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APPROVED
OCT 20 1976

8/10/20/76
statement disapproved

THE WHITE HOUSE

ACTION

WASHINGTON

Last Day: October 20

October 18, 1976

Posted
10/21/76
archive
10/21/76

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON *Jim Cannon*

SUBJECT: H.R. 10210 - Unemployment Compensation Amendments of 1976

Attached for your consideration is H.R. 10210, sponsored by Representative Corman and six others.

The enrolled bill would:

- extend unemployment compensation coverage to certain agricultural workers, domestic service workers, and State and local government workers;
- improve the financing of the system by increasing the taxable wage base and the tax rate;
- permit the Virgin Islands to join the unemployment compensation system;
- extend for one year, until December 31, 1977, and amend the Special Unemployment Assistance program;
- establish a National Commission on Unemployment Compensation;
- make other changes in the unemployment compensation program;
- amend the Supplemental Security Income program (SSI)

A detailed discussion of the provisions of the enrolled bill is provided in OMB's enrolled bill report at Tab A.



Staff Recommendations

Steve McConahey, your Special Assistant for Intergovernmental Affairs, notes that some public interest groups (National Association of Counties and National League of Cities-U.S. Conference of Mayors) strongly oppose this bill because of its adverse financial impact. Los Angeles County estimates annual costs of \$21 million. The National Governors' Conference supports the bill.

OMB, Max Friedersdorf, Counsel's Office (Lazarus), Bill Seidman, Alan Greenspan and I recommend approval of the enrolled bill and the signing statement which has been cleared by the White House Editorial Office (Smith).

RECOMMENDATION

That you sign H.R. 10210 at Tab B.

That you approve the signing statement at Tab C.

APPROVE _____

DISAPPROVE _____



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

OCT 15 1976

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 10210 - Unemployment Compensation
 Amendments of 1976
 Sponsor - Rep. Corman (D) California and 6 others

Last Day for Action

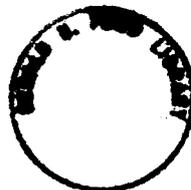
October 20, 1976 - Wednesday

Purpose

Extends unemployment compensation coverage to certain agricultural workers, domestic service workers, and State and local government workers; improves the financing of the system by increasing the taxable wage base and the tax rate; permits the Virgin Islands to join the unemployment compensation system; extends for 1 year, until December 31, 1977, and amends the Special Unemployment Assistance program (SUA); establishes a National Commission on Unemployment Compensation; makes other changes in the unemployment compensation program; and amends the Supplemental Security Income program (SSI).

Agency Recommendations

Office of Management and Budget	Approval (Signing statement attached)
Department of Labor	Approval (Signing statement attached)
Department of the Treasury	Approval
Council of Economic Advisers	Approval
Department of Health, Education, and Welfare	No objection
Department of Commerce	No objection
Department of Agriculture	No objection (Informally)
Department of Justice	Defers to HEW and Treasury
Department of the Interior	Defers to other agencies (Informally)
Civil Service Commission	Defers to Labor and Treasury
Advisory Commission on Intergovernmental Relations	No recommendation



Discussion

H.R. 10210 amends in a significant way the unemployment compensation program and makes changes in the Supplemental Security Income program (SSI). Many of the unemployment compensation provisions in the enrolled bill reflect recommendations made in an Administration legislative proposal, the Unemployment Compensation Amendments of 1975, which was transmitted to the Congress by the Department of Labor in July 1975.

The House passed its version of H.R. 10210 on July 20, 1976, by a vote of 237-157. The Senate passed its version of the bill on September 29, 1976, by a vote of 71-6. The Conference Report was agreed to in the House by a vote of 272-97 and in the Senate by voice vote.

Unemployment Provisions of H.R. 10210

Extension of coverage

H.R. 10210 extends coverage under the Federal-State unemployment insurance system to certain agricultural workers, domestic service workers, and State and local government employees.

Agricultural workers: agricultural workers on any farm employing 10 or more persons in each of 20 weeks during a calendar year and workers on any farm paying \$20,000 or more in wages during any calendar quarter are covered. Non-resident aliens admitted to perform agricultural work are excluded from coverage until January 1, 1980. The Administration recommended covering laborers on farms with four or more workers in each of 20 weeks and workers on farms with payrolls of \$5,000 or more in any quarter but excluded non-resident aliens.

Domestic service workers: domestics working for an employer who paid \$1,000 or more for such services in any calendar quarter are covered. The Administration recommended coverage of domestics working for an employer who paid \$500 or more in any calendar quarter.

State and local government workers: all State and local government employees are covered except major nontenured policy-makers and advisers, elected officials, judges, legislators, National Guardsmen, and emergency disaster relief workers. The Administration recommended coverage of State and local government workers in elementary and secondary schools and hospitals.



Financing the program

In July 1975 the Secretary of Labor testified that the unemployment insurance program was "seriously threatened by the unprecedented costs caused by heavy unemployment." As of September 1976, \$10.0 billion of general funds had been advanced to the Unemployment Trust Fund and 21 States had outstanding loans of \$3.1 billion from the Fund.

To remedy the financing problems of the system, the Administration recommended permanently increasing the wage base on which employers pay the Federal unemployment insurance tax from \$4,200 to \$6,000 and increasing the net Federal tax rate from 0.5% to 0.65%. After all obligations to general revenues were repaid, the net Federal tax rate was to drop to 0.45%

H.R. 10210 permanently increases the wage base to \$6,000 a year beginning with wages paid in calendar year 1978 and increases the net Federal tax rate to 0.7% until all advances from general revenues have been repaid, when it would be reduced to 0.5%. The increased tax rate applies in calendar year 1977.

Special Unemployment Assistance Program (SUA)

SUA was established in December 1974 as a temporary Federal program of unemployment compensation for workers who were not eligible for unemployment benefits under any other law. It is financed from the general funds of the Treasury. Under present law the program is scheduled to expire on December 31, 1976, with benefits payable until March 31, 1977.

H.R. 10210 extends the SUA program for 1 year, to December 31, 1977, with benefits payable until June 30, 1978. The Administration supported a 1-year extension of SUA as a transitional step to permanent coverage for workers under the regular system.

Like the Administration proposal, H.R. 10210 also amends the base period for computing SUA benefits to correspond to the period used under the regular State unemployment compensation program. It denies SUA to non-professional service employees of schools between academic terms if there is a reasonable assurance that the individual will be employed in the upcoming term. The Administration supported this change.

National Commission on Unemployment Compensation

The enrolled bill establishes a 13-member commission to study the long-range needs of the unemployment insurance system. It

will study alternatives and improvements and recommend changes by January 1, 1979, with an interim report due by March 31, 1978. Seven members will be appointed by the President, and he will designate the Chairman. The President pro tempore of the Senate and the Speaker of the House will each appoint three members. The Commission must include at least one representative of industry, labor, small business, the Federal Government, State government, and local government. The Administration made a similar proposal.

Coverage of the Virgin Islands

H.R. 10210 will bring the Virgin Islands within the Federal-State unemployment insurance system, as the Administration proposed.

Other major unemployment provisions in H.R. 10210:

--amend the trigger provisions for Federal-State extended benefits to provide that the 120% requirement (i.e., the insured unemployment rate (IUR) not seasonally adjusted for a State must be at least 120% above that of the corresponding periods in the preceding 2 years in order for the State to trigger on) can be waived by the State when the IUR reaches 5%.

--require States to assume the full cost of extended benefits for State and local workers, but the Federal Government will continue to pay the administrative costs involved in covering these workers.

--deny unemployment benefits to illegal aliens, professional athletes between sports seasons, and teachers and other professional school employees between academic terms.

--repeal the "finality" clause which provided that findings of fact by a Federal agency in unemployment compensation cases respecting employees leaving the Federal service were final, thereby subjecting the compensation claims of Federal employees to the same administrative procedures that apply to other workers.

--require, effective October 1, 1979, a reduction in an individual's unemployment compensation benefits by the amount of any public or private retirement pension, including social security. This provision could cause equity problems; it will not take effect until after the Study Commission reports, and could be amended or repealed before it takes effect.

--amend the Social Security Act to require (subject to denial of benefits) that an applicant under the Aid to Families



with Dependent Children--Unemployed Fathers (AFDC-UF) program apply for and accept any unemployment compensation benefits to which he is entitled. The applicant could then claim any AFDC-UF benefits to which he would be entitled, but those benefits would be reduced by the amount of the unemployment benefits which he receives. This is similar to an Administration proposal and HEW supports it. It will reduce AFDC-UF expenditures by approximately \$47 million, which will be absorbed by the Unemployment Insurance Trust Fund, and thus financed by an employer tax rather than general revenues.

--require State employment offices, at the request of a State or local AFDC or child support agency, to furnish certain information including whether an individual is receiving, has received, or has applied for unemployment compensation, whether the individual has refused an offer of employment, and his home address.

Benefit Amount Standard

According to the Labor Department, over 40% of covered workers currently receive a weekly benefit amount that is less than half their average weekly wage. The Administration proposed that each State provide each individual claimant with a weekly benefit amount equal to at least 50% of his average weekly wage up to a State maximum equal to at least two-thirds of the statewide average weekly wage for that State's covered workers. The enrolled bill does not include the proposed benefit standard, which will be studied by the National Commission on Unemployment Compensation.

Supplemental Security Income (SSI) Provisions of H.R. 10210

These provisions are described in detail in the attachment to HEW's letter on the enrolled bill. Briefly they amend Title XVI (Supplemental Security Income) of the Social Security Act to:

--amend SSI eligibility criteria to permit full SSI benefits to be paid to individuals in public non-Medicaid institutions which serve no more than 16 residents and amend the standards for certain institutions.

This provision also repeals section 1616(e) of the Social Security Act which provides that Federal SSI payments to beneficiaries be reduced in the case of payments made by States or localities for medical or other remedial care provided by an institution if the care is, or could be, provided in a Medicaid institution.



