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ECONOMIC POLICY BOARD
EXECUTIVE COMMITTEE MEETING

AGENDA
8:30 a.m.
Roosevelt Room

August 12, 1976

1. Report of Task Forces to Improve Govern-
ment Regulation

MacAvoy



THE WHITE HOUSE

WASHINGTON

August 6, 1976

MEMORANDUM FOR ECONOMIC POLICY BOARD
EXECUTIVE COMMITTEE

FROM: L. WILLIAM SEIDMAN *fws*

SUBJECT: Humphrey-Hawkins Bill

A copy of a critique of the Humphrey-Hawkins Bill prepared by Raymond J. Saulnier, former Chairman of the Council of Economic Advisers, is attached.

I hope you find it as useful as I did.

Attachment



A DISSENTING CRITIQUE OF S.50 - THE HUMPHREY-HAWKINS BILL

(By Raymond J Saulnier, Emeritus Professor of Economics, Barnard College, Columbia University; Chairman of the President's Council of Economic Advisers, December 1956 - January 1961)

The Full Employment and Balanced Growth Act of 1976 (S.50) - misnamed in that it has nothing to do with balanced growth - has so many faults one is tempted to regard it as totally without merit. The bill's deficiencies are so numerous and basic that the only sensible course for Congress is to vote it down, but by confronting the problem of structural unemployment aggressively it has at least the virtue of good intentions. Unfortunately, it would do it ineptly. The bill is correct in distinguishing between adult and youth unemployment, but its overall approach to unemployment reduction is so basically wrong that it could not help but fail to deliver on the extravagant promises it makes, would have highly undesirable side-effects, and by setting public policy on a wrong track would preempt the opportunity to deal in a constructive way with a problem that demands solution. Accordingly, this dissent from the bill, which is directed to its basics not its particulars, has to do with its methods not its aims.

Eight major faults are identified.

THE BILL WOULD DO NEXT TO NOTHING TO CORRECT
CONDITIONS THAT CAUSE UNEMPLOYMENT, AND IN AT LEAST
ONE IMPORTANT RESPECT WOULD AGGRAVATE IT

Considering the far-reaching scope and immense cost of what S.50 would propose doing to reduce the unemployment rate - its goal would be to cut the rate for adults to 3 percent within four years - it is remarkable that with but one exception there is nothing in it designed to help correct the causes of the unemployment problem to which it is primarily directed. The bill is breathtaking in the public funds it would spend to support an approach to unemployment based on a wrong analysis of the problem and committed to obsolete and deadend attempts at its solution. And it is shocking in how imperatively it would restructure economic policy to give effect to methods ill-designed for their purpose. The country does not need nor could it stand the mishandling of a serious economic problem that S.50 proposes.

No one can claim that the causes of unemployment are fully understood, but enough is known to forecast that if Humphrey-Hawkins were enacted and administered as it stands its result would be not to solve the problem in any meaningful



sense but to create a perpetual body of uneconomic, federally-funded employment would be little more than disguised unemployment.

Federal and state programs of job training, counseling and placement have been in effect for years, and S.50 must be credited with recognizing a need for their continuance, but otherwise it leaves the causes of unemployment untouched. Still worse, the negative effect on job availability of uneconomic wage scales would be hardened by the compensation provisions of the bill, which call for pay scales on federally-assisted programs not less than the higher of government-determined minimum wage rates, including those set under Davis-Bacon, or prevailing rates in occupations involved. Such scales would almost certainly draw persons into federally-subsidized programs from lesser-paid private or public employment or as new entrants into the labor force, retard the transfer of assisted persons into private employment, and magnify the unemployment-reduction task.

IT WOULD DO NOTHING TO HELP CREATE PRIVATE SECTOR JOBS
THAT ARE THE ONLY GENUINE SOLUTION TO UNEMPLOYMENT

Whether the jobs are in private industry and commerce, producing goods and services for which consumers will pay market-determined, compensatory prices, or in the public sector, performing services that taxpayers will willingly support, the only genuine solution to unemployment is the creation of self-supporting, unsubsidized jobs.

