programs authorized by other Acts.

Within twelve months of the date of enactment and on April 1 of each year thereafter, the Director would prepare for the Congress a report including any recommendations for additional legislation he deems necessary.

HEW's views letter states:

"The Department proposed that this legislation include new authority for the Secretary to conduct research, demonstration, pilot, and evaluation efforts in the field of human

services. Under the enrolled bill, such authority would be given to the Director of the Community Services Administration under title I of the Economic Opportunity Act. The Director could not delegate such authority to any official not responsible to him. However, the authority of the Director to conduct research and pilot programs under section 232 (Community Action) of the EOA would also be continued, and this authority would appear to be delegable. In the event it is determined that such research and evaluations authority is not delegable, the legislation would unduly interfere with the ability of the Secretary to assign this essential function to that organization within the Department which he determines is most capable of carrying out those activities."

Labor expresses concern that the language of the enrolled bill could be construed as authorizing evaluations by CSA of programs conducted under CETA. The Department states:

"CETA already contains provisions for program evaluation. To permit the CSA to conduct another evaluation of these programs would constitute another unnecessary duplication of effort. In our judgment, however, if this bill becomes law, it should not be interpreted to permit such duplicative evaluations."

Definition of poverty line

Every agency administering programs authorized by this Act in which the poverty line is a criterion of eligibility would be required to revise the poverty line by multiplying the official poverty line as defined by the Office of Management and Budget by the percentage change in the Consumer Price Index during the annual or other interval immediately preceding the time at which the revision is made. Revisions would be made annually or at any shorter interval the agency deems feasible and desirable.

Arguments for approval

1. H.R. 14449 provides perhaps the best resolution of the problem of the termination of OEO and CAP that the Administration will be able to obtain in the foreseeable future. The incoming Congress is likely to be more insistent on an independent agency and more hostile to the Administration's current proposal to eliminate OEO and CAP. The probable result is that OEO would be continued for several months in an indefinite status, under the Continuing Resolution, until the Congress passes a bill similar to or more objectionable than the enrolled bill.

2. Should the bill be vetoed, the Administration would be subject to criticism for intransigence and indifference toward the poor, especially in economically hard times. Under H.R. 14449, OEO's status would be resolved for the foreseeable future, and this issue would subside.

3. By placing the community action program in HEW, the program would be subject to greater programmatic and budgetary control and competition for economic and social assistance resources both inside the executive branch and in the Congress than if it remains an independent agency.

4. The bill would phase down Federal funding for the community action program. The Federal matching rate for CAA's would decline from 80 percent to 70 percent in 1976 and 60 percent in 1977, except for those CAA's which have grants not larger than \$300 thousand, in which case the rates would be 75 percent in 1977 and 70 percent in 1978.

5. Assuming favorable congressional action, the bill would permit the elimination of OEO as an independent agency by allowing the President to submit a reorganization plan to transfer it to HEW, except for the Community Economic Development (CED) program, which could be transferred to Commerce.

6. The Administration is not required by the enrolled bill to request funding of the new or extended program authorities, except for the CSA and CED programs which the bill stipulates shall be established. Even in those cases, the level of funding is discretionary.

Arguments for disapproval

1. Long-standing Executive Branch efforts to terminate OEO and the Community Action Program (CAP) would formally be abandoned with the establishment of the Community Services Administration (CSA), which would be given authority to operate most of the EOA programs, including many of those now delegated to other agencies. CAP would be extended under the new CSA.

2. Approval of this bill would require that a full year's funding of CAP and CED be provided for FY 1975 (i.e., \$409 million in budget authority and \$457 million in outlays). To the extent that your approval of this bill is intended to be a resolution of the OEO/Community Action impasse for the foreseeable future, consistent treatment in the budget would require including 1976 budget authority for CAP and CED at the current level of operations.

3. New and unnecessary special programs would be created with massive exposure to pressures for new Federal financing, such as the new "Emergency Energy Conservation Services" program, the "Summer Youth Recreation" program, and the "Demonstration Community Partnership Agreements."

4. Federal programs for migrants would be both complicated and confused, since responsibility for the EOA migrant program, at present delegated to DOL, would be placed under the authority of the Director of CSA and could not be redelegated by him, and the Director would be responsible for coordinating, reviewing, and monitoring all Federal programs for migrants, although the Department of Labor has been given an independent mandate to conduct its present migrant program under the CETA law enacted last year.

5. The goals and objectives of the Community Economic Development program would be greatly expanded, diffused, and misdirected by including (a) assistance for "those who are disadvantaged in the labor market because of their limited speaking, reading, and writing abilities in the English language," and (b) "social services" such as day care and energy conservation.

6. The Follow Through program would be extended at least through 1977 at authorization levels which seriously threaten the Administration's proposal to phase out this program.

7. H.R. 14449 restricts the flexible and efficient administration of the Head Start program by expanding participation to more children from non-poor families and prohibiting the collection of fees for those children. This would reduce resources otherwise available for children from low-income families.

8. Present programs and organizations in HEW would be duplicated: (a) research, demonstration, and pilot project authority, which is currently delegated to the Secretary of HEW from OEO, will be continued and new parallel authority would be authorized in CSA; (b) Indian tribes would be eligible as CAA's, while similar authority already exists in HEW's Native Americans Program; and (c) authorities for OEO comprehensive health services, drug rehabilitation and alcoholic counseling and recovery programs would duplicate those which have already been transferred to similar HEW programs which are currently being carried on under existing authorities.

9. The management capabilities of the Secretaries of Commerce and HEW would be severely impaired under the reorganization plan because:

- (a) The CED and CSA Directors would be responsible only to their respective Secretaries and not subject to any Assistant Secretary. In the case of Commerce, this would seriously hinder the integration of its economic adjustment activities.
- (b) Final program decisions could not be made in the regional offices, thus reversing the Administration efforts to decentralize Federal operations.

Recommendations

HEW recommends disapproval, for the various reasons cited above, but primarily because it opposes strongly the continuation of CAP, whether under an independent agency or under an agency in HEW.