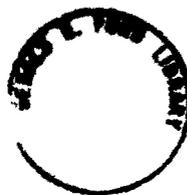
This requirement originally sought to prevent the use of SSI benefits as a means of evading Federal Medicaid requirements and thus funding care in substandard facilities. Because of its complexity, HEW has not been able to enforce this requirement.

The enrolled bill, effective October 1, 1977, adds a new section 1616(e), which requires each State to establish or designate State or local authorities to establish, maintain and ensure the enforcement of standards for any category of institutions, foster homes, or group living arrangements in which (as determined by the State) a significant number of SSI recipients is residing. The standards have to be appropriate to the needs of the recipients and the character of the facilities involved. They would govern admission policies, safety, sanitation, and protection of civil rights.

The revised section 1616(e) also requires each State to make available for public review, as a part of its social services program planning procedures under Title XX of the Social Security Act, a summary of the standards, and to make available to any interested individual a copy of the standards and the procedures available in the State to ensure their enforcement. Each State is required to certify annually to the Secretary of Health, Education, and Welfare that it is in compliance with the requirements for State standards. The bill also provides for the reduction of Federal payments in the case of any person who is in an institution not approved under State standards as determined by the appropriate State or local authorities.

The objective of these provisions is to eliminate disincentives for the establishment and subsidization by States and localities of residential facilities for the aged, blind or disabled and to allow States and localities to supplement Federal SSI benefits by either direct or indirect assistance to persons in public institutions. HEW shares this objective and does not object to enactment of the provisions. HEW estimates that the costs of these provisions, depending upon State action, could range between \$400 million and \$800 million for the period 1977 through 1981.

--provide that for any full month during which a spouse is in an institution, the couple involved would be treated as individuals for purposes of computing their eligibility and SSI benefit amount. Currently, any income of either spouse is applied to reduce the couple's combined SSI benefit. HEW has no objection to this provision and estimates its cost at \$5 million per year.



--provide that no recipient of Federal SSI benefits or State SSI supplementary payments will lose "categorical eligibility" for Medicaid solely as the result of a cost-of-living increase under Title II of the Social Security Act (Federal Old-Age, Survivors, and Disability Insurance Benefits). Currently, an SSI beneficiary may lose his SSI eligibility and therefore his linked Medicaid eligibility, because a cost-of-living benefit increase under Title II provides added income making him no longer eligible for SSI. HEW objects to this provision because it is inequitable to "grandfather" some individuals while leaving unprotected other similarly situated individuals. Currently, the expansion of Medicaid eligibility beyond AFDC and SSI beneficiaries is within the discretion of each State. While HEW would recommend veto of this provision if it were in a separate bill, its objection does not warrant a veto of H.R. 10210. The estimated cost of the provision is \$10 million a year.

--require that the Federal Government pay twice, in effect, for cost-of-living increases in the Federal SSI benefit in the three remaining "hold harmless" States (Massachusetts, Wisconsin, and Hawaii). First, general revenues fund the increased SSI benefits for individuals. Second, this provision requires continued Federal liability for "hold harmless" payments to those States by barring the current reduction in Federal liability associated with such cost-of-living increases. The cost of this provision will be about \$12 million over the first 2 years, and a total of about \$50 million over the next 6 years.

--provide new procedures and funding for State services to disabled children under the age of 16 who are receiving SSI benefits through a new formula grant program. HEW objects to these provisions because they establish a new grant program to States under State plans meeting conditions prescribed by the Secretary which entail complex administrative controls. HEW does not believe its reservations about this provision justify a veto of the enrolled bill. These provisions will cost about \$30 million in each of fiscal years 1977 through 1979.

Budget Impact

The budget impact of the unemployment compensation provisions of H.R. 10210 is shown in the following table for two forecasts, one pessimistic and one optimistic, of unemployment rates.

(\$ in Billions; fiscal years)						
<u>Pessimistic</u>						
	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
(Forecast unemployment rate)	(7.0%)	(6.6%)	(6.4%)	(5.8%)	(5.2%)	(4.9%)
Additional revenues received	.3	1.4	3.9	4.1	4.1	4.2
Additional benefits paid	--	.5	.7	.5	.5	.5
Net additional revenue	.3	.9	3.2	3.6	3.6	3.7
Net additional revenue in your 1977 Budget	1.8	1.2	2.5	2.8	3.2	N/A

<u>Optimistic</u>						
	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
(Forecast unemployment rate)	(6.8%)	(6.1%)	(5.4%)	(4.8%)	(4.6%)	(4.5%)
Additional revenues received	.3	1.4	3.9	4.0	4.0	4.1
Additional benefits paid	--	.4	.5	.4	.4	.4
Net additional revenue	.3	1.0	3.4	3.6	3.6	3.7

Agency Recommendations

Labor most strongly urges that the bill be approved. The Department states that many of the provisions in H.R. 10210 are similar to the Administration's proposal and that the enrolled bill makes important improvements in the Federal-State unemployment insurance system.

HEW has no objection to approval. Although the Department has considerable problems with certain of the SSI provisions, as indicated above, these are not sufficient to recommend disapproval. The Department notes, as a general matter, "the continued lack of realism on the part of the Congress as evidenced by effective dates of such immediacy that there is obviously insufficient time to implement the provisions as contemplated by the bill." The Department's comments on the estimated cost of the SSI provisions are indicated above, and it calls special attention to the provision which could cost \$800 million over the next 5 years.

Justice defers to HEW and Treasury. The Department notes, however, that H.R. 10210's requirement that States extend

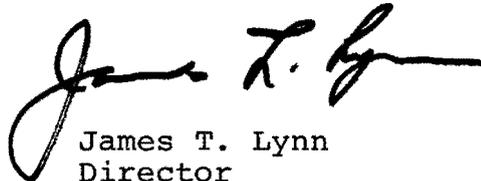
coverage to State employees "may run afoul of the same constitutional limits which invalidated a similar effort to bring State employees within the overtime provisions of the Fair Labor Standards Act in the case of National League of Cities v. Usery, _____ U.S. _____, in June of this year. The Court there held a federal statute requiring that States compensate their employees under prescribed terms and conditions to be an impermissible invasion of basic sovereign attributes of the several States. There is a substantial likelihood that the same analysis would apply in this instance."

* * * * *

H.R. 10210's unemployment compensation provisions are similar in major respects to the Administration's proposal. The financing provisions are especially important because they should help to restore fiscal soundness to a system which has been severely drained by high unemployment. The establishment of a minimum Federal benefit standard, as proposed by the Administration, is not included in the enrolled bill but will be studied by the National Commission on Unemployment Compensation.

We share HEW's concerns, as indicated above, about certain of the SSI amendments. We will explore with HEW the possibility of developing corrective legislative proposals.

On balance, we believe that the advantages of H.R. 10210's unemployment provisions significantly outweigh the disadvantages of its SSI provisions and, accordingly, recommend approval.



James T. Lynn
Director

Enclosures



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

October 18, 1976

Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D.C. 20503

Dear Mr. Lynn:

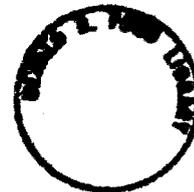
In reply to the request of your office, the following report is submitted on the enrolled enactment H.R. 10210, "Unemployment Compensation Amendments of 1976."

This Department has no objection to approval of this bill by the President.

We are commenting only on those sections of the bill pertaining to the extension of unemployment compensation coverage to agricultural workers. This bill would extend unemployment compensation protection to workers hired by agricultural employers who employ 10 or more workers in each of 20 or more weeks during the year, or pay \$20,000 or more in farm wages in any calendar quarter.

This Department feels that this important social benefit, which has been enjoyed by most other American workers for many years, should be made available to farmworkers employed on all but the very small farms which cannot afford the cost of the program. However, this bill would provide coverage only to workers working on the very large farms. This Department supported an earlier position of the Department of Labor which would have extended coverage to more farmworkers than the current bill. Farmworkers, as an occupational group, have relatively low income levels and relatively high seasonal unemployment.

We would urge the Department of Labor to establish a procedure and schedule for reviewing the impact of the provisions of this bill on farm operators and farmworkers in order to determine the feasibility of extending coverage to the smaller farms.

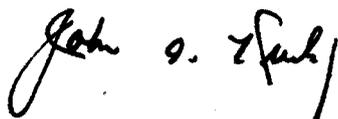


Honorable James T. Lynn

2

Since this Department is not directly involved with the administration of the Unemployment Insurance Program, we defer to the Department of Labor for an estimation of administrative cost.

Sincerely,

A handwritten signature in cursive script, appearing to read "John A. Knebel".

John A. Knebel
Acting Secretary



United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

OCT 15 1976

Dear Mr. Lynn:

This will respond to your request for the views of this Department on enrolled bill H.R. 10210, "To require States to extend unemployment compensation coverage to certain previously uncovered workers; to increase the amount of the wage subject to the Federal unemployment tax; to increase the rate of such tax; and for other purposes."

We support those provisions of the enrolled bill which would extend the Federal unemployment compensation laws to the Virgin Islands; but, defer on other provisions to those Federal agencies with a more significant interest.

Enrolled bill H.R. 10210 would require States to extend unemployment compensation protection to certain categories of individuals including certain employees of State and local governments and nonprofit school employees, farm and household workers, and the Virgin Islands, now covered only at State option and increase the Federal unemployment tax rate and increase the annual amount of wages subject to Federal and State unemployment taxes from \$4,200 to \$6,000 per employee. The bill would also modify the requirements for triggering the Federal-State extended benefit program into and out of operation in the States, establish a national study commission on unemployment compensation, and make a number of other changes. The enrolled bill would also add several provisions which would affect the Supplemental Security Income (SSI) program for needy aged, blind, and disabled people.