What S.50 lacks is a realization that to supply such employment there must be a budget surplus to finance the creation of jobs and a reasonable prospect that they will be self-sustaining. If these conditions are absent, and S.50 would do nothing to help create them, its result would be to create a class of individuals lodged more or less permanently on federally-funded payrolls, doing work (as the bill directs) "that would not otherwise be done," or moving from one such program to another.

It is relatively simple to place persons on federal or federally-assisted payrolls, and it is right that provision should be made to train them for transfer to self-supporting employment, but if there are inadequate employment opportunities at the end of that line the whole process is a deadend solution. There are things government could do - much of it in the area of taxation - to help promote job creation in the private sector, but Humphrey-Hawkins would do nothing to that end; more than that, it gives no evidence of recognizing that such things need to be done.

THE BILL'S APPROACHES ARE FLAWED BECAUSE ITS AUTHORS SEEM
NEVER TO HAVE PERCEIVED CLEARLY WHETHER THEIR MISSION WAS
TO CORRECT CYCLICAL OR STRUCTURAL UNEMPLOYMENT

A major reason why S.50 is open to such severe criticism is that it focuses entirely on government as the employer, seemingly blind to the role of private initiative in creating job opportunities. Another is that it is blind to things



government does that contribute to unemployment, including unwarranted regulation, restrictions on capital accumulation, and economically unsound minimum wage requirements.

A more subtle but equally basic defect is the bill's failure to perceive whether it is addressed to cyclical unemployment or to unemployment attributable to structural maladjustments in the economy. A vivid illustration is the provision that would direct the President to give Congress "a comprehensive proposal [for] supplementary employment policies and programs necessary to reduce high unemployment arising from cyclical movements in the economy" and then adds quickly that the measures proposed should relate to "periods of high unemployment, regardless of the stage of the business cycle." [underlining supplied] As a result, what it proposes is a melange of measures, never clearly directed to one form of unemployment or the other; indeed, it is a fair description of S.50 to say that it would aim to alleviate structural unemployment by conducting countercyclical programs beyond their cyclical need.

Separating the bill's approaches to these two essentially different problems as best one can, what it proposes for alleviating cyclical unemployment is mainly public service employment and public works - the latter, especially, an idea reminiscent of the 1930's and long since discounted as more procyclical than countercyclical in dealing with the fast-moving business cycle. The bill is devoid of measures that would enhance our capability to deal with cyclical unemployment, though such could be devised. What it says on monetary policy would do nothing to improve its technical aspects, but would surely politicize administration.

There is no reason to expect the programs it advocates to serve better as countercyclical measures than similar efforts in the past. It is instructive to recall that, after six years in the 1930's of programs such as Humphrey-Hawkins proposes now to resurrect, the US economy was left in 1939 with an unemployment rate of 19 percent!

THE BILL WOULD INVOLVE FEDERAL OUTLAYS THAT COULD EXCEED \$40 BILLION INITIALLY, WITH ANNUAL COSTS THAT COULD APPROACH THE SAME AMOUNT

An estimate of what the bill would cost is crucial, of course, in evaluating it, though even a rough guess is difficult to make. It is certain, however, that its costs would be immense, since the programs it proposes are open-ended - several essentially of an entitlement variety - and likely to be heavily used if the opportunity presented itself. In addition to public service employment, which presumably would be relied on most heavily, they include (1) the public works programs already noted, (2) "a permanent, countercyclical grant program ... to stabilize State and local budgets during periods of recession and high unemployment," (3) "a comprehensive regional and structural employment proposal ... designed to reduce the chronic underutilization of human and capital resources in certain areas of the country and in groups within the labor force [and to] encourage private sector production and employment to locate within depressed



regions and inner cities," and (4) a program to provide "job opportunities for persons in a variety of tasks, including conservation, public service activities, inner city cleanup and rehabilitation, and other jobs of value to States, local communities, and the Nation."

It is pointless to try to gauge the cost of a grant program to stabilize state and local budgets, or of programs to aid depressed regions and inner cities (presumably in addition to what is already being done), but at least a rough estimate can be made of outlays that would be involved if unemployment is to be reduced to 3 percent within four years through public service employment and related programs, as S.50 proposes.