OEO recommends approval, stating that while in the past, OEO-funded programs "admittedly had strained relationships with both State and local governments, this state of affairs has dramatically changed over the last year . . . The Community Action Agencies have shown themselves to be a most economical means of providing administrative services to programs receiving funds from a variety of sources."

The other agencies, for the most part, have concerns about particular provisions of the bill, as described earlier in this memorandum. Treasury makes no recommendation concerning the bill, but notes that the credit provisions in the CED title are not in accord with overall Administration credit program policy, and recommends that they be administered in accordance with the governmentwide directive by OMB on credit programs.

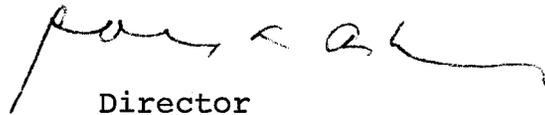
* * * * *



While this bill would authorize the continuation of the Community Action Program in its present form, it is our judgment that it presents the best opportunity we can expect in the foreseeable future to control the management and scope of this program activity. The major advantages the bill offers are: the authority to place the program in HEW through a reorganization plan and the decreasing Federal funding share mandated for Community Action.

The troublesome organization features and the new and duplicative program authorizations could be mitigated by possible amendments and by not funding the undesirable programs.

Considering the advantages and disadvantages, we believe you should sign the bill and indicate that you will not seek funding for duplicative and unnecessary programs, and that possible reorganization plans and legislative amendments are being developed for your review. A proposed signing statement is attached for your consideration.

A handwritten signature in black ink, appearing to read "Paul A. [unclear]", written in a cursive style.

Director



THE GENERAL COUNSEL OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D. C. 20410

DEC 30 1974

Mr. Wilfred H. Rommel
Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D. C. 20503

Attention: Ms. Mohr

Subject: H. R. 14449, 93d Congress, Enrolled Enactment

This is in response to your request for the views of this Department on the enrolled enactment of H. R. 14449, the "Headstart, Economic Opportunity, and Community Partnership Act of 1974".

The enactment would extend the basic authorization for antipoverty programs through fiscal year 1977, and authorize appropriations for this purpose. It would establish a "Community Services Administration" as an independent agency with successor authority to the Office of Economic Opportunity. However, the amendment would permit the President, after March 15, 1975, to submit a reorganization plan to the Congress providing for (1) the establishment of a separate Community Services Administration in the Department of Health, Education and Welfare responsible for community action and related programs, and (2) the establishment of a separate Community Economic Development Administration within the Department of Commerce responsible for community economic development programs. Such a plan would become law unless Congress, within sixty days of its submission, passed a joint resolution disapproving the plan. The enactment would also provide for the immediate establishment in HEW of the Headstart and Follow Through programs now conducted by HEW under delegations from, or other arrangements with, OEO.

The enactment would also, among other things, make a number of additions to or changes in existing poverty programs.

There are several provisions of this enactment specified in an attachment to this letter which are of special interest or concern to this Department. As indicated in the attachment, there are features of these provisions which we believe are undesirable or at least questionable. However, these problems are not, standing alone, sufficient to justify a recommendation against approval of the bill and, accordingly, we would not object to such approval by the President.

Sincerely,

A handwritten signature in cursive script that reads "Robert R. Elliott". The signature is written in dark ink and is positioned above the printed name.

Robert R. Elliott

Attachment

Provisions of the Headstart, Economic Opportunity, and Community Partnership Act of 1974 of Special Interest or Concern to HUD

1. Section 5. This section would add to the Economic Opportunity Act of 1964 a new "Emergency Energy Conservation Services" program designed to lessen the impact of energy costs on low income individuals and families. It would authorize the Director of the Community Services Administration to provide financial and other assistance for activities including winterization of old or substandard dwellings, improved space conditioning and insulation, as well as emergency loans, grants, and revolving funds to install energy conservation technologies and deal with increased housing expenses.

Comment. Apart from cost, this type of program would tend to be difficult to administer in an equitable manner, and involves considerable potential for abuses. The authority would also be viewed as a precedent for future proposals, possibly more expansive in nature.

2. Section 10. (New section 743 of title VII of the Economic Opportunity Act of 1974). This new section mandates responsibilities of the Secretary of this Department in furthering the purposes of this Act. Of particular concern is the requirement that the Secretary "take all necessary steps to assist community development corporations and local cooperative associations to qualify for and receive... (2) such land for housing and business location and expansion under title I of the Housing and Community Development Act of 1974...as shall further the purposes of this Act."

Comment. This provision is apparently analogous to a provision under existing law (section 714 of the Economic Opportunity Act) directed toward assuring the availability of land for such purposes under the urban renewal authority of title I of the Housing Act of 1949. It is unfortunately unclear as to just what the new provision is intended to require in the context of the new community development authority provided by the 1974 Act. However, we do not believe that

it should be interpreted as in any way to override provisions of the 1974 Act which require that funds are to be channeled to general purpose units of government and that these governments will have responsibility for designing their own community development programs.

3. Section 10. (New section 712(a)(2) of the Economic Opportunity Act of 1974). This section contains a provision substantially similar to an existing provision of the Economic Opportunity Act (section 151) which includes "community development and housing activities which create new ... ownership opportunities and which contributes to an improved living environment" as eligible components of so-called special impact programs.

Comment. This provision does not appear substantially to expand existing authority. However, we regard the provision of assistance specifically for community development activities under this type of categorical assistance program as increasingly inappropriate, particularly in view of enactment of title I of the Housing and Community Development Act of 1974 and its more general block grant approach.



DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

DEC 26 1974

Honorable Roy L. Ash
Director, Office of Management
and Budget
Washington, D. C. 20503

Dear Mr. Ash:

This is in response to Mr. Rommel's request of December 24, 1974, for a report on H.R. 14449, an enrolled bill "To provide for the extension of Headstart, community action, community economic development, and other programs under the Economic Opportunity Act of 1964, to provide for increased involvement of State and local governments in antipoverty efforts, and for other purposes."