Of particular interest to this Department enrolled bill H.R. 10210 would extend the Federal unemployment compensation laws to the Virgin Islands as soon as various requirements of membership in the Federal-State system could be met.

Under the existing provisions of Federal law, the territory of the Virgin Islands is precluded from participating in the Federal-State employment security systems of unemployment insurance and employment services.

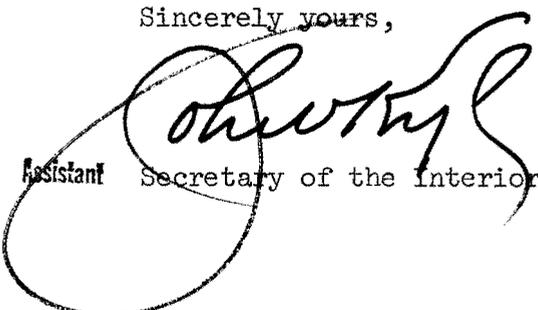


By letter to Director James T. Lynn, dated June 27, 1975, the Department expressed its support for enrolled bill H.R. 6900, now Public Law 94-45, which in effect, permitted the Virgin Islands to participate in the Federal-State unemployment insurance program until June 30, 1976. Enrolled bill H.R. 10210 would continue the Virgin Islands participation on a permanent membership basis. We note that this provision is very similar to legislation proposed by the Administration.

The advantages to the United States of inclusion of the Virgin Islands in the system are the increased scope and coverage of the Federal-State system, the increased effectiveness of its interstate and multi-State operations, the elimination of a tax advantage for Virgin Islands employers (with a corresponding disadvantage for their competitors in other States) and additional Federal Unemployment Tax Act revenue to the Federal Unemployment Trust Fund (offset, however, by the additional expenditures for administration from the employment security administration account of the Unemployment Trust Fund). Costs of administering the Virgin Islands Employment Service are now borne by general funds of the U.S. Treasury but, upon inclusion of the Virgin Islands in the Federal-State system, most of these costs would be financed by grants from the employment security administration account in the Federal Unemployment Trust Fund. Inclusion of the Virgin Islands would also benefit the United States as a demonstration that Virgin Islanders are entitled to share in national social legislation on the same basis as the citizens of any State. Additionally, we would note that the magnitude of present unemployment in the Virgin Islands is without precedent and the resources of the existing Fund have been exhausted.

With respect to the other provisions of H.R. 10210, we defer in our views to those Federal agencies with a more significant interest.

Sincerely yours,


Assistant Secretary of the Interior

Honorable James T. Lynn
Director, Office of
Management and Budget
Washington, D.C.

THE WHITE HOUSE
WASHINGTON

Jim -

No decision indicated on the
statement.

Trudy

A handwritten signature in black ink, appearing to be 'Trudy', written in a cursive style. The signature is slanted upwards to the right and consists of several loops and flourishes.

STATEMENT BY THE PRESIDENT

I am pleased to sign the Unemployment Compensation Amendments of 1976, H.R. 10210. This bill incorporates many of the recommendations proposed by my Administration in July 1975. It significantly improves our unemployment compensation system.

In particular, this bill makes vital changes in the unemployment compensation system's financing. It restores the fiscal soundness of the system so that unemployed workers can be sure assistance will be available when needed. Moreover, the bill clarifies some aspects of the law to ensure that benefits are paid only to those individuals the program is intended to cover.

H.R. 10210 extends unemployment compensation coverage to over nine million workers. This is the largest addition to this program since its beginning.

H.R. 10210 also establishes a National Commission on Unemployment Compensation to study and make recommendations by January 1, 1979, on unresolved problems in the system.

The unemployment compensation provisions of this bill represent the kind of cooperation and compromise between the Congress and the Administration to enact legislation which is in the interest of every American. As a result, the unemployment compensation system will be able to better serve our nation.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: October 15

Time: 500pm

FOR ACTION: David Lissy cc (for information): Jack Marsh
 Max Friedersdorf *oa* Ed Schmults
 Steve McConahey ✓ Spencer Johnson *oa* Mike Duval ✓
 Bobbie Kilberg *oa* Bill Seidman *oa*
 Robert Hattmann *oa* Paul Leach *oa*

FROM THE STAFF SECRETARY

DUE: Date: October 18

Time: 200pm

SUBJECT:

H.R.10210-Unemployment Compensation Amendments of 1976

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 checked="" type="checkbox"/> For Your Comments | <input type="checkbox"/> Draft Remarks |

REMARKS:

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.

 K. R. COLE, JR.
 For the President

DAVID LISSY-

OK in edit
10/19/76

I am pleased to sign the Unemployment Compensation Amendments of 1976, H.R. 10210. This bill incorporates many of the recommendations proposed by my Administration in July 1975. It significantly improves our unemployment compensation system.

In particular, this bill makes vital changes in the unemployment compensation system's financing. It restores the fiscal soundness of the system so that unemployed workers can be sure assistance will be available when needed. Moreover, the bill clarifies some aspects of the law to ensure that benefits are paid only to those individuals the program is intended to cover. ~~For example, it now makes it clear that professional athletes between sports seasons would not be eligible.~~

H.R. 10210 extends unemployment compensation coverage to over 9 million workers, ^{This is} the largest addition to this program since its beginning. ~~Newly covered groups include many agricultural and domestic workers and most State and local government employees.~~

H.R. 10210 also establishes a National Commission on Unemployment Compensation to study and make recommendations by January 1, 1979, on unresolved problems in the system.

In addition to its unemployment compensation provisions, H.R. 10210 contains amendments to the Supplemental Security Income program. I find some of these provisions ill-conceived and they may require corrective action. Furthermore, they are objectionable because of the unrealistic effective dates which Congress has imposed.

The unemployment compensation provisions of this bill represent the kind of cooperation and compromise between the Congress and the Administration to enact legislation which is in the interest of every American. As a result, the unemployment compensation system will be able to better serve ^{our nation} the needs

10/15/76 - 4145

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 13

Date: October 15

Time: 400pm

FOR ACTION: David Lissy
 Max Friedersdorf
 Steve McConahey
 Bobbie Kilberg
 Robert Hartmann

cc (for information): Jack Marsh
 Ed Schmults
 Mike Duval
 Spencer Johnson
 Bill Seidman
 Paul Leach

FROM THE STAFF SECRETARY

DUE: Date: October 18

Time: 200pm

SUBJECT:

H.R.10210-Unemployment Compensation Amendments of 1976

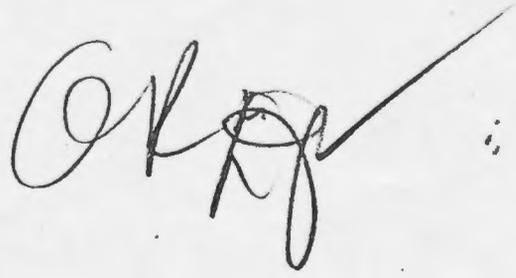
ACTION REQUESTED:

- 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

10/15/76 - Copy sent for researching. mm
 10/18/76 - Researched copy returned. mm



10/18/76
 Returned original
 to Judy Johnston.
 mm

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

James M. Cannon
 For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 13

Date: October 15

Time: 400pm

MB

FOR ACTION: David Lissy
Max Friedersdorf
Steve McConahey
Bobbie Kilberg
Robert Hartmann

cc (for information): Jack Marsh
Ed Schmults
Mike Duval

Spencer Johnson
Bill Seidman
Paul Leach

FROM THE STAFF SECRETARY

401 Res to 10/16 11:29 GAT

DUE: Date: October 18

Time: 200pm

to DJS 10/16 12:05 GAT

SUBJECT:

H.R.10210-Unemployment Compensation Amendments of 1976

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

OK/MWB

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.

James H. Cannon
For the President

STATEMENT BY THE PRESIDENT

I am pleased to sign the Unemployment Compensation Amendments of 1976, H.R. 10210. This bill which significantly improves our unemployment compensation system incorporated many of the recommendations proposed by my Administration in July 1975.

H.R. 10210 extends unemployment compensation coverage to over 9 million workers, the largest addition to this program since its beginning. Newly covered groups include many agricultural and domestic workers and most State and local government employees.

The bill makes vital changes in the system's financing in order to restore its fiscal soundness so that unemployed workers can continue to be assured that assistance will be available when needed. Moreover, it removes loopholes in the law which permitted some individuals to take advantage of the system.

H.R. 10210 also establishes a National Commission on Unemployment Compensation to study and make recommendations by January 1, 1979, on unresolved problems in the system.

I am disappointed that the Congress did not adopt my proposal for a Federal standard for the minimum unemployment benefit amount. If unemployment compensation is to provide meaningful support for those who have lost jobs while they look for new ones, we should be sure that an adequate proportion of lost wages is replaced. The Commission should give this proposal prompt consideration.

In addition to its unemployment compensation provisions, H.R. 10210 contains amendments to the Supplemental Security Income program. I find some of these provisions ill-conceived and they may require corrective action. Furthermore, they are objectionable because of the unrealistic effective dates which Congress has imposed.

STATEMENT BY THE PRESIDENT

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The unemployment compensation provisions of this bill represent the kind of cooperation and compromise between the Congress and the Administration to enact legislation which is in the interest of every American. As a result, the unemployment compensation system will be able to better serve the needs of unemployed workers.

U. S. DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

OCT 18 1976

Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D. C. 20503

Dear Mr. Lynn:

This is in response to your request for the Department of Labor's views on the enrolled bill, H.R. 10210, the "Unemployment Compensation Amendments of 1976." We most strongly urge that the bill be approved.

This bill would make several needed improvements in the coverage and financing provisions of the laws relating to the Federal-State unemployment insurance system. It would also establish a National Commission on Unemployment Compensation to study the major issues affecting the future of the system.