One begins here with the knowledge that there were 5.2 million adults (20 years and over) counted unemployed in May 1976, with their unemployment rate at 6 percent. To reduce that rate to 3 percent, assuming all net additions to the labor force in the interim are absorbed into nonassisted employment, would require providing assisted employment to 2.6 million persons. If the initial cost of assisting each is put at \$18,000 - net of costs such as unemployment compensation and welfare payments that assisted employment would obviate - the initial outlays would be over \$40 billion, distributed over whatever time might be required to reach the 3 percent goal. Since conditions laid down in the bill would slow transfers to private employment, continuing annual costs could be close to this initial outlay.

To the above must be added the cost of grant programs to states and localities for budget balancing, and the cost of programs for depressed regions, inner cities, and unemployed youths. How one should interpret the provision that calls for "stockpile reserves of food and other critical materials ... to meet emergencies ... and to maintain reasonable price stability and adequate farm income" [underlining supplied] is unclear, but it obviously has a high expenditure potential.

If this estimate of unemployment-reduction cost is too high, as the authors of the bill would undoubtedly maintain, it would have to be that the \$18,000 figure is too high (though it seems reasonable), that transfers to private employment would be faster than the example assumes (which is unlikely), that nonassisted employment would provide jobs for more than the net increase in labor force (which one would hope for, but could not be credited to effects that only S.50 could produce), or that a good many less than 2.6 million persons would be assisted (which is to say that the bill would fail in its principal promise). Until it is shown to be mistaken, the estimate must stand; any excess in it would assuredly be offset by costs of other programs that the bill provides.

S. 50 WOULD AGGRAVATE THE FEDERAL GOVERNMENT'S
DEFICIT-FINANCING PROBLEM AND COLLIDE WITH SPENDING
LIMITATIONS ALREADY ADOPTED BY CONGRESS

With the federal budget already heavily in deficit (around \$70 billion in fiscal 1976), and with Congress proposing to spend \$19 billion more in fiscal 1977 than recommended by the administration in a budget contemplating a deficit of \$43 billion, a collision between the spending proposals of S.50 and the May Joint Budget Resolution is a certainty. And the possibility of resolving the conflict by substituting S.50 outlays for outlays already provided for by Congress, or by tax increases, is clearly nonexistent. Yet if the joint resolution is to give way, allowing significantly increased spending, it would be asking Congress to spend far beyond what it has already determined should be the upper limit in fiscal 1977. One can only conclude that those in Congress who advocate Humphrey-Hawkins must have their eyes averted from their own budget limits.

If, despite this conflict, spending limits are to be ignored to accommodate S.50, the federal deficit would mount well beyond what Congress, correctly or not, has already determined is the highest appropriate in the circumstances. This would accelerate money supply increases, cause inflation to speed up, put upward pressure on interest rates (already expected to trend up over the rest of this year and in 1977), and have a negative impact on private investment and on the increase of nonassisted employment.

THEORIES UNDERLYING THE DESIGN OF S.50
ARE ESSENTIALLY INFLATIONARY

Apart from its cost, and the budget deficits it would invite, other features of the bill suggest a natural bias in its authors toward essentially inflationary approaches to economic problems. The principal example is its inclusion of "full purchasing power," along with full employment and full production, as one of its three basic goals, defining this as "levels [of purchasing power] necessary for attaining and maintaining full employment and production" The phrase is open to varying interpretations, but a reasonable translation is that aggregate [monetary] demand should be expanded whenever unemployment is above 3 percent, reminiscent of "purchasing power" theories of economic stabilization fashionable in the 1920's and 1930's but now rejected by all but a small coterie of inflationists.

As a second example, there is nothing in the bill to suggest that monetary policy should be guided by anything other than the unemployment rate. Any straightforward reading of S.50 would say it entails an assumption that only hardcore inflationists would accept, namely that in any circumstances of more than 3 percent adult unemployment money supply increases should be accelerated, regardless of how fast prices are rising. If the bill does not mean that, it is incumbent on those who drafted it to amend its language.