The major feature of the enrolled bill is the continuation of the Community Action program, as well as most of the other programs administered by the Office of Economic Opportunity, under a newly created Community Services Administration, which would be an independent agency in the Executive Branch. The bill would authorize the President to submit a reorganization plan after March 15, 1975, providing for the transfer of most of those functions to a Community Services Administration within this Department, effective not earlier than 90 days after the President submits such reorganization plan. That plan could be disapproved by a joint resolution of Congress, which would be subject to a veto by the President; and that veto could be overridden by a two-thirds vote of both Houses of Congress. In the event that the President does not submit such a plan or that a Presidential veto of any disapproval of such a plan is overridden, the Community Services Administration would continue to be an independent agency for the three-year duration of this bill, with an extension for an additional year if Congress fails to act on extension.

The Department continues to oppose strongly the continuation of the Community Action program, whether under an independent agency or under an agency within this Department. The purpose of that program--to mobilize local resources to meet the needs of the poor--has largely been achieved and should



now be capable of being carried out with State and local resources. Continued Federal funding of those activities, particularly at the \$330,000,000 authorization level provided in the enrolled bill, is therefore unwarranted.

While the enrolled bill incorporates some aspects of our proposal to establish the Headstart and Follow Through programs directly in this Department, we have a number of objections to the "Headstart-Follow Through Act" which would be created by title V of the enrolled bill. First, we are opposed to the unconditional continuation of the Follow Through program. There is no longer any need for this demonstration program, and we desired an extension of the program only for the purpose of an orderly phase-out over the next few years. The \$60,000,000 authorized for Follow Through is far in excess of the amount budgeted for this activity. Second, while we favor the extension of the Headstart program, we object to the prohibition on the use of any fee schedule for nonpoverty families. The participation of children from such families is desirable from a programmatic standpoint; but if the Headstart program is forced to bear the full cost of that participation, it can only result in a lower level of assistance for children from low-income families.

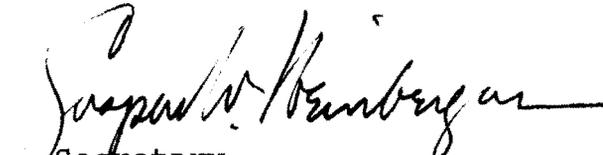
The Department proposed that this legislation include new authority for the Secretary to conduct research, demonstration, pilot, and evaluation efforts in the field of human services. Under the enrolled bill such authority would be given to the Director of the Community Services Administration under title I of the Economic Opportunity Act. The Director could not delegate such authority to any official not responsible to him. However, the authority of the Director to conduct research and pilot programs under section 232 of the EOA would also be continued, and this authority would appear to be delegable. In the event it is determined that such research and evaluations authority is not delegable, the legislation would unduly interfere with the ability of the Secretary to assign this essential function to that organization within the Department which he determines is most capable of carrying out those activities.

Honorable Roy L. Ash

3

For the above reasons, we recommend that the President withhold his approval of the enrolled bill.

Sincerely,


Secretary

MEMORANDUM OF DISAPPROVAL

I am withholding my approval from H.R. 14449, the "Headstart, Economic Opportunity, and Community Partnership Act of 1974."

The Office of Economic Opportunity was created in 1964 in the desire to mobilize our resources on a "War on Poverty." It was felt that such a separate agency was required to emphasize and mobilize local resources to meet the needs of the poor. The idea was that OEO, as an "experimental laboratory," would develop programs and structures which could be tested in the real world, and if proven, "spun off" to other agencies, Federal, State and local, to copy. The Office of Economic Opportunity has performed this function and performed it well. Such programs as Headstart and Follow Through have proven their worth and have been delegated more than two years ago to other agencies for continuation.

In recognition that most of the necessary "testing" had been done and that it was now time to have other agencies pick up the proven program the Administration asked the Congress to ratify the transfer of the remainder of the OEO programs to other agencies. Additionally, the Administration felt that continuation of the Community Action Agencies was duplicative, obsolescent and unnecessarily expensive. While needed in the 60's, the money spent on CAA's could be better spent on programs in the 70's. Congress has rejected this point of view and is proposing to perpetuate the CAA's and further unending "reinvention of the wheel" by

creating a separate agency--whether it be free standing or nominally within the structure of HEW. In a time of budget deficits and difficult times ahead, this Administration cannot support duplication and redundancy.

It is the intention of this Administration that efforts to overcome poverty continue and I can assure you it will remain high on my list of goals; however, I am equally convinced that such an effort can be best served by existing agencies, not a separate bureaucratic structure. I am also concerned that proven OEO programs be incorporated within existing programs and not maintained as separate and competing independent programs.

OFFICE OF ECONOMIC
OPPORTUNITY

EXECUTIVE OFFICE OF THE PRESIDENT
WASHINGTON, D.C. 20506

DEC 26 1974

W. H. Rommel
Assistant Director for
Legislative Review
Office of Management and Budget
Washington, D.C.

ATTENTION: Mrs. Garziglia

Dear Sirs:

We have received your Enrolled Bill Request of December 24, 1974 concerning H. R. 14449. Our views and recommendations are discussed below pursuant to OMB Circular A-19.

The significant features of this bill have been summarized by the minority Legislative Associate for the House Committee on Education and Labor. We are attaching a copy of this summary as enclosure 1. A more detailed summary can, of course, be found on page H 12617 of the December 20, 1974 Congressional Record.

The latest published administration proposal called for the discontinuation of continued Federal funding for Community Action and the phasing out of OEO. While the present bill provides for continued Federal funding for Community Action, it does so by establishing a Community Services Administration outside the executive office of the President. The President has the option of establishing the CSA within the Executive Branch as an Independent Agency or establishing CSA as an independent administration within DHEW.

The indication of support for Community Action by Governors, Mayors and Officials at all levels during the past 18 months is evidenced by the House vote in May and the Senate vote this month expressing overwhelming support for continued funding for Community Action programs.

