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THE WHITE HOUSE

WASHINGTON

October 1, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

JAMES T. LYNN

FROM:

JAMES E. CONNOR

SUBJECT:

Executive, Legislative, and Judicial Pay (Legislative Appropriations Bill)

Confirming phone call to Jim Jura of your staff earlier today, the President reviewed your memorandum of September 28 on the above subject and approved the following option:

"OMB should prepare a signing statement appropriately excoriating the Congress."

During the staffing of this decision memorandum, the attached comments were received from CEA concerning the signing statement. A copy of this memorandum was provided to Judy Johnston for the staffing of the Legislative Appropriations Bill.

cc: Dick Cheney

THE WHITE HOUSE WASHINGTON

September 30, 1976

MR PRESIDENT:

Executive, Legislative and Judic ial Pay (Legislative Appropriations Bill)

Staffing of the attached memorandum prepared by Jim Lynn resulted in the following recommendations and comments:

Phil Buchen (Schmults), Jim Cannon, Max Friedersdorf, Bob Hartmann, Jack Marsh, Bill Seidman (Porter) and Alan Greenspan all support OMB's recommendations.

Comments were received as follows:

Bob Hartmann - "I want my raise, naturally. But, I suppose Option I is required."

Jack Marsh - "Sign and protest"

Alan Greenspan - See comments at TAB A.

Bill Seidman - "Must sign but with a strong statement not only dealing with chaos created in the Federal pay system but on the question of legislative encroachment."

Jim Connor

EXECUTIVE OFFICE OF THE PRESIDENT



OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

SEP 28 1976

ACTION

MEMORANDUM FOR THE PRESIDENT

James

T. Lynn

From:

Subject:

Executive, Legislative, and Judicial Pay (Legislative Appropriations Bill)

I. BACKGROUND

We have previously discussed what the Congress has been doing about the October cost-of-living increase for themselves, the Vice President, the Judiciary and the Executive Levels of the Executive Branch. The Udall amendment to the legislative appropriations bill, as retained by the conferees, means that none of these people will get a raise this October. However, the top levels of the General Schedule (GS-16 through 18, and some GS-15s) will receive an October raise, because the Udall language freezes only pay, not rates. Under existing law, employees under Executive Level V can be paid up to the rate for a Level V.

The conferees agreed that the Udall amendment will not affect action on the recommendations of the Quadrennial Commission. Thus, we can hope that the total freeze on top level executive, legislative, and judicial pay will be operative only until February. At that time, your recommendations for pay increases, based on the Quadrennial Commission report and transmitted with the FY 78 budget, would take effect--unless those recommendations were disapproved by either House (as they were disapproved by the Senate in 1974).

Nevertheless, at least until February, we will have a situation where employees at GS-16 through 18, and some at GS-15, will be receiving a higher salary than those in Executive Level V. The House Post Office and Civil Service Committee has obtained a written Comptroller General decision verifying this interpretation of the Udall amendment. The decision also states that the effect of the amendment does not extend beyond the end of FY 1977.

We have long expressed our concerns over the pay compression problem arising from the linkage of the General Schedule and Level V, which has resulted in a situation where as many as four subordinate levels receive the <u>same</u> salary. Under the Udall amendment, there will be several subordinate levels making <u>more</u> than an Executive Level V. The conference report has now been adopted by both the Senate and the House and the enrolled bill will arrive soon. If the bill is signed, in October of this year there could be more than 13,000 GS-15 through 18 employees (in the General Schedule alone) who would immediately be making \$39,600, or \$1,800 more than the \$37,800 received by any Executive Level V. There are 8,528 such employees at GS-15; 3,287 at GS-16; 968 at GS-17; and 344 at GS-18.