H.R. 10210 would bring the Virgin Islands within the Federal-State unemployment insurance system. It would require the States, in order to participate in the Federal-State system, to extend coverage under the regular program to all State and local government workers. In adding new employer categories under the Federal Employment Tax Act, it would similarly assure State coverage for the agricultural employees of an employer if that employer paid total remuneration of \$20,000 or more to individuals employed in agricultural labor in any calendar quarter in the calendar year or the preceding calendar year, or who employed 10 or more employees for each of 20 days (each in a different calendar week) during the calendar year or the preceding calendar year; and for the domestic employees in private homes, local college clubs, or local college fraternities or sororities if such employer paid remuneration of \$1,000 or more to individuals employed in such capacity during any calendar quarter in the calendar year or preceding calendar year.

The bill would extend the expiration date of the Special Unemployment Assistance (SUA) program through June 30, 1978, with a cut-off date for new claims of December 31, 1977. The base period used for the SUA benefit year would be changed to the base period used for other employees under each State law.

The trigger provisions for Federal-State extended benefits would be altered to provide that the 120 percent requirement (i.e., the insured unemployment rate (IUR) for a State must be at least 120 percent above that of the corresponding periods in the preceding two years in order for the State to trigger on) could be waived by the State when the IUR reached 5 percent. The States will be required to assume the full cost of extended benefits for State and local workers, but the Federal Government will pay the administrative costs involved in covering these workers.

H.R. 10210 makes major improvements in the financing of the system. The Federal tax wage base would be raised from \$4,200 to \$6,000 and the Federal tax rate would be increased from 0.5 percent to 0.7 percent until all advances to the extended unemployment compensation account are repaid.

A Commission would be established to study the long-range needs of the unemployment insurance system. It would study possible alternatives and improvements and recommend changes by January 1, 1979, with an interim report due by March 31, 1978. The Commission has seven members appointed by the President, three members appointed by the President pro tempore of the Senate, and three appointed by the Speaker of the House. Of these thirteen, there will be least one representative from each of several groups -- business, labor, small business, the Federal Government, State government, and local government.

Among other changes that the bill would make are (1) the allowance of a State to apply for advances on a three-month basis rather than each month, although the payments will continue to be advanced monthly; (2) a ban on benefits to illegal aliens; (3) revised limitations on professional and non-professional school employees receiving benefits between school years; (4) repeal of the so-called "finality" clause which limited the right of an unemployed Federal employee to challenge the statement of the Government as to why the

individual was no longer employed; (5) a partial ban on paying unemployment benefits to retirees effective on October 1, 1979; and (6) changes in the criteria for handling individuals eligible for both unemployment insurance and aid for families with dependent children (AFDC). In addition, amendments were made in the Supplemental Security Income program; on these Supplemental Security Income amendments we defer to HEW.

Many of the provisions in this bill are similar to the bill originally submitted by the Administration, H.R. 8614. We believe that H.R. 10210 makes important improvements in the Federal-State unemployment system and should be signed. The increased number of employees that will be covered under the regular system will make emergency programs like SUA unnecessary in the future.

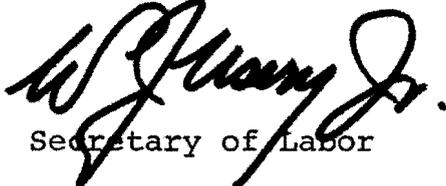
The increase in the Federal wage base to \$6,000, and of the Federal tax from 0.5 percent to 0.7 percent, will help the financial soundness of the system. Advances from general revenues to the extended unemployment compensation account and to the Federal unemployment account, and loans to the States' accounts have put a serious strain on the fiscal integrity of the system. The changes made in this bill will provide some of the necessary assistance to the system.

The extension of the SUA program will ease the transition into full coverage. If SUA had not been extended many workers would have found themselves without coverage until their State had time to enact coverage.

Finally, establishment of the Commission will provide a needed vehicle to generate a full discussion of the many issues that must be answered about the future of the unemployment system. The bill lists unemployment statistics among the items that the Commission is to study. However, we would point out that H.R. 12987, the "Emergency Jobs Programs Extension Act of 1976," established a separate Commission to study unemployment statistics. We would hope that the Commission in H.R. 10210 does not spend its time on a duplicative study.

We would, of course, have preferred a bill that adopted a minimum Federal benefit standard as we proposed. Nevertheless, we urge Presidential approval of H.R. 10210.

Sincerely,



Secretary of Labor

Draft Signing Statement - H.R. 10210

It gives me great satisfaction today to sign H.R. 10210, the "Unemployment Compensation Amendments of 1976." This bill is close in its essential characteristics to my proposals introduced back in July of 1975. When I again urged its speedy consideration this past July, I pointed out that it was absolutely essential that we take these steps to restore financial integrity to the unemployment compensation system. The bill also makes several much needed improvements in the coverage provisions and establishes a National Commission on Unemployment Compensation to make recommendations by January 1, 1979, on some major problems yet unresolved.

A serious weak spot in the system has been the lack of adequate financing. Although the unemployment insurance system was intended to be self-sustaining, over the past two years almost \$10 billion has had to be advanced from general revenues to the unemployment trust funds. H.R. 10210 is designed to place this system on a sound financial footing.

The bill also brings within the system over 9 million workers including State and local government employees, some domestics and farmworkers, the largest addition to this program at one time since its beginning. Until now, temporary measures such as Special Unemployment Assistance were needed to protect these workers. However, now there is practically universal coverage of this Nation's wage and salary workers under the regular insurance system.

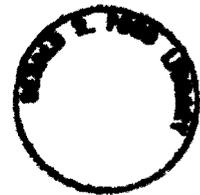
The National Commission on Unemployment Compensation will have three members appointed by the President pro tempore of the Senate, three appointed by the Speaker of the House of Representatives, and seven appointed by the President. I plan to work with the Congress so that the Commission can begin its important work at the earliest possible date.

Finally, this bill provides for a tightening up in some qualifying provisions of the system and ensures that benefits are paid only to those individuals that the unemployment insurance program is intended to cover.

Over the past two years the unemployment insurance system has been severely tested as our first line of defense against the economic downturn. It has functioned well in this time of stress. The men and women responsible for administering this program at both the State and Federal levels can look back with satisfaction on a job well done.

I hope this country and the unemployment insurance system will never again experience a test of the magnitude which it has undergone.

However, it gives me great confidence to know that the system withstood the test. With the economy on its way back to good health it is with great satisfaction that I am able to sign this bill. The bill is the result of the combined efforts of the Administration and Congress to repair the weaknesses of the unemployment insurance system so that it will perform even more effectively in the future.





DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

ASSISTANT SECRETARY

OCT 14 1976

Dear Sir:

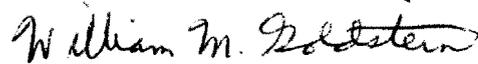
This is in response to your request for the views of the Treasury Department on the enrolled bill, H.R. 10210. Titles I and II of the enrolled bill contain the most significant provisions relating to the Internal Revenue Code, and our specific comments will be limited to those provisions.

In general, Title I of the enrolled bill would extend coverage under the Federal Unemployment Tax Act ("Act") to certain State and local government employees and to certain domestic and farm workers, effective with respect to services performed after December 31, 1977. The coverage of the Act would also be extended to "employment" in the Virgin Islands. Title II of the enrolled bill would increase the Act's taxable wage based from \$4,200 to \$6,000 per year effective with respect to remuneration paid after December 31, 1977, and would increase the Federal unemployment tax rate from 3.2 to 3.4 percent, effective with respect to remuneration paid after December 31, 1976. The tax rate increase would be temporary, and would expire when all of the repayable advances to the extended unemployment compensation account in the Federal unemployment trust fund had been repaid.

The Treasury Department understands that the Labor Department supports the extensions of the Act's coverage, the increases in the Act's wage base and rates, and the other changes in the unemployment insurance system provided for in the enrolled bill. The Treasury Department generally defers to the views of the Labor Department on policy questions regarding such matters.

Therefore, the Treasury Department has no objection to the amendments to the Internal Revenue Code contained in the enrolled bill, and recommends that the President approve H.R. 10210.

Sincerely yours,

A handwritten signature in cursive script that reads "William M. Goldstein".

William M. Goldstein
Deputy Assistant Secretary

Director, Office of Management and Budget
Attention: Assistant Director for Legislative
Reference, Legislative Reference Division
Washington, D.C. 20503

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

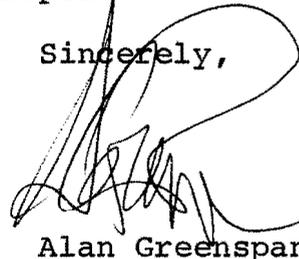
October 13, 1976

Dear Mr. Frey:

This is in response to your request for my comments on enrolled bill H. R. 10210, Unemployment Compensation Amendments Act of 1976. I recommend that the President sign the enrolled bill.

Much of what is in the enrolled bill is in accordance with the President's requests -- the extension of coverage, the increase in the Federal unemployment compensation tax rate and tax base, and the establishment of an unemployment compensation study commission. Some other provisions not specifically requested are desirable. These include the denial of benefits to persons receiving retirement pay based on past employment, illegal aliens, and professional athletes during the off-season. Hence, a Presidential signature is appropriate.

Sincerely,



Alan Greenspan

Mr. James Frey
Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D. C. 20503





DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

OCT 14 1976

The Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D. C. 20503

Dear Mr. Lynn:

This is in response to your request for a report on H.R. 10210, an enrolled bill "To require States to extend unemployment compensation coverage to certain previously uncovered workers; to increase the amount of the wages subject to the Federal Unemployment Tax; to increase the rate of such tax; and for other purposes." The only provisions of concern to this Department are those contained in title V.