While the Compromise represented by this bill is not in agreement with the latest published administration position, it has been agreed to by the House and Senate Minority leadership. As evidenced by the statement of Mr. Albert Quie on page 12618 of the December 20, 1974, Congressional Record.



While in the past OEO - funded programs have admittedly had strained relationships with both State and Local Governments, this state of affairs has dramatically changed over the last year. OEO has successfully utilized Community Action Agencies in cooperation with State and Local Governments in implementing energy, rehabilitation and revitalization programs for the poor. The state-wide program in Maine owes its success to the outreach activities of the Community Action Agencies.

In a year of increased economic stress OEO's shortcomings become less significant. OEO funded programs provide nation wide outlets for distribution and dissemination of funds to deal with the problems of the poor. Examples of this are that while Head Start, Follow Thru, Day Care, Comprehensive Health, Drug Rehabilitation, and other programs have been transferred to other Federal agencies for administration, the Community Action Agencies still serve as focal points for continued funneling of funds to the ongoing programs. The Community Action Agencies have shown themselves to be a most economical means of providing administrative services to programs receiving funds from a variety of sources.

The first-year costs are approximately the same as for programs currently in place, with the exception of the new Demonstration Community Partnership Agreement program at a level of \$50 million; and research and demonstration, evaluation, emergency energy conservation services and Summer Youth Recreation, at sums as may be necessary. As the bill authorizes such sums as may be necessary for most of the programs mentioned, we are attaching a copy of a schedule submitted with our latest warrent request to Treasury showing the current operating level for our programs.

As mentioned above the continuation of OEO as CSA apparently represents the consensus of the people and elected officials at all levels. Therefore, we recommend that the President sign this bill.

Sincerely,

Alphonse Rouiquez
for Bert A. Gallegos
Director

Enclosures

COMMITTEE ON EDUCATION AND LABOR

U. S. HOUSE OF REPRESENTATIVES

MEMORANDUM

TO: Minority Members, Committee on Education and Labor

FROM: Martin LaVor, Minority Legislative Associate

DATE: December 20, 1974

RE: Summary of Major Provisions of the Head Start, Economic Opportunity, and Community Partnership Act of 1974 (Formerly the Economic Opportunity Act)

1. The original House bill repealed the Economic Opportunity Act and abolished the Office of Economic Opportunity. The Senate bill amended the Economic Opportunity Act and established an independent agency within the executive branch.
 - a. Effective upon signing by the President, OEO will become the Community Services Administration (CSA). After March 15 the President may submit to the Congress a reorganization plan to place the new CSA within HEW. It is not mandatory that he do so. If he does submit a reorganization plan, it would have to take the shape of the original House-passed provision which established an independent agency within HEW with a director reporting directly to the Secretary of HEW. The reorganization plan would also have to contain a new feature which would specify that no policy-making functions, including final approval of grants or contracts, may be delegated by the director to any regional office or official.
 - b. The Congress will have sixty days in which it can reject the President's reorganization plan. If the Congress chooses to reject it, it must do so through a joint resolution. The net effect would be that if the Congress rejects the plan, the President may veto the resolution and would, therefore, require a two-thirds vote in both Houses to override it.
 - c. If a veto was overridden or if the President decided not to send a reorganization plan to the Congress, then the CSA would remain an independent agency within the executive branch.
2. In the House bill the Federal-local matching provisions were 80 percent Federal and 20 percent local for the first year, 70-30 for the second year, and 60-40 for the third year. The Senate bill kept the 80-20 match for all three years.

- a. The conferees adopted the following provisions:
 - i. Fiscal 1975 - the match will be 80-20.
 - ii. Fiscal 1976 - the match will be 70-30 except for those community action agencies which have total funding below the \$300,000 level. For those agencies the match will be 75-25.
 - iii. Fiscal 1977 - the match will be 60-40 except, for those agencies with funding up to \$300,000, the matching requirement will be 70-30.
 - b. The conference retained the provision which allows the director to waive the lower matching requirements if it can be determined that it would be impossible to raise the additional required local share.
 - c. For the purposes of determining a state's total match, it will be possible for a state to average its total matching share requirement to comply with the percentages required in the law. This means that if one community action agency in a particular state is putting up a 50 percent matching share and another in the same state can only match 30 percent, the average between the two would be 40 percent, or the required matching share for the third year.
3. The conferees adopted a new incentive grant program called "Demonstration Community Partnership Agreements", which will encourage states to find new local dollars for local programs. For every dollar provided in CASH (in kind will not be allowed), the Federal government will match one dollar.
 4. The conferees extended the Head Start program and officially transferred it to HEW.
 - a. The Head Start program has never allocated funds on the basis of a formula; and, therefore, this year both Houses developed one. The final conference formula for allocating Head Start funds will be determined on the basis of (1) the relative number of public assistance recipients in each state as compared to all states and (2) the relative number of related children living in families below the poverty line in each state as compared to all states.
 - b. Because many states presently receive funding in excess of any amount they would receive under any formula, each state receiving an amount in excess of its entitlement will be held harmless at its fiscal 1975 funding level. This means that all states will receive some additional funding for this fiscal year but those states in excess will not receive any additional funds after this fiscal year until all other states are at comparable levels in their entitlement under the new formula.