This means, for example, that <u>all</u> supergrades plus several thousand GS-15's would be making more, in October, than such Executive Level V positions as:

Commissioner of Customs Commissioner of Education Commissioner of Food and Drugs Commissioner of Immigration and Naturalization Commissioner of Indian Affairs Commissioner of Welfare Director, Bureau of the Census Director, Bureau of Mines Director, Bureau of Prisons Director, National Bureau of Standards Associate Administrators, NASA Deputy Commissioner of the Internal Revenue Service Assistant Secretaries for Administration of Agriculture, HEW, Labor, and Transportation Associate Administrators of the Small Business Administration Assistant Attorney General for Administration Administrator, Farmers Home Administration Administrator, Rural Electrification Administration Archivist of the United States Assistants to the Director of the FBI Fiscal Assistant Secretary of the Treasury Maritime Administrator Commissioner of Labor Statistics Deputy Director, National Security Agency Director, National Park Service

Furthermore, approximately 590 military officers at the two star level and above would receive \$39,600 in <u>basic</u> pay -- again, \$1,800 more than such DOD Level V's as:

The General Counsels of the Army, Navy, and Air Force DOD Deputy General Counsel Deputy Director of Defense Research and Engineering Director, Advanced Research Projects Agency

This situation can perhaps better be understood in more detailed terms of its impact within an agency such as the Internal Revenue Service, which has approximately 75,000 employees. The Executive Level V Deputy Commissioner is the highest ranking career official in the Revenue Service. Yet, under this bill, by October, people in all of the following IRS positions would be receiving salaries higher than the Deputy Commissioner's: 7 headquarters Assistant Commissioners at GS-18; 7 Regional Commissioners at GS-18; some 200 District Directors, Division Directors, and others at GS-17 and 16; and some portion of the 720 GS-15 employees in both supervisory and non-supervisory positions.

II. OPTIONS

1. Approve the legislative appropriations bill with a strong protest.

Pro:

- a. This would ensure that the repeal of the 1% kicker in Federal annuities, also a part of this bill, is enacted.
- b. It would increase the pressures for and possibilities of Congressional acceptance of your January proposals based on the Quadrennial Commission recommendations.
- c. It would allow General Schedule supergrades to receive a pay increase in October.
- d. It would accord with the traditional practice of accepting the annual legislative appropriations bill without change.

Con:

- a. Enactment would temporarily add to the chaos of Federal salary systems and exacerbate the existing problems of recruiting and retaining Federal judges and executives.
- b. With enactment, the Congress has effectively interfered with management of the Executive and Judicial branches simply because they are unwilling to deal independently with Congressional salary questions.

2. Veto the bill with a statement of what would be acceptable. This statement could include any one of the following conditions:

- -- Call for deletion of the entire Udall amendment, recommending that all pay issues be deferred until the Quadrennial Commission's proposals have been considered.
- -- Call for a new bill which affects only Members of Congress.
- -- Call for a freeze on all salaries which would otherwise exceed \$37,800 so that supergrades will not be paid more than Level Vs.

- a. The Udall amendment, which affects the Executive and Judicial Branches, is an inappropriate matter for inclusion in a <u>legislative</u> appropriations bill. This is another example, in different garb, of blatant legislative encroachment. A veto of a legislative appropriations bill (the first ever, we believe) could get considerable attention.
- b. It would prevent additional chaos in the pay scales of the Executive Branch.
- c. Unless Congress was able to override the veto or change the bill in timely fashion, the October pay raises would go into effect for everyone.

Con:

- a. Veto could jeopardize the repeal of the 1% kicker. Congress may not be as receptive to repeal the second time around on the bill.
- b. If a veto were to compel Congressmen to accept nominal October pay increases, this might lessen the likelihood of Congressional acceptance of Quadrennial increases in February.
- c. Veto would break the long-established precedent of accepting legislative branch appropriations.
- d. A veto could cause some bad press. It could be <u>perceived</u> as a means to secure pay raises for political appointees. While there are indeed some career Executive Level personnel, the majority are political appointees. Further, if one is to believe the comments made during debates in the Congress on pay issues, the general public believes that Congressmen, judges, and top level Executive Branch personnel are already overpaid.

III. RECOMMENDATIONS

While a veto is sorely tempting, I recommend that you sign the bill and issue a stinging statement about the chaos which the Congress has created in the Federal pay system.

Pro:

IV. DECISION



OTB should prepare a signing statement appropriately excoriating the Congress.

OMB should prepare a veto message which:

- a. _____ states that action on all pay issues be deferred until the Congress has considered the President's recommendations based on the Quadrennial Commission's proposals.
- b. _____ states that Congress should only take action in a Legislative Appropriations bill on pay issues which affect the Legislative Branch.
- c. _____ states that if Congress is going to freeze pay, the pay for supergrades should be frozen, too, to prevent further chaos in the Federal pay system.