In short, while we support or do not object to most of the provisions of title V of the enrolled bill, we oppose two of them. We also wish to note, as a general matter, the continued lack of realism on the part of the Congress as evidenced by effective dates of such immediacy that there is obviously insufficient time to implement the provisions as contemplated by the bill. Finally, we wish to bring to your attention the high cost (perhaps \$800 million over the first five fiscal years) that would result from enactment of section 505. Had the enrolled bill consisted solely of the provisions contained in title V, we may well have considered recommending a veto. However, there are several other titles contained in the enrolled bill which are of significant interest to the Department of Labor. Although we are not in a position to assess the desirability of the enrolled bill as a whole, we would not, on the basis of our problems with title V, object to its enactment.

We have enclosed, for your information, a detailed description of each section contained in title V of the enrolled bill, and we will provide in this report, only a brief summary of the individual sections.

Section 501 of the enrolled bill would amend section 1615 of the Social Security Act, pertaining to rehabilitation services for blind or disabled individuals under the age of 65 who are receiving supplemental security income

(SSI) benefits. Currently, that section requires the referral of all such individuals to the appropriate State agency administering the State vocational rehabilitation program. The section requires any individual so referred to accept (except for good cause) any rehabilitation services offered, and the Secretary is authorized to pay the State agency the cost incurred in providing such services. Section 501 of the enrolled bill would not change the effect of section 1615 insofar as that section relates to individuals who are sixteen or older. However, section 1615, as it would be amended by the enrolled bill, would provide new procedures for the referral of disabled children under the age of sixteen and would establish a new formula for allocating Federal funds to cover the cost of such referrals and the provision of appropriate services. The increase in budget authority and outlays resulting from enactment of this section would be \$30 million for each of the fiscal years 1977 through 1979.

The Department has previously acknowledged to the Congress that the current law does not adequately provide for the referral of, and the provision of services to, disabled children who are eligible for SSI benefits but who are too young to be served by State vocational rehabilitation programs. In our bill report on H.R. 8911, which we submitted to the Ways and Means Committee on November 13, 1975, we supported section 5 of that bill, which provided for the referral of disabled children to an appropriate State agency and for Federal sharing in the cost of services. We supported this section on the theory that it was comparable to provisions already in effect with respect to vocational rehabilitation services for older SSI recipients. Section 501 of the enrolled bill, however, would in effect establish a new program of grants to States for services provided to disabled children under approved State plans meeting conditions to be prescribed by the Secretary. Furthermore, section 501 includes several constraints on cost reimbursement that will entail complex administrative controls and will limit the effectiveness of the service programs.

We view the establishment of a service program under title XVI to be inappropriate. However, our reservations regarding the enactment of this provision within the context of an income maintenance program do not justify a veto of the enrolled bill.

Section 502 of the enrolled bill would amend section 1611 of the Social Security Act to provide that for any month during all of which a spouse is in an institution, the couple involved would be treated as individuals rather than as a couple for purposes of applying their separate incomes in computing any reduction of the SSI benefit amount. Currently, any income of either spouse is applied to reduce the combined SSI benefit of the couple.

We recognize that there are additional costs involved when an individual is institutionalized, and that it is inequitable to effectively reduce the benefits of the uninstitutionalized spouse, who must continue to meet the usual costs of living, by income that accrues to the institutionalized spouse and that may be necessary to defray the costs of institutionalization. We therefore have no objection to enactment of section 502. We estimate that the cost of this amendment would be \$5 million per fiscal year.

Section 503 of the enrolled bill would provide that no recipient of Federal benefits or State supplementary payments under the SSI program would lose his "categorical eligibility" for Medicaid as the result solely of a cost-of-living increase under title II of the Social Security Act. Currently, as explained in the enclosed summary of the bill, it is possible for an SSI beneficiary to lose his SSI eligibility, and therefore his Medicaid eligibility, solely by reason of a cost-of-living increase under title II of the Social Security Act. We agree that the loss of "categorical eligibility" for Medicaid as a result of a cost-of-living increase under Social Security could be of significant consequence to an individual. However, on the basis of equity, we are generally opposed to "grandfather clauses", which serve to protect the interests of some individuals while leaving without such protection other individuals in a similar situation. Although we would, therefore, recommend the veto of this provision were it the sole proposal contained in a separate bill, our objection to section 503 is not of sufficient significance to cause us to recommend that the enrolled bill be vetoed. The cost of this provision would be approximately \$10 million per fiscal year.

Section 504 of the enrolled bill would require that cost-of-living increases, or any other general increase, in Federal SSI benefits becoming effective after June 30, 1977, and before July 1, 1979, be disregarded for purposes of determining the amount which the Federal government must contribute to each of the three remaining "hold-harmless" States for purposes of title XVI of the Social Security Act. The effect of this amendment would be to permit these three States to pass along to SSI recipients Federal benefit increases at no additional cost to each such State. Currently, all other States (which receive no Federal contributions toward their State supplements) may pass along such increases at no additional cost, but a hold-harmless State loses a portion of its Federal hold-harmless contribution with each such increase, and is therefore required to increase State expenditures if it desires to pass along any such increase. The cost of this section would be approximately \$12 million over the first two years, and a total cost of about \$50 million over the next six fiscal years.

The fiscal liability of certain States under title XVI of the Social Security Act is limited by section 401 of Public Law 92-603. That section, commonly referred to as the "hold-harmless" provision, was to be a temporary provision designed to protect States against a sudden and large increase in its aged, blind, and disabled case load. The number of hold-harmless States has been decreasing, and is now limited to Hawaii, Massachusetts, and Wisconsin. We have opposed any proposal which would have the effect of perpetuating in any form the temporary protection afforded by section 401 of the P.L. 92-603. As is the case with section 503 of the enrolled bill, if this section were the sole provision of an enrolled bill, we would recommend its veto. However, we do not believe that our opposition to this section justifies a veto of the enrolled bill.

Section 505 of the enrolled bill would make several amendments to title XVI of the Social Security Act pertaining to the eligibility for SSI benefits of individuals in certain institutions and the establishment of standards for certain institutions. A detailed description of these amendments is provided in the enclosed summary. The Department has been supportive of the objectives of section 505--to eliminate

disincentives for the establishment and subsidization by States and localities of residential facilities for the aged, blind, or disabled and to allow States and localities to supplement Federal SSI benefits by either direct or indirect assistance to persons in public institutions. Furthermore, we have supported the repeal of section 1616(e) of the Social Security Act. Although we are concerned by the potential cost of this section (approximate cost estimates are provided in the enclosed summary) and although we would have preferred the repeal of section 1616(e) to the modifications which would be made to it by the enrolled bill, we do not object to the enactment of section 505.

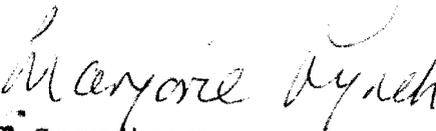
Section 506 of the enrolled bill would amend the Internal Revenue Code of 1954, pertaining to employment taxes, and we defer to the Department of the Treasury.

Section 507 of the enrolled bill would amend section 407 of the Social Security Act to modify the law applicable to men who are eligible both for benefits under the Aid to Families with Dependent Children-Unemployed Fathers (AFDC-UF) program and for unemployment compensation. This section is similar to a provision contained in an Administration draft bill submitted by this Department to the Congress earlier this year, and we support its enactment. The provision would reduce AFDC-UF expenditures by approximately \$47 million, which would be absorbed by the unemployment insurance trust funds.

Section 508 of the enrolled bill would require State employment offices to furnish, at the request of the State or a local AFDC or child support agency, certain information in their files regarding any individual. The amendment specifies the information which would be required to be provided. Section 508 would likely contribute to the improved coordination of welfare and employment programs, and we therefore have no objection to its enactment.

Thus, although we have considerable problems with title V of the enrolled bill, we defer to the Department of Labor on all the other titles, and we would not object to the enactment of the enrolled bill.

Sincerely,


Under Secretary

Enclosures

Section-by-Section Summary of Title V
of H.R. 10210

Section 501 of the enrolled bill would amend section 1615 of the Social Security Act, pertaining to rehabilitation services for blind or disabled individuals under the age of 65 who are receiving supplemental security income (SSI) benefits. Currently, that section requires the referral of all such individuals to the appropriate State agency administering the State vocational rehabilitation program. The section requires any individual so referred to accept (except for good cause) any rehabilitation services offered, and the Secretary is authorized to pay the State agency the costs incurred in providing such services.

Section 501 of the enrolled bill would not change the effect of section 1615 insofar as that section relates to individuals who are 16 or older. However, section 1615, as it would be amended by the enrolled bill, would provide new procedures for the referral for services of disabled children under the age of 16. Under the amended section 1615, the Secretary would be required to prescribe regulations for the approval of State plans which would govern the referral of, and provision of services to, SSI recipients who are under 16 and either blind or disabled. Among other things, the plans would have to: (1) assure appropriate counseling for disabled children, including the establishment of individual service plans and the prompt referral for medical, educational, and social services; (2) provide for monitoring to assure adherence to such service plans; and (3) provide for medical, social, developmental, and rehabilitative services to disabled children under age 7 and to disabled children who have never attended public school and require preparation to take advantage of public school, whenever such services can be expected to enhance any such child's ability to benefit from education or training or to improve his chances for self-support as an adult. Children under the age of 16 would not lose their SSI eligibility on account of failure to accept services to which they are referred. The State plan would be administered by the agency administering the crippled children's program under title V of the Social Security Act or by any other agency, designated by the Governor, which provides services to disabled children.