- c. The existing Head Start legislation requires that not less than 10 percent of the total enrollment opportunities in Head Start throughout the nation be available for handicapped children. The Senate retained this language, but the House required that the word "nation" be changed to "state." The conferees agreed that the word "nation" would be retained through fiscal 1975, but beginning in fiscal 1976 at least 10 percent of each state's Head Start enrollment would have to be handicapped children.
5. The House bill transferred the existing Title VII Community Economic Development programs to the Department of Commerce. The Senate bill established an independent Economic Development Administration within the CSA.
 - a. The conferees adopted a compromise on this provision which was identical to the requirement for the main agency which allows that if the President submits a reorganization plan for the transfer of CSA he must also do the same for the Economic Development program. The President will be required to transfer the program to the Department of Commerce with the same restrictions which were placed on CSA, described in item No. 1 above. If the President does not choose to submit a reorganization plan, this program would remain in the CSA.
 6. There were many other programs authorized, transferred, or repealed in both House and Senate bills. The following is a list of those programs and their disposition:
 - a. Community Action Agencies and Programs - continued in CSA.
 - b. Community Health Services - transferred to HEW.
 - c. Community Food and Nutrition Program - retained in CSA.
 - d. Family Planning - deleted.
 - e. Senior Opportunities and Service Program - retained in CSA.
 - f. Alcohol Counseling and Recovery Program - combined with Comprehensive Health title and transferred to HEW.
 - g. Drug Rehabilitation Program - combined with Comprehensive Health title and transferred to HEW.
 - h. Emergency Energy Conservation Program - new in CSA.
 - i. Summer Youth Recreation Program - tied to title I of CETA and run by DOL - continued.
 - j. Urban Housing Demonstration Programs - deleted.
 - k. Design and Planning Assistance Programs - retained as permissive, not mandatory as in existing law.
 - l. Youth Recreation and Sports Program - extended through CSA.
 - m. Consumer Action and Cooperative Program - retained as permissive, not mandatory as in existing law.
 - n. Intergovernmental Advisory Council on Community Services - accepted but with the stipulation that no money may be provided for any staff, travel, or per diem expenses.
 - o. Migrant Programs delegated to DOL - continued in CSA.
 - p. Establishment of a National Office for Migrant and Seasonal Farm Workers - deleted.
 - q. Follow-Through - transferred to HEW and extended for three years.

- r. Native American Programs - transferred to HEW.
 - s. Research and Demonstration - conference established new research authority within CSA which will become effective if and when a transfer to HEW ever occurs. At that time the existing 232 research and demonstration programs presently delegated to HEW will be assumed by the CSA under the new authority.
7. The bill is a three year authorization. Most programs are authorized at "such sums as may be necessary."

If there are any questions on the bill, please call me at x51743.

In Million of dollars

	<u>1973 Actual</u>	<u>1974 Actual</u>	<u>1975 Operating Level</u>	<u>1975 1st Half Warrants</u>	<u>1975 Period Ending 2-28-75 Warrant Req.</u>
Local Initiative	\$324.9	\$177.8	\$329.0	\$165.0	\$ 82.5
State Economic Opportunity Offices	12.4	4.9	11.0	6.0	3.0
Senior Opportunities and Services	10.7	3.3	10.0	5.0	2.5
Summer Youth Recreation Program	3.0	3.0	3.0	--	--
Community Economic Development	36.9	35.9	39.3	16.0	11.0
Legal Services	77.2	72.4	71.5	33.0	25.0
Other	16.1	--	--	--	--
General Support	36.6	24.6	28.0	14.0	4.7
Emergency Food & Medical Services	8.6	21.7	25.0	--	--
Research & Development	--	4.4	--	--	--
Training & Technical Assistance	3.8	.9	--	--	--
Transferred Programs	259.3	--	--	--	--
Unobligated Balances	.7	9.9	--	--	--
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total Appropriation	\$790.2	\$358.8	\$516.8	\$239.0	\$128.7

Notes:

- a. The above figures exclude EOA programs administered by other Federal agencies.
- b. While specific sums were authorized for certain programs, specific appropriations are to be authorized by Congress.

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

DEC 27 1974

Honorable Roy L. Ash
Director
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Ash:

This is in response to your request for our views on the enrolled enactment of H.R. 14449, the "Headstart, Economic Opportunity, and Community Partnership Act of 1974."

H.R. 14449 would make a number of changes in the Economic Opportunity Act of 1964 (EOA), as amended. With respect to most of these changes, and the desirability of the bill as a whole, we defer to the judgment of those agencies more directly concerned. However, we do have the following specific comments on provisions of direct concern to this Department.

Section 6 provides that the Director of a new Community Services Administration (CSA) would be responsible for administering the migrant program under Title III-B of the Economic Opportunity Act. At present, this Department, pursuant to a formal delegation, is responsible for administering this program, as well as the broader migrant program established by section 303 of the Comprehensive Employment and Training Act of 1973 (CETA). There is considerable overlap between these two programs. To permit two separate agencies to have responsibility here would unnecessarily impede the effectiveness and efficiency of the Government's effort to assist migrant workers. Furthermore, since section 9(a) of the bill would prohibit delegation of this responsibility, flexibility to combine appropriate migrant programs administratively would be limited.

We raised substantially this same objection to this aspect of the legislation in our letter to Senator Hugh Scott on S. 4178 dated December 11, 1974. In addition, we would note three additional provisions which concern this Department.

Section 712(a)(3) of Title VII of the EOA as amended by section 10(a) of the bill, would permit CSA to finance training and public service employment programs " . . . such as those described in the Comprehensive Employment and Training Act of 1973" This would constitute a duplication of existing authority under CETA.

Section 13 would amend Title IX of the EOA to permit the CSA to evaluate "poverty-related programs" authorized by statutes related to the Economic Opportunity Act, as well as programs authorized by that Act. We are concerned that some or all of the CETA programs administered by this Department could be construed as "poverty-related programs." Thus, the CSA could, under this bill, evaluate programs conducted under CETA. CETA already contains provisions for program evaluation. To permit the CSA to conduct another evaluation of these programs would constitute another unnecessary duplication of effort. In our judgment, however, if this bill becomes law, it should not be interpreted to permit such duplicative evaluations.

Section 573 provides procedures whereby maximum compensation standards would be set for employees of contractors on research and evaluation projects. This provision could create a conflict with the minimum prevailing wage provisions of the Service Contract Act.