A third facet of the bill's disposition toward inflationary approaches is its

acceptance of the "full employment budget surplus" as a guide to fiscal policy. It has it that budget balance is appropriate only at full employment and that general deficits under other conditions, such as the nearly \$70 billion shortfall in fiscal 1976, are not only acceptable but essential to the expansion of private employment. In other words, one is asked to believe that the performance of the US economy would not have been better in 1976 if Treasury borrowing had been less, and if inflation and interest rates had been lower.

THE BILL'S COMMITMENT TO INFLATIONARY APPROACHES TO UNEMPLOYMENT WOULD LEAD QUICKLY TO DIRECT CONTROLS

The conclusion is inescapable that since S.50 would have an inflationary effect while precluding monetary and fiscal restraint it would lead quickly to the imposition of direct controls over wages, prices, profits, and dividends, presumably under the label of an "incomes and prices policy" - and it is hard to see how this could fail but be extended to interest rates and the allocation of credit.

Such approaches to inflation control are not explicit in the language of the act, but they are surely implicit in its logic, and implicit in that section which indicates that the President should recommend to Congress "administrative and legislative actions to promote reasonable price stability if situations develop that seriously threaten national price stability." [underlining supplied] That such efforts have failed in every use to date, here and elsewhere, cannot have escaped the notice of the bill's authors. They must believe that all that is needed to make them work in another attempt is a wider, more systematic, and more cooperative application. What this promises is an economy increasingly subject to government regulation and direction, with all the inequities and inefficiencies this would involve.

WHAT MAY BE S.50'S MOST SERIOUS DEFECT: DETERMINING ECONOMIC POLICY BY REFERENCE TO INFLEXIBLE, NUMERICAL GOALS

Next to its advocacy of essentially inflationary approaches to unemployment reduction, the most noxious feature of S.50 is its insistence that all aspects of policy be governed singlemindedly by preestablished, inflexible, numerical goals, principally keyed to the adult unemployment rate. There is nothing in the act to which its authors seem more fully committed: considerations of balance in the economy are invoked in its title but are evident nowhere else; neither is the inflation rate to be weighed in setting policy. Pervading S.50 is a belief that economic policy should be administered mechanically and automatically, as a kind of exercise in economic arithmetic. Calling for an "automatic trigger or set of coordinated triggers" by which programs would be phased in and phased out, it is essentially a technocratic, unthinking approach to policymaking to which few experienced in the realities of that responsibility would subscribe. All one can say of this feature is that it is either not meant to be taken altogether seriously - in which case it seems a rather lame joke on the public interest - or is prompted by an erroneous understanding of

how the American economy and the process of policymaking works. The latter is doubtless the more fitting explanation.

* * *

S.50 is obviously not the way to attack the serious and urgent problem of chronic, structural unemployment. Indeed, it is an affront to the country's intelligence on economic policymaking. Repeating what was said at the outset, Congress should vote it down in toto at its earliest floor appearance, if it gets that far.

But the chronic, structural unemployment problem to which S.50 is principally directed must be faced, preferably by the executive branch developing a program for presentation to Congress, if necessary with the aid of a Presidential Commission. There are things to be done that would help improve our capability to deal more effectively with cyclical unemployment and help alleviate structural unemployment, and ways to do this without causing inflation to accelerate from immense increases in federal spending and budget deficits. No one would maintain that the problems of inner cities, depressed regions, disadvantaged groups in the labor force, youths desiring but lacking employment, and unbalanced state and local budgets are not real, but each can be dealt with more constructively than in the context of S.50. Knowing what we do of these problems and how to attack them, and being fully prepared to back rational approaches to them, as the country doubtless is, it would be a tragedy without parallel to blunder ahead in the S.50 manner.