Section 1615, as amended, would also specify a new funding procedure for providing services to disabled children. Whereas services provided pursuant to the current section 1615 are fully reimbursed by the Federal government, and such services provided to adults under the revised section 1615 would continue to be fully covered without limitation, Federal financial participation with respect to services provided to disabled children under the revised section 1615 would be limited (except when such services are provided by the State vocational rehabilitation agency) by an allotment formula. The maximum Federal outlay for reimbursing States for rehabilitation services provided under the new referral procedures to disabled children receiving SSI benefits would be \$30 million for each of the fiscal years 1977 through 1979. The funds would be allotted to States on the basis of each State's population of children under age 7. The revised section 1615 would impose certain other conditions on the use of the funds, including earmarking 90 percent of each State's allotment for children under age 7, preventing the use of the new funds as a replacement for State or local funds, and limiting the new funds to costs related to meeting the special needs of disabled children. It should be noted that the Conference Report (H. Rept. No. 94-1745) makes clear that the new referral procedures for children under 16 do not preclude the referral of such children to the State vocational rehabilitation agency. In any such instance, Federal financing of the cost would not be limited by the allotment formula.

Lastly, this section would require the Department of Health, Education, and Welfare to publish, within 120 days of enactment, criteria for determining the disability of individuals under the age of 18.

Section 502 of the enrolled bill would amend section 1611 of the Social Security Act to provide that for any month during all of which a spouse is in an institution, the couple involved would be treated as individuals rather than as a couple for purposes of applying their separate incomes in computing any reduction of the SSI benefit amount. Currently, any income of either spouse is applied to reduce the total SSI benefit of the couple.

Section 503 of the enrolled bill would provide that no recipient of Federal benefits or State supplementary payments under the SSI program would lose his "categorical eligibility"

for Medicaid as the result solely of a cost-of-living increase under title II of the Social Security Act. Currently, because cost-of-living increases under both titles II and XVI of the Social Security Act are based upon an identical percentage of the benefit amount, and because, in determining the SSI benefit amount payable to an individual, there is disregarded \$20 of other income per month, the title II benefit for an individual can exceed the SSI benefit and therefore his title II benefit increase can be greater than his SSI benefit increase. This circumstance can eventually have the effect of making the individual ineligible for SSI, and thus for Medicaid. Section 503 of the enrolled bill would preserve the Medicaid eligibility of such individuals.

Section 504 of the enrolled bill would require that cost-of-living increases, or any other general increase, in Federal SSI benefits becoming effective after June 30, 1977, and before July 1, 1979, be disregarded for purposes of determining the amount which the Federal government must contribute to each of the three remaining "hold-harmless" States. The effect of this amendment would be to permit these three States to pass along to SSI recipients Federal benefit increases at no cost to each such State. Currently, any other State may pass along such increases at no additional cost, but a hold-harmless State loses a portion of its Federal hold-harmless contribution with each such increase, and is therefore required to increase State expenditures if it desires to pass along any such increase.

Section 505 of the enrolled bill would make several amendments to title XVI of the Social Security Act pertaining to the eligibility for SSI benefits of individuals in certain institutions and the establishment of standards for certain institutions. First, the enrolled bill would provide that the prohibition against SSI payments to persons in public institutions not apply in the case of publicly operated community residences which serve no more than 16 residents. The enrolled bill would also provide that Federal SSI payments would not be reduced in the case of assistance provided by States and localities which is based upon need. Currently, this exclusion is limited to cash payments made on a regular basis in supplementation of the SSI benefit amounts.

Thirdly, section 505 of the enrolled bill would repeal the current section 1616(e) of the Social Security Act. That section currently provides that Federal SSI payments be reduced in the case of payments made by States or localities for medical or any other type of remedial care provided by an institution if the care is or could be provided in a medicaid institution. This requirement was originally incorporated into the SSI statute to prevent the use of SSI benefits as a means of evading Federal Medicaid requirements and thus of funding care in substandard facilities. However, because of its complexity, the Department has not been able to enforce this requirement. Instead of the current section 1616(e), the enrolled bill would, effective October 1, 1977, add a new section 1616(e), which would require each State to establish or designate State or local authorities to establish, maintain and insure the enforcement of standards for any category of institutions, foster homes, or group living arrangements in which (as determined by the State) a significant number of SSI recipients is residing. The standards would have to be appropriate to the needs of the recipients and the character of the facilities involved. They would govern admission policies, safety, sanitation, and protection of civil rights.

The revised section 1616(e) would also require each State to make available for public review, as a part of its social services program planning procedures under title XX of the Social Security Act, a summary of the standards, and to make available to any interested individual a copy of the standards and the procedures available in the State to insure their enforcement. There would have to be made available a list of any waivers of standards which have been made and any violations of standards which have come to the attention of the enforcement authority. Each State would be required to certify annually to the Secretary of Health, Education, and Welfare that it is in compliance with the requirements for State standards. The bill would also provide for the reduction of Federal payments in the case of any person who is in an institution not approved under State standards as determined by the appropriate State or local authorities.

The eventual cost of section 505 of the enrolled bill depends upon how States will react to its enactment. However, for purposes of guidance in estimating the potential cost, the following chart shows the approximate range within which costs are likely to fall (in millions):

<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
8-16	39-81	78-161	116-242	155-323

Section 507 of the enrolled bill would amend section 407 of the Social Security Act to modify the law applicable to men who are eligible both for benefits under the Aid to Families with Dependent Children--Unemployed Fathers (AFDC-UF) program and for unemployment compensation. Currently, as the result of the Supreme Court decision in Philbrook v. Glodgett, 95 S. Ct. 1893 (1975), an unemployed father who is eligible for unemployment compensation benefits has the option of applying for either unemployment compensation benefits or AFDC-UF benefits, but cannot, with respect to any week receive benefits under both programs. The amendment to section 407 would require that an applicant for AFDC-UF benefits apply for and accept any unemployment compensation benefits to which he is entitled. The applicant may then claim any AFDC-UF benefits to which he would be entitled, but those benefits would be reduced by the amount of the unemployment benefits which he receives.

Section 407 of the Social Security Act, as that section would be amended by section 507 of the enrolled bill, would also require the Secretary of Health, Education, and Welfare and the Secretary of Labor to jointly enter into an agreement with any State for the purpose of reducing the number of registration requirements imposed upon AFDC-UF recipients. It is expected that in those States where the Work Incentive Program (WIN) is operating, recipients of AFDC-UF benefits would be required to register only with WIN and not, as is now required, with both the WIN program and the State Employment Service. Where WIN is not available, these recipients would register with the Employment Service.

Section 508 of the enrolled bill would require State employment offices, at the request of a State or local AFDC or child support agency, to furnish information in their files regarding any individual. The information to be provided would include: (1) whether such individual is receiving, has received, or has made application for, unemployment compensation, (2) the current home address, and (3) whether such individual has refused an offer of employment.

The State employment offices would be reimbursed for the cost of supplying the information by the welfare or child support agency which requested the information, and the costs would be considered as expenditures incurred in the administration of the applicable State plan approved under title IV of the Social Security Act.

FACT SHEET
TITLE V OF H.R. 10210

Section 501 of the bill provides new procedures for the referral for rehabilitation services of blind or disabled children who are receiving supplemental security income (SSI) benefits. Currently, such children are referred, as is the case with disabled adults, to the State vocational rehabilitation agency. However, because of their age, the children usually are not provided services by the agency. The section also provides an additional \$30 million in Federal funding for the provision of services to such disabled children.

Section 502 of the bill provides that married couples be treated as individuals for purposes of determining SSI benefits when one of the spouses is in an institution.

Section 503 of the bill preserves the categorical eligibility for Medicaid of individuals who become ineligible for SSI benefits solely by reason of social security cost-of-living increases.

Section 504 of the bill has the effect of allowing the three remaining "hold-harmless" States--Massachusetts, Wisconsin, and Hawaii--to pass along to SSI beneficiaries Federal cost-of-living increases at no additional cost to the States.

Section 505 of the bill makes several amendments to title XVI of the Social Security Act pertaining to the eligibility for SSI benefits of individuals in certain institutions and the establishment of standards for certain institutions.

Section 507 of the bill modifies the law applicable to men who are eligible both for benefits under the Aid to Families with Dependent Children-Unemployed Fathers program and for unemployment compensation.

Section 508 of the bill requires State employment offices to furnish certain information to the State or local AFDC or child support agency.



**GENERAL COUNSEL OF THE
UNITED STATES DEPARTMENT OF COMMERCE**
Washington, D.C. 20230

OCT 13 1976

Honorable James T. Lynn
Director, Office of Management
and Budget
Washington, D. C. 20503

Attention: Assistant Director for Legislative Reference

Dear Mr. Lynn:

This is in reply to your request for the views of this Department concerning H. R. 10210, an enrolled enactment

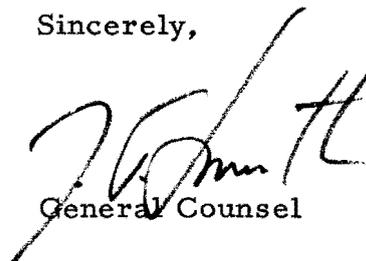
"To require States to extend unemployment compensation coverage to certain previously uncovered workers; to increase the amount of the wages subject to the Federal unemployment tax; to increase the rate of such tax; and for other purposes."

This legislation makes a number of amendments to the unemployment compensation program, among which are the extension of coverage to additional workers, an increase in the rate base and the tax levied on that base, the establishment of a National Commission on Unemployment Compensation and revision of the trigger provision of the extended benefit program.

The Department of Commerce would interpose no objection to approval by the President of H. R. 10210.

Enactment of this legislation would involve no additional expenditure of funds by this Department.

Sincerely,



General Counsel



Department of Justice
Washington, D.C. 20530

October 14, 1976

Honorable James T. Lynn
Director
Office of Management and Budget
Washington, D.C. 20503

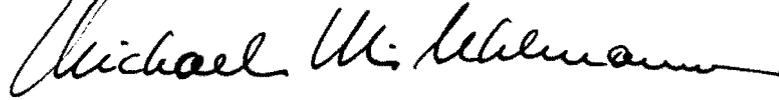
Dear Mr. Lynn:

In compliance with your request, I have examined a facsimile of the enrolled bill H.R. 10210, the "Unemployment Compensation Amendments of 1976". The bill's purposes are "To require States to extend unemployment compensation coverage to certain previously uncovered workers; to increase the amount of the wages subject to the Federal unemployment tax; to increase the rate of such tax; and for other purposes."