Sincerely,


Secretary of Labor



THE UNDER SECRETARY OF COMMERCE
Washington, D.C. 20230

DEC 27 1974

Honorable Roy L. Ash
Director, Office of Management
and Budget
Washington, D. C. 20503

Attention: Assistant Director for Legislative Reference

Dear Mr. Ash:

This is in reply to your request for the views of this Department concerning H.R. 14449, an enrolled enactment

"To provide for the extension of Headstart, community action, community economic development, and other programs under the Economic Opportunity Act of 1964, to provide for increased involvement of State and local governments in antipoverty efforts, and for other purposes,"

to be cited as the "Headstart, Economic Opportunity, and Community Partnership Act of 1974".

Upon enactment of H. R. 14449 an independent agency known as the "Community Services Administration" is established within the executive branch. The Community Services Administration is to be headed by a Director appointed by the President with the advice and consent of the Senate, and in all respects and for all purposes, will be the successor authority to the Office of Economic Opportunity.

The Headstart Program, the Community Action Program and the Community Economic Development Program, authorized by the Economic Opportunity Act of 1964, become the functions of the Community Services Administration. The Act prevents the functions of this new agency from being transferred to any other agency prior to March 15, 1975. Thereafter, the functions can be transferred, but only if it is done by a reorganization plan in accordance with Sec. 9(e) of H.R. 14449. That is, the only transfer by reorganization plan that is permitted is a transfer of the Headstart and Community Action Programs to the Department of Health, Education, and Welfare, and the Community Economic Development Program to the Department of Commerce.



2.

With respect to those portions of the enrolled enactment not affecting this Department, we interpose no objection to approval by the President and defer to the views of the Department of Health, Education, and Welfare and other affected agencies.

For approximately the past two years the Administration has proposed that the Community Economic Development Program be transferred to this Department. Should the executive branch wish to transfer the community action program to HEW, then the community economic development function would have to be transferred to the Department of Commerce, because the provisions of Sec. 9(e) are not severable. Sec. 9(e) of the enrolled enactment requires that a separate office be created, headed by a Director, who shall be directly responsible to the Secretary of Commerce. Section 9(e) of the enrolled enactment severely restricts the organizational flexibility which the Administration and this Department called for during Congressional consideration of the bill.

However, notwithstanding the above organizational restrictions, the Department would have no objection to approval by the President of the enrolled enactment.

Enactment of this legislation will not involve any expenditure of funds by the Department of Commerce. Should a subsequent reorganization plan transfer the community economic development program to this Department expenditures of additional funds may be required since there are authorized to be appropriated \$39,000,000 and such additional sums as may be necessary for fiscal year 1975 and such sums as may be necessary for each of the two succeeding fiscal years to carry out the purposes of this program.

Sincerely,



John K. Tabor



DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

DEC 27 1974

Honorable Roy L. Ash
Director
Office of Management and
Budget
Washington, D. C. 20503

Dear Mr. Ash:

This is in reply to the request of your office for a report on the enrolled enactment of H.R. 14449, entitled the "Headstart, Economic Opportunity, and Community Partnership Act of 1974."

This Department defers to the agencies more directly affected by this enactment with the two exceptions noted below.

The bill would extend for three years the basic authorizations for anti-poverty programs previously authorized under the Economic Opportunity Act. The Office of Economic Opportunity would be renamed the Community Services Administration and made an independent agency of the Federal Government. The bill provides that at any time after March 15, 1975, the President may submit a reorganization plan to transfer community action and other programs to an independent Community Services Administration in HEW, and community economic development programs to a new independent Community Economic Development Administration in the Department of Commerce. If submitted, such a reorganization would take effect unless a joint resolution were enacted into law by the Congress disapproving the reorganization.

Several provisions of Title VII of the Economic Opportunity Act of 1964, as revised by the bill are of particular interest to this Department. Under this title, which deals with community economic development, the agency administering the Act would have authority to make or guarantee loans to community development corporations, low income rural families, and cooperatives with substantial numbers of low-income rural persons for business, housing and community development projects. In order to carry out the lending and guaranty functions authorized, a Development Loan Fund is established consisting of two revolving funds, one of which is the Rural Development Loan Fund. The bill specifically provides that the agency shall utilize the services of the Farmers Home Administration of this Department in administering this fund.

Revised Title VII, Part B, appears to extend and broaden certain parts of Title III, Part A, of the Economic Opportunity Act of 1964. These authorities basically duplicate certain active programs now administered by the Farmers Home Administration. The FmHA is now making various types of loans that reach low-income rural families provided there are reasonable prospects for repayment and the loan is economically feasible.

The bill provides an additional authority for financing cooperative farming operations. For many years this Department has taken a stand against Government sponsorship or financing of this type of farming operation.

It is unclear exactly what kind of services would be required from FmHA to carry out the directive of the bill with regard to the Rural Development Loan Fund. From the sponsor's remarks it would appear that it is contemplated that FmHA's vast field office network would be used to receive, process, make and possibly service the loans authorized in rural areas.

From late 1964 through June 30, 1971, the Department's FmHA administered an active Rural Loans Program for individuals and cooperatives for the Office of Economic Opportunity (OEO) with joint development of requirements and procedures. Funding for additional loans was discontinued by OEO on June 30, 1971; however, servicing of outstanding loans has continued. The procedure followed proved to be less than satisfactory for a loan program since the FmHA and OEO often disagreed on basic policy questions concerning what constituted a sound program of loan making and servicing. We feel that if such a program is renewed, the Department should have a more active role in developing the regulations and otherwise implementing the statute.

The Department's experience with the Rural Loans Program indicates that the low-income families receiving loan assistance require a high level of counseling and on-site supervision if they are to be successful with their enterprises. Unless adequate administrative funds and personnel are provided to accomplish the required supervision, we do not believe the programs authorized in Title VII can be successful.

Section 744 of revised Title VII provides that this Department shall take steps to insure that community development corporations and cooperatives shall qualify for and receive assistance under our housing, business, industrial and community development programs. Also, the bill calls for periodic reports from this Department detailing the program relevant to achieving the purposes of the community development title and the availability and effectiveness of such programs with regard to community development corporations. This requirement is superfluous since the Department is now making available the authorized programs to organizations that qualify and for which program funding has been provided.