New York City
July 12 1976

RAYMOND J SAULNIER ,



COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

ALAN GREENSPAN CHAIRMAN
PAUL W. MACAVOY
BURTON G. MALKIEL

August 11, 1976

MEMORANDUM TO THE EXECUTIVE COMMITTEE - ECONOMIC POLICY BOARD
FROM: Paul W. MacAvoy *plm*
SUBJECT: Task Forces to Improve Federal Regulation

The Task Forces working on OSHA and FEA regulations are both within a week of the original schedule for progress to date. The Export Administration Task Force circulated a progress report last week, which contains in good part the first draft of a final report and recommendations for management changes in the inter-agency review process.

The question for EPB today is whether either or both of two additional task forces should be formed. Preliminary work plans for Task Forces on EPA and higher education are attached.

Attachments



July 1976

PRELIMINARY

DRAFT

WORK AGENDA FOR TASK FORCE ON
THE ENVIRONMENTAL PROTECTION AGENCY

I. Evaluation of the Inflationary Impact Statement Program

The first area of investigation would involve the evaluation of the Inflation Impact Statement (IIS) program as it has applied to rulemaking procedures of the Environmental Protection Agency (EPA). This analysis would involve extensive cooperation of the EPA staff.

A. Major issues to be addressed.

1. What office within EPA is responsible for preparing the IIS?
2. Is the IIS a document that in the absence of Executive Order 11821 otherwise would not have been prepared?
3. At what point in the rulemaking process is the IIS prepared?
4. Does the IIS have any internal impact on standards that are eventually offered as proposed regulations?
5. Does the IIS have any impact on the standards between the time of proposal and the time of promulgation?
6. Is there follow-up evaluation of inflationary impacts after promulgation?

B. Procedures to determine impacts.

1. Identify the following for each of the standards promulgated since July 1, 1975.
 - i. Levels at which proposed and final standards were approved.
 - ii. Project officer(s).
 - iii. Economic analyst(s).
2. Determine source of major quantitative inputs into IIS.
 - i. Industry.
 - ii. Contractors.
 - iii. Standards Office.
 - iv. Division of Economic Analysis.



3. Who completes the IIS?
 - i. Contractor?
 - ii. Standards Office?
 - iii. Division of Economic Analysis?
4. At what stages (if any) are IIS's relied upon in the decision-making process?
 - i. The administrator level?
 - ii. The standard development level?
 - iii. As a compromise between the Standards Offices and Division of Economic Analysis?
 - iv. After completion of the IIS and the proposed standard, what role is played by:
 - a. The analyst?
 - b. The project officer?
5. To what extent is the IIS relied upon by intervenors in the rulemaking process?
 - i. Industry?
 - ii. Environmental groups?
 - iii. Government agencies?

C. Measures or surrogates for internal impacts in Part B above.

1. Standards that were considered but abandoned because of IIS.
2. Standards that were proposed internally but modified before formal proposal because of IIS.
3. Standards that were modified between formal proposal and final promulgation because of IIS.
4. Standards that were modified after promulgation because of a reevaluation of economic impacts.

D. Specific programs to be examined in detail.

1. Water effluent guidelines.
 - i. Aldrin/dieldrin, toxaphene, DDT, and endrin.
 - ii. Coal mining and preparation plants.
 - iii. Canned fruit and vegetable industry.
 - iv. Dredge and fill permit regulations (with Corps of Engineers).



- v. Feeder lot permit regulations.
 - vi. Iron and steel industry.
 - vii. Metal finishing industry.
 - viii. Nonmetallic mining industry.
 - ix. Ore mining and dressing industry.
 - x. Kraft pulp and paper industry.
2. Drinking water regulations.
- i. Safe drinking water standards.
 - ii. Radioactivity in drinking water.
 - iii. Underground injection of fluids.
3. Noise standards.
- i. Jet aircraft (with FAA).
 - ii. Medium- and heavy-duty trucks.
 - iii. Mobile air compressors.
 - iv. Railroad diesel locomotives and cars.
4. Air emission standards.
- i. Mobile sources.
 - a. Evaporative hydrocarbon emission standards for light-duty vehicles (LDVs) and light-duty trucks (LDTs).
 - b. Exhaust emission standards for heavy-duty engines.
 - c. Exhaust emission standards for LDVs and LDTs.
 - d. Exhaust emission standards for motorcycles.
 - ii. Stationary sources.
 - a. Standards for iron and steel industry.
 - b. Standards for primary copper, zinc, and lead smelters.
 - c. Standards for NO_x emissions from lignite fired steam generators.
 - d. Standards for SO₂ emissions from sulfur recovery operations at oil refineries.
 - e. Vinyl chloride emissions.
5. Solid waste management.
- i. Ocean dumping regulations.
 - ii. Use of returnable beverage containers on Federal facilities.