The Department of Justice has no expertise in the area of unemployment compensation systems. Therefore we defer to the judgment of the Department of Health, Education, and Welfare and to that of the Department of the Treasury on the question whether the bill merits Executive approval. However, we note that to the extent H.R. 10210 succeeds in its expressed purpose to "require States to extend unemployment compensation coverage to certain previously uncovered" State employees (see sections 114 and 115 of the bill), it may run afoul of the same constitutional limits which invalidated a similar effort to bring State employees within the overtime provisions of the Fair Labor Standards Act in the case of National League of Cities v. Usery, ___ U.S. ___, in June of this year. The Court there held a federal statute requiring that States compensate their employees under prescribed

terms and conditions to be an impermissible invasion of basic sovereign attributes of the several States. There is a substantial likelihood that the same analysis would apply in this instance.

Sincerely,

A handwritten signature in cursive script that reads "Michael M. Uhlmann". The signature is written in black ink and is positioned below the word "Sincerely,".

Michael M. Uhlmann
Assistant Attorney General
Office of Legislative Affairs



UNITED STATES CIVIL SERVICE COMMISSION

WASHINGTON, D.C. 20415

CHAIRMAN

October 13, 1976

Honorable James T. Lynn
Director
Office of Management and Budget

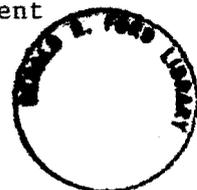
Attention: Assistant Director for
Legislative Reference

Dear Mr. Lynn:

This is in reply to your request for the views of the Civil Service Commission on enrolled H.R. 10210, a bill "To require States to extend unemployment compensation coverage to certain previously uncovered workers; to increase the amount of the wages subject to the Federal unemployment tax; to increase the rate of such tax; and for other purposes." We are limiting our comments to sections 313 and 411 of H.R. 10210.

Section 313 of title 3 of H.R. 10210 contains language repealing the "finality" provision of section 8506(a) of title 5, United States Code. As we noted earlier in our proposed report to the Chairman, Committee on Finance, United States Senate, this amendment would permit a State agency in its administration of the Unemployment Insurance Program to review and make determinations on the validity of the findings of Federal agencies. It would also afford to former Federal employees the right of a hearing and a determination under State law with respect to the cause of separation from employment as is now provided for all other workers in a State. The effect of the repeal would be to have the judgment of State Unemployment Insurance officials supersede that of Federal employing agency officials on questions of fact. We object in general to this principle.

Although determinations or conclusions made by a State agency in connection with claims for unemployment compensation would not affect the status of employment of a former Federal employee, we see potential problems, particularly when a former Federal employee uses a determination made by a State agency that contradicts the findings of a Federal employing agency or the Civil Service Commission as a basis for challenging the validity of a separation in a Federal district court. The Commission is particularly opposed to this amendment as it is presently worded. The addition of a specific statement that a determination made under the Unemployment Insurance Program shall have no other application or effect except that of the determination of entitlement of a former Federal employee to unemployment compensation would make this amendment more acceptable.



To accomplish this, we previously recommended that the fifth sentence of section 8506(a) of title 5, United States Code be deleted and the following language substituted:

"A procedure established to make determinations pursuant to sections 8502(d) and 8503(c) of this title shall be solely for the purpose of determining the entitlement of a Federal employee to compensation under this chapter, and a decision issued following that procedure shall have no other application or effect."

Since our recommended amendment is no longer possible for this enrolled bill, it seems important that the legislative history show the Commission's position and clear intent that any review by a State agency can have no effect on a Federal action taken against an employee.

Section 411 would establish a Commission on Unemployment Compensation. Since this Commission would go out of existence by early 1979, the Civil Service Commission does not object to the provisions of this section which exclude staff members from provisions of title 5, United States Code, governing appointments in the competitive service and classification and pay under the General Schedule.

Although the Commission still finds the provisions of section 313 to be objectionable, we do not believe that this objection merits our recommending that the President not sign the enrolled bill. Since the Civil Service Commission has no substantive concerns in the Unemployment Compensation program, we defer to the recommendations of the Department of Labor and the Department of Treasury.

By direction of the Commission:

Sincerely yours,

A handwritten signature in cursive script that reads "Georgiana Sheldon".

ACTING Chairman



ADVISORY
COMMISSION ON INTERGOVERNMENTAL RELATIONS
WASHINGTON, D.C. 20575

October 14, 1976

Mr. James M. Frey
Assistant Director for
Legislative Reference
Office of Management and Budget
New Executive Office Building
Washington, D.C. 20503

Dear Mr. Frey:

The Unemployment Compensation Amendments of 1976 (H.R. 10210), among other things, require States to extend unemployment compensation coverage to all State and local employees except, in effect, those who are elected or on political appointments, or those employed temporarily. The legislation thus mandates an additional cost on State and local governments as employers of workers covered by the unemployment compensation program.

The Advisory Commission on Intergovernmental Relations in its study, Labor-Management Policies for State and Local Government recommended that:

...Congress desist from any further mandating of requirements affecting the working conditions of employees of State and local governments or the authority of such jurisdictions to deal freely or to refrain from dealing with their respective personnel.

This recommendation was prompted by the 1966 amendments to the Fair Labor Standards Act which extended coverage to include government employees working in hospitals, schools, higher education institutions and special training and rehabilitative institutions. The supporting text for this recommendation stated in part:

The Administration and Congress should abstain from any further mandating of requirements affecting the working conditions of State and local personnel, either by additional amendments of the Fair Labor Standards Act or by other statutory routes. . . .any additional mandating of salaries, wages and working conditions can only be interpreted as an unconscionable Federal reordering of the fiscal priorities of State and local governments. If such an action were to be taken, then Congress in all fairness should simultaneously enact legislation providing the funds required for adherence to the standards stipulated.

H.R. 10210 provides Federal financial help to States in the administration of the program. The Federal Government will share more generously during a transition period the cost of claims by persons who moved from uncovered to covered status. The bill will not, however, provide Federal help to States and localities in meeting the burden of having their employees covered by the unemployment compensation program.

The extension of coverage of the Unemployment Compensation Amendments of 1976 (H.R. 10210) to all State and local government employees who are not elected or on political appointments is contrary to the position taken by this Commission in September 1969.

In light of the Commission's recommendation, it would be opposed to those portions of H.R. 10210 which relate to State and local government employees. At the same time, the Commission has not examined the other issues covered in this bill and takes no position on them.

Sincerely,


Wayne F. Anderson
Executive Director

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 13

Date: October 15

Time: 400pm

FOR ACTION: David Lissy- cc (for information): Jack Marsh-
 Max Friedersdorf Ed Schmults
 Steve McConahey Spencer Johnson Mike Duval
 Bobbie Kilberg Bill Seidman
 Robert Hartmann Paul Leach

FROM THE STAFF SECRETARY

DUE: Date: October 18

Time: 200pm

SUBJECT:

H.R.10210-Unemployment Compensation Amendments of 1976

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

*Approved
 JMS*

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.

James M. Cannon
For the President

THE WHITE HOUSE

A MEMORANDUM

WASHINGTON

LOG NO.: 123

Date: October 15

Time: 400pm

FOR ACTION: David Lissy- cc (for information): Jack Marsh-
 Max Friedersdorf Ed Schmults
 Steve McConahey Spencer Johnson Mike Duval
 Bobbie Kilberg Bill Seidman
 Robert Hartmann Paul Leach

FROM THE STAFF SECRETARY

DUE: Date: October 18

Time: 200pm

SUBJECT:

H.R.10210-Unemployment Compensation Amendments of 1976

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

Sigs
Signing statement
needs work.
M Duval

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.

James M. Cannon
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 123

Date: October 15

Time: 400pm

FOR ACTION: David Lissy- cc (for information): Jack Marsh-
 Max Friedersdorf Ed Schmults
 Steve McConahey- Spencer Johnson Mike Duval
 Bobbie Kilberg Bill Seidman
 Robert Hartmann Paul Leach

FROM THE STAFF SECRETARY

DUE: Date: October 18

Time: 200pm

SUBJECT:

H.R.10210-Unemployment Compensation Amendments of 1976

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

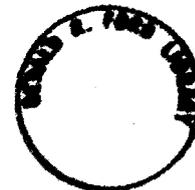
For Your Comments

Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

Recommend approval & signing ceremony. [Signature]



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.

James M. Cannon
For the President

10/20

EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

OCT 15 1976

To: [Handwritten signature]
10-15-76
3:30 P.M.



MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill H.R. 10210 - Unemployment Compensation Amendments of 1976
Sponsor - Rep. Corman (D) California and 6 others

Last Day for Action

October 20, 1976 - Wednesday

Purpose

Extends unemployment compensation coverage to certain agricultural workers, domestic service workers, and State and local government workers; improves the financing of the system by increasing the taxable wage base and the tax rate; permits the Virgin Islands to join the unemployment compensation system; extends for 1 year, until December 31, 1977, and amends the Special Unemployment Assistance program (SUA); establishes a National Commission on Unemployment Compensation; makes other changes in the unemployment compensation program; and amends the Supplemental Security Income program (SSI).