Sincerely,



Acting Secretary



THE UNDER SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20220

DEC 27 1974

Director, Office of Management and Budget
Executive Office of the President
Washington, D.C. 20530

Attention: Assistant Director for Legislative
Reference

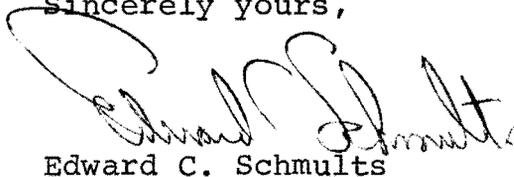
Sir:

Reference is made to your request for the views of this Department on the enrolled enactment of H.R. 14449, "To provide for the extension of Headstart, community action, community economic development, and other programs under the Economic Opportunity Act of 1964, to provide for increased involvement of State and local governments in antipoverty efforts, and for other purposes."

Section 10 of the enrolled enactment would rewrite title VII of the Economic Opportunity Act of 1964, including provisions for direct and guaranteed loans. These provisions are not in accord with overall Administration credit program policy with respect to such matters as maturities, interest rates, fees, loan-to-value ratios, equity requirements, credit needs tests, and other provisions to assure effective, efficient, and equitable administration of credit programs.

If the enrolled enactment is approved, the Department recommends that the credit program provisions be administered in accordance with the credit program provisions of OMB Circular No. A-70.

Sincerely yours,



Edward C. Schmults



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

DEC 27 1974

Dear Mr. Ash:

This responds to your request for the views of this Department on the enrolled bill H.R. 14449, "To provide for the extension of Headstart, community action, community economic development, and other programs under the Economic Opportunity Act of 1964, to provide for increased involvement of State and local governments in antipoverty efforts, and for other purposes."

We would not object to the approval of this enrolled bill by the President.

Title VIII provides for a program to promote the goal of economic and social self-sufficiency for American Indians, Hawaiian Natives and Alaska Natives. The program would offer financial assistance to public and non-profit private agencies that serve the Native people, both Federally recognized and those that are not extended Federal recognition, who carryout projects aimed at assisting Native people to attain economic and social self-sufficiency. It authorizes grants of 80% of the approved costs of the assisted project and permits a higher sharing rate in accordance with objective criteria to be developed by regulations. The title sets out the requirements that need be met if the projects are to be funded.

We have no objection to these requirements and agree fully with the provision for consultation with other Federal agencies, such as our own department, to avoid duplication of effort, duplication that cannot be afforded within our strict budget limitations.

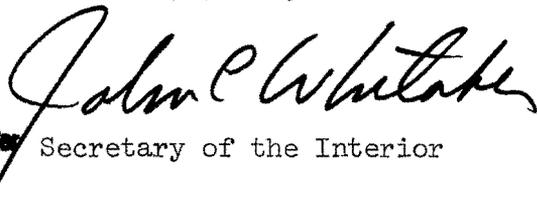
We also strongly endorse the provisions of Title VIII that require approval of projects by the tribal body that has the governing responsibility for a reservation. This will carry out this Administration's policy of strengthening tribal governments by giving them control of the project provided by this legislation that might be carried out on their reservations.



Save Energy and You Serve America!

We support the provisions of Title VIII of this enrolled bill and defer to the Department of Health, Education and Welfare with respect to the remainder of the bill.

Sincerely yours,


~~Under~~ Secretary of the Interior

Honorable Roy L. Ash
Director
Office of Management and Budget
Washington, D. C. 20503

Department of Justice
Washington, D.C. 20530

JUN 27 1974

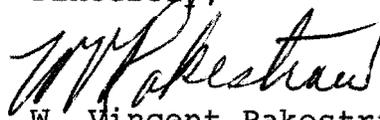
Honorable Roy L. Ash
Director, Office of Management
and Budget
Washington, D.C. 20503

Dear Mr. Ash:

In compliance with your request, I have examined a facsimile of the enrolled bill H.R. 14449, to provide for the extension of Headstart, community action, community economic development, and other programs under the Economic Opportunity Act of 1964, to provide for increased involvement of State and local governments in anti-poverty efforts, and for other purposes.

As requested, the Department has carefully reviewed this enrolled bill and interposes no objections regarding Sections 601 and 626. Concerning the remainder of the bill, the Department of Justice defers to those agencies more directly concerned with the subject matter as to whether it should receive Executive approval.

Sincerely,



W. Vincent Rakestraw
Assistant Attorney General



THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR: WARREN HENDRIKS
FROM: *Max L. Friedersdorf* MAX L. FRIEDERSDORF
SUBJECT: Action Memorandum - Log No. 929

The Office of Legislative Affairs concurs with the Agencies that the enrolled bill should be signed. The Senate will try to deny us 2/3 on HEW reorganization, but alternative is to leave OEO as independent agency of swollen authorizations in new Congress.

Attachments

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

DEC 30 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 14449 - Extension and
Modifications of the Economic Opportunity Act

This memorandum is an overview of H.R. 14449. It includes the major arguments for approval and for veto; the views of the major affected agencies; and my recommendation. Attachment A is a more detailed enrolled bill memorandum, including the formal views letters of major agency heads.

The bill extends almost all of the programs of the Economic Opportunity Act, including the Community Action Program (CAP), under a new independent agency, but authorizes the agency's transfer by reorganization plan to HEW or, in the case of Community Economic Development (CED), to Commerce. This transfer would be subject to ultimate disapproval by a two-thirds vote of both Houses of the Congress. A new Community Services Administration (CSA) would be established as a successor to OEO, which would manage the community action program (CAP), as well as certain programs now delegated to HEW. A few new, minor programs would be created, and various organizational impediments would be established in law.

Your decision on this bill should also be a determination on the 1976 Budget amounts for the CAP and CED programs. The other programs which would be authorized under this bill are either proposed for funding in other agencies or not at all in the 1976 Budget.