6. Other programs.

- i. Pesticide registration regulations.
- ii. Air quality maintenance standards.
- iii. Municipal grant program for secondary and tertiary waste treatment systems.

II. Constraints on Use of Economic Analysis Stemming from EPA's Enabling Legislation and Internal Procedures.

A. Relevant legislation.

1. National Environmental Protection Act.
2. Clean Air Act.
3. Noise Act.
4. Federal Water Pollution Control Act Amendments of 1972.
5. Federal Insecticide Fungicide and Rodenticide Act.
6. Safe Drinking Water Act.
7. Solid Waste Disposal Act.

B. Points of evaluation.

1. Extent to which the legislation does or does not allow for economics (benefits as well as costs) to be a relevant variable in determining standards and guidelines.
 - i. The wording of the Act itself.
 - ii. The legislative history.
2. EPA's interpretation of the role of economics in determining standards and guidelines under each of the Acts.
 - i. Consultation with EPA's General Counsel.
 - ii. Internal guidelines memoranda.
3. EPA's use of economic analysis compared with:
 - i. Discretion allowed under legislation.
 - ii. Discretion allowed under EPA policy directives.

III. Conclusions and Recommendations.

- A. Impact of economic analysis (including IIS) on EPA decision-making.
- B. Exogenous and endogenous constraints on EPA's use of economic analysis.



- C. Possible improvements in EPA's rulemaking procedures to incorporate economic variables as permitted by its legislation.
- D. Desirable changes requiring additional legislation.



Proposal for a Presidential Task Force
to Reduce the Regulatory Complexity
in Higher Education

BACKGROUND

Historically, higher education has been free of significant federal regulation. In recent years this has changed because federal regulations now affect student recruitment, admissions, financial aid, and housing; faculty recruitment, hiring, salary, promotion, dismissal, and retirement; curriculum development, athletic programs, and degree requirements. Still other regulations affect the construction, alteration, and maintenance of physical facilities as well as all research and service contracts with any governmental agency.

The Federal agencies involved in regulating higher education overlap in their functions and in the scope of their coverage. Many of their data requirements are the same. A partial explanation for this redundancy lies in the law, with various agencies having been given authority under legislation passed at different times for different purposes. But there are cases where repetitious investigations, reporting requirements, etc., could be resolved by administrative action without resorting to a change in the law. There are other cases in which the differences in the regulations are so small that one set of regulations and one agency would do just as well.

A selected sample of the coverage is shown in Table 1. A detailed inventory of all agencies regulating higher education is not available at the present time, but Table 1 gives a clear picture of the pattern of redundancy. One of the work products of the Task Force would be a complete inventory of all agencies and all regulations affecting higher education.

PROCESS REFORMS

HEW has initiated major reforms of the process by which its regulations are produced. These reforms will involve the higher educational community in the development of HEW's regulations and should help prevent new problems from being created and new burdens from being imposed, at least within the realm of HEW's authority.



Table 1. Regulatory Jurisdiction by Agency



	HEW		LABOR		TREASURY	EEOC	VA	OTHER AGENCIES (DOD, AG, NASA, NSF, etc.)
	OCR	ED. Div.	Health Div.	OFCC	Wage & Hour	Exempt Organization Div.		
Civil Rights Enforcement	x			x	x	x		x
Student Financial Aid Forms		x	x				x	x
Record-Keeping & Data Reporting	x	x	x	x	x	x	x	x
Financial Records		x	x	x	x	x		x

The Department of Justice, under Executive Order 11764, has responsibility for establishing government-wide enforcement of Title VI of the Civil Rights Act and recently published a notice of proposed rule-making outlining certain minimal enforcement standards to be applied by each federal agency. The notice is now out for public comment. The intent of this proposal is to coordinate enforcement standards. The regulation, if adopted, will impact the higher education community as well as other constituencies. The Task Force will coordinate closely with this effort.