See me.



THE CHAIRMAN OF THE COUNCIL OF ECONOMIC ADVISERS WASHINGTON

September 30, 1976

MEMORAND	UM	FOR	JAN	MES	CONNOR
FROM:	AI	AN	GREI	enşı	PAN
				1	

SUBJECT: James T. Lynn memo 9/28/76 regarding Executive, Legislative and Judicial Pay (Legislative Appropriations Bill)

This is in response to your request for my comments on James Lynn's memo of 9/28/76 on the Legislative Appropriations Bill.

The compression of the GS pay schedule has become a serious management issue. This bill would serve to relieve some of the pressures within the GS schedule but exascerbate them between the General Schedule and Executive Level V. The fault rests with the continued freeze on the executive level pay schedule. The inversion of the pay schedule inherent in this bill will create strong pressures for a relaxing of the freeze on executive level salaries when the President submits his pay proposals in January based on the Quadrennial Commission report.

The repeal of the l percent "kicker" in the Federal retirement benefits is desirable both in terms of equity and budget costs. It may be difficult to have a similar measure adopted in the future if this bill is vetoed.

I recommend that the President sign the Legislative Appropriations Bill but include the following in his signing statement:

"From the perspectives of management efficiency and equity, it is important to relax the compression in the pay schedule that results in as many as four subordinate levels in the General Schedule categories receiving the exact same salary. While this bill eases this problem it will create new administrative problems with some subordinates at GS levels 15 to 18 earning \$1,800 more per year than their Executive Level V supervisors.



I am signing this bill to provide more appropriate salaries for high level civil servants so that the Federal Government can continue to compete with the private sector for high quality and highly motivated workers. However, by freezing the salaries of Executive Level V, Congress is creating an intolerable management situation which I strongly urge they rectify as soon as possible.

September 30, 1976

MR PRESIDENT:

Executive, Legislative and Judical Pay (Legislative Appropriations Bill)

Staffing of the attached memorandum prepared by Jim Lynn resulted in the following recommendations and comments:

Phil Buchen (Schmults), Jim Cannon, Max Friedersdorf, Bob Hartmann, Jack Marsh, Bill Seidman (Porter) and Alan Greenspan all support OMB's recommendations.

Comments were received as follows:

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Alan Greenspan - See comments at TAB A.

Bill Seidman - "Must sign but with a strong statement not only dealing with chaos created in the Federal pay system but on the question of legislative encroachment."

Jim Connor

capy to Judy Johnston for signing statement

THE CHAIRMAN OF THE COUNCIL OF ECONOMIC ADVISERS WASHINGTON

September 30, 1976

MEMORANDU	IM FOR JAMES CONNOR	
FROM:	ALAN GREENSPAN	
SUBJECT:	James T. Lynn memo	9/28/

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

SEP 28 1975

ACTION

MEMORANDUM FOR THE PRESIDENT

James;

T. Lynn

From:

Subject:

Exécutive, Legislative, and Judicial Pay (Legislative Appropriations Bill)

I. BACKGROUND

We have previously discussed what the Congress has been doing about the October cost-of-living increase for themselves, the Vice President, the Judiciary and the Executive Levels of the Executive Branch. The Udall amendment to the legislative appropriations bill, as retained by the conferees, means that none of these people will get a raise this October. However, the top levels of the General Schedule (GS-16 through 18, and some GS-15s) will receive an October raise, because the Udall language freezes only pay, not rates. Under existing law, employees under Executive Level V can be paid up to the rate for a Level V.

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This means, for example, that <u>all</u> supergrades plus several thousand GS-15's would be making more, in October, than such Executive Level V positions as:

Commissioner of Customs Commissioner of Education Commissioner of Food and Drugs Commissioner of Immigration and Naturalization Commissioner of Indian Affairs Commissioner of Welfare Director, Bureau of the Census Director, Bureau of the Census Director, Bureau of Mines Director, Bureau of Prisons • Director, National Bureau of Standards Associate Administrators, NASA

Deputy Commissioner of the Internal Revenue Service Assistant Secretaries for Administration of Agriculture,