Agency Recommendations

Office of Management and Budget	Approval (Signing statement attached)
Department of Labor	Approval (Signing statement attached)
Department of the Treasury	Approval
Council of Economic Advisers	Approval
Department of Health, Education, and Welfare	No objection
Department of Commerce	No objection
Department of Agriculture	No objection (Informally)
Department of Justice	Defers to HEW and Treasury
Department of the Interior	Defers to other agencies
Civil Service Commission	Defers to Labor and Treasury
Advisory Commission on Intergovernmental Relations	No recommendation

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 123

Date: October 15

Time: 400pm

FOR ACTION: David Lissy- cc (for information): Jack Marsh-
 Max Friedersdorf- Ed Schmults
 Steve McConahey- Spencer Johnson Mike Duval
 Bobbie Kilberg- Bill Seidman
 Robert Hartmann- Paul Leach

FROM THE STAFF SECRETARY

DUE: Date: October 18

Time: 200pm

SUBJECT:

H.R.10210-Unemployment Compensation Amendments of 1976

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

No objection -- Ken Lazarus 10/18/76

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.

James M. Cannon
For the President

Date: October 15

Time: 400pm

FOR ACTION: David Lissy
Max Friedersdorf
Steve McConahey
Bobbie Kilberg
Robert Hartmann

cc (for information): Jack Marsh-
Ed Schmults
Mike Duval
Spencer Johnson
Bill Seidman
Paul Leach

FROM THE STAFF SECRETARY

DUE: Date: October 18

Time: 200pm

SUBJECT:

H.R.10210-Unemployment Compensation Amendments of 1976

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

10-18

*Sign for me. I'm waiting
for McConahey report on views of NACD et al before
final decision on ceremony.
The statement needs a good deal*

of work.



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.

James M. Cannon
For the President

STATEMENT BY THE PRESIDENT

I am pleased to sign the Unemployment Compensation Amendments of 1976, H.R. 10210. This bill, which ^{QA} significantly improves our unemployment compensation system, incorporates many of the recommendations proposed by my Administration in July 1975.

H.R. 10210 extends unemployment compensation coverage to over 9 million workers, the largest addition to this program since its beginning. Newly covered groups include many agricultural and domestic workers and most State and local government employees.

The bill makes vital changes in the ^{unemployment compensation} system's financing, ⁱⁿ order to restore ^{the} ~~its~~ fiscal soundness so that unemployed workers can ^{be sure} ~~continue to be assured~~ that assistance will be available when needed. Moreover, it removes loopholes in the law which permitted some individuals to take advantage of the system.

H.R. 10210 also establishes a National Commission on Unemployment Compensation to study and make recommendations by January 1, 1979, on unresolved problems in the system.

I am disappointed that the Congress did not adopt my proposal for a Federal standard for the minimum unemployment benefit amount. If unemployment compensation is to provide meaningful support for those who have lost jobs while they look for new ones, we should be sure that an adequate proportion of lost wages is replaced. The Commission should give this proposal prompt consideration.

I question including this.

In addition to its unemployment compensation provisions, H.R. 10210 contains amendments to the Supplemental Security Income program. I find some of these provisions ill-conceived and they may require corrective action. Furthermore, they are objectionable because of the unrealistic effective dates which Congress has imposed.

THE WHITE HOUSE

10/15/76 - 4:45 pm

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 123

Date: October 15

Time: 400pm

MB

FOR ACTION: David Lissy- cc (for information): Jack Marsh
 Max Friedersdorf Ed Schmults
 Steve McConahey Spencer Johnson Mike Duval
 Bobbie Kilberg Bill Seidman
 Robert Hartmann Paul Leach

FROM THE STAFF SECRETARY

40/ Res
 to 10/16 11:29
 GA
 to DJS
 10/16 12:05
 GA

DUE: Date: October 18

Time: 200pm

SUBJECT:

H.R.10210-Unemployment Compensation Amendments of 1976

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

OK/MWB

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.

James M. Cannon
For the President

STATEMENT BY THE PRESIDENT

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H.R. 10210 extends unemployment compensation coverage to over 9 million workers, the largest addition to this program since its beginning. Newly covered groups include many agricultural and domestic workers and most State and local government employees.

Back up
The bill makes vital changes in the system's financing in order to restore its fiscal soundness so that unemployed workers can continue to be assured that assistance will be available when needed. Moreover, it removes loopholes in the law which permitted some individuals to take advantage of the system.

H.R. 10210 also establishes a National Commission on Unemployment Compensation to study and make recommendations by January 1, 1979, on unresolved problems in the system.

I am disappointed that the Congress did not adopt my proposal for a Federal standard for the minimum unemployment benefit amount. If unemployment compensation is to provide meaningful support for those who have lost jobs while they look for new ones, we should be sure that an adequate proportion of lost wages is replaced. The Commission should give this proposal prompt consideration.

In addition to its unemployment compensation provisions, H.R. 10210 contains amendments to the Supplemental Security Income program. I find some of these provisions ill-conceived and they may require corrective action. Furthermore, they are objectionable because of the unrealistic effective dates which Congress has imposed.

The unemployment compensation provisions of this bill represent the kind of cooperation and compromise between the Congress and the Administration to enact legislation which is in the interest of every American. As a result, the unemployment compensation system will be able to better serve the needs of unemployed workers.

THE WHITE HOUSE

WASHINGTON

October 18, 1976

MEMORANDUM FOR: JUDY JOHNSTON

FROM: STEVE McCONAHEY *sem*

SUBJECT: H.R. 10210
Unemployment Compensation
Amendments of 1976

Although H.R. 10210 would provide for needed unemployment compensation coverage, some public interest groups strongly oppose this bill because of its financial effect on state and local units of government; one group favors it.

Because of its divided constituency, the National Governors' Conference is in favor of the bill. Many states already have compensation programs and thus would not be severely affected.

The National League of Cities-U.S. Conference of Mayors and the National Association of Counties all do not question the concept of unemployment compensation, but do raise questions about the source of funding for these payments. Estimates of costs vary from jurisdiction to jurisdiction, but two examples were given by NACo: Los Angeles County estimates that this bill would cost it over \$21 million per year, effective January, 1978. This county already provides severance pay which it contends costs much less than the proposed program.

Alameda County, California, also estimates a considerable cost. Using SUA data for the past year, county officials estimated that Alameda County alone would have paid out \$1,849,538 in unemployment compensation benefits in 1975. (That figure does not include administrative costs.)

Other arguments presented by NACo against the bill are:

- 1- To meet payment requirements, counties would have to fire present employees and would thus create more unemployment.
- 2- Counties would have to discourage part-time work and shared employment in order to meet the cost.
- 3- Because county government is substantially different from the private sector, it cannot be expected to assume this burden as easily as private employers. One factor here is that 85 per cent of the locally guaranteed tax revenues are provided through inelastic property taxes which, in many areas, are at the maximum level tolerable.
- 4- Local units which now voluntarily contribute to state plans might lose the amount of credit they have accrued with their states. States which cover local units include Connecticut, Wisconsin, Rhode Island, Minnesota and Hawaii.

NACo and the League of Cities-U.S. Conference of Mayors all lobbied very actively in Congress against this bill because of these factors.

The President has indicated that he approves this legislation and undoubtedly will sign it. But, he should be aware of the potential financial burden that it will place on local and county governments.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: 13

Date: October 15

Time: 400pm

FOR ACTION: David Lissy
Max Friedersdorf
Steve McConahey
Bobbie Kilberg
Robert Hartmann

cc (for information): Jack Marsh
Ed Schmults
Spencer Johnson
Bill Seidman
Mike Duval
Paul Leach

FROM THE STAFF SECRETARY

DUE: Date: October 18

Time: 200pm

SUBJECT:

H.R.10210-Unemployment Compensation Amendments of 1976

ACTION REQUESTED:

___ For Necessary Action

___ For Your Recommendations

___ Prepare Agenda and Brief

___ Draft Reply

X ___ For Your Comments

___ Draft Remarks

REMARKS:

please return to judy johnston, ground floor west wing

Concur w/ approval
[Signature]

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.

James M. Cannon
For the President

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

October 20, 1976

MEMORANDUM FOR JAMES M. CANNON

FROM: ALAN GREENSPAN

This is in response to your request for the views of the Council of Economic Advisers regarding a Justice Department proposal to allocate a specific portion of public works construction funds (provided under Title I of the Public Works Employment Act of 1976) for the renovation of State and local penal institutions.

I think the proposal is a good one. There seems to be a clear need for rehabilitation of prison facilities and it fits in well with the President's anticrime program. However, I am worried that dedication of a set percentage of the funds available for construction could limit the ability of States and localities to make use of the provisions of this legislation, thus delaying its anti-recession impact. I would therefore recommend your Option 2 which directs the Assistant Secretary of Commerce for Economic Development to give prison projects "high priority" in allocating funds under the Public Works Employment Act -- as the best and most flexible course of action.



I am pleased to sign the Unemployment Compensation Amendments of 1976, H.R. 10210. This bill incorporates many of the recommendations proposed by my Administration in July 1975. It significantly improves our unemployment compensation system.

In particular, this bill makes vital changes in the unemployment compensation system's financing. It restores the fiscal soundness of the system so that unemployed workers can be sure assistance will be available when needed. Moreover, the bill clarifies some aspects of the law to ensure that benefits are paid only to those individuals the program is intended to cover. ~~For example, it now makes it clear that professional athletes between sports seasons would not be eligible.~~

H.R. 10210 extends unemployment compensation coverage to over 9 million workers, ^{This is} the largest addition to this program since its beginning. ~~Newly covered groups include many agricultural and domestic workers and most State and local government employeers.~~

H.R. 10210 also establishes a National Commission on Unemployment Compensation to study and make recommendations by January 1, 1979, on unresolved problems in the system.

In addition to its unemployment compensation provisions, H.R. 10210 contains amendments to the Supplemental Security Income program. I find some of these provisions ill-conceived and they may require corrective action. Furthermore, they are objectionable because of the unrealistic effective dates which Congress has imposed.

The unemployment compensation provisions of this bill represent the kind of cooperation and compromise between the Congress and the Administration to enact legislation which is in the interest of every American. As a result, the unemployment compensation system will be able to better serve ^{our nation} the needs

STATEMENT BY THE PRESIDENT

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