Arguments for approval

1. H.R. 14449 provides perhaps the best resolution of the problem of the termination of OEO and CAP that the Administration will be able to obtain in the foreseeable future. The incoming Congress is likely to be more insistent on an independent agency and more hostile to the Administration's current proposal to terminate OEO and CAP. The probable result is that OEO would be continued for several months in an indefinite status under the Continuing Resolution, until the Congress passes a bill similar to or more objectionable than

STATEMENT BY THE PRESIDENT

I signed into law today H.R. 14449, the "Headstart, Economic Opportunity, and Community Partnership Act of 1974," a bill which continues the Community Action Program under a new agency, the Community Services Administration.

Although I have many reservations about features of this bill, I am signing it because the measure is probably the best compromise we can hope to obtain. The deadlock that has continued for several years between the executive branch and the Congress regarding the future of the Community Action Program and the existence of a separate Office of Economic Opportunity had to be broken.

This bill authorizes the transfer of a successor agency into the Department of Health, Education, and Welfare. While I would have preferred to end direct Federal financial assistance to Community Action Agencies, the Congress, in this bill, has taken a significant step in the right direction. It has gradually scaled down the Federal funding for these agencies and included the Community Action Program in the transfer to HEW.

I believe strongly that Federal social and economic assistance programs should be developed and operated with great sensitivity to the needs of the poor. But I also feel strongly that those needs will be better served when programs that benefit the disadvantaged are considered and managed together.

To this end, I have ordered the development of a reorganization plan as authorized by this bill for my review.

I am also considering sending to the Congress proposals that will eliminate unnecessary organizational impediments contained in this measure. These proposals would assure more orderly and efficient management of Federal programs to aid the poor.



Finally, to avoid waste of effort that might occur, I will not seek funding for duplicate program authorities provided in the enrolled bill.

I applaud the efforts of the Congress in helping bring to an end the stalemate over this legislation. I look forward to making these programs an effective part of our overall effort to serve the real needs of the disadvantaged.

MEMORANDUM OF DISAPPROVAL

I have withheld my approval from H.R. 14449, a bill that would extend and modify the Economic Opportunity Act.

This measure would continue the Community Action Program, which the Executive branch has consistently sought to end. For one thing, the initial purpose of the program has, in large measure, been accomplished: resources of State and local government as well as the private sector have been mobilized so that local communities can develop programs to meet special needs of their poor. In most instances, once Federal funding has been withdrawn, these programs became sufficiently successful to warrant that State and local governments as well as the private sector continue them. And, if they are not that successful in the opinion of those involved in almost ten years of experimentation with them, there is serious question about whether these programs should be continued by further Federal intervention.

Since the previous Administration had sought to transfer Office of Economic Opportunity programs to other Departments, such as Health, Education, and Welfare, it could be said that H.R. 14449 which tends to accomplish this purpose should be acceptable to this Administration. Actually, this legislation goes far beyond that premise, certainly its most important features do. In effect, it proposes to recreate the entire OEO inside HEW. The new agency would

be so completely insulated from the rest of HEW that it might as well be as totally independent as it is now. Rather than create a cosmetic cover for the continuation of OEO, it would be more straightforward for the Congress merely to extend the Economic Opportunity Act.

THE WHITE HOUSE,

~~Today~~ I ~~have~~ signed into law H.R. 14449, the "Headstart, Economic Opportunity, and Community Partnership Act of 1974," a bill which, ~~among its provisions, would extend~~ the Community Action Program under a new agency, the Community Services Administration.

Although I have many reservations about ~~the~~ features of this bill, I am signing it because ~~it~~ ^{the measure} is probably the best compromise ~~measure~~ ^{to obtain} we can hope ~~for to break~~ the deadlock that has continued for several years between the executive branch and the Congress ~~with regard~~ ^{regarding} to the future of the Community Action Program and the existence of a separate Office of Economic Opportunity ~~had to be broken~~.

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sending to the Congress

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Finally, to avoid ~~the~~ waste of effort that might ~~otherwise~~ occur, I will not seek funding for ~~dupl~~ *duplicate* ~~licative~~ program authorities provided in the enrolled bill.

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THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 929

Date: December 30, 1974

Time: 10:00 p.m.

FOR ACTION: Jim Cavanaugh
Max Friedersdorf
Phil Areeda
Paul Theis

cc (for information): Warren Hendriks
Jerry Jones
Jack Marsh
Ted Marrs

gc 12/31/74 dl/AT

FROM THE STAFF SECRETARY

DUE: Date: Tuesday, December 31

Time: 1:00 p.m.

SUBJECT:

Enrolled Bill H.R. 1449 - Extensions and Modifications of the Economic Opportunity Act

ACTION REQUESTED:

- | | |
|---|---|
| <input type="checkbox"/> For Necessary Action | <input type="checkbox"/> For Your Recommendations |
| <input type="checkbox"/> Prepare Agenda and Brief | <input type="checkbox"/> Draft Reply |
| <input type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks |

REMARKS
8 38
1974 DEC 31

Please return to Judy Johnston, Ground Floor West Wing

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.

Warren K. Hendriks
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 929

Date: December 30, 1974

Time: 10:00 p.m.

FOR ACTION: Jim Cavanaugh
Max Friedersdorf *sign*
Phil Areeda
Paul Theis ✓

cc (for information): Warren Hendriks
Jerry Jones
Jack Marsh
Ted Marrs

FROM THE STAFF SECRETARY

DUE: Date: Tuesday, December 31

Time: 1:00 p.m.

SUBJECT:

Enrolled Bill H.R. 1449 - Extensions and Modifications of
the Economic Opportunity Act

ACTION REQUESTED:

___ For Necessary Action

___ For Your Recommendations

___ Prepare Agenda and Brief

___ Draft Reply

___ For Your Comments

___ Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

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If you have any questions or if you anticipate a
delay in submitting the required material, please
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K. R. COLE, JR.
For the President

MEMORANDUM OF DISAPPROVAL

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forward for the Congress merely to extend the Economic Opportunity Act.