HEW, Labor, and Transportation Associate Administrators of the Small Business Administration Assistant Attorney General for Administration Administrator, Farmers Home Administration Administrator, Rural Electrification Administration Archivist of the United States Assistants to the Director of the FBI Fiscal Assistant Secretary of the Treasury Maritime Administrator Commissioner of Labor Statistics Deputy Director, National Security Agency Director, National Park Service

Furthermore, approximately 590 military officers at the two star level and above would receive \$39,600 in <u>basic</u> pay -- again, \$1,800 more than such DOD Level V's as:

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IV. DECISION

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OMB should prepare a veto message which:

- a. ______ states that action on all pay issues be deferred until the Congress has considered the President's recommendations based on the Quadrennial Commission's proposals.
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- c. _____ states that if Congress is going to freeze pay, the pay for supergrades should be frozen, too, to prevent further chaos in the Federal pay system.

See me.

THE WHITE HOUSE WASHINGTON

TO: BOB LINDER FROM: TRUDY FRY

The attached is sent to you for review before it is forwarded to the President.

I have put this into staffing to get back by C.O.B. today.

PRSC

r	THE WHITE HOUSE		and the second s
ACTION MEMORANDUM	WASHINGTON	LOG N	NO.:
Date: September 30, 1976	Time:		
FOR ACTION: Phil Buchen Jim Cannon Max Friedersdorf Bob Hartmann FROM THE STAFF SECRETAR	Jack Marsh Bill Seidman	nformation):	Dave Gergen
DUE: Date: Quick Turaa	round Pls	Time: COB	9/30/76
SUBJECT:			

ACTION REQUESTED:

_____ For Necessary Action

X For Your Recommendations

____ Prepare Ägenda and Brief

Draft Reply

Draft Remarks

_X_For Your Comments

REMARKS:

Hartmann - see comments March - sign+ protect Buchen - agree with OMB × Buchen - agree with OMB × Arenspan - see comments Cannon - Supporto MB Sudman - Must sight of stalement natorly Sudman - Must sight of stalement natorly Preedersdorf - conceus will be but encroastment

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.

E WHITE HOUSE		11:35 9
WASHINGTON	LOG 1	NO.:
Time:		
cc (for info	rmation):	Dave Gerger
Jack Marsh		
Bill Seidman		
Alan Greenspan		
und Pls Tir	ne: COB	9/30/76
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	WASHINGTON Time: cc (for info Jack Marsh Bill Seidman Alan Greenspan	LOG 1 Time: cc (for information): Jack Marsh Bill Seidman Alan Greenspan

ACTION REQUESTED:

_____ For Necessary Action

X____ For Your Recommendations

_____ Prepare Agenda and Brief

_X_For Your Comments

____ Draft Remarks

_ Draft Reply

REMARKS:

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TH	E WHITE HOUSE	E			
TION MEMORANDUM	WASHINGTON	WASHINGTON LOG N		0.:	
e: September 30, 1976	Time:				
R ACTION:	cc (for	informa	tion):	Dave Gerg	
<u>Phil Buchen</u> Jim Cannon	Jack Marsh				
Max Friedersdorf	Bill Seidman				
Bob Hartmann ROM THE STAFF SECRETARY	Alan Greenspa	n			
DUE: Date: Quick Turnarou	ind Pls	Time:	СОВ	9/30/76	
SUBJECT:					

ACTION REQUESTED:

_____ For Necessary Action X_____ For Your Recommendations _____ Prepare Agenda and Brief _____ Draft Reply _____ For Your Comments _____ Draft Remarks

REMARKS:

: Eque with OMB Simother of the expl 20

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\mathbf{T}	HE WHITE HOUSE		
ACTION MEMORANDUM	WASHINGTON	log n	í0.:
September 30, 1976	Time:		
CTION:	cc (for inform	ation):	Dave Gergen
hil Buchen Jim Cannon Max Friedersdorf Bob Hartmann FROM THE STAFF SECRETARY	Alan Greenspan	30 /31	33
DUE: Date: Quick Turnard	ound Pls Time	сов	9/30/76
SUBJECT:			

ACTION REQUESTED:

----- For Necessary Action

X For Your Recommendations

_____ Prepare Agenda and Brief

X For Your Comments

_____ Draft Remarks

____ Draft Reply

REMARKS:

Jupport ours

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