There are also a number of programs in operation which did not have the benefit of broad-based public participation or which developed over time in a piece-meal, uncoordinated fashion. These now have a cumulative adverse impact on institutions of higher education. Therefore, it is recommended that a Presidential Task Force be authorized to work toward achieving the following three process-oriented improvements.

- (1) To establish one source of information for review, enforcement, and certification in all civil rights issues.

Civil rights laws are enforced on campuses by HEW's Office for Civil Rights, by Labor's Office of Federal Contract Compliance and Wage and Hour Division, by IRS's Exempt Organizations Division, and by the Equal Employment Opportunity Commission. Issues dealt with by these agencies include "affirmative action programs" (discrimination in employment on the basis of race or sex), admissions, equal work/equal pay, housing, and numerous other areas where discrimination might occur. Each Federal agency has its own reporting dates, forms, and data requirements, and there is little coordination among them. Recordkeeping requirements have become excessively burdensome to colleges and universities. A single set of forms for the review of civil rights programs, for enforcement of the law, and for certification of the status of an institution is badly needed.

- (2) To establish a single data gathering and reporting system for annual reports of colleges and universities.

Each fall higher educational institutions are required to complete a comprehensive data report by filing the Higher Education General Information Survey (HEGIS) with the National



Center for Education Statistics. HEGIS, according to an HEW authority on the subject, "asks for just about everything anybody in or out of his mind could possibly want to know," yet other HEW offices (notably the Office for Civil Rights) require additional data along the same lines. In addition, other Federal departments and agencies (Labor, Treasury, VA, EEOC) at various times require data which overlap and duplicate HEGIS information. Even without addressing the issue of whether all the collected data are needed (or used once collected), there is a clear need for Government-wide coordination of data gathering and reporting requirements imposed on higher education.

- (3) To establish a single system for reporting the financial statistics of institutions of higher education.

Private colleges and universities, as nonprofit and tax-exempt institutions, are required by the Internal Revenue Service each year to submit "Form 990," a tax-exempt organization's version of the private citizen's Form 1040. In previous years IRS has accepted the "financial statistics" section of the HEGIS report for "Part II" of its Form 990, the detailed reporting of financial data. IRS now refuses to accept the HEGIS report and requires use of its own Form 990 "Part II," which has limited applicability to the finances of institutions of higher education. Meeting this new requirement, which became effective January 1, 1976, will require a major revision in the accounting systems of most institutions of higher education, a revision that will require substantial expenditures. At the same time the financial statistics section of HEGIS is still required. There is a need to establish a single financial data collection and reporting system with appropriate data made available to all relevant agencies of the Federal Government.

ORGANIZATION OF THE TASK FORCE

The membership of the Task Force should be made up of individuals from all of the affected agencies, with HEW providing nominal leadership and the greatest number of personnel because of the breadth of its experience with these problems. The Task Force Chairman, however, would come from outside the immediately affected agencies and would be chosen for his administrative abilities and his understanding of the problems of regulation in higher education. There should be as many as eight members of the Task Force detailed from the affected Government agencies for six months. The Paperwork Commission will contribute broad support for the Task Force, based on its experience with these problems to date.



An informal relationship with State representatives is planned to be established in order to coordinate the work of the Task Force with State agencies. The goal would be to achieve optimum uniformity of guidelines, standards, and reporting requirements imposed by Federal and State governments.

WORK PLAN

At the commencement of the Task Force's effort a detailed work plan will be developed in close consultation with all interested agencies and transmitted to the Economic Policy Board and affected Cabinet members for their approval. The detailed work will include a comprehensive statement elaborating on the specific objectives and areas of coverage. A program schedule will be established showing specific tasks and keyed to milestone dates. The final report and recommendations of the Task Force carrying specific agency concurrence will be transmitted to the President.

